



2015–2020

5 Years of
Investing in Sustainability

Impact Report 2020

Marketing communication

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Greetings from the Chair	Greetings from the Advisor	Evolution of the eco.business Fund	Our Approach to Impact & Sustainability	Key Figures	Sectors	Partners	End-borrowers	Our Investors	Contact & Credits	Disclaimer

The Fund's Impact Goal

The eco.business Fund aims to promote business and consumption practices that contribute to biodiversity conservation and the sustainable use of natural resources, as well as to mitigating climate change and adapting to its effects.

2015-2020

5 Years of Investing in Sustainability



Greetings from the Chair

In the five years since the eco.business Fund was launched, it is without a doubt that 2020 has been a year with unique challenges for us all. The past year has reemphasized how interconnected our systems are – whether natural or financial.

On the one hand, as the world looks to more resilient and responsible ways of living and doing business, we remain determined to support agribusinesses, sustainable aquaculture and fisheries, certified producers, sustainable forestry and tourism, and financial institutions seeking to put sustainability at the vanguard of their operations. That is why the fund was quick to steer investments over the course of the year to ensure that partner institutions received financial and technical support to help them effectively respond to the tumultuous environment. Ultimately, the activities of the fund and our partners have translated to supporting 452,000 jobs and the sustainable management of 430,000 hectares of farmland as of December 2020.

On the other hand, the past year has again provided us with evidence of how important it is to bring together public and private resources to hold fast to our mission of conserving biodiversity, supporting the sustainable use of natural resources, and climate change mitigation and adaptation to its effects. The continuous support of our partner institutions in these volatile times has only been made possible through our investors providing much-needed funding.

Overall, I am proud to report that despite the challenging circumstances, the fund has witnessed steady growth and development over the course of 2020. From expanding to new regions such as Guatemala and sub-Saharan Africa and leveraging existing partnerships to achieve maximum impact with nine new investments of USD 150 million, to providing our first corporate loan; we have been able to reaffirm our presence in local markets and assure ongoing support to end-borrowers for their sustainable businesses.

So, it is with great hope for the future that I, on behalf of the board of directors, present this impact report. Going forward, we are excited about the prospect of expanding our reach into new regions and providing more direct investments. Thank you for your interest in the eco.business Fund, and we hope that you enjoy learning more about the fund's work.

DR. JENS MACKENSEN
CHAIRPERSON OF THE BOARD



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CHAIRPERSON
OF THE BOARD

"The activities of the fund and our partners have translated to supporting 452,000 jobs and the sustainable management of 430,000 hectares of farmland as of December 2020."

Greetings from the Advisor

When we look back on what has been an unprecedented year, the resonating sentiments have been of resilience and need to adapt to change.

Resilience, because of the collective efforts by local financial institutions and investors to navigate new market conditions due to the global pandemic, and of how encompassing and crucial sustainability is for the health of both society and the environment.

Change, because the world has been severely altered, and how we respond to this change is what will define the future for generations to come. Last year when we established four strategic pillars to guide our journey going forward, little did we know that we would need to become “agents of change” so promptly and decisively.

We are pleased to report that the fund grew its outstanding portfolio to over USD 430 million in 2020, enabling local financial institutions to deliver green finance to sustainable businesses. The steadfast support of our investors and fierce determination of our on-the-ground partners to promote biodiversity conservation despite the monumental challenges posed by COVID-19 is vitally important for sustainable economic growth – and something we do not take for granted.

Through the Development Facility, the eco.business Fund swiftly crafted a COVID-19 response package to assist eight partner institutions in addressing operational challenges imposed on their clients by the crisis, such as cash flow constraints and supply chain disruptions. Over 625 end-borrowers were trained in courses to equip them with the necessary knowledge to adapt to new business conditions, including how to design biosafety measures and protocols, enabling them to comply with local legal requirements and continue their operations safely.

The stories in this report provide a glimpse into some of this impact – not just for 2020, but since the establishment of the eco.business Fund at the end of 2014. Since then, the fund has developed and grown creating deep-rooted relationships with partner institutions to drive green finance, fuelling the transformative change of end-borrowers engaged in sustainable business and consumption practices, and strategically advancing our impact measurement approach.

This has all been possible thanks to the many dedicated partners of the eco.business Fund. Special thanks are due to our public and private investors for their trust and belief in positive change; to the eco.business Fund Board and Committees who have steered the fund successfully, especially over the course of the year; and to our local partner institutions who remain ever committed to promoting sustainability and delivering green finance. We look forward to growing and evolving through this period of great transition together.



SANDRA ABELLA

Director of the sub-fund
for Latin America
and the Caribbean



JASPREET STAMM

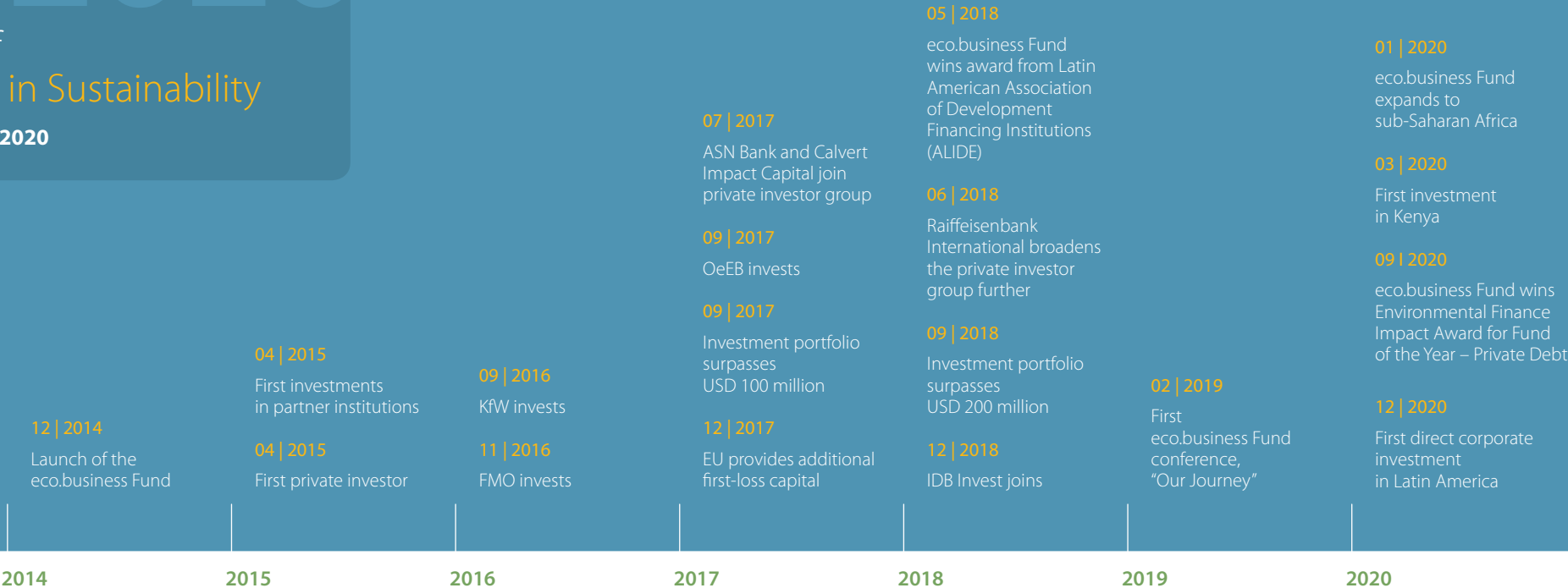
Director of the sub-fund
for sub-Saharan Africa

SANDRA ABELLA

JASPREET STAMM

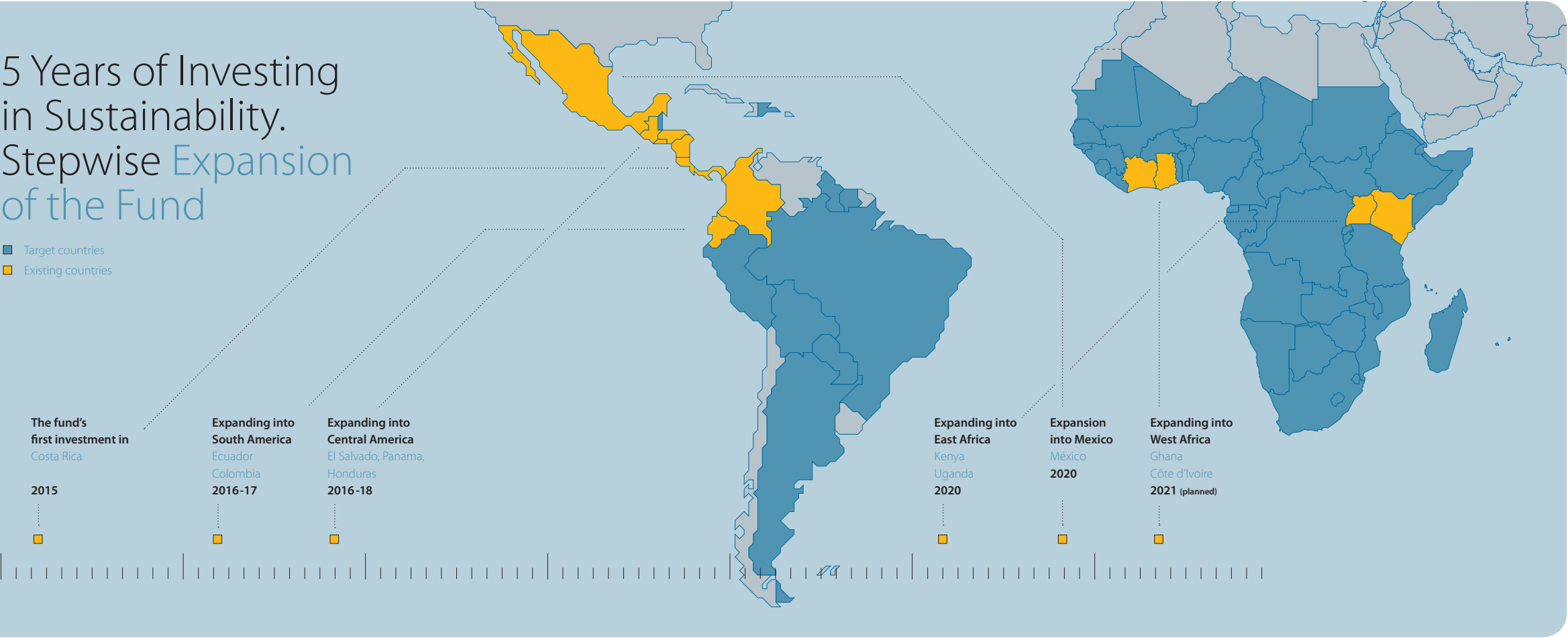
2015-2020

5 Years of
Investing in Sustainability
Impact Report 2020



5 Years of Investing in Sustainability. Stepwise Expansion of the Fund

- Target countries
- Existing countries



Evolution of the eco.business Fund

At its core, biodiversity is the foundation on which many businesses and all livelihoods depend. When calculating biodiversity services in financial terms, the economic value of biodiversity to society globally is estimated at approximately USD 33 trillion per year¹. Safeguarding valuable ecosystems is therefore not only crucial for the preservation of natural resources and maintaining a healthy ecological equilibrium, but also integral to communities' economic welfare.²

The eco.business Fund is working actively to support sustainable businesses in Latin America and the Caribbean, and sub-Saharan Africa where some of the most biodiverse regions in the world are located.

Reflecting on its role to drive green transformation in the region, this report explores how

the fund's evolution since inception through strengthened partnerships and committed investors has enabled it to promote conservation finance throughout its regions of operations, despite the social and economic challenges present in these regions.

The technical assistance provided by the Development Facilities in both regions has been instrumental in the fund's ability to consolidate the success of its investments, diversify its growth, and deliver impact. Through tailor made projects for both partner institutions and end-borrowers, the Development Facilities are enabling stakeholders to prioritise sustainability and act as agents of change.

Going Back to the Start

If we turn back the clock to 2014, when the eco.business Fund was established in Latin America and the Caribbean, the landscape for conservation finance was only starting to take

the form it has today. In fact, the UN Sustainable Development Goals, an internationally agreed upon blueprint for peace and prosperity for people and the planet, were only formally adopted in 2015, along with the establishment of the Task Force on Climate Related Financial Disclosures. At the time, very few countries in the region had adopted regulations such as the Green Protocol, where financial institutions voluntarily pledged to commit to greening their operations and promote sustainable business and consumption practices³. In addition, environmental, social and governance (ESG) protocols, central factors in measuring the sustainability and impact of an investment, were only starting to gain more traction due to greater demands from investors, governments, and consumers.

Over time, it has become clear that capital markets can play a fundamental role in conservation finance and long-term sustainability.⁴ However, deforestation and land use changes, for example, pose significant risks for investments made by financial institutions seeking to increase

green or sustainability aspects in their products. In addition, deforestation and land use changes are responsible for most greenhouse gas emissions in many countries in Latin America⁵ and sub-Saharan Africa⁶. Therefore, the fund's activities focus on four focus sectors, namely agriculture and agri-processing, fisheries and aquaculture, forestry, and sustainable tourism that are highly consumptive of natural resources.

Realising the untapped potential for biodiversity and natural resource conservation in the Latin American market at the time, the eco.business Fund sought to increase the engagement of banks in becoming agents of change to drive a green transformation.

The globally economic value of biodiversity to society is approximately USD

33
trillion
per year

¹ Costanza, R., d'Arge, R., de Groot, R. et al. The value of the world's ecosystem services and natural capital. Nature 387, 253–260 (1997). <https://doi.org/10.1038/387253a0>

² Centers for Disease Control and Prevention, (2018) CDC's Social Vulnerability Index.

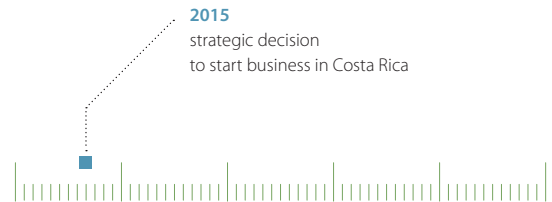
³ IFC (2017) Green Finance Latin America 2017 Report: What is the Latin American banking sector doing to mitigate climate change?

⁴ GLZ, (2020) Financial Incentives for a Biodiversity-Friendly Future – is Green Recovery a Catalyst?

⁵ ECLAC, (2020) Economics of Climate Change in Latin America and the Caribbean

⁶ AfDB, (2020) Drivers of Greenhouse Gas emissions in Africa: Focus on agriculture, forestry and other land use

2015
strategic decision
to start business in Costa Rica



“Investing in biodiversity means investing in a sustainable future. That’s why when the fund was established, we were determined to showcase how increasing sustainable businesses in the portfolio of local financial institutions, would not only be beneficial to them, but contribute to increasing the resilience of the country’s economy,” states Sandra Abella, Director of the sub-fund for Latin America and the Caribbean at Finance in Motion, advisor to the eco.business Fund.

The fund decided to approach banks and together prove that investing in green lending was worth it. But that meant breaking ground and building trust amongst local banks in the region as green finance in the four focus sectors was still not that widespread. An additional hindrance was the fact that agribusinesses were considered riskier by most local financing institutions, and therefore ranked low in banks’ portfolios.

⁷ UNFSS, (2018), Voluntary Sustainability Standards, Trade and Sustainable Development - 3rd Flagship Report of the United Nations Forum on Sustainability Standards

Unlocking the Gates to Green Finance

Financing voluntary sustainability standards holders and measures that have a significant, positive impact proved to be the keys to unlocking the financial gates and opening new markets. Financial institutions soon realised how beneficial it was to finance certified agribusinesses since empirical evidence demonstrates that not only do they perform better on the environmental and social fronts, but they also present a better credit profile, which makes them more attractive borrowers.

In order to identify whether a company is eligible to receive a loan enabled by the fund, two sets of eligibility criteria are used, namely voluntary sustainability standards, as well as the “Green List,” which contains screened and pre-approved activities that protect the environment.

Businesses or producers that hold a voluntary sustainable standard, like Rainforest Alliance or Forest Stewardship Council, formally commit

to implementing policies and practices that are environmentally and socially responsible⁷. Not only do voluntary sustainability standards ensure a cost-effective approach to financing sustainable production, but in some cases, it also gives businesses or producers the opportunity to sell their products at higher prices.

The Green List, on the other hand, comprises of over 70 sustainable activities in the fund’s four target sectors that are eligible for financing. These could include measures such as the implementation of agroforestry practices, production of organic fertilizers, and water efficiency systems. The fund’s portfolio distribution per eligibility criteria as of December 2020 stands at 79% for sustainability standards and at 21% for Green List measures.

Increased awareness of the benefits of voluntary sustainability standards and adoption of Green List measures firmly placed the eco.business Fund on the green finance scene. In 2015, the strategic decision to start business in Costa

“Investing in biodiversity means investing in a sustainable future.”

SANDRA ABELLA

Director of the sub-fund for Latin America and the Caribbean at Finance in Motion

The eco.business Fund’s portfolio distribution per eligibility criteria as of December 2020 stands at

79% for sustainability standards and 21% for Green List measures

Rica was made, where the fund completed its first investment of USD 10 million by partnering with Banco Davivienda Costa Rica.

With the bank's interest in establishing a portfolio of agricultural clients that are leaders in environmental sustainability, Banco Davivienda Costa Rica became a strategic institution for the fund and key to its mission. In fact, in less than three months, the fund provided them with a second investment of USD 5 million due to a significant increase in credit demand from eligible companies. Seeing how beneficial the partnership with the fund was for Banco Davivienda, other financial institutions took notice and reached out to the fund for more information. Read more about how the fund has contributed to the growth and evolution of partner institutions on [page 33](#) of this report.

Expanding Horizons and Focus

As the fund began to grow, word spread of the advantages of partnering with it. From starting in Costa Rica, the fund expanded its reach to include El Salvador, Ecuador, Nicaragua,

Colombia, Panama, and Honduras in just three years.

"We wanted to make sure we were contributing to each country's unique environmental issue and tapping into those financial markets that could drive sustainable development. For example, seeing how deforestation was devastating El Salvador's landscape, where 85% of its native forests have been destroyed, the fund entered the market and partnered with banks financing sustainable shade-grown coffee producers that incorporate forest conservation and responsible production practices," explains Mario Torres, Investment Manager at Finance in Motion.

Nicaragua is another example where the fund entered the market given that agriculture is a critical engine of economic growth, with cattle farming the main source of income for many people in rural areas. However, with shifting weather and precipitation patterns, the industry became extremely vulnerable. The Development Facility stepped in with Banco Lafise, one of the fund's partner institutions and launched a project where satellite imagery was used to monitor

land-use changes in cattle farms. This enables farmers to reduce deforestation and improve protection of native vegetation. Since the launch of the project, more than 100 cattle farmers have been trained in sustainable practices.

El Salvador and Nicaragua are just two examples of how the fund identified potential investments in countries to ensure maximum impact could be achieved to protect the environment and promote sustainable practices.

Once relationships were established across key markets in Latin America, the focus turned to expanding eligibility criteria for the fund's focus sectors.

While agriculture primary production was the core focus for the fund during the first years after its launch, eligibility criteria for the Cattle and aquaculture sectors were also developed and businesses within these sectors started to receive financing as well. "By expanding our eligibility criteria, we were able to increase financing activities. For example, by developing the Green List for the aquaculture sector we were able to finance sustainable shrimp farms in Ecuador.

Now we are actively contributing to conserving the local mangrove forest, which has proven to be key in climate change adaptation in coastal regions, as well as biodiversity conservation," expounds Federico Sinisterra, Investment Manager at Finance in Motion. Read more on how the fund expanded into the aquaculture sector on [page 23](#) of this report.

Since inception, the eco.business Development Facility has conducted various studies with the objective of identifying sustainability standards and activities or practices that can be considered as eligible for financing as they are aligned to the fund's mission. By continually expanding its eligibility criteria, the fund can provide funding for an increasing number of businesses, thus widening and deepening the scale of its impact. In doing so, the fund hopes to not only support businesses that place positive environmental impact at the forefront of their business strategy, but also create a shift in the financial industry where sustainable businesses shall not only be valued and preferred for their profitability, and market attractiveness, but also for their contribution to environmental conservation and restoration, and for being socially responsible.

The fund's Green List comprises of over **70** sustainable activities eligible for financing, in the fund's four target sectors

More than **100** cattle farmers in Nicaragua have been trained in sustainable practices by the fund

Developing the fund's eligibility criteria and training partner financial institutions in the comprehension and use of the criteria has led to partners showing an increased preference to finance sustainable production systems or practices. Specifically, since the launch of the fund in 2014, the fund's number of end-borrowers has increased to over 4,000 and the volume of sub-loans outstanding grew to almost USD 430 million.

The success in mobilization of funds and impact generated motivated the fund to expand into sub-Saharan Africa in 2020. Backed by a positive market study identifying strong potential in the region for the fund's approach to protecting the environment. The fund aims to support both financial institutions as well as corporate partners along the value chain in the fund's key sectors of agriculture and agri-processing, fishery and aquaculture as well as forestry and sustainable tourism. This provides an opportunity for the fund to engage more deeply with the private sector and build scalable solutions that lower the risk to biodiversity in the region. Moreover, the fund has worked to enhance the eligibility criteria for the sustainable tourism sector during 2020,

thereby increasing investment opportunities for the fund.

COVID-19 and Biodiversity Conservation

Despite the success of the fund over the past six years, the pandemic, which swept across the globe in early 2020, had the potential to halt conservation finance in its tracks.

COVID-19 has resulted in the worst recession in Latin America and the Caribbean in a century, and first recession in over 25 years in sub-Saharan Africa. According to the United Nations Economic Committee for Latin America and the Caribbean, the regional GDP in 2020 contracted by 5.3%⁸, with the World Bank estimating nearly 5.0% contraction in sub-Saharan Africa on a per capita basis⁹. This economic downturn will inevitably have an impact on businesses in both regions. Therefore, supporting financial institutions in continuing to finance sustainable businesses despite the headwinds of the COVID-19 crisis has been crucial in overcoming the current

challenges and reducing the vulnerability of already threatened ecosystems and societies.

The eco.business Fund has acted quickly to provide new investments to its local partners, helping increase their resilience while assessing opportunities for growth post COVID-19 so that green finance can play a leading role in growing the economy in the regions where the fund operates.

In addition, the eco.business Development Facility in Latin America implemented several initiatives to assist partner institutions in dealing with the challenges of the COVID-19 crisis. From developing action plans to adapt to new market conditions to develop new products to serve the most hit sectors of the economy – the Development Facility has approached partner institutions individually to create a tailored response. More details of the work of the Development Facility for Latin America and the Caribbean can be read on [page 33](#) of this report.

"The past six years of bringing in public and private capital to promote sustainability has been instrumental in preparing the fund to respond

Over **4,000**
active end-borrowers received loans
for the implementation of sustainable business
and production practices

USD 430 M
sub-loans outstanding since inception in 2014

and manage the crisis. The relationships with local financial institutions we have built over the years have made them invaluable partners in delivering green finance. Together, we have combined our resources, capacities, and expertise to ensure that sustainable businesses receive the necessary support and finance needed in these trying times," says Abella, "If we hope to rebuild economies that are both sustainable and resilient, then green finance is key in delivering concrete and measurable outcomes."

"Together, we have combined
our resources, capacities, and expertise
to ensure that sustainable businesses
receive the necessary support and
finance needed in these trying times."

SANDRA ABELLA

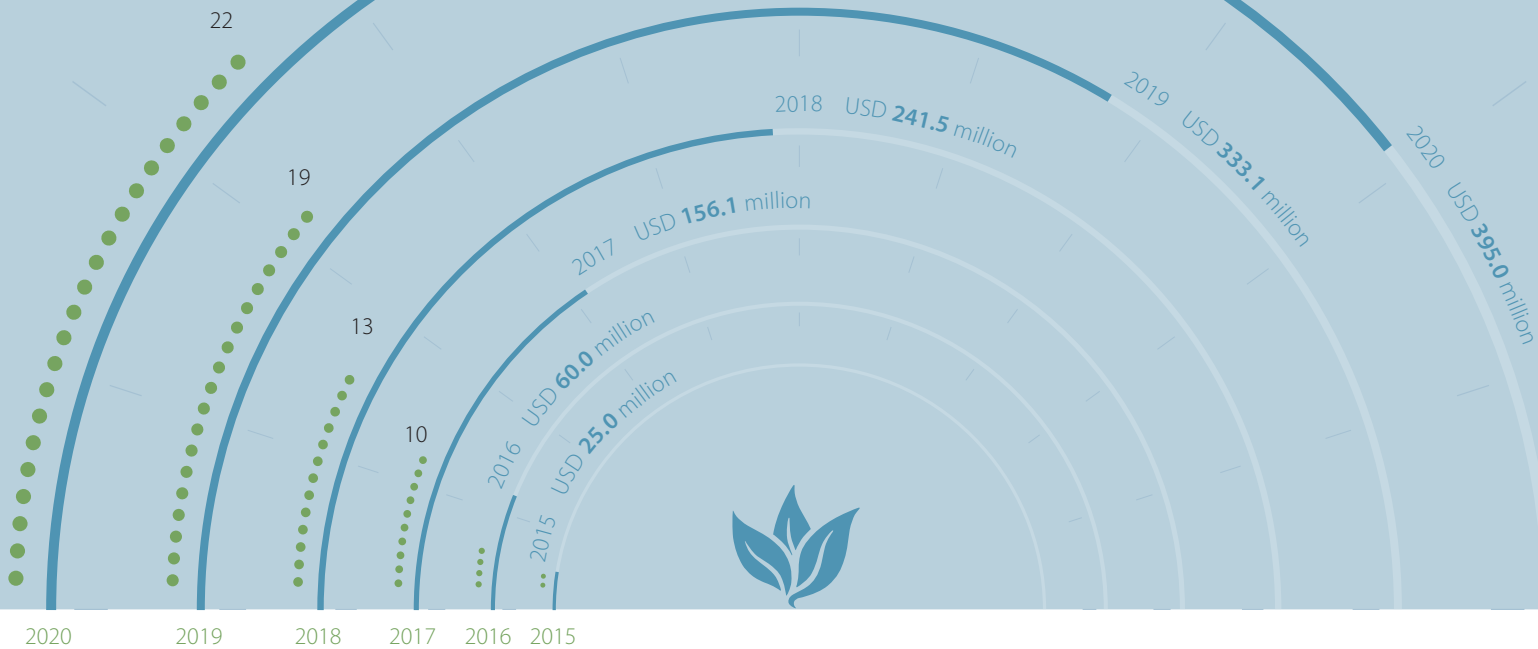
Director of the sub-fund for Latin America
and the Caribbean at Finance in Motion

⁸ ECLAC, (2020) Report on the economic impact of coronavirus disease (COVID-19) on Latin America and the Caribbean

⁹ World Bank (2021) Africa's Pulse: Charting the Road to Recovery.

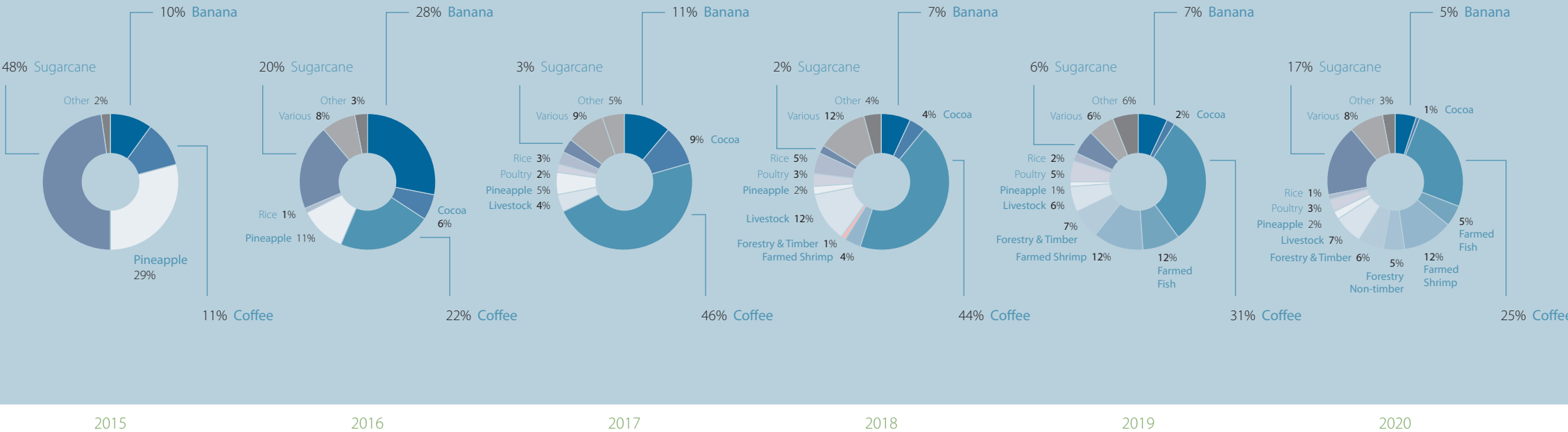
5 Years of Investing in Sustainability: Timeline of New Partnerships

- eco.business Fund Portfolio
in Latin America and the Caribbean
- Number of Active Partner Institutions



Growth of the Fund's Portfolio Distribution

Per Sector since Inception



A Greener Future

The continued success of the eco.business Fund validates the vision of the fund's initiators, and increasingly, private investors, to create a professionally managed platform to leverage private capital with public funds to address the critical issues of biodiversity conservation, the sustainable use of natural resources and mitigation and adaptation to climate change. Moreover, the growth, development, and expansion of the fund through the support of its investors and partners have made it well-equipped to assist its partner institutions transition towards a greener economy. The fund has already progressed in expanding into sustainable tourism by including three voluntary sustainability standards for the sector and adding sector-activities to the Green List. This has now paved the way for the fund to begin working in countries such as the Dominican Republic or Belize, strengthening and supporting local endeavours to enhance the environmental and social sustainability of this important yet resource-intensive economic sector.

Despite the hardships brought about by COVID-19, the fund's expansion over the years has culminated in several milestones being achieved in the past year. 2020 saw the fund provide its first direct corporate loans in both regions, to support certified cocoa purchases in Cote D'Ivoire and to a shrimp producer in Ecuador. It also won the "IMPACT Award 2020 Fund of the year – private debt" from sustainable finance magazine Environmental Finance, for the fund's strategic approach to impact management.

"The buzzword right now is 'green recovery.' But for this to be an inclusive and truly sustainable recovery, biodiversity conservation needs to be incorporated in efforts to support economies going forward," observes Jaspreet Stamm, Director of the sub-fund for sub-Saharan Africa at Finance in Motion. "We cannot forget that nature is inextricably linked to rural and coastal communities and vital economic sectors, such as agriculture and aquaculture. And it offers several opportunities for businesses and investors willing to embrace nature conservation as a development opportunity."

The global adversity caused by COVID-19 mirrors the global environmental challenges that affects us all, such as climate change and biodiversity loss. Such comprehensive problems require comprehensive solutions. That is what makes this particularly challenging as natural capital and the services that ecosystems provide are complex and not fully incorporated into financial and political decision-making processes. However, by understanding the interrelationship between environmental quality and economic profitability, there is a clear path to build back a more sustainable and resilient society and environment going forward.

That is what makes the work of the eco.business Fund so crucial in its regions of operations. The fund has always recognized the importance of green finance and the critical role it can play in sustainable development, particularly in emerging countries. Since inception, the fund has always made it a priority to increase the resilience of its partner institutions and the clients they serve, by providing financing for sustainable measures. But this will not happen

"For an inclusive and truly sustainable green recovery, biodiversity conservation needs to be incorporated in future efforts to support economies."

JASPREET STAMM

Director of the sub-fund for sub-Saharan Africa
at Finance in Motion

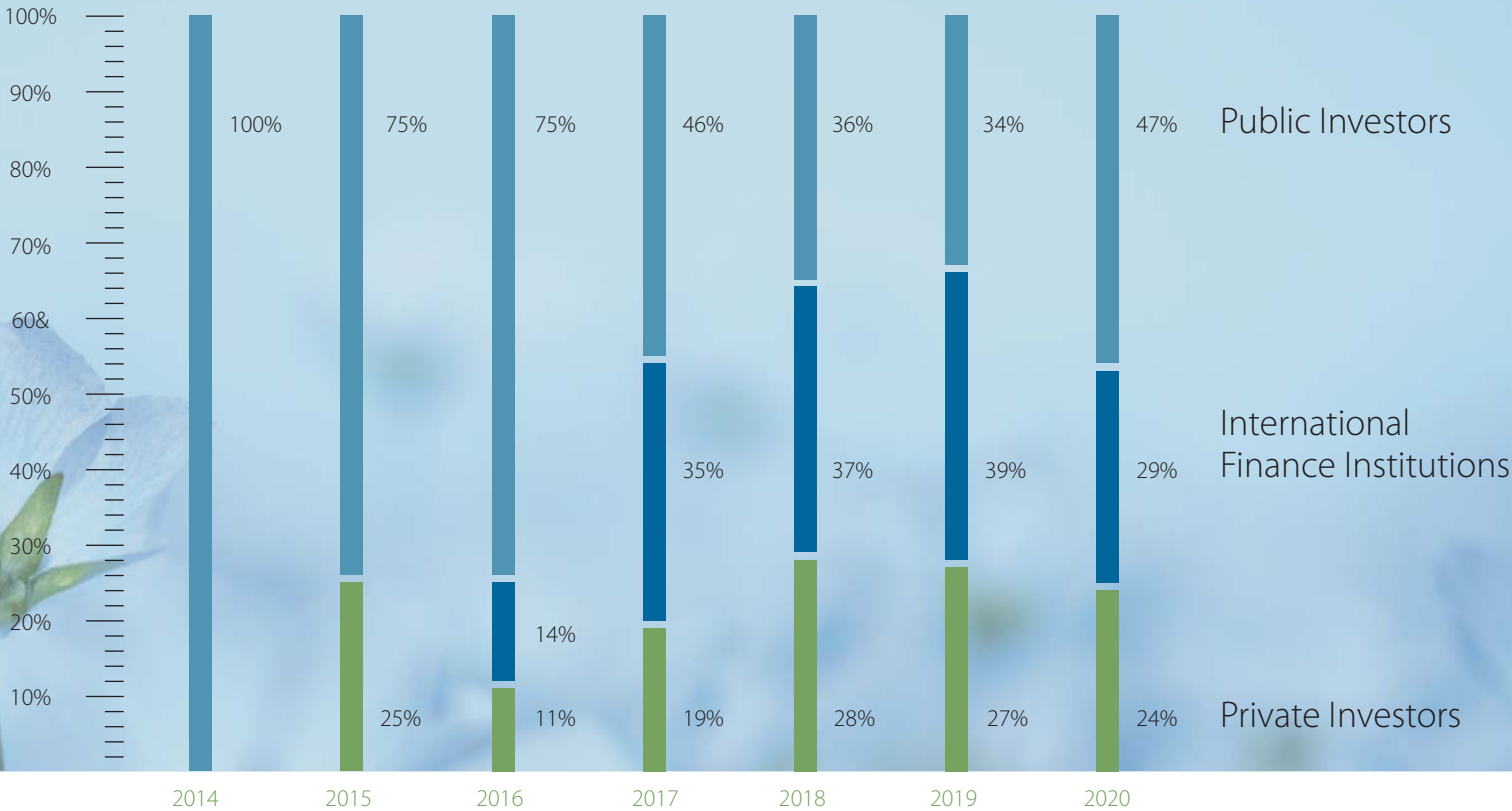
in a vacuum. In order for a truly resilient and robust recovery to ensue, regional cooperation and coordination is key to align efforts towards a sustainable transition. And despite the current crisis, the fund remains resolved to promote sustainable business and consumption practices and make green finance more mainstream.

"It is only through collective action of all players in the financial ecosystem, from investors into the fund to local financial institutions and their clients or corporate actors along the value chain that we can create a 'new normal' where both society and the environment are able to withstand any shocks that may arise in the future," concludes Stamm.



5 Years of Investing in Sustainability: Investor Composition*

By Year



*Cumulative figures for both sub-funds, as of December 2020

The eco.business Fund's Approach to Managing Impact and Sustainability

The eco.business Fund aims to promote business and consumption practices that contribute to biodiversity conservation, to the sustainable use of natural resources and to mitigate climate change and adapt to its impacts. The fund further strives for systemic impact by developing the capacity of local institutions to successfully deliver conservation finance, increase its demand, build an enabling environment for a greener economy, and by raising awareness on protecting biodiversity and conserving natural resources.

Working towards these impact goals, the eco.business Fund takes a comprehensive approach that combines dedicated debt financing with tailored technical assistance and capacity building. The fund's activities focus on those economic sectors that are highly consumptive of natural resources, and affected by climate change: agriculture, forestry, fisheries and aquaculture, and sustainable tourism. Activities that are considered riskier, less profitable, or simply unviable, such as sustainable agriculture or fore-

stry, are typically underfinanced yet can make important contributions to conserving biodiversity. To increase financing towards these activities and thereby work towards its impact mission, the eco.business Fund is providing long-term financing to financial institutions to grow their loan portfolio of sustainable activities in the fund's focus sectors. To a smaller extent, the fund is providing debt through real-sector intermediaries (in the case of sub-Saharan Africa) as well as directly to businesses or projects to implement sustainable practices.

The fund's comprehensive approach is supported by an impact management system that helps managing and mitigating potential negative outcomes while enhancing positive impact. These aspects are integrated into the fund's investment cycle: from setting the objectives in core strategy and policy documents and thorough screening of potential investees – including their alignment with the fund's objectives and capacities to deliver impact – to continuous monitoring and management once capital has been deployed.

In line with its goal to boost the availability of finance for sustainable business and production practices, the eco.business Fund engages in long-term partnerships with its investees. Close collaboration is facilitated by Finance in Motion, advisor to the eco.business Fund, through its presence in the fund's regions of operation, and through its networking and platform-building efforts. All of this contributes to knowledge sharing and scaling up good practices among investees and stakeholders.

The eco.business Fund works towards the Sustainable Development Goals and aligns with international standards and good practices. These include the Operating Principles for Impact Management, the IFC Performance Standards, the eight core conventions of the International Labour Organization and the UN Global Compact. The fund is closely monitoring international standards and developments on sustainable finance in general and biodiversity specifically and is increasing preparations to align its agenda with the developments of the European Union's

Taxonomy for Sustainable Finance. In pursuing its sustainable investment objective, the fund falls within the scope of Article 9 of the (EU) Sustainable Finance Disclosure Regulation (SFDR).

Biodiversity

To date, the fund has financed 120,000 hectares under agroforestry systems. In many countries in Latin America, where natural forests are declining, these agroforestry plantations provide multiple services which contribute to the preservation of the fauna and flora within farms and their surroundings, including providing a habitat for native species of fauna and flora, offering habitat connectivity and continuity; and creating a local biophysical environment that facilitates the natural control of pests.

120,000
hectares under agroforestry
systems financed to date



Managing Positive Impact

The eco.business Fund utilises a number of instruments and approaches to enhance the positive impact of its activities. These include eligibility criteria that steer the selection of the fund’s investees and the deployment of technical assistance to build capacity as and where needed.

In addition, the fund has defined a detailed set of use-of-proceeds criteria, which aim to ensure

that resources are actually on-lent or, in the case of direct investments, utilized for the intended purpose to steer the fund’s environmental impact. These requirements include that end-borrowers must either hold an eco.business Fund-eligible sustainability certification or implement a sustainable business practice included on the fund’s “Green List.” This is a region-specific list containing production practices eligible for investment from the eco.business Fund based on comprehensive screening and assessment of their respective contribution to the fund’s impact

4.5 million m³ litres
of water savings facilitated
by financing water-efficient
technologies

targets, i.e. biodiversity conservation, sustainable use of natural resources and mitigation of and adaptation to climate change, sustainability, such as the purchase and installation of water-saving drip or micro-sprinkler irrigation systems or the renewal or establishment of cocoa and coffee plantations under agroforestry systems. The fund is continuously working on expanding this list for a stronger impact footprint. During 2019 and 2020, new Green List criteria particularly focusing on aquaculture and sustainable tourism in Latin America were developed to support investees in financing these important sectors. For more information on the inclusion of sustainable tourism activities into the Green List, please read [page 24](#) of this report.

Assessing the eco.business Fund’s impact is of great importance as it demonstrates progress towards the fund’s impact objectives and pro-

Sustainable Management of Resources

The fund has, to date, contributed to saving 4.5 million m³ litres of water by financing water-efficient technologies. Water is increasingly becoming a rare resource. By incentivizing producers to introduce water-efficient technologies, such as soil-leveilling, the fund does not only support a more sustainable management of this resource but is also supporting farmers in adapting to climate change.

vides insights and learnings that inform the strategy. Impact is continuously monitored through a set of key positive impact indicators, which have been selected based on the [Theory of Change](#). The fund combines a range of data sources to track progress against its industry-aligned key performance indicators, including reporting by the investees, scientific evidence relating to the environmental impacts of measures financed, and technical parameters for impact estimations as appropriate and in line with industry practice.

The eco.business Fund contributes to the following Sustainable Development Goals

2 ZERO HUNGER

6 CLEAN WATER AND SANITATION

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

17 PARTNERSHIPS FOR THE GOALS

Expansion of Key Impact Indicators

As the fund's portfolio grows, so do the key impact indicators. Most recently, for example, the fund added the amount of antibiotics avoided by incentivizing certified shrimp production. Overuse of antibiotics is a common practice in conventional shrimp production. Besides posing serious risks to human and veterinary health, polluting soil and water ecosystems as micro-

contaminants, overuse of antibiotics affects natural microbial communities, which play a key role in fundamental ecological processes, especially the maintenance of soil and water quality.

Managing Environmental & Social Risks

The eco.business Fund places a priority on the effective management – i.e., avoiding, minimising, and mitigating – of potential environmental and social (E&S) risks and impacts associated with its investments. To this end, the fund maintains, implements, and continuously improves on its Environmental and Social Management System (ESMS).

E&S risks are considered throughout the investment process. E&S screening and thorough E&S due diligence processes are a key tool for identifying potentially significant adverse sustainability impacts and for assessing the capacity and commitment of the fund's investees to address

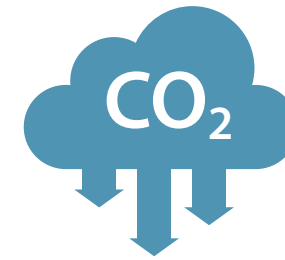
Climate Action

The eco.business Fund has supported the storing of 8.8 million tons of absolute CO₂ in the agroforestry plantations receiving financing to date. When coffee and cocoa are grown under shade trees, they store far more CO₂ than when they are cultivated under full sun exposure. By investing in the maintenance and expansion of agroforestry plantations, mainly shade-grown coffee and cocoa, the eco.business Fund contributes to storing carbon. Comparing this absolute CO₂ storage to a baseline scenario reflecting the prevailing proportions of shade and full-sun systems in the different countries, the fund has thus far contributed to an additional storage of 1 million tons of CO₂.

and mitigate against these impacts. Once capital is deployed, the eco.business Fund regularly monitors the E&S performance of its partner institutions.

Read more about the eco.business Fund's approach to impact and sustainability, including our sustainability-related disclosures in line with requirements of the SFDR, at:

<https://www.ecobusiness.fund/en/impact>



8.8 million tons
of absolute CO₂
stored in the agroforestry plantation
financed by the fund,
of which
1 million tons
can be considered a net storage
by financing shade-grown systems





2015

2020

5 Years of Investing in Sustainability

Key Figures

Key Figures *

Environmental Impact

Since its inception the fund contributed to:



37,000 liters herbicide use avoided



430,000 hectares farmland under sustainable management



4.5 million m³ water saved



8.8 million tons CO₂ stored by agroforestry activities (absolute)



2.4 million kgs nutrient load in shrimp production avoided

*Cumulative figures only for eco.business sub-fund for Latin America and the Caribbean, as of December 2020

Key Figures *

Fund



USD 552.5 million total available funding



USD 1,862.2 million

cumulative volume of sub-loans facilitated to end-borrowers



10 countries invested in



25 partner institutions the fund has invested in to date

*Cumulative figures for both sub-funds, as of December 2020

Key Figures

Development Facility



81* technical assistance projects launched in 25 countries to date



394,000** people reached through conferences and events



USD 4.3* million cumulative technical assistance project volume



711** partner institution staff members trained to date

* Cumulative figures for both sub-funds, as of December 2020

** Cumulative figures only for eco.business sub-fund for Latin America and the Caribbean, as of December 2020



Expansion into the Aquaculture Sector

Shrimp is the most valuable traded marine product in the world. Global shrimp production has increased by an average of 10% per year since 2000 and continues to show a growing trend for the foreseeable future.¹ The demand for shrimp among consumers across the globe is increasing as it is high in nutritional value. This has undoubtedly created pressure on ecosystems and resources. However, environmentally responsible production practices present a solution to support this growth in a sustainable manner.



Aquaculture is one of the fund's four target sectors and a key area of intervention for the eco.business Fund. As wild-caught seafood cannot increase further without substantially harming the natural population, farmed aquaculture becomes critical in meeting the growing demand.

Shrimp production from Latin America and the Caribbean represents 18% of the global market and is concentrated in Ecuador, Mexico, Brazil,

and Honduras. The share of farmed shrimp production with respect to wild catch increased from 28% in 2000 to 57% in 2019. However, supporting this trend not only requires financing sources for long-term investments but also a long-term view in order to keep the production sustainable.

In the endeavor to increase the fund's exposure to the blue economy and finance sustainable aquacultural businesses and practices, the

eco.business Fund developed various initiatives in 2020 focusing on the shrimp industry, and particularly in Ecuador as it is Latin America's largest shrimp producer, responsible for 10.7% of global production and 56% of the region.

The first initiative of the fund was the development and approval of a Green List for sustainable shrimp production measures, which comprises six measures, and enables the fund to finance



Shrimp production from Latin America and the Caribbean represents

18%
of the global market .

The share of farmed shrimp production with respect to wild catch increased from

28%
in 2000 to
57%
in 2019.

eligible activities. These measures include biodiversity impact assessments, effluent management, sustainable inputs, sustainable feed, procurement of post larvae, procurement of green equipment, processing the recycling of shrimp waste, and improvements in infrastructure. Activities within these measures, for example, decrease the generation of hazardous waste and water contamination, protect mangroves, or increase share of certified production.

¹ California Environmental Associates (CEA). Shrimp Aquaculture Landscape. January 25, 2018

In addition, the eco.business Development Facility provided its Ecuadorean financial institution partners with workshops to increase access to finance for certified producers in the shrimp sector. The topics of these workshops included importance of adequate environmental and social practices, as well as mitigation mechanisms presented by certification schemes for shrimp production.

New Pilot Project in Aquaculture

The Development Facility also implemented a project to pilot the Aquaculture Green List to test if it adequately responds to the environmental impacts of the industry and be of use to financial institutions.

Therefore, the facility selected shrimp companies in Ecuador that implemented a set of sustainably environmental measures but still had gaps to fill in order to qualify for the Aquaculture Stewardship Council (ASC) certification. The ASC standard



provides independent certification for over 150 indicators and is widely recognized as the most challenging and stringent certification scheme for aquaculture.

The gaps identified were then used to design action plans that outlined the practices each company ought to implement to improve their environmental, social and business performance, such as ensuring zero use of antibiotics across

the production cycle, safety equipment provided and in use by workers, and the safe handling of chemicals and hazardous materials.

This information was also complemented with a Biodiversity Environmental Impact Assessment and a Participatory Social Impact Assessment. The assessments – which were done in consultation with workers and communities – identified 30 native bird species and 26 forest species that

contribute to regulating ecosystem functions such as flood control and climate regulation. In addition, the assessments identified risks and defined a social and environmental management system.

With the action plans and the findings from the assessments on hand, shrimp companies proceeded to close the identified gaps through a variety of different activities, including planting 760 native plants that will increase biodiversity and protect the local ecosystems and conservation value areas, or ensuring that all their sub-contractors have contracts in accordance with local rules and regulations.



33%

reduced energy consumption through use of automatic feeders
and resource-efficient aerators powered by renewable energy

In addition, more resource-efficient aerators powered by renewable energy and automatic feeders were installed to reduce the companies' energy consumption by 33%. These were also used in a study to measure the environmental and business impact of incorporating new technologies into their production systems.

Profitability in Sustainability

Implementing new sustainable practices is beneficial not only for environmental reasons, but also for the profitability of the companies itself. For example, the new automatic feeders cut down on Feed Conversion Ratio by 11% in shrimp ponds, which essentially means that less feed is required to produce one kilogram of shrimp. This contributes to the reduction of nitrogen and phosphorus effluents, improves water quality, and reduces water pollution, as well as feed costs. One of the main concerns with

shrimp farming is the amount of nitrogen and phosphorous released into the atmosphere, which exacerbate the climate crisis. The industry average is 35.5 kg per metric ton (kg/MT) of nitrogen and 10.7 kg/MT of phosphorous. But the eco.business Fund invests in ASC certified shrimp farms that do not discharge more than 25.2 kg/MT of nitrogen and 3.9 kg/MT of phosphorus, in alignment with standards as set out by the ASC.

At the end of the project, producers will be ready to receive the ASC certification, have access to new markets and operate a robust environmental and social management system.

Encouraging more producers to become sustainably certified has now become a priority of the Development Facility for Latin America. In this endeavor, the facility is now scaling up its efforts to reach clients of the fund's partner institutions by developing a self-assessment tool.



This tool is available to those in coffee, sugarcane, banana, and shrimp industries and enables them to identify what sustainable practices still need to be implemented to qualify for sustainability standards, such as ASC, Rainforest Alliance or Fairtrade. It will also provide them with information on the benefits of both the certifications and sustainable practices.



Going forward, the fund will expand partnerships with financial institutions that can offer financing to aquaculture companies committed to transitioning to sustainable production practices, such as those protecting native mangroves.

ASC- Criteria no. 7.5
Effluent contaminant load:

Shrimp farms not to
discharge more than

25.2
kg/MT

of nitrogen and

3.9
kg/MT

of phosphorus*.

* Overuse of antibiotics affects natural microbial communities, which play a key role in fundamental ecological processes, especially the maintenance of soil and water quality.

Aquaculture: Global and Latin American Increase in Demand and Export of Frozen Shrimp

Over the Past Five Years
in percent



Source: <https://www.trademap.org/>

Fostering Sustainable Tourism in Latin America and the Caribbean

When one thinks of tourism, the images that come to mind are of relaxation, adventure, and enjoyment. Indeed, tourism’s *raison d’être* is to meet the need for leisure activities coupled with unique experiences. In Latin America, the tourism industry is a major contributor to the region’s economy, contributing more than 8.7% to its GDP, and grows on average 4.4% annually, expecting about 50.8 million international arrivals every year.

According to the World Tourism Organization’s yearly report, the tourism industry in Latin America and the Caribbean has a global market share of 5.6% in both international tourist arrivals and tourism revenues. It is evident that tourism is an important source of revenue and governments across the region encourage tourism growth.

However, tourist facilities are large consumers of water and generators of waste and emissions, with visitors often consuming at least three times as much as the local population. And as an

increasing number of travelers are becoming more conscious of the environment and their carbon footprint, the tourism industry needs to adapt to become more sustainable and guarantee long-term benefits.

One way this can be achieved is by transitioning to more sustainable tourism. In fact, Booking.com’s 2019 Sustainable Travel Report states that 70% of global travelers say they would be more likely to book an accommodation knowing it was eco-friendly. Sustainable tourism is, in many cases, the best alternative to provide an income source and alternative employment in regions with rich ecosystems where other industries cannot and should not penetrate.

The Road to Investing in Sustainable Tourism

The term sustainable tourism refers to a condition of tourism, not to a type of tourism. The type of tourism depends on the product that is offered. There are some touristic products whose

attributes strive to focus on conservation and preservation of natural or cultural assets, such as ecotourism. Intangible assets such as culture and nature are in many cases the reason why a destination is relevant in the market. Sustainable tourism is therefore a model that strives to find a balance between profit, conservation of cultural and natural assets, and addressing the needs of visitors and the host communities. For example, the entrance fee to natural protected parks, like

70%
of global travelers say they would be more likely to book an accommodation knowing it was eco-friendly



65%

of businesses in the tourism industry in Latin America have a turnover of less than USD 1 million

the Galapagos Islands, is used only for environmental protection purposes. In fact, ecotourism products are positive drivers towards sustainable development as they are focused on visiting natural areas and contributing to its conservation. Ecotourism is probably the best example of a touristic product that enhances the implementation of sustainable principles.

Various research studies suggest that in Latin America, the tourism industry is mainly comprised of small and medium enterprises. An analysis of a representative sample conducted by the European Union – Latin America and Caribbean Foundation revealed that 70% of businesses have less than 50 employees and 65% have a turnover of less than USD 1 million. With tourism a pillar of the economy for many Latin American countries, a shift needs to occur in order to grow the industry sustainably and make sure that it does not harm local ecosystems.

This is where the eco.business Fund has stepped in.

In order to build a portfolio to allocate investment in the tourism sector to make it more sustainable, the fund did research on how tourism is operating, what stakeholders are involved, what is the impact of tourism and how the value chain works. An additional analysis on voluntary sustainable tourism standards was also conducted, to enable the fund to add these to the list of eligible standards. Understanding the voluntary standards and green activities used within the tourism industry enables the fund to determine eligible businesses and measures to provide direct financing or help partner institutions to identify eligible businesses within their own portfolio.

Ultimately, the research enabled the fund to add five eligible investment practices to be included in the Green List for the sustainable tourism industry. These practices relate to water and energy conservation and efficiency, solid waste management and circular economy, and conservation of natural and cultural heritage. For example, potential waste recovery by transforming food and organic waste to compost, or



recycling plastic and paper, can help reduce waste disposal by up to 50%. In addition, innovations in air conditioning technology offer solutions to reduce up to 50% of electricity consumption. In the case of refrigeration, high-efficiency equipment could result in 20-30% less electricity consumption. Water consumption in bathrooms account for 30-40%, but by replacing showerheads, toilets, and lavatory faucets, water consumption can be reduced by 30-40%.

Potential waste recovery by transforming food and organic waste to compost, or recycling plastic and paper, can help reduce waste disposal by up to

50%

The voluntary sustainable tourism standards so far eligible by the fund have been Rainforest Alliance Tourism and Global Sustainable Tourism Council Destinations. In 2020, Rainforest Alliance had 76 businesses certified in Latin America and the Caribbean, of which 44% are in Mexico. The fund has now included three new labels, namely EarthCheck, Green Globe and Costa Rican Sustainable Tourism Program.

COVID 19 and Tourism

When the coronavirus pandemic hit, it upended travel, tourism, and hospitality industries worldwide. Banco Promerica, one of the fund’s partner institutions in Costa Rica, sought the assistance of the the eco.business Development Facility to provide temporary assistance measures for their tourism clients, such as supporting their ability to adapt to new market conditions.

As tourism is a significant pillar for Costa Rica's economic growth and is directly affected by the current pandemic, Banco Promerica wanted to ensure that their hotel clients received additional support.

According to the Central Bank of Costa Rica, the country’s GDP decreased by 4.5% in 2020, with tourism the most affected economic activity, as there was a drop of 40.7% in occupation of hotels and restaurants.

The partnership resulted in the Development Facility sponsoring the creation of a tourism toolkit for the bank’s hotel clients in the sector. It is composed of 25 measures designed by tourism experts to guide the sector in sustainably recovering from the effects of the crisis.

Read more about the creation of the tourism toolkit on [page 37](#) of this report.

One of Banco Promerica’s clients, Jim Dámalas from Hotel Sí Como No had the following to say about the toolkit: “Hotel Sí Como No is not just a resort, it is a wildlife refuge, but once lockdown measures were in place to contain the spread of COVID-19, the prospects for our business were simply unknown and ever-changing. The toolkit, however, enabled us to remain flexible and responsive to the fluctuating circumstances as we were able to adjust our marketing strategy to attract more local visitors, and we were able to implement COVID protocols, and communicate them in a simple and efficient way.”

Banco Promerica strives to be seen as a stalwart supporter for the tourism sector post the pandemic. Therefore, in addition to providing tailored support through the toolkit that will alleviate the operational and economic burdens that hotel clients are experiencing due to the COVID-19

crisis, the bank is also offering green credit to encourage businesses become more sustainable and thus more resilient to any future shocks.

“Thanks to the support of the eco.business Fund in partnership with Banco Promerica, we are now able to finance a modern sanitation system, replacing our 20-year-old system, where grey water from the guest rooms and restaurants is recycled and used for irrigation. We are now able to recycle 80% of our wastewater,” remarks Dámalas.

40.7%
drop in occupation
of hotels and restaurants
in Costa Rica due to the
Coronavirus pandemic 2020

What Next?

Thanks to the support provided by the eco.business Development Facility, Banco Promerica seeks to position itself as a leader finance provider for the sustainable tourism sector. Going forward, the partners plan to expand on the work already started with the development of the tourism toolkit and create a pilot program to test the measures from the toolkit to see how this could support clients obtain a sustainability standard. The program will also help to increase the fund's exposure into tourism through further partnerships with local banks, or by directly financing tourism businesses. This will enable the fund to support a sustainable recovery of the industry.

The development of the toolkit and its proof of impact will also offer the fund additional investment options in Ecuador, Perú or Mexico, where tourism is highly relevant. The Development



Facility is planning to assess the potential for sustainable tourism in these countries as well and identify leading stakeholders to work with.

Making the infrastructure, such as transportation systems, or leisure and tourism facilities more sustainable are some examples of ways to reduce

the impact of tourism on the ecosystems. Other measures are to conserve natural heritage through, for example, education of local people and environmental restoration.

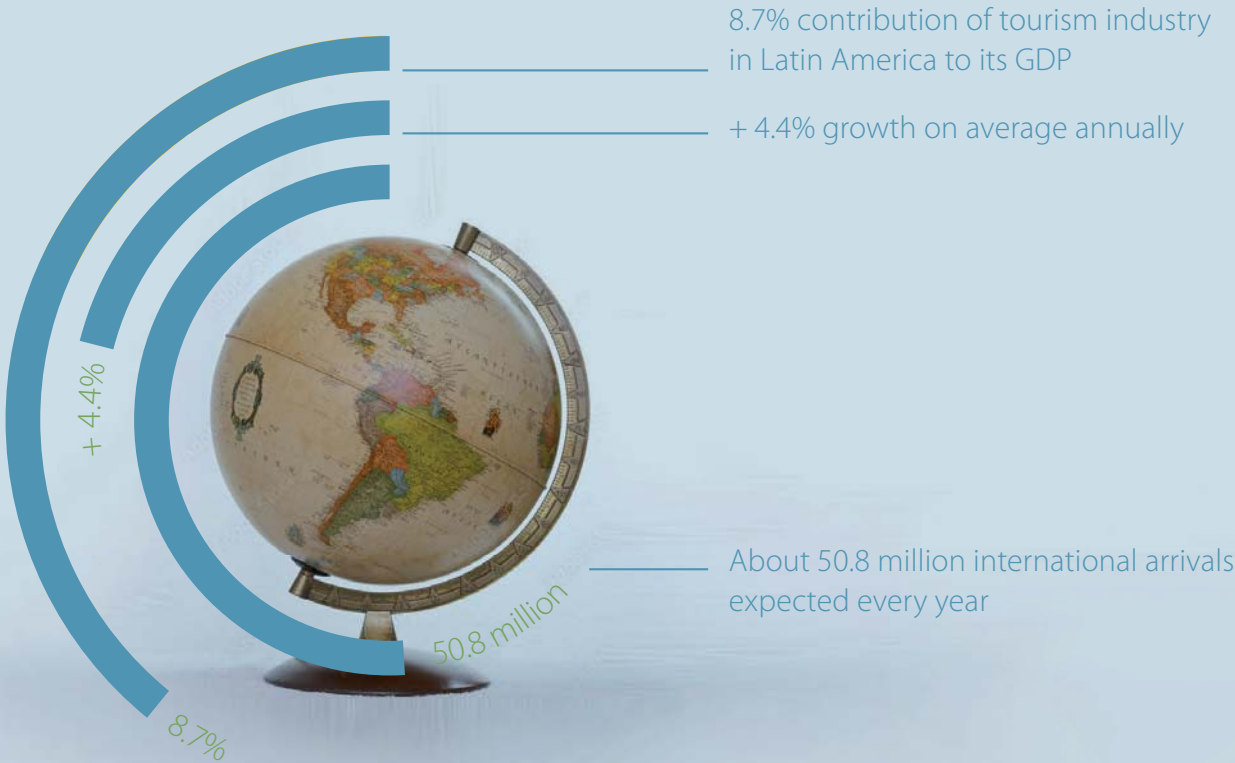
The fund's extensive research on the tourism sector resulting in the development of its Green

List has equipped it to meet the growing demand for sustainable tourism in the region and spread the consciousness that tourism can only grow if its basis – a healthy and unique ecosystem – is preserved.

"The COVID-19 tourism toolkit enabled us to remain flexible and responsive to the fluctuating circumstances as we were able to adjust our marketing strategy and to implement COVID protocols."

JIM DÁMALAS
Hotel Sí Como No and Banco Promerica's client

5 Years of Investing in Sustainability: Tourism Industry in Latin America



Source:
UNWTO Panorama OMT del turismo internacional Edición 2018:
<https://www.e-unwto.org/doi/book/10.18111/9789284419890>



Championing an Environmental and Social Management System

A Case Study with Banco del Pacífico

Located on the west coast of South America and straddling the equator, Ecuador is considered one of the world's most biodiverse country in the world. The wide range of physical and environmental conditions results in an impressive diversity of natural ecosystems.

To finance sustainable businesses that will conserve the country's unique biodiversity, the eco.business Fund partnered with Banco del Pacífico (BdP), the second largest bank in Ecuador, as they are not only dedicated to promoting financial inclusion but also providing financial services that uphold strict environmental and social responsibility standards, with the purpose of creating new opportunities for all its current and potential clients.

The bank's geographic location in the Guayas region, a key productive area of Ecuador, coupled with its traditional support of agribusiness, has



made it a strategic partner for the eco.business Fund in reaching the country's agricultural producers and processors, which, according to the World Bank, accounts for 9% of Ecuador's GDP. In fact, 60% of BdP's clients are involved in productive activities primarily in the agriculture sector. Therefore, promoting sustainable practices amongst these clients to protect the foundation

of their clients' success – which is a healthy environment – became a priority for the bank.

"Our work ethos has always been driven by sustainable and social management principles," says Cristina Cajiao, Deputy Manager of the Environmental, Social and Legal Risk Department of BdP.



9%
of Ecuador's GDP accounts to
the country's agricultural producers
and processors

60% of Banco del Pacífico's clients are involved in productive activities, primarily in the agriculture sector

Deep dive into Environmental and Social Management System (ESMS)

While increasing financing for sustainable agri-businesses, BdP was also working with the fund's Development Facility to improve their ESMS. By integrating a well- designed ESMS into their lending decisions, the bank has been able to

comprehensively assess the overall impact of their clients' activities, and support them with measures that help mitigate risks.

The ESMS serves as a tool to assess the environmental and social issues of the clients' transactions, and thanks to training received, the bank is now in the position to evaluate more trans-

actions in their commercial portfolio. This tool also provides guidelines on how to monitor the environmental and social performance of the clients. The data that the ESMS provides can serve as the main input to structure upcoming financial products. Having a good ESMS is an important steppingstone towards any sustainably focused product the bank may want to develop in the future.



"Working with the eco.business Fund has increased our capacity to provide green finance to sustainable businesses across Ecuador."

CRISTINA CAJIAO
Deputy Manager of the Environmental, Social and Legal Risk Department at Banco del Pacífico



Ecuador

Banco del Pacífico
Guayaquil

Quito (Capital)

ESMS training series, which took almost 12 months, involved a deep dive into the bank’s operations.

Firstly, the bank’s portfolio was assessed to better understand the type of clients, including industry, productive sectors, and location of operations. Secondly, environmental and social risks of projects were categorized as “minimum,” “low,” “medium,” or “high,” to enable an efficient evaluation process. Finally, the ESMS structure was discussed with senior management as the implementation of an ESMS essentially changes the process of providing credit. Once this was approved, the staff from all departments involved in the credit allocation process were trained on the use of the ESMS.

In addition, by implementing an ESMS, the bank can better understand the E&S performance of their clients. Now the bank can offer tailored

financing solutions to their clients like the product “Crédito Verde”.

“Crédito Verde” is a credit line dedicated to financing business holding one of the sustainability labels approved by the eco.business Fund. These clients are mainly involved in the forestry, shrimp, tuna, sugar cane, cocoa, and fruits industries. Capital received is mainly invested into eco-friendly equipment and infrastructure expansions, and improvements in the productions process, such as drip irrigation for farms and water and waste management. In 2019, Banco del Pacífico provided USD 40 million in loans to clients with sustainability certifications related to agriculture. This increased to USD 85 million in 2020 where part of the loans were financed with resources from the eco.business Fund.

“Thanks to the eco.business Development Facility, we have improved our procedures and tools in order to do a thorough analysis of the environ-



mental and social risks that clients may create in the development of their businesses or projects.”

Increasing the capacity among local financial sector to implementing ESMS in lending decisions, creates positive conditions to generate social and environmental benefits on a systemic level.

25%
of the BdP agribusiness clients
have received green finance

All transactions above USD
350,000
are now being assessed
through the ESMS

During the pilot phase,
10
clients in the “high” or “medium”
social and environmental
risk category were assessed.

Promoting Green Finance in Costa Rica with Banco Promerica

Costa Rica is the first country in Central America to have pledged to become carbon neutral by 2050, and the first to have reached positive net deforestation rates. Although a small country, representing just 0.03% of the world’s landmass, the country boasts nearly 6% of the planet’s biodiversity. This was one of the reasons why Costa Rica was the first country the eco.business Fund turned to in pursuit of its mission of financing sustainable businesses that conserve biodiversity, promote the sustainable use of natural resources and mitigate and adapt to the effects of climate change.

A New Partnership is Formed

As one of the most advanced financial institutions in the region with regards to sustainability, Banco Promerica was identified as a strategic ally for the fund, due to its commitment and ambition to grow as a sustainable financier in Costa Rica.

In 2019, the fund made an investment of USD 10 million for the specific purpose of mobilizing capital towards environmentally responsible businesses in agriculture and the respective value chain. And with agriculture a major contributor of the Costa Rican economy, finding ways to support this key sector was of paramount importance for the fund’s goal of green transformation.

“When we first partnered with the eco.business Fund, we did not realize the full potential of an agribusiness holding a voluntary sustainability certification,” says Gabriela Baez Luna, Credit Risk Manager at Banco Promerica. “So, when we had the opportunity to attend training workshops where the benefits of financing certified companies were explained, we adopted a more strategic approach to incorporate certified agribusinesses in our portfolio.”

The training workshops were hosted by the eco.business Fund’s Development Facility, which works alongside the fund to deepen and anchor



its impact. Bank officers learned more on how certified companies report higher profitability, reduced costs, improved reputation, and increased productivity, therefore being encouraged to make certified agribusinesses more significant in their portfolio. Currently, Banco Promerica has a green portfolio of USD 100 million, of which 51.8% has been disbursed in the agribusiness sector through green credit lines. Moreover, certifications further enable partner institutions

to leverage proven third-party expertise on the sustainability activities of their clients.

Agricultural clients of Banco Promerica which are Rainforest Alliance certified are implementing sustainable practices that protect natural resources and the environment, by, for example, using less fertilizers and pesticides, which leads to reducing excess run-off and freshwater contamination and reducing the depletion of soil,

Although Costa Rica representing just

0.03%

of the world’s landmass, the country boasts nearly

6%

of the planet’s biodiversity.



10,000

liters of herbicides avoided in Costa Rica
through the fund's partnership with Banco Promerica

flora, and fauna. Thanks to financing enabled by the eco.business Fund, the bank is able to support the sustainable farming of 3,000 hectares of pineapples and 4,100 hectares of bananas. According to Rainforest Alliance's Indicator 2.8¹, these combined hectares represent over 10,000 liters of herbicides avoided. Read more on the sustainable measures and practices implemented by one of Banco Promerica's certified clients, Grupo Aproveco, on [page 33](#) of this report.

COVID-19 and Tourism

When the global pandemic hit in early 2020, Costa Rica was not spared the wave of economic upheaval due to closed borders and travel restrictions. In fact, Costa Rica's GDP decreased by 4.5% in 2020, with tourism the most affected economic activity, and international arrivals dropping by almost 70%.

The Development Facility initiated a COVID-19 response package to assist partner financial institutions in the region in managing the crisis. This included, for example, support in portfolio management and loan restructuring, credit risk management, and adaptation of product offering in response to the crisis.

As tourism is a major contributor of the country's economy, it triggered Banco Promerica to seek ways to support the needs of their clients in the industry during the pandemic.

"With lockdown measures in place, our clients were struggling to adapt to the new market conditions," states Gabriela Baez Luna. "So, after the launch of the COVID-19 response package, we reached out to the Development Facility team to ask for assistance with our tourism clients. They then helped us develop a toolkit which we could present to our clients in the tourism industry."



Creation of the Tourism Toolkit

The toolkit seeks to improve the resilience of 315 bank clients in the tourism industry, particularly hotels, by, for example, identifying new business models for hotels, adapting communication and marketing tools to new market conditions, and promoting the adoption of eco-efficient practices and the use of eco-efficient equipment.

"Sustainable tourism has the potential to conserve biodiversity, in all countries where tourism is highly relevant to the economy."

CAMILA SILVA ARANGO

Senior Officer at Finance in Motion
for the Latin American and the Caribbean Development Facility
of the eco.business Fund

"When Banco Promerica reached out to the fund to come up with a solution for the tourism sector, we started working to create this toolkit together," explains Camila Silva Arango, Senior Officer at Finance in Motion working for the Latin American and Caribbean Development Facility of the eco.business Fund. "Sustainable tourism has the potential to conserve biodiversity, not only in Costa Rica, but also in other countries where tourism is highly relevant to the economy."

Costa Rica's GDP
decreased by

4.5%

in 2020, with tourism
the most affected economic
activity, and international
arrivals dropping by almost

70%

¹ Farms located in areas where the original natural vegetative cover is forest, must establish and maintain, as part of the conservation program, permanent shade distributed homogeneously throughout the plantations; the shade must have a minimum of 70 individual trees per hectare that must include at least 12 native species per hectare, a shade density of at least 40% at all times, and the tree crowns must comprise at least two strata or stories



The creation of the toolkit was just the start of the eco.business Fund’s plan to expand into the sustainable tourism sector. Currently, the fund and Banco Promerica are working together to incorporate eligibility criteria specifically developed for this sector. This enables the fund to channel more investments for sustainable tourism that prioritize the environment, such as water and energy conservation (e.g., biomass boilers, rainwater harvesting), water and energy

efficiency (e.g., efficient heating, ventilation, and air conditioning systems), or take care of culture and natural heritage (e.g., equipment and procurement of material to grow native plants for landscape management and forest restoration).

To read more about how the fund has developed the eligibility criteria for the tourism sector, go to [page 27](#) of this report.

Prospects for the Future

The collaboration between Banco Promerica and the eco.business Fund has allowed both institutions to leverage on synergies to promote green finance in the region. From learning about the benefits of voluntary sustainable standards, to then financing certified agribusinesses; or developing a toolkit for clients in the tourism sector during the crisis – the bank has proven that investing in sustainability is key to supporting society and environment even in the most challenging of conditions.

“Going forward, we will be prioritizing financing to mitigate climate change. The COVID crisis will soon be over, but the climate crisis is something which will remain,” states Michelle Espinach, Sustainable Bank Manager at Banco Promerica.

In this effort, the bank not only plans to increase financing for sustainable agribusinesses but also to align their business strategy with the UNEP-FI Principles for Responsible Banking, and our



“The COVID crisis will soon be over, but the climate crisis is something which will remain”

MICHELLE ESPINACH
Sustainable Bank Manager at Banco Promerica

portfolio with Net Zero by 2050, in accordance with our commitment to the Net Zero Banking Alliance. The eco.business Development Facility will support Banco Promerica by designing an action plan to align its strategy with these global initiatives.

“With the eco.business Fund as a reliable and supportive partner, we know that we can become the agents of change needed to make green finance more mainstream, not just in Costa Rica, but across the Latin American market through the larger network of the Promerica Group as well.”

Currently, Banco Promerica has a green portfolio of USD

100

million, of which

51.8%

has been disbursed in the agribusiness sector.

Costa Rica is Considered
to Possess the
Highest Density of Biodiversity
of any Country Worldwide*

Costa Rica is home to more than 500,000 species

.... which represents nearly 5% of the total species estimated worldwide



10% 10% of known butterfly species worldwide reside in Costa Rica

1,251 There are about 1,251 species of butterflies in Costa Rica

0.03% 6% Although Costa Rica represents just 0.03% of the world's landmass, the country boasts nearly 6% of the planet's biodiversity

* Source: Wikipedia

Brewing Certified Tea in Kenya

The agriculture sector is the backbone of the Kenyan economy and is one of the leading sources of employment in the country, supporting the livelihoods of more than 40% of the total population and approximately 70% of the rural population¹. More specifically, the tea industry is the largest agricultural export in Kenya and generates about 26% of the total export earnings thus contributing 4% to Kenya's GDP².

Being a rainfed plantation crop in Kenya, tea depends greatly on weather for optimal growth. The plant is grown in high altitude areas east and west of the Great Rift Valley, between 1,400 and 2,700m above sea level, where rainfall ranges between 1,800 and 2,500 mm annually.

However, tea production has been unstable in the past few years, with producers facing reduced and erratic rainfalls, higher rates of hail



or frost episodes as well as increasing temperatures that heavily affect yields and productivity levels. In fact, research suggests that environmental stress caused by climate change, especially drought, accounts for 14–20% loss in yield and 6–19% plant mortality².

“Before the fund expanded into sub-Saharan Africa, we conducted a thorough market analysis in Kenya to understand the market conditions for various crops, including tea, and gauge the impact our financing and technical assistance could provide to boost sustainable productions of those crops,” says Jaspreet Stamm, Director of the sub-fund for sub-Saharan Africa. “The tea sector in Kenya is a key focus area given its

“The tea sector in Kenya is a key focus area given its economic importance for the country but also high degree of vulnerability to the effects of climate change.”

JASPREET STAMM

Director of the sub-fund for sub-Saharan Africa



The tea industry is the largest agricultural export in Kenya and generates about

26%

of the total export earnings thus contributing

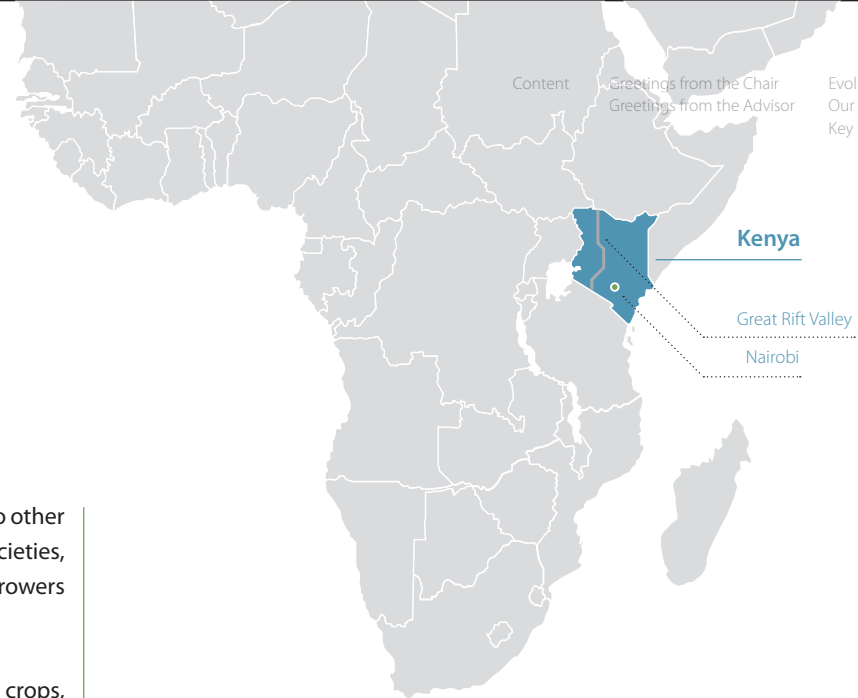
4%

of Kenya's GDP.

¹ <http://www.fao.org/kenya/fao-in-kenya/kenya-at-a-glance/en/>

² Muoki, Chalo & Maritim, Tony & Oluoch, Wyclife & Kamunya, Samson & Bore, John. (2020).

Combating Climate Change in the Kenyan Tea Industry. Frontiers in Plant Science. 11. 10.3389/fpls.2020.00339.



economic importance for the country but also high degree of vulnerability to the effects of climate change.”

This is why the eco.business Fund is looking for opportunities to invest in the tea industry across the country to help increase the resilience of tea crop to climate change. In this endeavor, the eco.business Fund has joined forces with Co-operative Bank, the third largest commercial bank in Kenya, and the primary bank for agricultural cooperative societies. Together, the partners will provide necessary credit to sustainably certified

agribusinesses in the tea sector as well as to other sectors such as coffee cooperative societies, and horticultural (including floriculture) growers and exporters.

In addition to supporting climate resilient crops, the partners are also eager to promote sustainable practices to ensure long-term viability of the tea sector by, for example, financing activities that reduce the reliance on firewood as the main fuel source that powers the tea production. This includes using renewable energy sources such as hydroelectric power and solar plants.

“We are excited to work with Co-operative Bank and support them in reaching out to certified producers,” details Stamm. “Together, we will be able to contribute to advancing Kenya’s agricultural sector and achieve climate resilient development.”

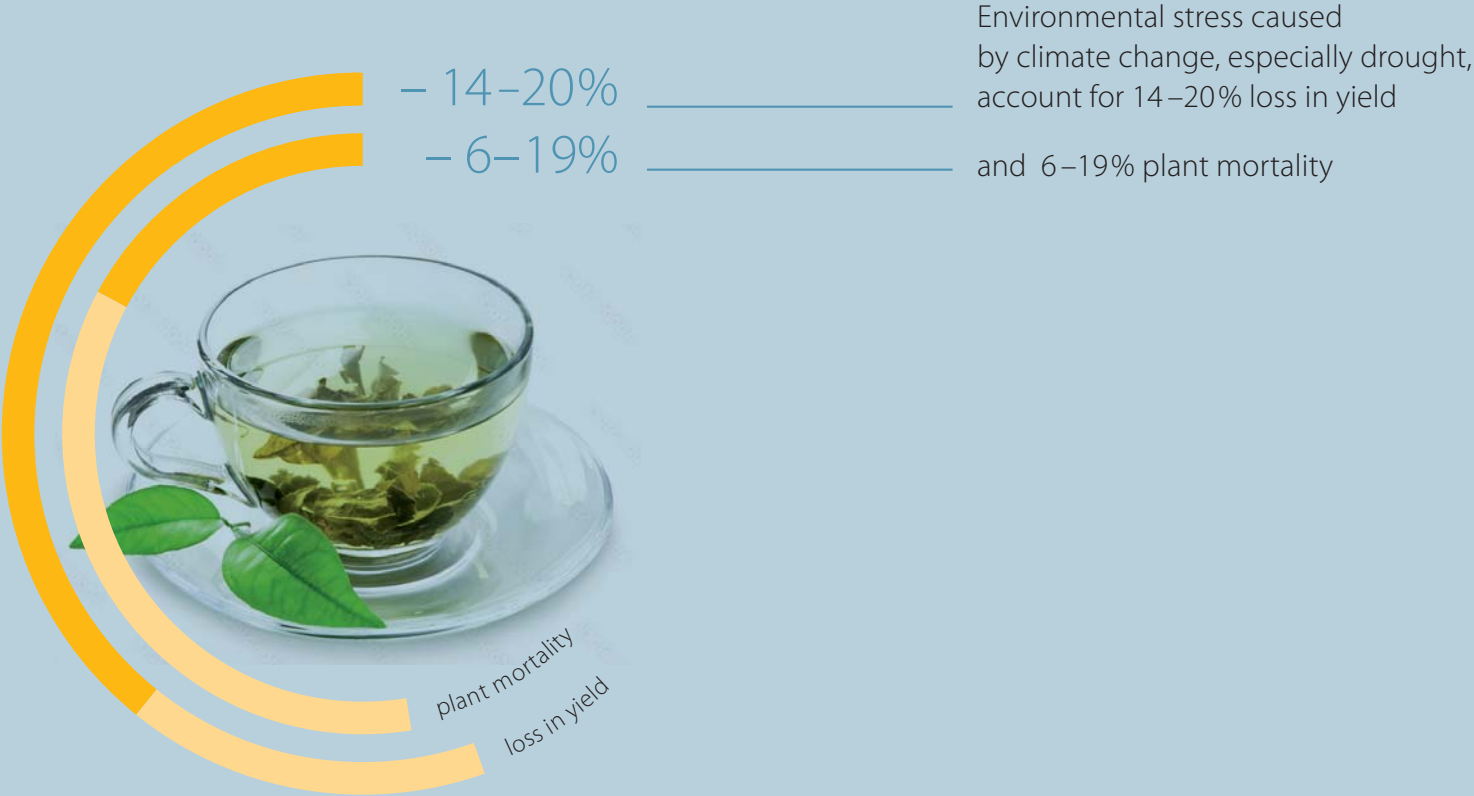
“Together, we will be able to contribute to advancing Kenya’s agricultural sector and achieve climate resilient development.”

JASPREET STAMM
Director of the sub-fund for sub-Saharan Africa

March 2020
First partnership
in sub-Saharan Africa



The Tea Sector
in Kenya
has High Degree
of Vulnerability
to the Effects
of Climate Change



Source: Muoki, Chalo & Maritim, Tony & Oluoch, Wyclife & Kamunya, Samson & Bore, John. (2020). Combating Climate Change in the Kenyan Tea Industry. Frontiers in Plant Science. 11. 10.3389/fpls.2020.00339.



2015–
2020

5 Years of Investing in Sustainability

End-Borrowers

Bountiful Harvests of Certified Bananas

The Aproveco Group is located in the province of Limon, on the Eastern coast of Costa Rica. This family-owned company set up their business more than 35 years ago to farm tropical fruits, run reforestation programs as well as provide logistic services. “We are so proud of how the company has grown. When it started, we had 200 hectares of farmland, and a vision to grow the company. We couldn’t do this on our own, however, and we needed a partner to provide additional funds,” remarks Tenorio Álvarez, Manager at the Aproveco Group.

Through financial institutions, such as Banco Promerica, one of the eco.business Fund’s partner institutions, the company was able to obtain the necessary loans for their growth strategy and has now become a country-leader in sustainable and efficient food production, with banana as their primary crop. In fact, they have one of the highest productivity rates amongst sustainable producers, averaging more than 4,100 boxes per hectare annually.



Sustainability in Practice

“It took time to develop our business, but a key part of our strategy has always been to work sustainably, for example, by introducing a soil renovation program to rehabilitate the soil quality and increase productivity or investing in a wastewater treatment system that recirculates up to 20% of the water,” says Álvarez. The group,

which consists of 13 farms, has set aside 10-18% of land per farm for the conservation of forests and native zones, which function as biological corridors to improve biodiversity indexes and landscape quality.

In addition to being Rainforest Alliance and GlobalG.A.P certified, the company has implemented sustainable practices in every step of the value chain.



Aproveco Group has set aside
10–18%
of land per farm
for the conservation
of forests and native zones

Water consumption in the basins reduced by 36%

“Everything we do is with the mindset of protecting the natural resources that surround us, to ensure long term sustainability” says Mr. Didier Bejarano, Sustainable Manager at the Aproveco Group. “For example, to avoid polluting the water or soil, we started to use organic agrochemicals containing cinnamon, cloves, beetroots, and mustard to get rid of pests like the black Sigatoka found on banana leaves. Even though this pest can reduce fruit yield by 50%, we are determined to find organic solutions to combat it.” In addition, only 80 grams of waste is produced for each fruit package of 13kg, of which 100% is then recycled

and converted into other products such as slats for stair steps and field platforms, or roofing shingles.

When it comes to saving water, the company implemented several measures to use this natural resource responsibly. In addition to using recycled water, the company also saves water by redesigning the basins where the fruit is washed. Although the basins have a volumetric capacity between 115 and 120 m³, the company has managed to lower the volumetric capacity to 86 m³; which reduces water consumption by 36%.



But safeguarding the ecosystems in which the plantations are located is not the only sustainability focus of the Aproveco Group. Protecting the livelihoods of its employees is also of importance. In fact, in addition to paying higher salaries than the industry standard, the

“When it started, we had a vision to grow the company. We couldn’t do this on our own, however, and we needed a partner to provide additional funds.”



TENORIO ÁLVAREZ
Manager at the Aproveco Group

November 2019
eco.business Fund provides
USD 10 million loan
to Banco Promerica



company provides onsite medical services for workers and their families, and school supplies for employees' children. "Ensuring workers' well-being is a key component of sustainability. We have over 2,000 employees, half of whom are women. They are the heart of the company, so we want to make sure they feel taken care of," says Bejarano.

Plans for the Future

The Aproveco Group is continuously looking for ways to improve and create a positive impact both for their community and the surrounding environment. For example, the company has plans to invest in renewable energy technologies such as solar panels for the packing plants and water pumps. In addition, they are exploring the use of drones or ultralights as opposed to air-planes for spraying agrochemicals, as this will

reduce the dispersion to native forests and surrounding plantations.

Ultimately, the Aproveco Group plans to become carbon neutral. "We are currently measuring our footprint, using indicators such as fuel and fertilizer use and waste generation," notes Bejarano. "We want to measure this accurately so we know how we can become carbon neutral in the next couple of years."

"We are proud of how far we have come, and we are continuously honing our sustainability strategy by finding new ways to use modern technology. We do it because we know that this is how we can grow the company and protect the environment at the same time. This is not an easy task, but thanks to the support of like-minded institutions such as the eco.business Fund, we know that this is possible," concludes Álvarez.

100% Recycling of fruit packages



80g

of waste is produced for each fruit package of

13kg

of which

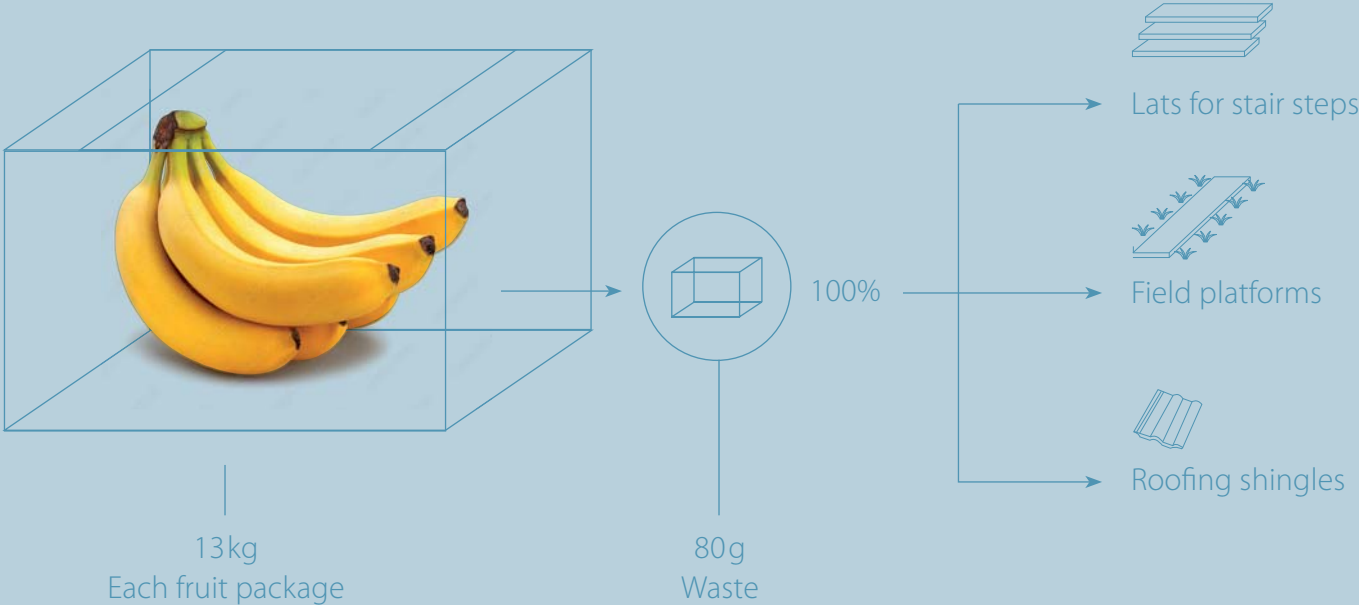
100%

is then recycled and converted into other products such as slats for stair steps and field platforms, or roofing shingles.



5 Years of Investing in Sustainability: Only 80 Grams of Waste is Produced for each Fruit Package

... of which 100% is then Recycled
and Converted into Other Products



This data refers to the practices of the Aproveco Group in Costa Rica

The Seeds of Sustainable Success

Floriculture is a major player in Ecuador's economy. In fact, Ecuador is the world's third-largest exporter of cut flowers, supplying 72 countries around the world. However, despite its economic and social benefits, floriculture has come under a lot of scrutiny by environmentalists due to the reliance on harmful agrochemicals which pollute air, soil, and water supplies, if misused.

Understanding the complexity of balancing profitability with protecting the environment, the eco.business Fund provides financing to sustainable floriculture companies, via its partner financial institutions. One such example is Rosadex located in Cayambe, Ecuador. This family-owned business was established in 1994 with three hectares and has tripled in size over the years. The company is committed to sustainability and complies with international environmental sustainability standards such as Rainforest Alliance. To fund their sustainable operations, the company has received loans from Banco del Pacífico, a long-standing partner of the fund.



Thanks to the financing enabled through the fund, Rosadex is continually implementing additional sustainability practices. Firstly, the company implemented crop rotation with roses, anemones, and ranunculus, so that soil is not depleted of essential nutrients by repeated use of one type of plant in the same plot. This reduces reliance on chemical fertilizers, pesticides and herbicides. By constantly checking the salinity of

the soil, the company is able to accurately control and reduce the use of fertilizers and agrochemicals by 50%.

In addition, roses harvested by Rosadex have unique qualities: "Our roses have many blooms or bigger heads. It is very difficult to find a spray rose with five roses per stem, and this makes our roses special. I believe our excellent soil manage-



"Our roses have many blooms or bigger heads. It is very difficult to find a spray rose with five roses per stem, and this makes our roses special."

ANDRÉS DÁVALOS
General Manager at Rosadex



50–60%
less agrochemicals
used by Rosadex on flowers
grown in greenhouses

Rosadex achieved **85%** more efficiency in water consumption by using drip irrigation

ment and responsible use of agrochemicals is the reason for this,” explains Andrés Dávalos, General Manager at Rosadex.

Moreover, Rosadex’s flowers are grown in green-houses, as opposed to open air, which avoids that 50-60% of the agrochemicals sprayed on roses being carried away by the wind. Drip irrigation is also used in order not to overuse local water resources. Drip irrigation maintains optimum soil moisture conditions and is over 85% more efficient in comparison to sprinkler irrigation

enhancing crop yields by more than 50% and reducing the need for fertilizer by more than 30%. Moreover, Rosadex also uses a water recycling system to capture and treat excess water.

“When we started the company, we immediately reduced the use of chemicals by around 10% compared to other flower growers. Over time we have been able to reduce it even by 40%, and we hope to reduce it further in the future,” explains Dávalos.



In this endeavor, Rosadex established a laboratory ten years ago to grow different types of healthy bacteria, in order to create eco-friendly and organic fungicides that help to reduce the use of chemicals. This is especially important as fungal infections are common in roses and quite difficult to avoid.

The laboratory enabled the company to grow a biofungicide called Trichoderma on a commercial scale which has now become a focal point in

Valley of Cayambe
Quito (Capital)

Ecuador

“Over time we have been able to reduce the use of chemicals by 40%, and we hope to reduce it further in the future.”

ANDRÉS DÁVALOS
General Manager at Rosadex



50%

less fertilizers used per hectare

Rosadex sustainability strategy. This is particularly important as synthetic fungicides, although enabling rose farms to grow high-value flowers, are detrimental to both the environment and humans. With Trichoderma, however, fungi that cause many types of diseases are reduced, and plants are able to absorb nutrients more readily.

Moreover, the company uses an additional biological agent called, Pseudomonas, which facilitates the biodegradation and bioremediation of synthetic compounds found in soil and water, and help plants absorb fertilizers to promote growth. This enables the company to use 50% less fertilizer per hectare than the average farm. By researching new bacteria and fungi, the company is continually enhancing their soil management – including substrates and fertilizers – to conserve soil, minimize contamination risks, and reduce production costs.



“If we want to continue growing flowers in the future, then we need to make sure we look after the foundation, the soil, and life’s most valuable resource, water,” says Dávalos. “This land has been here for generations, and we want to make sure that future generations can continue to benefit from its bounty but do so in a responsible way.”



“This land has been here for generations, and we want to make sure that future generations can continue to benefit from its bounty but do so in a responsible way.”

ANDRÉS DÁVALOS
General Manager at Rosadex

Floriculture is a major player in Ecuador’s economy. In fact, Ecuador is the world’s

3rd
largest exporter of cut flowers, supplying

72
countries around the world.

Floriculture: Cut Flowers and Roses Global and in Latin American

Over the Past Five Years
in percent



3rd

Ecuador is the world's
third largest exporter
of cut flowers

75%

About 75% of the cut
flowers exported
from Ecuador are roses

Sources:
<https://oec.world/en/profile/bilateral-product/cut-flowers/reporter/ecu>
<https://www.ft.com/content/eb5114d6-d846-11e4-ba53-00144feab7de>

A Century of Cultivating Coffee

José Guillermo (known as Epe) and María de los Ángeles Álvarez Prunera are owners and administrators of “Finca Malacara” which is a family run coffee farm located at 1,650 meters above sea level near the Santa Ana volcano in El Salvador. This area belongs to the Apaneca-Lamatepec coffee region, recognized as the “Golden Belt of Coffee” due to the extraordinary quality of coffee produced in the area. The tradition of farming high quality beans has been passed down from generation to generation, dating back to 1888.

Today, the farm encompasses 39 hectares and is planted with 80% Bourbon (Red, Yellow and Orange) coffee and some other varieties such as Pacamara, Gesha and Kenya SL28. Over time, the Malacara brand has been recognized in the world of coffee as one of the best in El Salvador for its consistency in cup quality.

“Our way of farming is unique as we are located next to the Santa Ana volcano. The volcanic soil is rich in minerals and provides extremely fertile



ground which not only makes it easier to grow coffee, but it also gives it an incredible taste,” remarks José Guillermo.

Volcanic soils cover 1% of the earth’s surface yet support 10% of the world’s population. This is usually attributed to their high natural fertility and minerals such as feldspar, quartz, magnesium, cristobalite and tridymite.

“We are lucky to live right next to a volcano, as the soil has benefited my family for generations. But we can see how vulnerable the environment is around here. So, we do our best to make sure the environment is protected,” explains José Guillermo.

In order to grow their business and continue producing high quality coffee, the company has



“Our way of farming is unique as the volcanic soil is rich with minerals and provides extremely fertile ground which not only makes it easier to grow coffee, but it also gives it an incredible taste.”

JOSÉ GUILLERMO

Owner and Administrator of Finca Malacara

been receiving loans from Banco Hipotecario for over ten years and has benefitted from financing enabled by the eco.business Fund since 2017 for the implementation of sustainable practices. One example is that the family has started using an organic fertilizer made from cattle waste which has been treated by a biodigester. In addition, the family have completely prohibited the use of glyphosate – which is a herbicide widely used in coffee plantations, and instead rely on a biofungicide, Trichoderma, to control diseases, thereby reducing the use of harmful chemicals and enhancing the solubilization of mineral nutrients to regulate plant growth.

32.2

million tons of carbon are stored by coffee plants in El Salvador annually, or the equivalent amount of carbon released by

6.8

million cars driven each year.

42%

lower soil moisture in sun coffee farms compared to those that have leafy foliage as canopy

Throughout the production process, the Malacara farm seek to minimize the environmental impact of their operations by using natural resources sustainably and thus contributing to the preservation of El Salvador’s biodiversity. Majority of the sustainable measures implemented on the farms are part of the fund’s Green List of sustainable activities and the sole driver behind them is José Guillermo’s conviction to protect the environment.

Another sustainable farming practice that the family implements is growing coffee under shade instead of clearing up valuable trees to make space for the farms. This agroforestry system also promotes certain nutrients in the soil and provides a favorable microclimate for plants.

“We make it our priority to take care of the environment around us as it sustains our family and the local community. That is why about

50-70% of our coffee is shade-grown because we have seen how good it is for the environment, and the coffee bean itself,” notes José Guillermo.

In El Salvador, 7% of forested land are shade-grown coffee plantations. Traditional shade-grown coffee cultivation methods, which require less reduced tillage and agrochemical use, can help to maintain soil structure and fertility. In addition, soil moisture in sun coffee farms can be

Finca Malacara
Apaneca-Lamatepec coffee region
near Santa Ana volcano

San Salvador (Capital)

El Salvador

“We make it our priority to take care of the environment around us as it sustains our family and the local community.”

JOSÉ GUILLERMO

Owner and Administrator
of Finca Malacara

42% lower compared to those that have leafy foliage as canopy. This means that sun grown coffee will require 7,409 cubic meters of water more per hectare per year to produce the same volume of green coffee (840 kg/ha), as they are unable to absorb nutrients as readily. In addition, a shade-grown production system imitates a forest structure by encouraging ecosystem services, in particular services provided by birds.



A single bird can help
to save from pests every year **23-65** pounds of coffee per hectare

These birds act as predators of insect pests that can jeopardize a farmer's coffee crop. In fact, research suggests that a single bird could help save 23-65 pounds of coffee per hectare every year from pests.¹ Furthermore, the canopy and root system of trees on a shade-grown plantation, like the Inga Eludis species, reduce the impact of climate deregulations. Trees naturally enrich the soil with nitrogen and organic matter and reduce erosion amongst other biodiversity benefits.

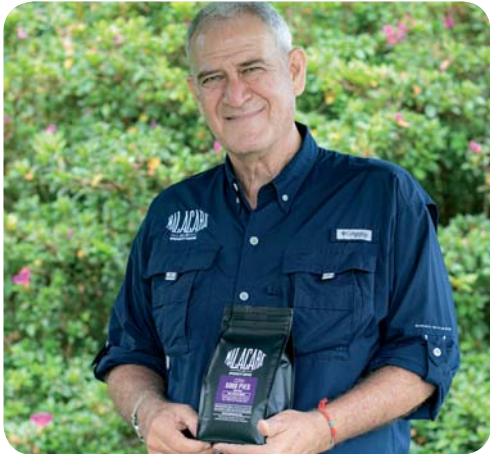
"We can see a lot of birds and wildlife, like deer, on the farms, which haven't been seen for many years," observes José Guillermo.

Not only does the environment thrive from the farming practices of the Finca Malacara, but the local community benefits from their social engagements as well. For example, José Guillermo and María de los Ángeles Álvarez Prunera have established a school and a health



clinic on the farms, where the local community can access primary medicine free of charge.

"The community is like an extended family. We even have accommodation available for those who want to stay on the farms comfortably without commuting every day, and we subsidize costs for staple food items," adds José Guillermo.



and implement measures to become carbon neutral. By receiving tailored technical assistance, this will enable the family to not only compare the farms' practices to other coffee farmers, but it will also enable them to implement additional measures that advance sustainable operations on the farms.

Volcanic soils cover

1%

of the earth's surface
yet support

10%

of the world's
population.

¹ <https://www.sciencedirect.com/science/article/abs/pii/S092180091830764X?dgcid=author>

Increase in Global and Latin American Coffee Export and Production

Over the Past Five Years
in percent



+ 14%

The global coffee production increased by 14%



+ 4%

The global coffee export value increased by 4%



+ 3%

Both the Latin American coffee production and coffee export value increased by 3%, with Brazil and Colombia leading exports.

Source: <https://www.trademap.org>

Our Investors

2015-2020



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2015-2020



2015–
2020

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