



Corporación Interamericana
para el Financiamiento de
Infraestructura S.A.

Environmental, Social and **GOVERNANCE** **REPORT 2021**

Transforming lives through sustainable investment

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Panama City, Republic of Panama.
www.cifi.com*





Illustrative photo (Source: Envato Element)



Cesar Cañedo-Argüelles
Chief Executive Officer

Sustainable and responsible investment is both a philosophy and a process that integrates environmental, social, and governance criteria that guide investment projects' analysis and selection. Since our founding, 20 years ago, we have always considered the integration of ESG as a cross-cutting element in our strategy and a fundamental factor for long-term success.

In 2022, we are moving one step further and will launch our first Sustainable Infrastructure Debt Fund. The fund is aligned with the Sustainable Development Goals and the Paris Agreement to meet the criteria that define sustainable infrastructure. It encompasses critical infrastructure projects that support human well-being and whose design, construction, and operation do not reduce social, economic, or environmental processes.

Investors, lenders, rating agencies, and governments are increasingly looking for such investments. However, to compare and evaluate the impact generated by the projects financed, it is essential to have an ESG information system with social and environmental metrics that provide homogeneous sustainability data. This information helps to improve how environmental risks are assessed, mitigated, and managed.

At CIFI, we believe that we must strive to make the Sustainable Development Goals a priority and achievable goal. During the 20 years, we have been a financial institution, we have shaped our entire regional portfolio following a sustainability strategy. We will continue to take action so that more people and companies walk with us on a path that leads ordinary people to do great things for their communities, the environment, and the planet.

CIFI invests, together with some of the world's leading institutional investors, in Latin American and Caribbean countries and has a committed Board of Directors with extensive banking, investment, and infrastructure experience that provides strategic direction and oversight, closely aligned with ESG standards.

Scientific name: Heliconius charitonia

Common name: Zebra longwing

Family: Nymphalidae

Geographic range: Central and South America

"Fun fact": This species can live up to 6 months as a butterfly.



Illustrative photo (Source: Envato Element)

In 2018, CIFI designed an ESG Strategy to guide the company towards a new era of sustainable and responsible investment. The milestone marked a before and after for us at CIFI, involving our entire staff, key stakeholders, and board of directors to develop an institutional approach for sustainability. By 2019, we were on track with our goals set to measure our progress, prioritizing actions in areas that were key for our business model, such as Climate Change.

ESG data remains one of the main hurdles for the financial sector. Credibility and accountability are key to supporting steady progress toward global sustainable goals. Investors are increasingly interested in meeting the demands of the public while maintaining growth, and we witnessed significant progress towards unified criteria for sustainable or green financing driven by regulators who aim to reduce the potential for greenwashing.

At CIFI, our first step was to ensure we gathered enough data, of the appropriate quality, to be able to draft conclusions and develop achievable strategies. It required significant support from our like-minded partners, technical assistance, commitment, and brainpower to overcome challenges and break paradigms. After four years, we have built a strong business case in favor of sustainability that translates into financial products tailored for our investors and clients in one of the most relevant niches: infrastructure in emerging markets' middle market.

Our ESG Strategy is simple, a strong risk management framework committed to fostering positive impact in all our endeavors. With this in mind, we keep enhancing our policies and procedures to reflect emerging needs and opportunities for improvement. After thorough consideration and deemed analysis, CIFI updated its Exclusion List in December 2021 to reflect our strongest commitment to managing climate risks and supporting the fight against climate change. From now on, Cifi will no longer finance fossil fuels, allowing only midstream and downstream gas, as discussions remain vibrant regarding its potential to serve as a transitional fuel. In line with our Climate Change Targets, this bold move will reduce our transitional risk and curb direct financed emissions to reduce our overall carbon footprint.

Hence, CIFI is choosing a decarbonization pathway focused on asset allocation in projects with Low Carbon Intensity and progressively divesting from Carbon-Intensive sectors.

After three years of data collection to measure our carbon footprint, we have seen the results of our climate change strategy unwrap in front of our eyes faster than expected. We reduced our total emissions financed to a third from 176K tCO₂eq in 2019 to 58K tCO₂eq in 2021, while we maintain a portfolio that has an average potential for 1.1 MM tCO₂eq emissions avoided per year.



Carla Chizmar
Head of ESG

Directly attributable financed avoided emissions of our Renewable Energy Portfolio (47% share) for 2021 amounted to 122,132 tCO₂eq. In turn, directly financed emissions generated through our entire portfolio amounted to 58,432 tCO₂eq in 2021. CIFI's avoided emissions are twice as much as our carbon footprint.

The social impact of our loan portfolio benefits 16,106 workers, of which 22% are women, and provides energy to over 3 million people in Latin America and the Caribbean. Social contributions from our clients to the communities in which they operate, amounted to US\$704,144.00 in 2021, showing their commitment to local stakeholders.

Looking forward, we continue to exert a rigorous risk management system and a transparency policy that guides us towards our best performance in our asset class. 2022, is when we will draft our first Decarbonization Plan, launch our first Sustainable Infrastructure Debt Fund, and celebrate 20 years in the market providing much needed financing to infrastructure projects in our region supporting global sustainable development goals.



Monarch Butterfly
Family: Nymphalidae
Scientific name: Danaus plexippus
Not from Central/South America



Scientific name: Morpho helenor

Common name: Blue Morpho

Family: Nymphalidae

Geographic range: Central America

"Fun fact": Its wings are not covered by a blue pigment, it is actually an optical phenomenon called iridescence. The scales absorb the light spectrum and reflect only the blue light.

Note: Various species of Morpho are named "Blue Morpho"

Illustrative photo (Source: Envato Element)



Atlas Butterfly
Family: Saturniidae
Scientific name: Attacus atlas
Not from Central/South America

Illustrative photo (Source: Envato Element)



CIFI is a regional non-bank financial institution that began operations in July 2001. According to CIFI's 2021 Financial Annual Report, CIFI's total equity (share capital, additional paid-in capital, and retained earnings) was US\$ 108.94MM, and total liabilities (at amortized cost: loans payable, bonds, commercial paper; accrued interest payable, and other accounts payable) were US\$ 364.14MM as of December 31st, 2021.

CIFI specializes in providing debt financing for private sector-sponsored infrastructure projects in Latin America and the Caribbean. To date, CIFI has participated in financing more than 200 transactions representing a total investment of US\$ 1.7 billion.

CIFI has a unique shareholder structure comprised of 61.07% from development financial institutions, 18.25% from International Banks, and 20.68% is the senior management. The Norwegian Investment Fund for Developing Countries (Norfund), with 34.30% of CIFI's capital stock, remains the major shareholder.

The ESG Report 2021 represents an effort to continuously improve our transparency to disclose all relevant information to our key stakeholders.

The report is prepared by the Environmental, Social, and Governance (ESG) Department of CIFI under close collaboration with other management units. As part of our governance structure, it constitutes CIFI's Environmental, Social, and Governance Report for the 2021 fiscal year (January 1st through December 31st, 2021).

The ESG Report 2021 reviews CIFI's implementation of its Environmental and Social Management System as a self-assessment of CIFI's alignment with applicable E&S internal policies based on international standards. Furthermore, the review identifies opportunities for future improvement and increasing governance effectiveness in environmental and social risk management. This report encompasses active loans in 2021, including those disbursed in 2021 and those retained from 2020. The chapter Portfolio Performance is confidential.

The performance of our portfolio in ESG risk management, while ensuring fair returns, is a fundamental part of our business model. However, our vision is to ensure that those returns are in line with our values and strategic planning, increasingly promoting a higher positive impact in addition to risk management. It is in that spirit, that this year we improved our data collection from clients and within our organization to present a more comprehensive report that includes

how ESG is mainstreamed throughout our operations and the results from those efforts. The Chapter “The Impact of Our Investments” is shared publicly in our Annual Sustainability Report 2021 to be launched shortly after the release of this confidential version.

Our Key Risk Indicator was 1.27 at the end of 2021, showing a lower ESG risk than our target 1.5. The maximum value is 3.0. This is the result of a collaborative effort from all units to ensure good governance over our portfolio.

CIFI’s portfolio consistently maintains a higher percentage of B category loans (medium risk), accounting for 83.3%. The trend is related to the size of the projects in accordance with the middle market and our risk appetite.

As of December 2021, 86% of our portfolio was Tier I, demonstrating good performance. 12% was Tier II, indicating the portion of our portfolio that needs to improve its performance, but it is not a high risk or material risk to CIFI. The remaining 2% is a property for investment that was included in the E&S Watchlist in 2021. There are no projects in E&S default.

In 2021, our corporate carbon emissions, excluding investments, amounted to 51.2 tCO₂eq, a significant reduction when compared to 119.3 in 2022. As part of our technical assistance projects, we collaborated with Southpole (a specialized consultancy firm) to build the internal capacity of our ESG team in collecting data, evaluating and measuring carbon emissions. This year we conducted our own calculations with 60% of our loanies providing physical data to provide, scope 3 level of accuracy. The total carbon footprint of our investments amounted to 58,432 tCO₂eq in 2021, 40% less than our previous year.

In contrast, the projects in our renewable energy portfolio (47% of the total) contributed to avoiding 1,079,393 tCO₂eq to the environment and benefitted 1.8 million people in Latin America by providing clean energy.

Following our commitment to transparency, this is a comprehensive report that reflects financial, environmental, social and governance performance at a corporate and project level.



Scientific name: Caligo eurilochus
Common name: Owl Butterfly
Family: Nymphalidae
Geographic range: Central and South America
“Fun fact”: Its name comes from its ocelli on its wings that look like owl eyes.
Note: Various species of Caligo are named “Owl butterfly.”

Illustrative photo (Source: Envato Element)



Scientific name: Siproeta stelenes
Common name: Malachite
Family: Nymphalidae
Geographic range: Central and South America
"Fun fact": It is named after the precious green stone.

Vision

We champion and deliver transformational, long-term, positive impact for our clients, employees, investors, society, and the environment, whilst providing sustainable returns globally.

CIFI is a regional non-bank financial institution currently based in Panama that began operations in July 2001 in Washington DC. According to CIFI's 2020 Annual Financial Report, CIFI's total equity (share capital, additional paid-in capital, and retained earnings) was US\$ 108.9MM, and total liabilities (at amortized cost: loans payable, bonds, commercial paper; accrued interest payable, and other accounts payable) were US\$ 364.14MM as of December 31, 2021. CIFI's shareholders include multilateral financial institutions, banks, and funds.

CIFI specializes in providing debt financing for private sector-sponsored infrastructure projects in the Latin America and the Caribbean region. It participates in a limited range of infrastructure lending transactions and its business model is based on having an efficient organization with a lean and effective core staff. At the same time, it is committed to effectively and comprehensively managing and minimizing E&S risk and ensuring that its projects are consistent with international standards, including the IFC Performance Standards and Equator Principles, which CIFI has adopted

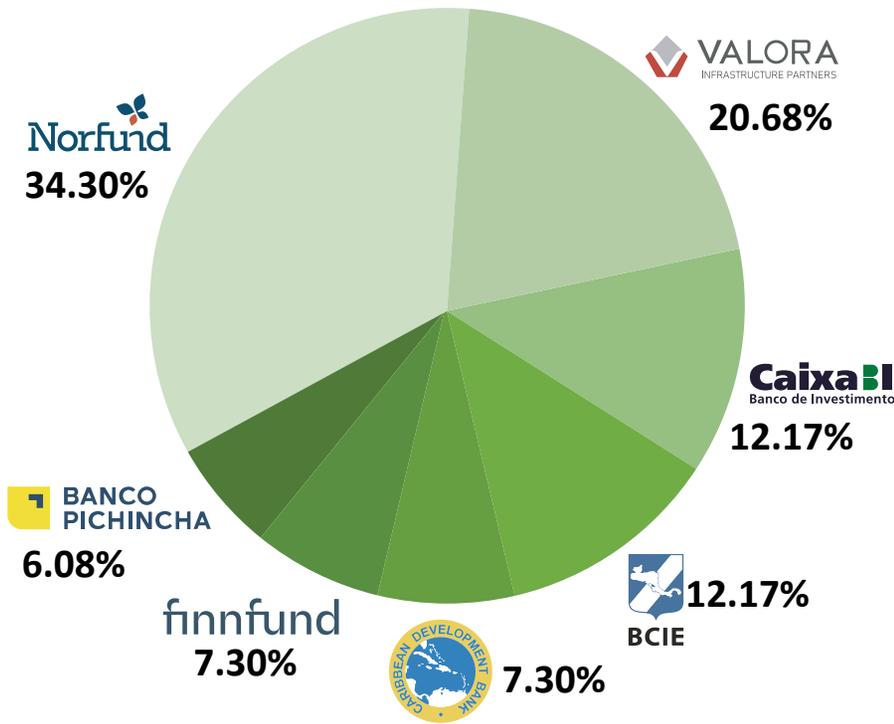
CIFI strives to be the leading provider of finance for energy and infrastructure development in Latin America and the Caribbean.



Scientific name: *Battus polydamas*
Common name: Gold Rim Swallowtail
Family: Papilionidae
Geographic range: Central and South America
Fun fact: This species is venomous because of its host plant.

Illustrative photo (Source: Envato Element)





PRODUCTS

| | | | |
|------------------------------|---|-------------------------------|---------------------------------------|
| <p>Project Finance Loans</p> | <p>Revolving Credit Lines</p> | <p>Construction Financing</p> | <p>Structured Corporate Financing</p> |
| <p>Subordinated Loans</p> | <p>Credit Guarantees and Enhancements</p> | <p>Mezzanine Loans</p> | <p>Financial Acquisitions</p> |

SHAREHOLDERS

CIFI has a unique shareholder structure comprised as follows:

| | | |
|---|--|---|
| <p>61.07% Development Financial Institutions</p> | <p>18.25% International Banks</p> | <p>20.68% CIFI's Senior Management</p> |
|---|--|---|

SERVICES

| | | |
|------------------------------------|-----------------|--------------|
| <p>Structuring and Syndication</p> | <p>Advisory</p> | <p>Loans</p> |
|------------------------------------|-----------------|--------------|

Financial Information

| Balance Figures | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------------------|---------|---------|---------|---------|---------|
| Total Loans Portfolio | 352,576 | 365,468 | 389,250 | 394,347 | 359,189 |
| Total Assets | 389,961 | 382,347 | 427,197 | 482,085 | 473,079 |
| Total Debt | 289,716 | 282,309 | 320,352 | 361,457 | 335,926 |
| Total Liabilities | 291,186 | 284,670 | 328,325 | 377,215 | 364,143 |
| Equity | 98,776 | 97,677 | 98,872 | 104,869 | 108,936 |
| PnL Figures | | | | | |
| Total Interest Income | 26,122 | 33,154 | 33,674 | 27,793 | 27,595 |
| Total Interest Expense | 12,948 | 16,347 | 17,763 | 16,263 | 16,082 |
| Net Interest Income | 13,174 | 16,807 | 15,911 | 11,531 | 11,513 |
| Advisory and Structuring Fees | 7,553 | 6,748 | 6,732 | 9,685 | 8,557 |
| Operating Income | 20,730 | 23,729 | 22,761 | 25,039 | 22,774 |
| Financial Indicators Solvency | | | | | |
| ROE | 8.5% | 8.3% | 8.2% | 9.5% | 9.2% |
| Equity to Assets | 25.3% | 25.5% | 23.1% | 21.8% | 23.0% |
| Equity to Loan Portfolio | 28.0% | 26.7% | 25.4% | 26.6% | 30.3% |
| Capital Adequacy | 15.2% | 14.4% | 13.0% | 13.4% | 14.7% |

Figures in thousand of US Dollars and percentage

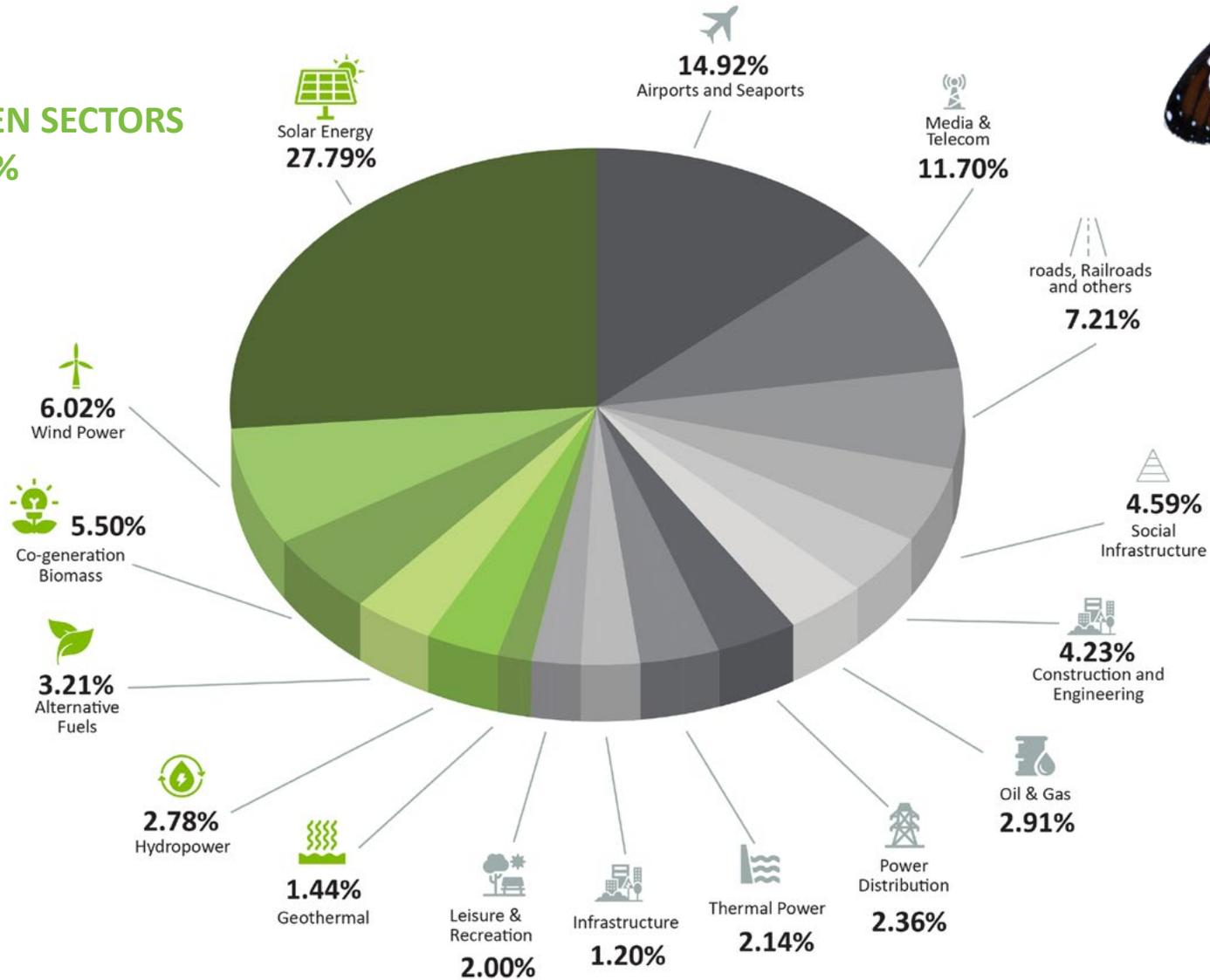


Scientific name: Papilio glaucus
Common name: Tiger butterfly
Family: Papilionidae
Geographic range: South Eastern of North America
(Canada, USA, Mexico).
"Fun fact": The caterpillar of this species inspired the
pokemon "caterpie".

Illustrative photo (Source: Envato Element)

**Portfolio by Infrastructure Sector
(Subsector) (Percentage, US\$ disbursed)**

**GREEN SECTORS
46.8%**



Illustrative photo (Source: Envato Element)

Scientific name: *Danaus genutia*
Not from Central/South America
Note: Very similar to *Limentis archippus* described previously





Portfolio by Infrastructure Sector
(Subsector) (Percentage, US\$ disbursed)

Scientific name: *Gonepteryx rhamni*
Not from Central/South America
Note: There is a species similar to this that occurs in Central/South America: *Anteos clorinde*



Illustrative photo (Source: Envato Element)

BOARD OF DIRECTORS

An engaged Board of Directors with broad investment and banking experience provides strategic direction and oversight strongly aligned with ESG standards.

CIFI is governed by high international standards reflected in its principles, policies, processes, and management guidelines, aiming to promote, manage and ensure a culture based on transparency at the corporate level in each of its subsidiaries.

Our robust corporate governance structure includes a diversified shareholder base with an effective Board of Directors that reflects our commitment to responsible and sustainable business practices.

Javier Escorriola
President of the Board Regional Director for Norfund



Alison Harwood
Independent Director



Per Aage Jacobsen
Independent & member of Norfund Investment Committee



Judith de Barany
Independent Director



Pertti Nurmio
Independent & member of Finnfund Investment Committee



Mauricio Orellana
Independent Director



Joaquim Souza
Caixa Banco de Investimento S.A.



Carlos Sanchez
Central American Bank for Economic Integration (CABEI)



Risk Committee

Per Aage Jacobsen
Mauricio Orellana *
Carlos Sánchez*

Audit Committee

*Javier Escorriola
Judith de Barany *
Terry McCoy**

Compensation & Corporate Governance

*Javier Escorriola
Mauricio Orellana *
Judith de Barany**

Credit Committee

*Cesar Cañedo-Argüelles
Fabio Arciniegas
Jose Salaverria
Juan Pablo Moreno*
Ana Maria Vidaurre**

**Independent Members*

OUR MANAGEMENT TEAM



Cesar Cañedo-Argüelles
CEO



Carla Chizmar
Environmental & Social



Ramon Candia
Origination & Structuring



Jose Salaverria
Legal



Fabio Arciniegas
Credit & Risk

CIFI is committed to fostering sustainable development in Latin America and the Caribbean by maximizing positive environmental and social outcomes whenever possible in the projects in which it invests. CIFI believes that enhancing the social and environmental sustainability of the projects it supports is a sound, prudent business practice, which can reduce risks, enhance long-term project sustainability, and generate positive benefits for local communities. Accordingly, CIFI is committed to mainstream sustainability in its operations by building ESG factors into the investment process and adhering to the highest international standards of good practices.

CIFI's Policy Framework incorporates the policies, plans, and standards adopted to advance its commitment to sustainability regarding internal governance as well as those that are specifically applicable to its procedures for screening, assessment, and approval of projects for potential funding.

Accordingly, CIFI has fully incorporated an Environmental and Social Management System (ESMS) into its investment cycle founded upon its Environmental, Social, and Governance (ESG) policy commitments, performance standards enunciated in the latest version of the Equator Principles (EPs), and the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation 2012 (IFC PS). Through the ESMS, CIFI seeks to ensure the projects it finances rest on sound, equitable environmental and social systems that contribute to sustainable growth in Latin America and the Caribbean.

Scientific name: Dryadula phaetusa
Common name: Orange Tiger
Family: Nymphalidae
Geographic range: Central and South America
"Fun fact": There is no fun fact about this species.
Note: Careful, the names on the picture are wrong.



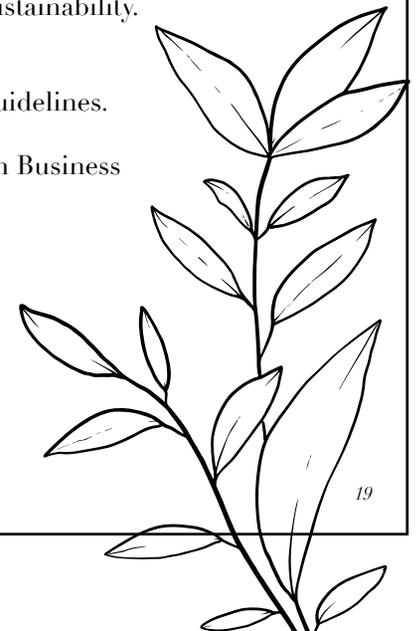
Illustrative photo (Source: Envato Element)

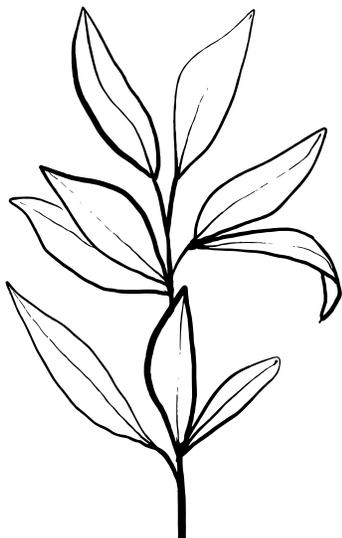
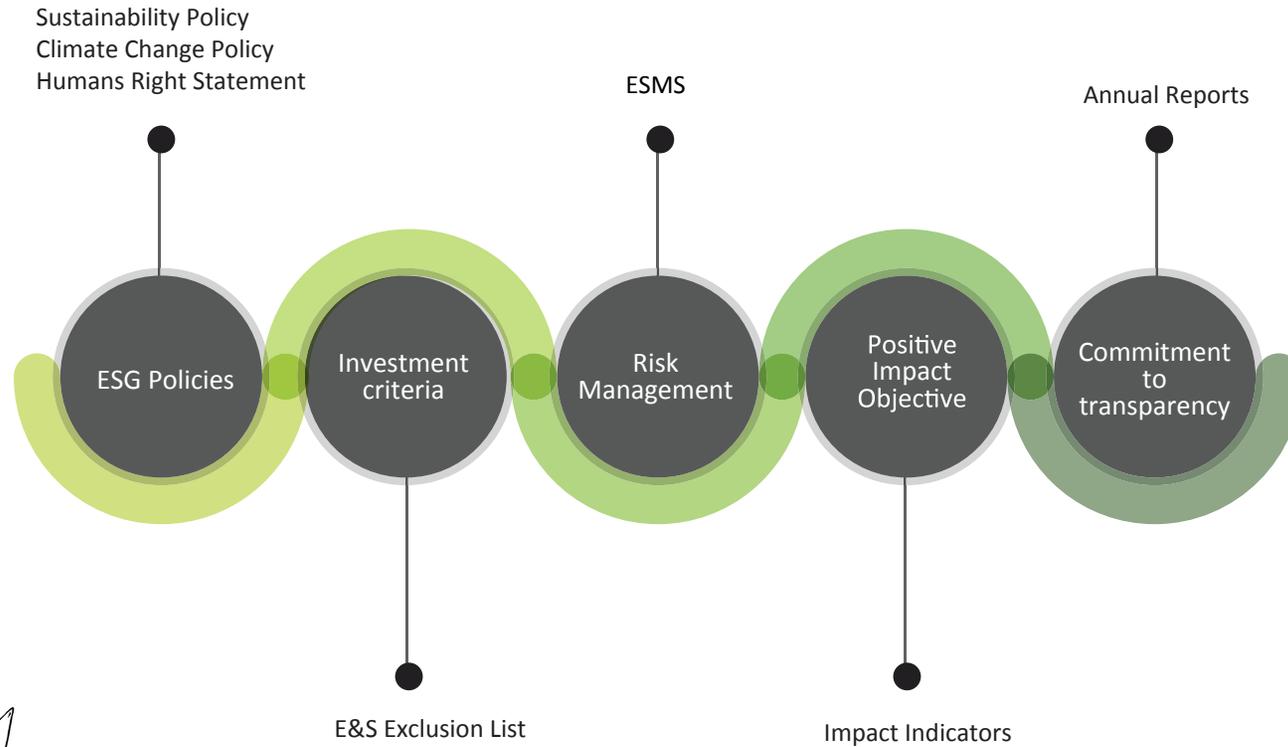
POLICIES

- ESG Policy.
- Climate Change Policy.
- Human Rights Statement.
- Gender Equality Policy.
- External (EGM) and Internal (IGM) Grievance Mechanisms.
- Exclusion List.

SUSTAINABILITY STANDARDS

- The Equator Principles (EP4), version 4.
- The International Financial Corporation's Performance Standards on Environmental and Social Sustainability.
- World Bank/IFC Environmental Health and Safety (EHS) Guidelines.
- The United Nations Guiding Principles on Business and Human Rights.
- National Laws and Regulations affecting Environmental, Social, and Labor matters.

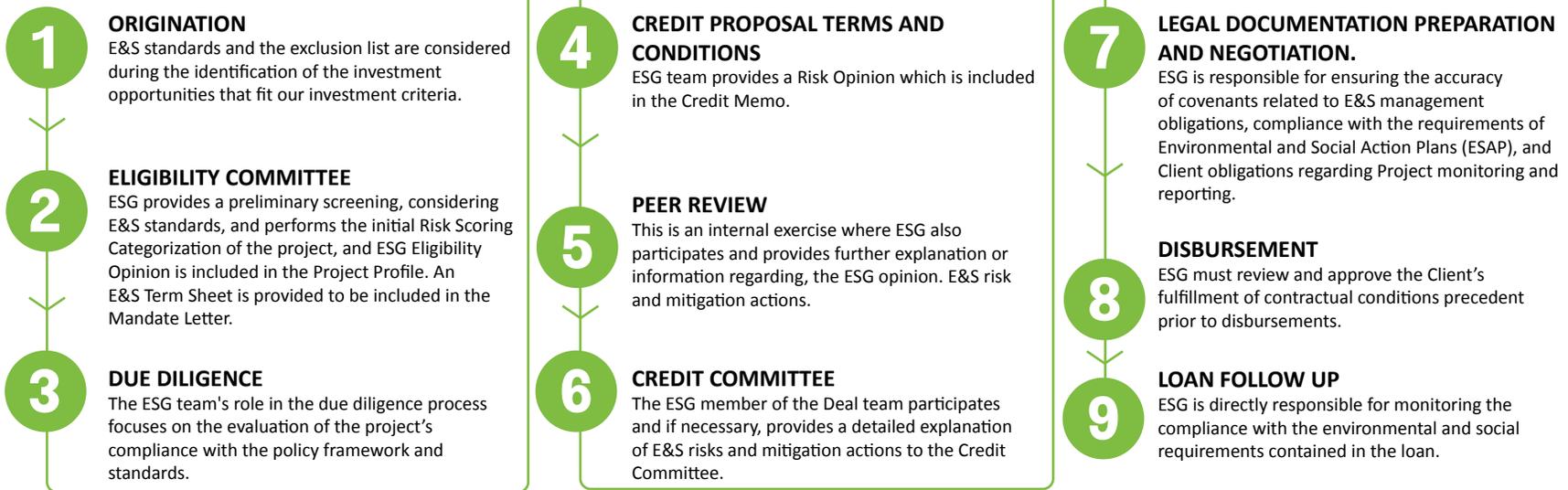
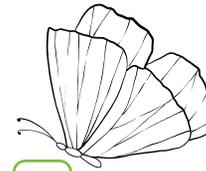




Our Risk Management Framework

imposes a comprehensive Environmental and Social Management System (ESMS), whose policies and procedures help us consistently meet our commitment to sustainability.

ESG IS FULLY INTEGRATED IN OUR INVESTMENT PROCESS



ROBUST CORPORATE GOVERNANCE

CIFI's Board of Directors actively oversees the portfolio's environmental and social performance risks through its Credit and Risk Committees. Also, each of the key senior management units plays an important role in identifying, assessing, and managing E&S risks in the project cycle. The ESG Unit plays a central role in ensuring the effective implementation of CIFI's environmental and social policies and procedures.

Scientific name: *Morpho helenor*
 Common name: Blue Morpho
 Family: Nymphalidae
 Geographic range: Central America
 "Fun fact": Its wings are not covered by a blue pigment, it is actually an optical phenomenon called iridiscence. The scales absorb the light spectrum and reflect only the blue light.
 Note: Various species of Morpho are named "Blue Morpho"



| CATEGORY | | RISK LEVEL | SCORE | WEIGHT | |
|---|--------------------------|---------------|-------|--------|--------------------------|
|  | A | High Risk | 3.0 | | |
|  | B+ | Med-high risk | 2.5 | | |
|  | B | Med-Risk | 2.0 | 20% | Inherent Risk |
|  | C | Low-Risk | 1.0 | | |
| ESAP COMPLIANCE | | | | | |
|  | Non - Compliance | High Risk | 3.0 | | |
|  | Mostly in compliance | Med-high risk | 2.0 | | |
|  | In compliance | Med-Risk | 1.0 | 35% | Residual Risk Management |
|  | N/A | Low-Risk | 0.0 | | |
| TIER | | | | | |
|  | III (E&S default) | High Risk | 3.0 | | |
|  | Watchlist (at risk) | Med-high risk | 2.0 | | |
|  | II (Average performance) | Med-Risk | 1.5 | 45% | Performance in Portfolio |
|  | I (good performance) | Low-Risk | 1.0 | | |

E&S KRI Limit is 1.5

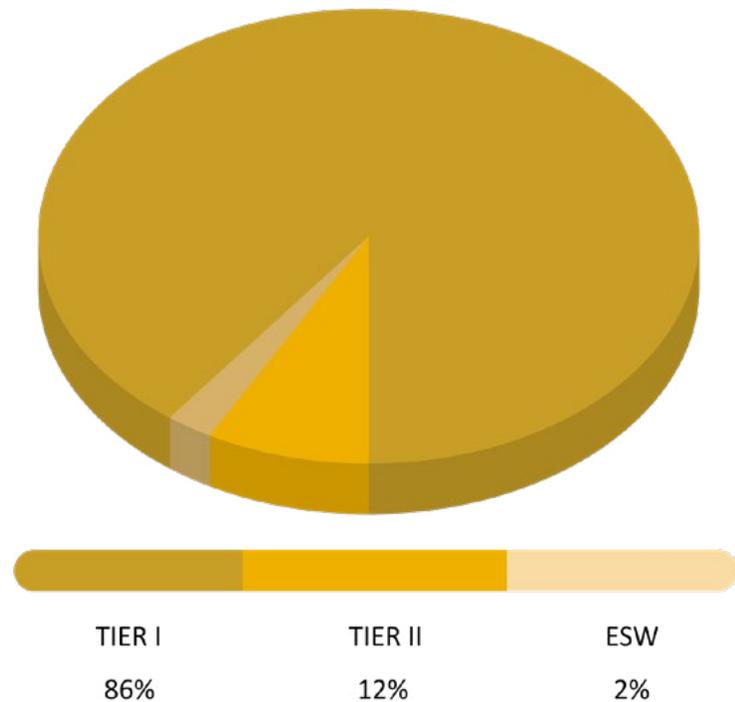
Established in 2018, the Key Risk Indicator has a minimum score of 1.0 and a maximum score of 3.0.

Illustrative photo (Source: Envato Element)

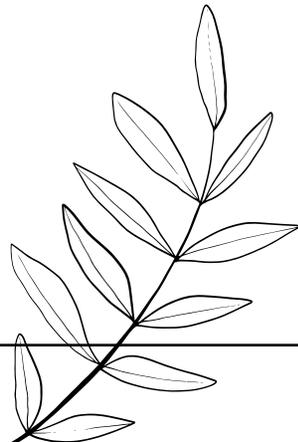
The Key Risk Indicator was designed to serve as a compass for decision making at CIFI, providing a general overview of the portfolio in terms of ESG risk. Over the years CIFI has made efforts to remain within its maximum allowed limit of 1.5 and to progressively reduce exposure to E&S risks that can be managed with proactive engagement. By the end of 2021, CIFI's KRI was at its lowest since its implementation at 1.27.

The revised ESMS (V 9.0 from March 2021) incorporates changes in roles and responsibilities for the portfolio management of E&S risks, new policies, and optimization of processes that led to a better performance in general. In addition, the following elements were key in reducing E&S risk exposure:

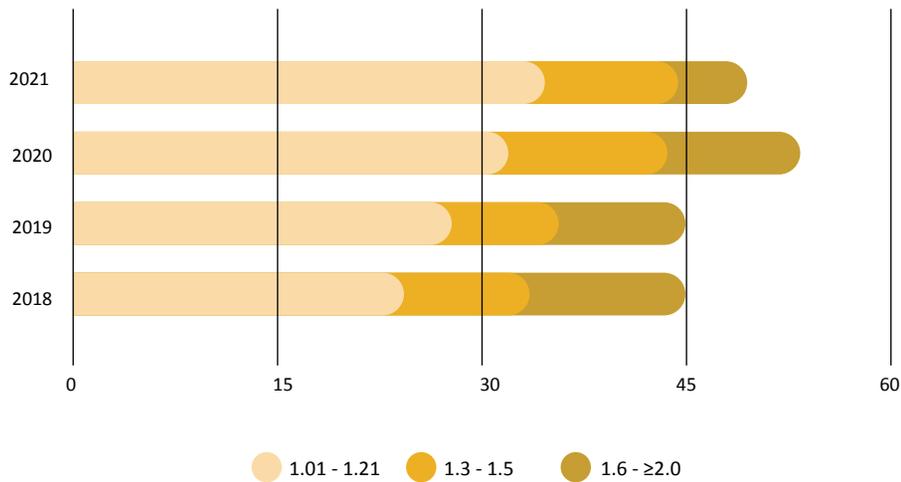
- There were no severe incidents, fatalities, or unsolved E&S crises during 2021, and new projects were category B.
- Two projects previously in Watchlist improved their performance and two loans in distress with no access to E&S information were written off both were from high-risk sectors (Oil and Thermal power).



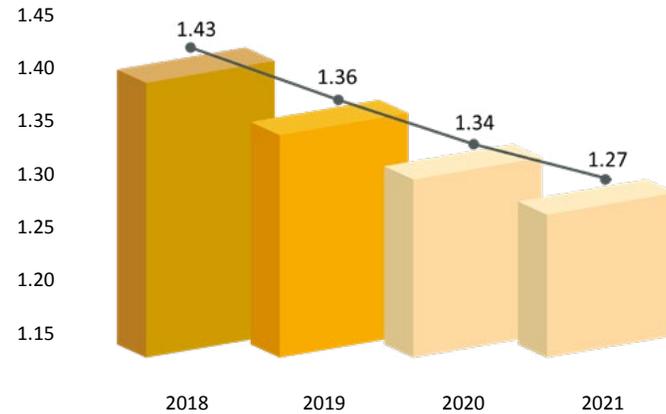
By December 2021, two projects on E&S Watchlist were upgraded to Tier II reflecting a change from 4% of the portfolio in 2020 to 2% in 2021.



KRI 2018-2021 Distribution



KRI 2018-2021



By the end of 2021, CIFI's KRI was at its lowest since its implementation at 1.27.

The behavior of the KRI in terms of the distribution of scores along the spectrum has reduced from 10 projects in 2020 to only 5 projects in 2021 in the bracket above 1.5, which is CIFI's limit established by the Risk Committee. However, the overall portfolio is 1.27, well below the limit. Every new project enters in the category of low risk (1.0-1.2 average score) due to better risk management during due diligence and closure of high-risk actions before disbursement.

90% of the portfolio has a KRI below 1.5, indicating good performance and compliance with E&S requirements.

Common name: Peacock Butterfly
Scientific name: Inachis io
Not from Central/South America.



Illustrative photo (Source: Envato Element)

| | ENVIRONMENTAL | 2018 | 2019 | 2020 | 2021 |
|---|-------------------------------------|-----------|-----------|---------|--------------|
|  | Energy Generation (Millions of kWh) | 1,873 | 2,400 | 2,517 | 2,544 |
|  | Operational Installed Capacity (MW) | 580 | 764 | 696 | 686 |
|  | Recycled waste (tons) | | | 32 | 12 |
|  | Reforested Hectares | | | 9 | 146 |
|  | Solid waste treatment (tons) | | | 56 | 5,370 |
|  | Tons CO2eq emissions avoided | 1,139,061 | 1,473,248 | 933,355 | 1,079,394 |
|  | Treated wastewater (gallons) | | | 422,400 | 137,598,385* |
|  | Hazardous waste disposal (liters) | | | 143,540 | 42,087 |
|  | Hazardous waste disposal (kg) | | | 29,016 | 1,419,201* |
|  | Number of plants/trees | | | 888 | 102,421* |

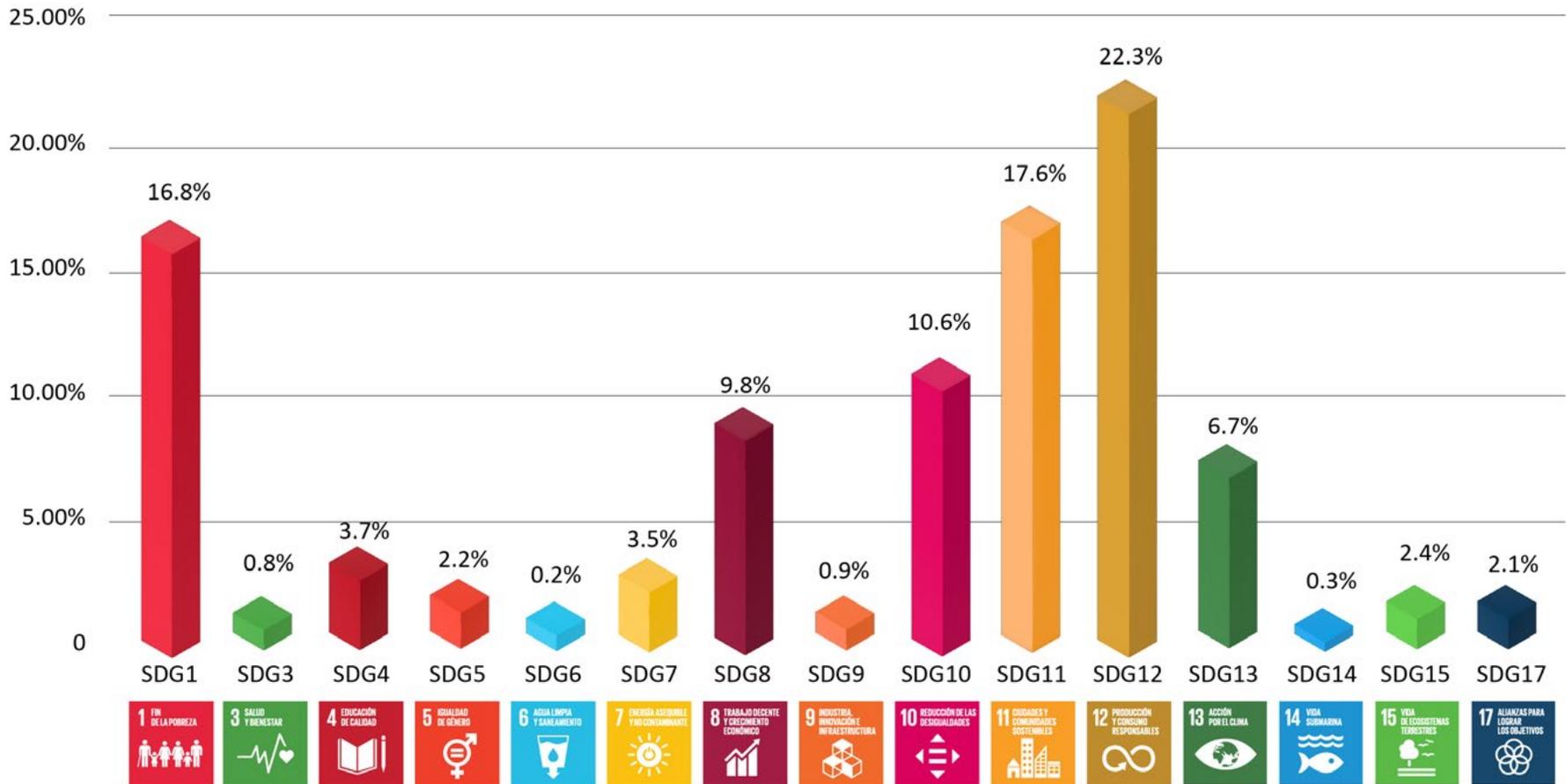
**During 2021, data quality reported by clients improved*

| SOCIAL | | 2018 | 2019 | 2020 | 2021 |
|---|---|-----------|-----------|-----------|-----------|
|   | People benefited from access to energy/year | 1,760,612 | 2,112,743 | 2,082,260 | 3,314,720 |
|    | Jobs created or sustained through our loans (direct & indirect) | 17,028 | 14,672 | 12,710 | 16,106 |
|   | Telecommunication towers | | | 3,381 | 3,262 |
|     | Female jobs | | | 1,533 | 3,599 |
|    | Training beneficiaries | | | 1,760 | 4,685 |
|      | Donation for social contribution (USD) | | | 641,858 | 704,144 |
|  | Roads constructed or with maintenance (km) | | | 609 | 0 |
|   | Technical training beneficiaries | | | 308 | 171 |
|  | Transmission line (km) | | | 28 | 0 |

Scientific name: *Diaethria anna*
 Common name: 88
 Family: Nymphalidae
 Geographic range: Central and South America
 "Fun fact": The butterfly is named 88 because of the 88 number appearing on its wings.



Impact of our investments throughout the Sustainable Development Goals





Illustrative photo (Source: Envato Element)

Climate Change Strategy

In 2019, we developed our ESG Strategy with support from SustainAbility (today the SustainAbility Institute by ERM), with a clear materiality matrix identifying Climate Change as one of our key priorities with the highest impact on our performance. Immediately after, we engaged with our longtime partner responsAbility (GCPF) to work on a proposal to assess CIFI's current state of Climate Risk and determine a path to reduce our Carbon Footprint.

During 2020, we worked with South Pole, a firm dedicated to sustainability and climate change advisory; in a three-Phased project: i) High-level Carbon Footprint (2019), climate risk assessment and peer practices, ii) Decarbonization Pathways (2020 GHG footprint scope 1 and 2), iii) GHG Footprint scope 3 for 2020.

In parallel, CIFI conducted a revision and update of its Environmental and Social Management System, including developing a Climate Change Policy and procedures to assess Climate Risk in our investment cycle. Finally, as part of our ESG Strategy, we also defined our Transparency approach around climate change and other key ESG matters. Our efforts demanded that the entire company receive training in Climate Change Risks and Impacts and GHG footprint at a more technical level. The initial results from this exercise were positive but confirmed a key aspect: more quantity and quality data were needed to set specific targets.



*Scientific name: Agrias amydon
Common name: Agrias butterfly
Family: Nymphalidae
Geographic range: Central America
"Fun fact": The caterpillar of this butterfly eats the coca plants used to make cocaine.*

Climate Change Policy

The global community, through the UNFCCC, has identified the financial sector as a crucial actor in the fight against climate change. CIFI fully acknowledges the financial sector's responsibility for achieving the Paris Agreement's objectives on climate change through its investment decisions and its corporate operations and mitigation plans. Furthermore, CIFI has decided to spearhead the necessary transition of financial institutions in Latin America and raise ambitions to align with a 1.5°C global warming scenario economy.

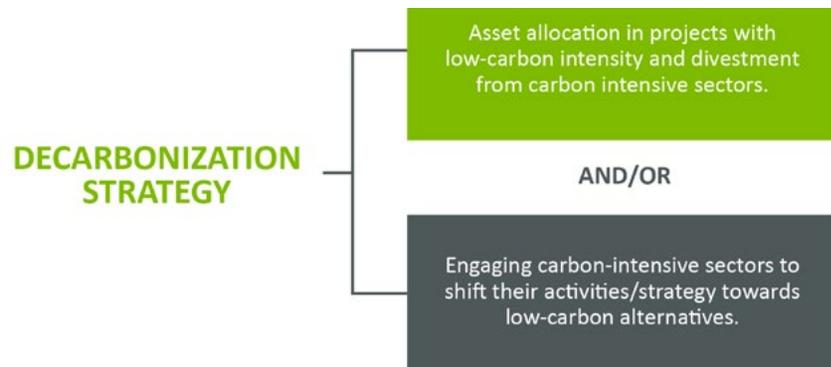
CIFI recognizes climate change risks and impacts as a global challenge and aims to identify and manage those risks by financing projects aligned with the Paris Agreement, Good International Industry Practices, the Sustainable Development Goals, and the Task Force on Climate-Related Financial Disclosures (TCFD). To this end, CIFI will:

- Adopt a high-level commitment to act.*
- Assess physical and transitional climate risks and impacts before investing through the due diligence process.*
- Develop adaptation and mitigation strategies at the project level for risks and impacts identified during due diligence.*
- Measure financed GHG emissions during the life of the loan.*
- Conduct scenario analysis and disclose residual, unmitigated risks to relevant stakeholders to inform decision making.*
- Establish targets in line with a market-driven business strategy following global trends.*
- Report progress to relevant stakeholders through regular TCFD reporting.*

The global community, through the UNFCCC, has identified the financial sector as a crucial actor in the fight against climate change. CIFI has decided to spearhead the necessary transition of financial institutions in Latin America and seeks to raise ambitions when it comes to decarbonizing its investment portfolio and aligning with a 1.5°C economy.

What is investment portfolio decarbonization?

Investment portfolio decarbonization consists in reducing the overall greenhouse gas (GHG) footprint of a portfolio. According to the Portfolio Decarbonization Coalition (PDC), two main strategies can be implemented:



CIFI is choosing a decarbonization pathway focused on asset allocation in projects with Low Carbon Intensity and progressively divesting from Carbon-Intensive sectors.

PHASE 1 - Understanding climate change-related impacts and risks



Phase 1 of CIFI's decarbonization pathway
 Source: South Pole, 2020

PHASE 2 - Progressive alignment of CIFI's portfolio with a 1.5°C economy



Phase 2 of CIFI's decarbonization pathway
 Source: South Pole, 2020

Key investment footprinting and decarbonization initiatives

Task Force Climate-related Financial Disclosures (TCFD)

- TCFD recommendations focus on climate risk disclosures, incentivizing climate mitigation in the financial sector.

- CIFI is aligning with TCFD recommendations as a member of the Equator Principles Association.

Science-based Targets for Financial Institutions (SBT-FI)

- SBT-FI is the most advanced initiative on decarbonization, although its methodology is a work in progress.

Partnership for Carbon Accounting Financials (PCAF)

- PCAF provides recommendations for portfolio footprinting across asset classes based on the GHG Protocol.

- CIFI joined PCAF in October 2021.

Source: Southpole 2020.

The decarbonization pathway of Latin America and the Caribbean

The Latin America and Caribbean (LAC) financial sectors have thus far not positioned themselves at the forefront of innovation regarding decarbonization and climate risk consideration. Although several regional cases and best practices exist, the transition of LAC's financial and corporate/infrastructure sectors will need to accelerate in the coming years for the region's nations to reach their self-determined emission reduction objectives.

Sustainable infrastructure refers to infrastructure projects that are planned, designed, constructed, operated, and decommissioned to ensure economic and financial, social, environmental (including climate resilience), and institutional sustainability over the entire life cycle of the project.

In 2022,

CIFI will launch its first Sustainable Infrastructure Debt Fund in LAC (US\$ 300MM) as part of our product offer for like-minded investors providing an opportunity to support the transition towards a green economy aligned with the Sustainable Development Goals and Paris Agreement.

Infrastructure opportunities for CIFI under a decarbonization strategy

| SECTOR | CURRENT EXPOSURE | CHALLENGES AND OPPORTUNITIES |
|---------------------|------------------|--|
| Clean energy | 47% | <ul style="list-style-type: none"> • Is one of the Top 4 priority sectors for decarbonizing LAC • Can be considered sustainable and aligned with a financial institution's decarbonization strategy, if it respects strict environmental, social and governance (ESG) criteria and considers the potential impact of physical climate change-related risks. • Further opportunities: <ul style="list-style-type: none"> • Non-conventional renewable energy • Supporting infrastructure: energy transmission and grid infrastructure |
| Oil and gas | 5% | <ul style="list-style-type: none"> • It is important to consider the national objectives of energy grid decarbonization and understand how CIFI's investments fit into those strategies. • New investments by CIFI could filter projects that are misaligned with the national strategy. |
| Roads and railroads | 7% | <ul style="list-style-type: none"> • Road infrastructure projects within national development programs that are aligned with national decarbonization objectives (e.g., Colombia's 4G Program) and consider climate change physical and transition risks (not common practice) could fit within a financial institution's decarbonization strategy. |
| Airport and seaport | 15% | <ul style="list-style-type: none"> • Highly polluting sectors that are essential to the modern economy. • In addition to resource efficiency, environmental and social impact, any new infrastructure would have to be analyzed considering national mitigation strategies. |

Source: Southpole 2020. Updated in 2021.

TCFD stands for Task Force on Climate-related Financial Disclosure.

A framework that allows companies to publicly disclose climate-related risks and opportunities related to their business. The TCFD was launched in 2015 by the Financial Stability Board (FSB) and in 2017, the TCFD released climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation.

The recommendations were structured around four thematic areas representing core elements of how companies operate: governance, strategy, risk management, and metrics and targets. The four recommendations are interrelated and supported by 11 recommended disclosures that build out the framework with information that should help investors and others understand how reporting organizations think about and assess climate-related risks and opportunities.

Why does it matter?

One of the essential functions of financial markets is to price risk to support informed, efficient capital-allocation decisions. To carry out this function, financial markets need accurate and timely disclosure from companies. Without the right information, investors and others may incorrectly price or value assets, leading to a misallocation of capital.

The Financial Stability Board (FSB) created the TCFD to develop recommendations on the types of information companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks related to climate change.

Source: About | Task Force on Climate-Related Financial Disclosures (TCFD) ([fsb-tcfd.org](https://www.fsb-tcfd.org))





Task Force on Climate-related Financial Disclosures



Our Progress in 2021

Our commitment to Climate Change

In line with our Climate Change Strategy and Decarbonization pathway, CIFI updated its Exclusion List in December 2021, with unanimous approval for the Board of Directors and Shareholders. As of January 2022, CIFI will no longer invest in Fossil Fuels, except for midstream and downstream gas, which is viewed as a transitional fuel in developing countries that has a lower GHG footprint than the current alternative.

Fossil Fuel Exclusion List

The following investment exclusions are considered as a minimum common requirement for all new direct financing:

1. Coal prospection, exploration, mining, or processing;
2. Oil exploration or production;
3. Stand-alone fossil gas exploration and/or production ;
4. Transport and related infrastructure, primarily used for coal power generation;
5. Crude oil pipelines;
6. Oil refineries;
7. Construction of new or refurbishment of any existing coal-fired power plant (including dual);
8. Construction of new or refurbishment of any existing HFO-only or diesel-only power plant producing energy for the public grid and leading to an increase in absolute CO₂ emissions;
9. Any business with a planned expansion of captive coal and oil used (excluding gas) used for power and/or heat generation.



Illustrative photo (Source: Envato Element)

High Level Climate Change Risk Assessment

TRANSITIONAL

- Since 2019, CIFI started to develop a Decarbonization Strategy to reduce our exposure to fossil fuels and the transitional risks associated with the sector.
- Most exposed investments are projects in the energy sector (Oil and Gas) and transport (seaports and airports).
- Our current exposure to oil and gas amounts to 5% of our portfolio, with only 2.9% dedicated to one oil producing project. The other 2.1% is invested in a gas power plant that provides cleaner energy to Guatemala and Mexico.
- The carbon footprint of the only oil project represents 67% of total financed emissions in 2021.
- Airports and seaports represent 15% of our current portfolio, and a share of 13% of our financed emissions.
- In turn, renewable energy projects account for 47% of our portfolio and pose no transitional risk.
- Latin America is behind other regions in terms of policy response to regulate carbon emissions. However, carbon taxes and other relevant measures to reduce carbon emissions are likely to be implemented in the near future. Under such scenario, CIFI will no longer have additional transitional risks since it has Excluded Oil and upstream Gas from the list of sectors allowed for investments.

PHYSICAL

- CIFI's current physical exposure to climate change continues to be moderate.
- Most exposed sectors are renewable energy and consumer staples (wood and sugar).
- Even though CIFI does not directly finances agribusiness, certain biomass cogeneration (5.5%), and alternative fuel production (3.2%) ultimately depend on consumer staples for their operation.
- Close to 9% of our portfolio is vulnerable to climate related hazards (droughts, floods, etc.) and risks associated with increased frequency and intensity of natural disasters (hurricanes).
- Renewable energy projects developed in regions vulnerable to climate change might pose additional risks due to natural disasters increased frequency and intensity.
- CIFI has developed tools to assess climate change risks even before conducting a full due diligence to map potential risks from the onset of the origination process and influence decision making from the Credit Committee.
- The comprehensive ESDD that CIFI conducts includes screening for climate change impacts and risks, as well as a set of measures to mitigate them during the life of the loan.

Why do we measure our Carbon Footprint?

Measuring financed emissions is the starting point for managing risk and identifying opportunities associated with greenhouse gas emissions (PCAF).

What is PCAF?

PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.

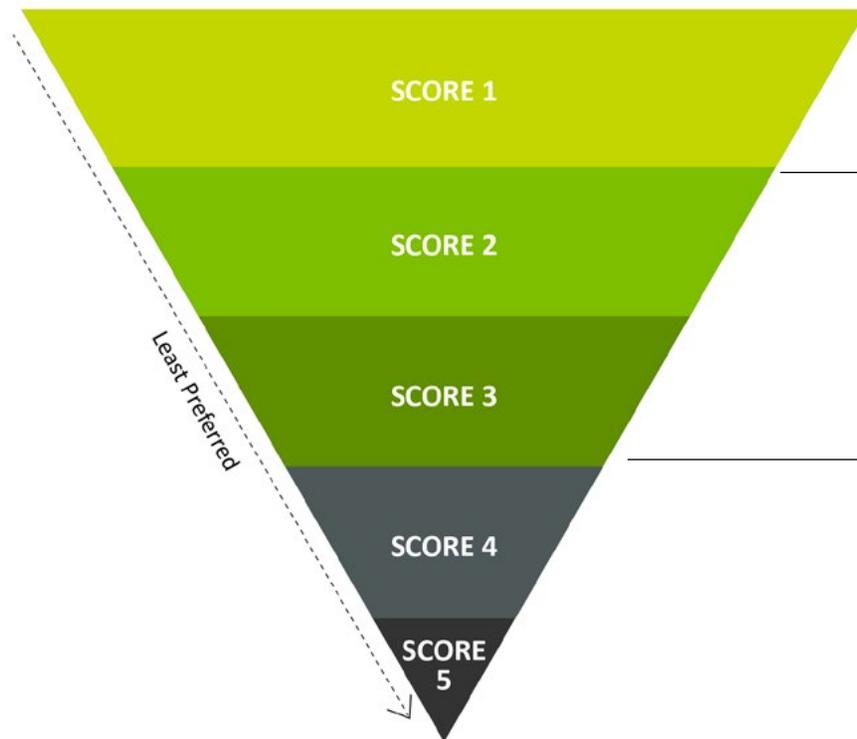
The harmonized accounting approach provides financial institutions with the starting point required to set science-based targets and align their portfolio with the Paris Climate Agreement. PCAF enables transparency and accountability and has developed an open-source global GHG accounting standard for financial institutions, the Global GHG Accounting and Reporting Standard for the Financial Industry.

Source: About | PCAF (carbonaccountingfinancials.com)



Illustrative photo (Source: Envato Element)

GHG Protocol aligned with Partnership for Carbon Accounting Financials (PCAF), scoring for data quality.



Option 1 - Reported emissions

Audited or unaudited GHG emissions data or actual primary activity data collected from the investee company directly (e.g. company sustainability report) or third-party data providers, such as CDP, Bloomberg, MSCI, Sustainalytics, S&P/Trucost, ISS ESG Solutions etc.

Option 2 - Physical activity-based emissions

Physical activity-based emissions are derived from actual energy consumption (e.g. MWh of natural gas consumed) or production (e.g. ton of steel produced) data reported by companies and verified emission factors from public databases (e.g. Ecoinvent, DEFRA, IPCC, GEMIS, FAO, etc.)

Option 3 - Economic activity-based emissions

Economic activity-based emissions are derived using official statistical data and/or acknowledged EEIO tables providing region/sector-specific average emission factors expressed per economic activity (e.g. tCO₂eq/EUR of revenue or tCO₂eq/EUR of asset). Example EEIO databases that can be used to obtain such emission factors are EXIOBASE, GTAP or WIOD. The Partnership for Carbon Accounting Financials (PCAF) has developed an emissions factor database that offers a large set of emission factors organized by geographies, sectors and asset classes. The data set is a collection of publicly available emissions factors.

Source: PCAF, 2020

GHG Accounting Methodology

CIFI's GHG accounting is based on the GHG Protocol and PCAF. For operational emissions, the system's boundaries are defined using the control approach, i.e., CIFI's entities where it holds operational control: headquarters and direct employees.

For investments, 41 loans were considered, of which 60% were calculated using a physical activity-based approach and the rest using an economic activity-based approach. CIFI collects data from clients using its Annual Monitoring Report template that includes GHG accounting Excel spreadsheets designed per sector.

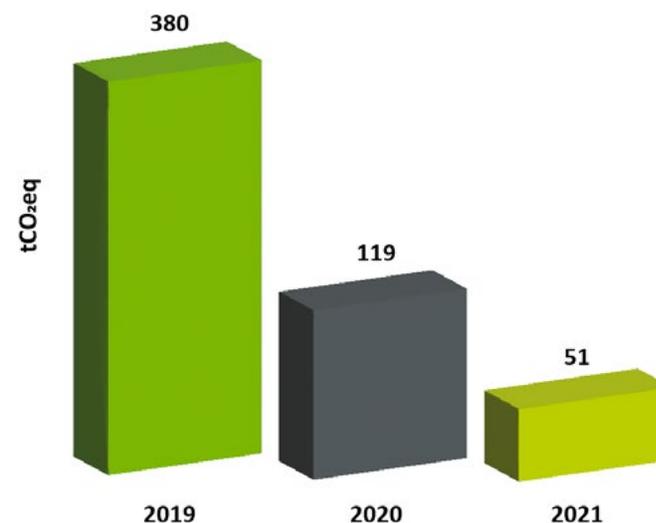
The data was processed by an independent consultant (Southpole) for the years 2019 and 2020. CIFI's ESG team built internal capacity to analyze its data internally through training provided by SouthPole in 2020.

In 2021, both carbon footprint and emissions avoided were calculated internally by CIFI's ESG team with data provided by clients. CIFI validated their calculations and used the higher amount to report where clients reported a lower carbon footprint.

GHG Emissions Footprint FY 2019 to 2021 CORPORATE & INVESTMENTS

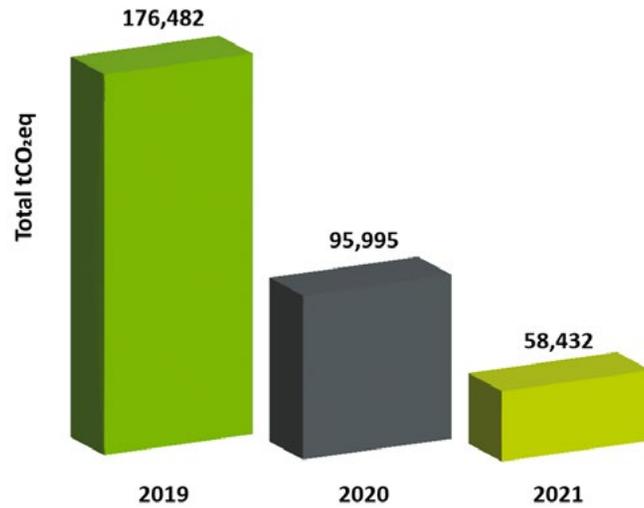
| KEY KPIs | 2019 | 2020 | 2021 |
|---|------------|-----------|-----------|
| tCO ₂ eq/employee (excl. investments) | 9.70 | 3.98 | 1.35 |
| Total emissions tCO ₂ eq (excl. investments) | 380.00 | 119.29 | 51.17 |
| Total tCO ₂ eq (Scope 3) Investments | 176,482.00 | 95,995.62 | 58,432.00 |
| tCO ₂ eq/MM USD Investments | 496.00 | 261.11 | 185.71 |
| Portfolio size (USD MM) | 355.00 | 367.64 | 314.65 |
| # of loans | 46 | 51 | 41 |
| % of loans calculated with physical data | 54% | 62% | 60% |

Total emissions tCO₂eq (excl. investments)

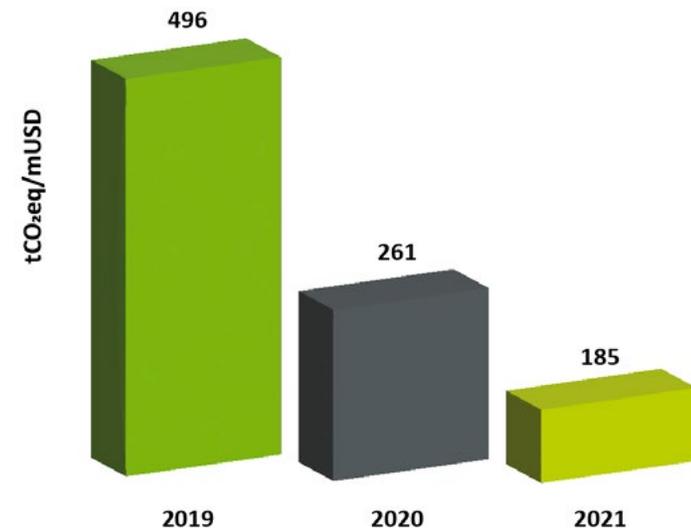


Our Corporate emissions, without considering investments, show a sharp decline in 2020 and 2021 due to the COVID-19 impact. However, CIFI has implemented a hybrid model for employees that allowed them to choose to work from home for almost all of 2021. In addition, travel plans were limited to events and meetings that could not possibly be conducted online but in person. In 2022, CIFI will maintain a flexible hybrid model in which our employees are only required to work from the office twice a week.

Total tCO₂eq Investments (Scope 3)



tCO₂eq/MM USD Investments



Our Carbon footprint for direct loans has been significantly reduced in the last three years mostly due to our commitment to increasing renewable energy portfolio share, restrictions on new oil and gas projects, and write-off of stranded assets in the thermal sector.

Accordingly, our indicator for the portfolio's carbon intensity has decreased from 496 tCO₂eq per Million USD invested in 2019 to 185.71 in 2021.



In 2021, CIFI's calculated emissions amounted to 58,483.17 tCO₂eq, of which 58,432 tCO₂eq eq are derived from investments and 51.17 tCO₂eq from operations and business travel.

Financing Climate Action

According to the United Nations, financial resources and sound investments are needed to address climate change, reduce emissions, promote adaptation to the impacts that are already occurring, and build resilience. In 2019, the World Bank estimated a financial gap of close to US\$90 trillion by 2030.

The role of financial institutions is key to fighting climate change, and more than ever, CIFI is committed to sharing the responsibility and becoming an agent of change. For the past three years, we have been measuring our generated and avoided emissions to understand better the impact of our investments in the fight against climate change.

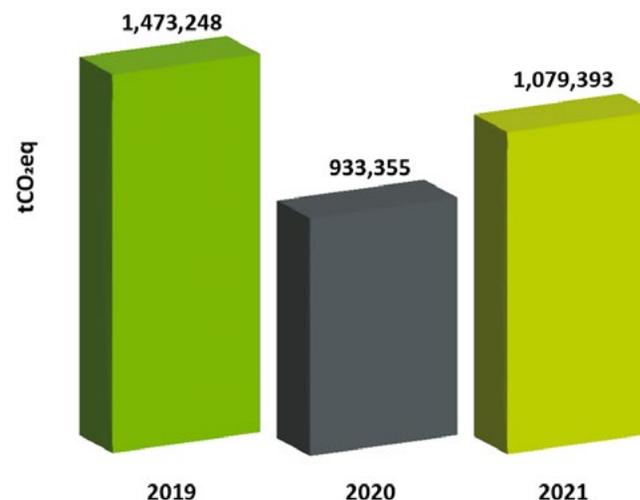
The results of this effort will guide us in developing products, services, strategies, and tools to improve our risk management framework and boost positive impact wherever we place our investments.

Renewable Energy Portfolio Emissions Avoided from 2019 to 2021

| KEY KPIS | 2019 | 2020 | 2021 |
|---|-----------|-----------|-----------|
| Avoided Emissions in Renewable Energy Portfolio (tCO ₂ eq) | 1,473,248 | 933,355 | 1,079,394 |
| Direct attributable avoided emissions (tCO ₂ eq) | N/A | 88,851 | 122,132 |
| Renewable Energy Portfolio (% share) | 37 | 49 | 47 |
| Clean Energy Generation (Millions of kWh) | 2,400 | 1,749 | 1,726 |
| People Benefitted from Access to Clean Energy | N/A | 1,726,274 | 1,898,732 |
| Jobs created in Renewable Energy Sector | N/A | 4,358 | 3,385 |

In 2021, over 1.9 million people benefitted from access to clean energy in Latin America and the Caribbean, providing 3,385 jobs in renewable energy.

Avoided Emissions in Renewable Energy Portfolio (tCO₂eq)



Directly attributable financed avoided emissions of our Renewable Energy Portfolio (47% share) for 2021 amount to 122,132 tCO₂eq. In turn, directly financed emissions generated through our entire portfolio amount to 58,432 tCO₂eq in 2021. CIFI's avoided emissions are twice as much as our carbon footprint.



Illustrative photo (Source: Encanto Element)

GREEN BOND SERIES ISSUED

| YEAR | GREEN BONDS | MATURITY DATE | DISBURSEMENT | DISBURSEMENT |
|------|-------------|---------------|---------------|---------------|
| 2019 | Serie A | 2022 | \$ 14,997,000 | \$ 14,997,000 |
| | Serie B | 2024 | \$ 12,000,000 | \$ 26,997,000 |
| | Serie C | 2024 | \$ 995,000 | \$ 27,992,000 |
| | Serie D | 2024 | \$ 7,000,000 | \$ 34,992,000 |
| | Serie E | 2024 | \$ 7,000,000 | \$ 41,992,000 |
| 2020 | Serie F | 2023 | \$ 500,000 | \$ 42,492,000 |
| | Serie G | 2023 | \$ 1,000,000 | \$ 43,492,000 |
| | Serie H | 2021 | \$ 250,000 | \$ 43,742,000 |
| | Serie I | 2022 | \$ 4,000,000 | \$ 47,742,000 |
| | Serie J | 2023 | \$ 2,000,000 | \$ 49,742,000 |
| | Serie K | 2022 | \$ 1,000,000 | \$ 50,742,000 |

[Download Here](#)

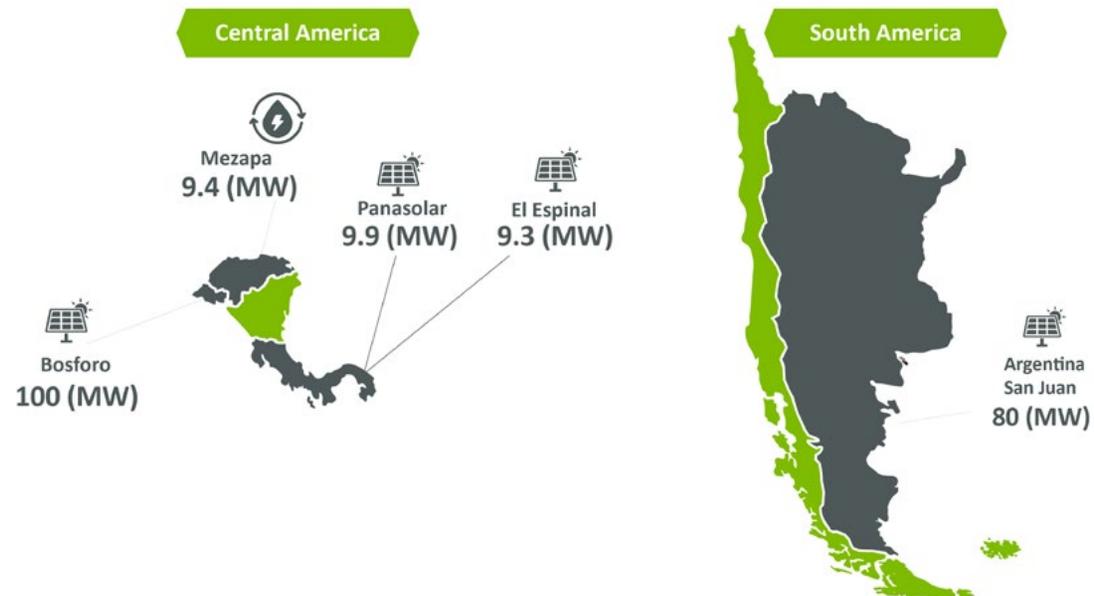
GREEN BONDS FRAMEWORK  

SECOND PARTY OPINION  

PROJECTS INCLUDED IN GREEN BOND PROGRAM

| Deal | DATE FUNDED | SERIES | DISBURSEMENT | |
|------------|-------------|-------------------|---------------|--------------|
| Mezapa | 29/09/2017 | Serie A | \$ 13,000,000 | |
| San Juan | 10/07/2018 | Serie A | \$ 1,439,570 | |
| | 12/10/2018 | Serie B | \$ 4,240,259 | |
| | 12/04/2019 | Serie B | \$ 1,120,661 | |
| El Espinal | 10/07/2018 | Serie B | \$ 6,782,527 | |
| | 28/03/2018 | Serie D | \$ 3,001,894 | |
| | 30/05/2018 | Serie D | \$ 1,062,286 | |
| | Bosforo | 14/05/2018 | Serie D | \$ 2,511,558 |
| | | 03/12/2018 | Serie D | \$ 3,115,561 |
| 25/03/2019 | | Serie E | \$ 1,016,949 | |
| Panasolar | 23/11/2018 | Serie E | \$ 2,500,000 | |
| | 23/11/2018 | Serie E | \$ 2,500,000 | |
| | 09/12/2019 | Serie G + H | \$ 1,118,644 | |
| | 16/09/2019 | Serie I | \$ 2,237,288 | |
| Panasolar | 02/09/2020 | Serie C + F+J + K | \$ 6,607,713 | |

| DEAL | COUNTRY | SECTOR | INSTALLED CAPACITY (MWh) | ANNUAL GENERATION (MWh) | ANNUAL GHG EMISSIONS AVOIDED (TON CO ₂ EQ) | PEOPLE WITH CLEAN ENERGY ACCESS |
|--------------|-------------|-------------|--------------------------|-------------------------|---|---------------------------------|
| Mezapa | Honduras | Hydropower | 9.4 | 42,511 | 20,108 | 68,585 |
| San Juan | Argentina | Solar Power | 80.0 | 222,710 | 110,687 | 72,433 |
| El Espinal | Panama | Solar Power | 9.3 | 12,084 | 6,658 | 5,330 |
| Bosforo | El Salvador | Solar Power | 100.0 | 226,176 | 154,252 | 241,365 |
| Panasolar | Panama | Solar Power | 9.9 | 14,300 | 7,879 | 6,927 |
| TOTAL | | | 208.6 | 517,781 | 269,387 | 394,640 |



Scientific name: Greta oto
Common name: Glasswing butterfly
Family: Nymphalidae
Geographic range: Central America
"Fun fact": This butterfly is transparent.



Illustrative photo (Source: Envato Element)

| | | | |
|----------|---|---------------------|--|
| BCIE | Banco Centroamericano de Integración Económica | MWp | Megawatts power/peak |
| CABEI | Central American Bank for Economic Integration | NORFUND | Norwegian Investment Fund for Developing Countries |
| CAP | Corrective Action Plan | PCAF | Partnership for Carbon Accounting Financials |
| CDM | Clean Development Mechanism | PMGD | Proyectos de Pequeña y Medianas Generadoras Distribuidas/Projects of Small and Medium Distributed Generators |
| CEO | Chief Executive Officer | PPA | Power Purchase Agreement |
| CIFI | Corporación Interamericana para el Financiamiento de Infraestructura S.A. | PPP | Private Public Partnership |
| COVID-19 | Coronavirus disease | PS | Performance Standard |
| DFIs | Development Finance Institutions | PV | Photovoltaic |
| E&S | Environmental and Social | RCA | Resolución de calificación ambiental/Environmental qualification resolution |
| EGM | External Grievance Mechanisms | SA | Sociedad Anónima |
| EH&S | Environmental, Health and Social | SBT-FI | Science-based Targets for Financial Institutions |
| EHS | Environment, Health, and Safety | SDG | Sustainable Development Goal |
| EIS | Environmental Impact Statement | SL | Sociedad limitada |
| EMP | Environmental Management Plan | SPV | Special Purpose Vehicle |
| EP | Equator Principles | TCFD | Task Force on Climate-related Financial Disclosures |
| EPC | Engineering, Procurement Construction | tCO ₂ eq | Tons of Carbon dioxide equivalent |
| ESAP | Environmental and Social Action Plan | TEU | Twenty-foot Equivalent Unit |
| ESDD | Environmental and Social Due Diligence | UNFCCC | United Nations Framework Convention on Climate Change |
| ESG | Environmental, Social, and Governance | USA | United States of America |
| ESGRM | External Stakeholder Grievance Response Mechanism | | |
| ESMS | Environmental and Social Management System | | |
| ESW | Environmental and Social Watchlist | | |
| FINNFUND | Finnish Fund for Industrial Cooperation, Ltd. | | |
| GCPF | Global Climate Partnership Fund | | |
| GHG | Greenhouse gases | | |
| H&S | Health and Safety | | |
| IFC | International Finance Corporation | | |
| IGM | Internal Grievance Mechanism | | |
| ISO | International Organization for Standardization | | |
| IUCN | International Union for Conservation of Nature | | |
| Kg | Kilogram | | |
| Km | Kilometer | | |
| KPIs | Key Performance Indicators | | |
| KRI | Key risk indicator | | |
| kWh | Kilowatt-hour | | |
| LAC | Latin America and Caribbean | | |
| LC | Least Concern | | |
| LLC | Limited Liability Company | | |
| MM | Millions | | |
| MW | Megawatts | | |
| MWh | Megawatts hour | | |



Scientific name: Ornithoptera priamus
Not from Central/South America.

Illustrative photo (Source: Envato Element)

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