

**Cifi**



# More than just business

*Sustainability Report 2022*

*Costa del Este, MMG Tower, 11th Floor, Office 13A. Panama City, Republic of Panama.*

**[www.cifi.com](http://www.cifi.com)**



(Source: Photostock)

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(Source: Client Photo)

**MORE THAN JUST BUSINESS.**

**A Beacon Of RESPONSIBLE and Sustainable Investment.**

*“Beyond numbers, we focus ESG risks and impacts, which are crucial for the performance of an investment.*”

I am honored to present the executive report from CIFI's ESG department. As the CEO, I take immense pride in the projects we support – projects that not only embody sustainability but also exhibit profitability and reduced risk profiles. At CIFI, we firmly believe that ESG and profitability go hand in hand, and we're dedicated to showcasing this through our time-tested investment process, backed by our 20-year track record.

As a non-bank financial institution, we have a responsibility to not only achieve economic gains but also to mitigate the increasing environmental and social challenges that we face today. The Intergovernmental Panel on Climate Change (IPCC) has reported that global temperatures have risen by approximately 1.2°C since the pre-industrial era, and immediate actions need to be taken to prevent a further increase of 1.5°C in the coming decades. This alarming phenomenon has dire consequences such as rising sea levels, extreme weather events, and loss of biodiversity, necessitating a comprehensive response and new business and investment practices.

Throughout our journey, we've demonstrated to investors, communities, and the entire region that effective loan structuring goes beyond the surface. While one may observe numbers and completed projects, they merely represent the tip of the iceberg. Beneath that, there's a world of decision-making, taking into account risks and implications that span financial, social, environmental, and even philosophical and ethical dimensions. These factors genuinely shape the quality of our lives and the outcomes that we cultivate for the future. For CIFI, embracing good ESG practices in our investment analysis and decision-making processes is essential for a deeper understanding of the risks investors face. We don't just look at financial risks; we also explore ESG risks, which are vital for comprehending the reputational risk of an investment. This is perhaps the most challenging risk to mitigate, which is why we earnestly dedicate time and resources to its thorough analysis.

**Cesar Cañedo-Argüelles**  
Chief Executive Officer

To address these challenges, we have adopted robust ESG risk mitigation practices such as specialized due diligence process incorporating a Human Rights approach, evaluating climate change impacts, and disclosing risks, develop key performance indicators linked to the corporate goals, and maximizing positive impact in each investment. According to moodysanalytics.com, these practices are essential to becoming agents of positive change, contributing to the collective well-being of our planet, and ultimately increasing brand value and investor appeal.

As a result, CIFI has earned a reputation as a leader in sustainable investments, committed to continuing to pioneer this sector by offering attractive, sustainable returns to investors while contributing to social well-being and environmental protection.

Our investment process includes a parallel approach that identifies, analyzes, and quantifies ESG risk, ingrained across our organization. Through this process, we can confidently state that ESG and profitability harmoniously complement each other when making decisions. Fifty percent of CIFI's portfolio is invested in renewable energy projects, yielding attractive results and experienced zero losses in these projects. CIFI's vision is clear: We strive to uncover and foster the rich layers of responsible and sustainable investment. Our mission is to enhance the lives of our communities while offering sustainable and appealing returns to our investors. We are committed to meticulously analyzing each investment's risk to manage sustainable projects that contribute to the well-being of both the planet and its inhabitants.

Thank you for placing your trust in us, and we eagerly look forward to collaborating in building a brighter, better world.

**MORE THAN JUST BUSINESS.**

**PROGRESSING WITH TRANSPARENCY AND A DEEPER ENVIRONMENTAL AWARENESS.**

*“Our unwavering belief in these values paves the way for our company's lasting success.”*

In today's world, customers and society as a whole are seeking deeper insights into how companies address environmental, social, and governance (ESG) matters. Recognizing this, we at CIFI have wholeheartedly adopted a sustainable and responsible investment strategy for several years, taking bold actions and gaining invaluable insights. The financial landscape is constantly evolving, and our aim is not just to keep up but to innovate and lead the way. In the following pages, we will share our most recent ESG management milestones and accomplishments.

In 2022, we undertook a physical and transitional climate risk assessment, which yielded positive results, showcasing a trajectory towards reducing our carbon footprint in the years ahead. In harmony with these findings, we refined our policies and procedures and devised our very own impact calculation tool for our investments. This pioneering tool incorporates SDG-aligned indicators, utilizes the PCAF methodology for carbon footprint measurement, and adheres to TCFD recommendations for disclosure. At CIFI, we not only express our commitment to sustainability, but we also actively pursue it, steering clear of "greenwashing" and genuinely embracing environmentally responsible practices.

Beneath the surface, there is so much more to our business. Our unwavering commitment to responsibly investing in sustainable projects reveals our dedication to driving meaningful change and nurturing close connections with our clients and communities.

We are also in the process of creating a state-of-the-art digital application to serve as an E&S management system, which is anticipated to be ready by the end of 2023. This cutting-edge technology will empower us to manage our portfolio in real-time, effortlessly accessing a range of indicators for both compliance and positive impact, as well as carbon footprint data.

CIFI is steadfast in our efforts to strengthen our internal capabilities through tailored training for each department. This year, we delved into critical topics such as conflict management, human rights-related risks, and strategies to effectively mitigate these issues.

Furthermore, in 2022, we conducted an in-depth analysis of women's participation at the intersection of the financial sector and infrastructure projects. This enlightening assessment provided us with invaluable insights to help open doors, foster gender equity, support our clients, and pinpoint the challenges we must overcome.

We're excited to share an update on our progress since our last report, showcasing the incredible strides we've made in our climate change strategy. Our total financed emissions have seen a significant reduction, dropping from 58,432 tCO2 eq to 39,909 tCO2 eq. Meanwhile, our portfolio's average carbon intensity has decreased from 261 tCO2eq per Million USD in 2021 to 114 in 2022.

Our Renewable Energy Portfolio (which represents 57% of our investments) has led to directly attributable financed avoided emissions amounting to 120,358 tCO2 eq. and a total of 1,142,380 tCO2 eq. CIFI's avoided emissions are now three times larger than our carbon footprint.

The social impact of our loan portfolio has expanded, reaching **18,196 workers and providing energy to over 3.17 million people across Latin America and the Caribbean. In the most recent year, our clients' social contributions to the communities they serve reached US\$ 1,883,338.00**, reflecting their unwavering commitment to local stakeholders.

As you can see from these updated figures, by looking beyond the surface of our business and investing responsibly in sustainable projects, we continue to make a difference and create lasting positive change in our region.

As we conclude, we passionately reaffirm our commitment to transparency, social and environmental responsibility, human rights, and gender equality. We are convinced that these fundamental values serve as the bedrock of our company's lasting success and play a vital role in fostering the sustainable growth of the communities we support.

**Carla Chizmar**  
Head of ESG



# EXECUTIVE SUMMARY

(Source: Photostock)



## The Unseen Dimensions of Success and Responsibility

Consistent with our commitment to our stakeholders and investors, CIFI presents the Sustainability Report for the fiscal year 2022. According to our Annual Financial Report, as of December 31, 2022, CIFI's total equity was US\$ 110 million, and total liabilities amounted to US\$ 388 million.

As a non-banking financial institution, CIFI possesses a unique shareholder structure, where development financial institutions own 48.90% of our shares, while international banks hold 6.08%. Our primary shareholder is VALORA, a company established by the senior management of CIFI, which owns 45.02%.

This report covers our ESG Strategy, compliance with our Environmental and Social Management System, and the positive impact indicators of our investment portfolio. To that end, CIFI applies the IFC Performance Standards and the Equator Principles to all its financing, and the Sustainable Development Goals to measure our impact.

Our vision is to ensure our returns are aligned with our values and strategic planning, increasingly promoting positive impacts and accurate risk management. This essential distinction defines our business model.

Continuous improvement is one of our top priorities, which includes enhancing transparency across all areas. Each year, we endeavor to gather more extensive and

higher-quality information internally and externally and present a comprehensive report with detailed and transparent relevant financial and non-financial information.

Regarding our portfolio, it's noteworthy that we maintain a higher percentage of medium-risk loans (category B), representing 84%. Concerning risk management, our key ESG risk indicator was 1.26 at the end of 2022, reflecting a lower ESG risk.

At CIFI, we believe that we must strive to make the Sustainable Development Goals (SDGs) an achievable priority. Thus, the Sustainability and Responsible Investment Strategy section presents our progress regarding human rights, gender equality, climate change, and the impact indicators that positively contribute to the SDGs.

A fundamental aspect of our ESG strategy is to address climate change and its consequences in infrastructure project financing. We recognize that it is a global challenge that requires the involvement of the private sector as a key agent in maintaining economic, environmental, and social well-being. To that end, one of our focuses is financing clean energy and sustainable technologies that reduce GHG emissions and promotes the transition to a low-carbon economy in a controlled, profitable, and sustainable manner.

Therefore, we continue to develop products and services that attest to tangible benefits while adhering to international ESG standards and supervision, such as the Dominican Infrastructure Investment Fund, the Green Bond Program, and the Sustainable Infrastructure Fund (to be launched in 2023).

Latin America and the Caribbean must invest 3.12% of their GDP in infrastructure until 2030 to boost employment and economic prosperity (IDB 2019). However, women are underrepresented in various sectors and face significant wage gaps. Therefore, one of the key aspects of our ESG strategy is gender equality. We are proud to highlight the publication of our First Gender Report in March 2023, developed internally using gender data collected from our projects since 2018.

At CIFI, we are determined to keep generating economic growth linked to financing projects that respect men's and women's rights, ensure leadership and equal pay opportunities, and benefit thousands of households in our Latin American communities.

As a result, through our commitment to transparency and responsibility, we strive to demonstrate the multifaceted nature of our sustainable investment success and its positive impact.



(Source: Photostock)

# OVERVIEW



## About Us

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 2022 Annual Financial Report, CIFI's total equity (share capital, additional paid-in capital, and retained earnings) was US\$ 110.1MM, and total liabilities (at amortized cost: loans payable, bonds, commercial paper; accrued interest payable, and other accounts payable) were US\$ 388.4MM as of December 31, 2022. CIFI's shareholders include development financial institutions, international banks, and CIFI's senior management.

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.

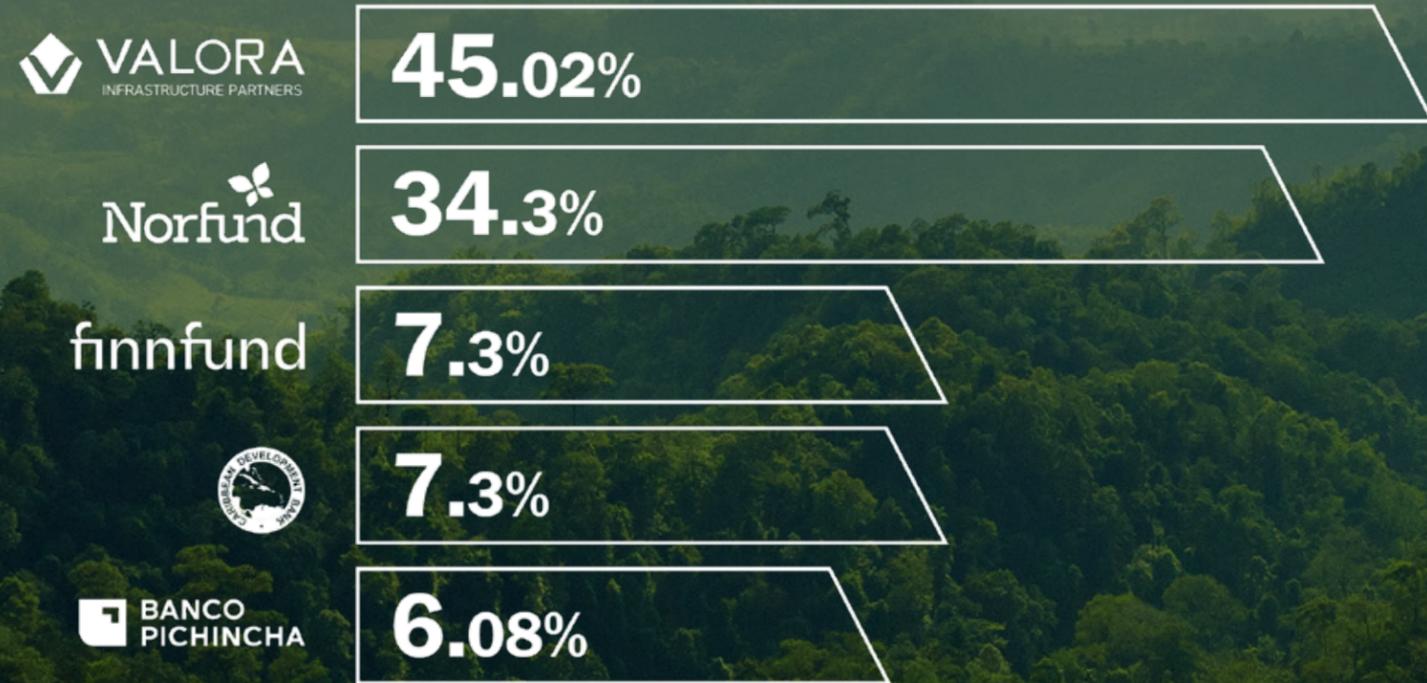


(Source: Photostock)

## VISION

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

# Shareholders



**48.90%**  
Development  
Financial  
Institutions

**45.02%**  
CIFI's Senior  
Management

**6.08%**  
International  
Banks

# Products and Services



(Source: Photostock)

# Financial Information

Balance Figures	2017	2018	2019	2020	2021	2022
Total Loans Portfolio	352,576	365,468	389,250	394,347	359,189	<b>382,254</b>
Total Assets	389,961	382,347	427,197	482,085	473,079	<b>498,534</b>
Total Debt	289,716	282,309	320,352	361,457	335,926	<b>368,572</b>
Total Liabilities	291,186	284,670	328,325	377,215	364,143	<b>388,389</b>
Equity	98,776	97,677	98,872	104,869	108,936	<b>110,145</b>
PnL Figures						
Total Interest Income	26,122	33,154	33,674	27,793	27,595	<b>33,724</b>
Total Interest Expense	12,948	16,347	17,763	16,263	16,082	<b>21,953</b>
Net Interest Income	13,174	16,807	15,911	11,531	11,513	<b>11,771</b>
Advisory and Structuring Fees	7,553	6,748	6,732	9,685	8,557	<b>7,580</b>
Operating Income	20,730	23,729	22,761	25,039	22,774	<b>19,568</b>
Financial Indicators Solvency						
ROE	8.5%	8.3%	8.2%	9.5%	9.2%	<b>6.5%</b>
Equity to Assets	25.3%	25.5%	23.1%	21.8%	23.0%	<b>22.1%</b>
Equity to Loan Portfolio	28.0%	26.7%	25.4%	26.6%	30.3%	<b>28.8%</b>
Capital Adequacy	15.2%	14.4%	13.0%	13.4%	14.7%	<b>13.8%</b>

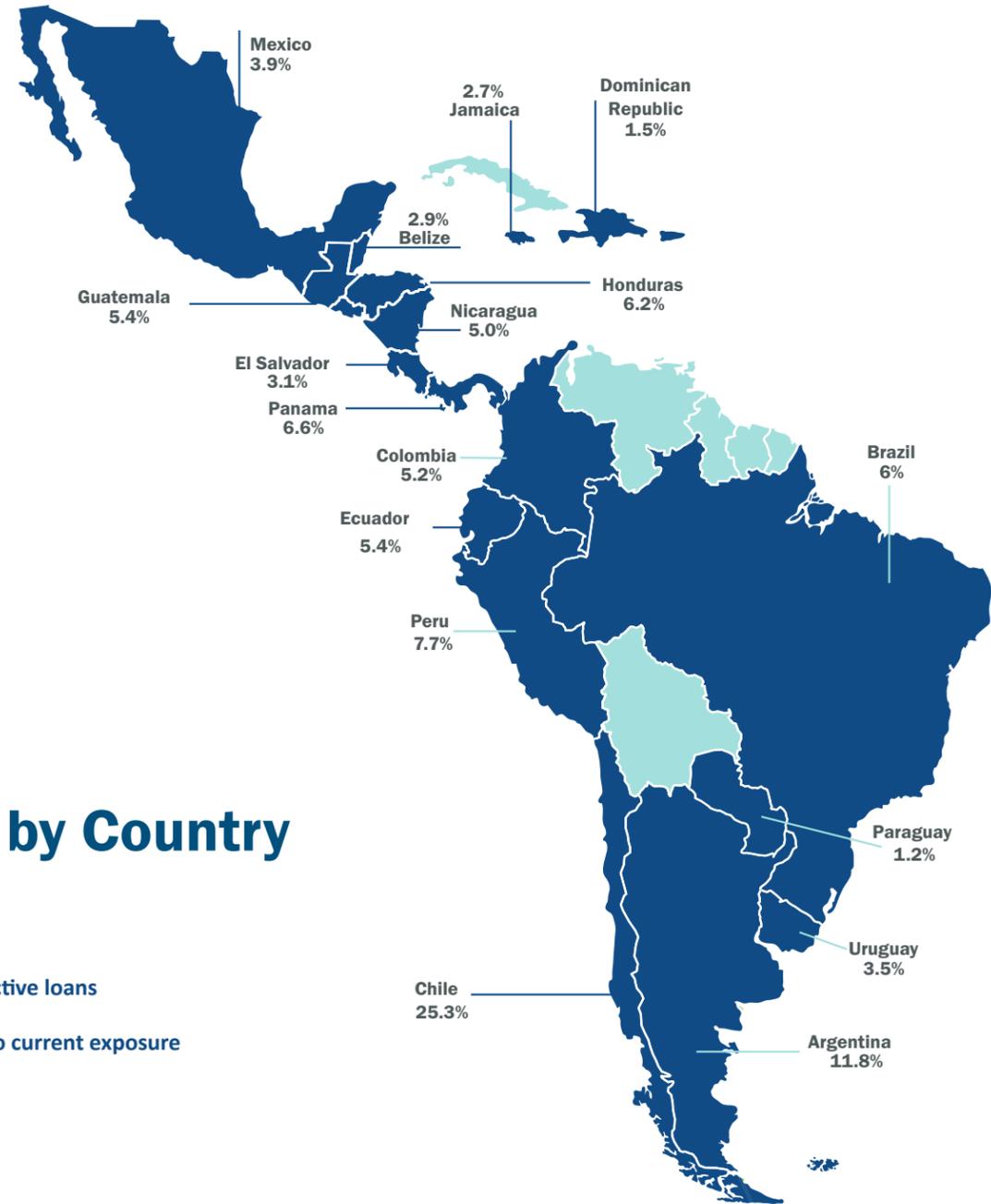
Figures in thousand of US Dollars.

(Source: Photostock)

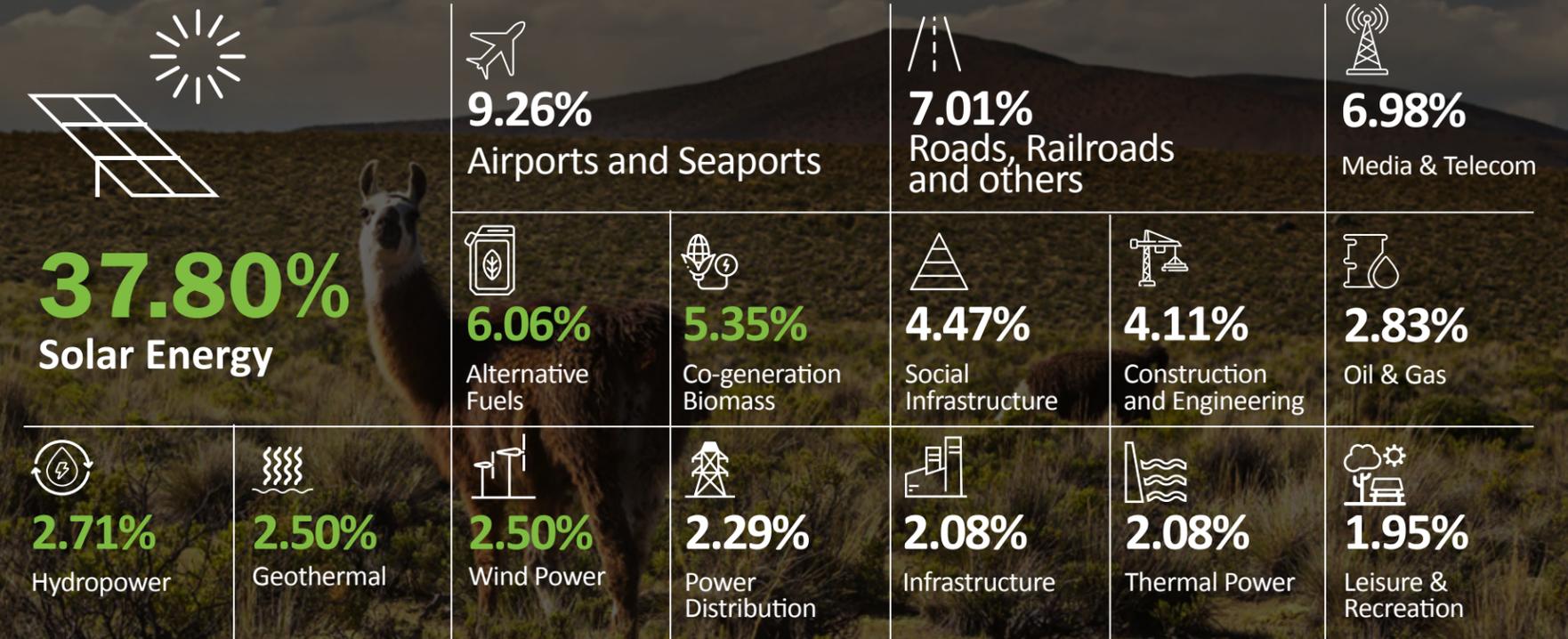


## Portfolio by Country

- Active loans
- No current exposure



## Portfolio by infrastructure sector



**57%** GREEN SECTORS

(Source: Photostock)

# Corporate Governance Structure

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.

## Board of Directors



**Javier Escorriola**  
Chairman of the Board  
Norfund



**Per Aage Jacobsen**  
Independent Director



**Alison Harwood**  
Independent Director



**Joaquim Souza**  
Caixa Banco de Investimento S.A.



**Pertti Nurmio**  
Finnfund



**Judith de Barany**  
Independent Director

## Audit Committee



**Javier Escorriola**



**Joaquim Souza**



**Judith de Barany**



**Terry McCoy**  
Independent Member



**Carlos Poveda**  
Internal Auditor

## Compensation Committee



**Javier Escorriola**



**Judith de Barany**



**César Cañedor-Argüelles**

## Our Management Team



**Cesar Cañedo-Argüelles**  
CEO



**Carla Chizmar**  
Environmental, Social and Governance



**Ramon Candia**  
Origination & Structuring



**Jose Salaverria**  
Legal



**Fabio Arciniegas**  
Credit & Risk

# ESG Policy Framework



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 that 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 and those specifically applicable to its procedures for screening, assessment, and approval of projects for potential funding.

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.



(Source: Photostock)

## POLICIES

- Environmental and Social Management System
- ESG Policy
- Climate Change Policy
- Human Rights Statement
- Gender Equality Policy
- Grievance Mechanisms
- Exclusion List

## SUSTAINABILITY STANDARDS

- The Equator Principles (EP4)
- The International Financial Corporation's Performance Standards on Environmental and Social Sustainability
- The World Bank Environmental Health and Safety (EHS) Guidelines
- The United Nations Guiding Principles on Business and Human Rights
- Task Force on Climate-related Financial Disclosures (TCFD)
- Partnership for Carbon Accounting Financials (PCAF)
- Sustainable Development Goals (SDGs)



## Risk Management Framework



## Governance over ESG

# 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.



(Source: Photostock)

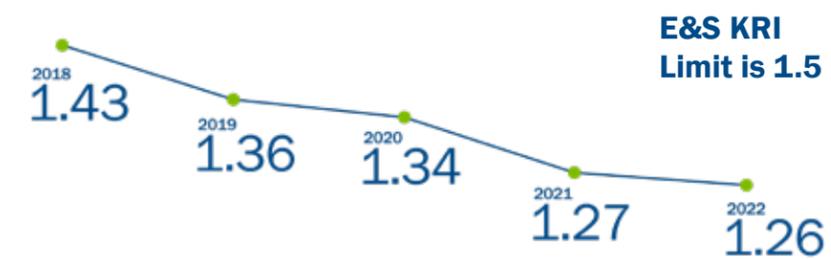
# ESG IS FULLY INTEGRATED IN OUR INVESTMENT PROCESS

- 1. ORIGINATION**  
E&S standards and the exclusion list are considered during the identification of the investment opportunities that fit our investment criteria.
- 2. ELIGIBILITY COMMITTEE**  
ESG provides a preliminary screening, considering E&S standards, and performs the initial Risk Scoring Categorization of the project, and ESG Eligibility Opinion is included in the Project Profile. An E&S Term Sheet is provided to be included in the Mandate Letter.
- 3. DUE DILIGENCE**  
The ESG team's role in the due diligence process focuses on the evaluation of the project's compliance with the policy framework and standards.
- 4. CREDIT PROPOSAL TERMS AND CONDITIONS**  
ESG team provides a Risk Opinion which is included in the Credit Memo.
- 5. PEER REVIEW**  
This is an internal exercise where ESG also participates and provides further explanation or information regarding, the ESG opinion. E&S risk and mitigation actions.
- 6. CREDIT COMMITTEE**  
The ESG member of the Deal team participates and if necessary, provides a detailed explanation of E&S risks and mitigation actions to the Credit Committee.
- 7. LEGAL DOCUMENTATION PREPARATION AND NEGOTIATION**  
ESG is responsible for ensuring the accuracy of covenants related to E&S management obligations, compliance with the requirements of Environmental and Social Action Plans (ESAP), and Client obligations regarding Project monitoring and reporting.
- 8. DISBURSEMENT**  
ESG must review and approve the Client's fulfillment of contractual conditions precedent prior to disbursements.
- 9. LOAN FOLLOW UP**  
ESG is directly responsible for monitoring the compliance with the environmental and social requirements contained in the loan.

# Key Risk Indicator

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

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 2022, CIFI's KRI was 1.26, maintaining the lowest result since its implementation.



## KRI 2018 - 2022

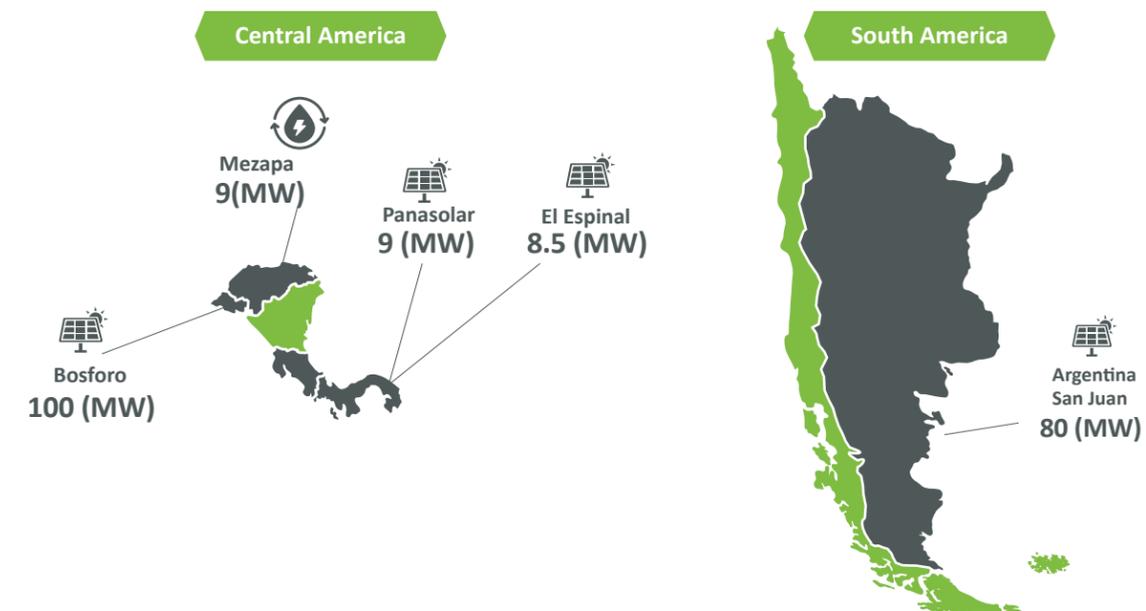
90% of the portfolio has a KRI below 1.5, indicating good performance and compliance with E&S requirements.

(Source: Photostock)

# Green Bonds

PROJECT		DISBURSEMENT	AMOUNT ISSUED
Mezapa	Serie L	\$13,000,000	
	Serie L	\$1,439,570	\$10,229,000
	Serie B	\$4,240,259	
San Juan	Serie B	\$4,240,259	
	Serie B	\$1,120,661	\$12,000,000
	Serie B	\$6,782,527	
Panasolar	Series C,J	\$6,607,713	\$2,995,000
El Espinal	Serie D	\$3,001,894	
	Serie D	\$1,062,286	\$7,000,000
Bosforo	Serie D	\$2,511,558	
	Serie D	\$3,115,561	
	Serie E	\$1,016,949	
	Serie E	\$2,500,000	\$7,000,000
	Serie E	\$2,500,000	
	Serie G	\$1,118,644	\$1,000,000
	Serie M	\$2,237,288	\$3,683,000

(Source: Photostock)



PROJECT	COUNTRY	SECTOR	Installed Capacity (MW)	Annual Generation (MWh)	Annual GHG Emission Avoided (tCO2eq)	People with clean energy access
Mezapa	Honduras	Hydropower	9.2	50,885	30,215	82,094
San Juan	Argentina	Solar power	80	220,228	175,649	71,626
Panasolar	Panama	Solar power	9	14,366	6,990	6,960
El Espinal	Panama	Solar power	8.5	13,237	6,441	6,413
Bosforo	El Salvador	Solar power	100	226,176	154,252	241,365

# SUSTAINABILITY & RESPONSIBLE INVESTMENT STRATEGY

(Source: Photostock)

# Climate Change

## Our 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.

(Source: Photostock)



# Our Strategy

CIFI has chosen 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



Figure 1: Phase 1 of CIFI's decarbonization pathway

(Source: South Pole, 2020)

## Phase 2 - Progressive alignment of CIFI's portfolio with 1.5°C economy



Figure 2: Phase 2 of CIFI's decarbonization pathway

(Source: South Pole, 2020)

# Our Progress

During 2022, we worked with South Pole, a firm dedicated to sustainability and climate change advisory, in a general assessment of our current portfolio and future investments under analysis to better understand how our investments aligned with the Paris Agreement. In addition, we updated our annual climate risk assessment, including physical and transitional risks, to disclose the results in a transparent fashion following the recommendations of TCFD and climate risk assessment.

# Paris alignment assessment

The objective of the Paris alignment assessment was to measure and analyze the level of alignment of CIFI's portfolio with a decarbonization scenario that aims to achieve the goals of the Paris Agreement.

## Methodology

The International Energy Agency (IEA) has developed integrated assessment models and scenarios to estimate what it would take to limit global warming to 1.5°C–2°C. These scenarios outline how different industries should decarbonize.

A company is 'Paris-aligned' when its carbon intensity is below that observed in the model's pathways. South Pole's Paris alignment tool uses each company's spot carbon intensity and compares it to the target carbon intensity suggested by the corresponding scenario pathway for the selected year, according to the company's sector and geographic location.



## Results

For 2021, CIFI's investments show a very high level of alignment when assessed based on investment weight (outstanding exposure), with 74% of its investment volume being aligned. However, from a climate impact perspective, CIFI's portfolio is highly unaligned for the year 2021, with only 30% of its emissions being aligned, due to the concentration of carbon emissions in two projects from the Oil and Gas sector. In March 2023, these two projects were repaid and current alignment is 75%. The NZIF's ambition is to have at least 70% of portfolio emissions aligned.

Without decarbonization efforts, the level of alignment can decrease in the coming years and decades as the pathways and carbon budget for the sectors become more stringent and require increasingly lower carbon intensities for alignment. Therefore, it is important to be aware of the decarbonization pathways for the relevant sectors in CIFI's portfolio and include emission reduction measures for projects that could become unaligned.

(Source: Photostock)



# Climate Risk Screening

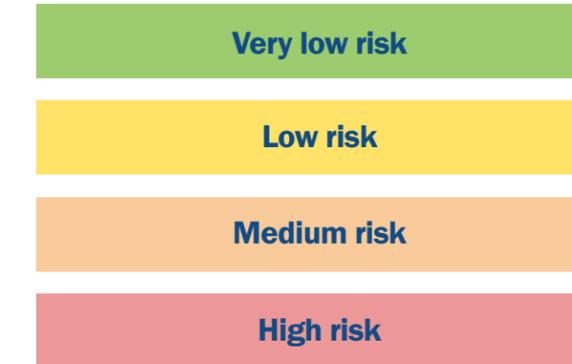
The climate risk screening provided a preliminary assessment of CIFI's portfolio against climate-related physical and transition risks; the assessment was based on the guidelines of the Task Force for Climate-related Financial Disclosures (TCFD).

South Pole performed a top-down, forward-looking risk assessment to measure the associated physical and transition risk exposure of each project. The risks, scenarios, impact frameworks, and outputs are outlined below.

	Physical risks	Transition risks
<b>Risks</b>	Aggregated score covering chronic physical risks, including water scarcity and sea level rises, among others.	Carbon pricing risk as a proxy for all transition risks, e.g., policy, legal, market, technology, and reputation.
<b>Pathways and scenarios</b>	1°C, 2°C, 3°C and 4°C pathways based on Representative Concentration Pathways (RCPs) from Intergovernmental Panel on Climate Change (IPCC).	The IEA SDS scenario of 1.75°C and stated policies scenario (STEPS) of 2.7°C
<b>Temporality</b>	The RCPs cover time horizons from 2023 to 2100, and temperature change varies through the years, e.g., according to RCP8.5 we might reach 2°C by 2050, whereas in RCP4.5 we might reach 2°C by 2060. However, the physical risk pathways used for this screening scenario are not linked to a specific time horizon but only to a temperature degree.	The assessment covers carbon pricing for 2025 and 2040 in both scenarios.
<b>Impact framework</b> (hazard x vulnerability x exposure)	Global Gross Domestic Product (GDP) damage function (Stern and Dietz) x country vulnerability (Notre Dame Global Adaptation Initiative [ND-GAIN] score) x industry vulnerability (input-output [IO] tables and literature) x geographic distribution of revenues	Carbon price (USD/tCO2e) x financed emissions x geographic distribution of revenues
<b>Output</b>	Level of potential revenue at risk at a project level	

Each project was assessed against the different scenarios and assigned a level of risk according to the percentage of revenue at risk. The levels range from 'very low risk' to 'high risk'. The ranges for each level are illustrated below:

## Physical Risk Levels

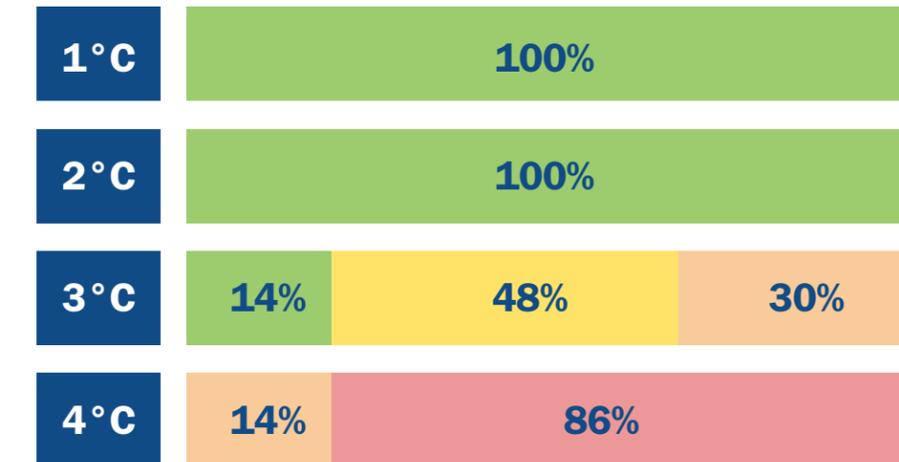


## Transition Risk Levels



## Portfolio physical risk results

The physical screening exercise had a coverage of 100% of CIFI's portfolio. The percentage of risk levels within the portfolio in each one of the different scenarios are illustrated below, showing that at a 2°C scenario 100% of the investment volume would be at a very low risk.



### Transition Risk results

The transition screening exercise had a coverage of 82% of CIFI's portfolio, since some projects had no emissions data. The carbon cost depends on the industry and countries where the investee has its operations and is compared to the carbon intensity of each project from SDS and STEPS scenarios.



Long-term investments are always associated with long-term risks, which is why screening climate risks is an important factor to consider as part of climate-related policies and strategies.

Physical risk scores depend greatly on the geographic location of projects and the activities they carry out (industrial classification). As such, it is important to understand high-risk sectors and how these are related to absolute emissions.

Transition risks are highly dependent on carbon intensity. Therefore, investing in less climate-intensive projects drastically reduces the exposure to these types of risks.

#### Physical risks screening

**100%**

of the portfolio showcases very low physical risk exposure in a 2 degree Celsius (°C) scenario

**Assessment coverage: 100% of loans**

#### Transition risk screening (carbon cost)

**24%**

of the portfolio showcases a high risk exposure in a 1.75°C sustainable development scenario (SDS) (carbon price of USD 43-63 per tCO<sub>2</sub>)

**Assessment coverage: 82% of loans**



(Source: Photostock)

# Carbon Footprint

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, 48 loans were considered, of which 77% 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 year 2020. CIFI's ESG team built internal capacity to analyze its data internally through training provided by SouthPole in 2020.

In 2021 and 2022, 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.

Our Corporate emissions, without considering investments, show a light increase in 2022. In 2021 CIFI implemented a hybrid model for employees that allowed them to choose to work from home for almost all of 2021, In 2022, CIFI implemented a flexible hybrid model in which our employees were required to work from the office twice a week, and with the reactivation of the economy and the end of COVID-19 travel restrictions, travel plans increased.

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.

**GHG Emissions Footprint FY 2020 to 2022 Corporate and Investments**

KEY KPIs	2020	2021	2022
tCO <sub>2</sub> eq/employee (excl. investments)	3.98	1.35	2.42
Total tCO <sub>2</sub> eq Corporate (Scope 1,2)	119.29	51.17	96.94
Total tCO <sub>2</sub> eq Investments (Scope 3)	95,995.62	58,432.00	39,909.00
tCO <sub>2</sub> eq/MM USD Investments	261.11	185.71	113.59
Portfolio size (MM USD)	367.64	314.65	351.33
# of loans	51	41	48

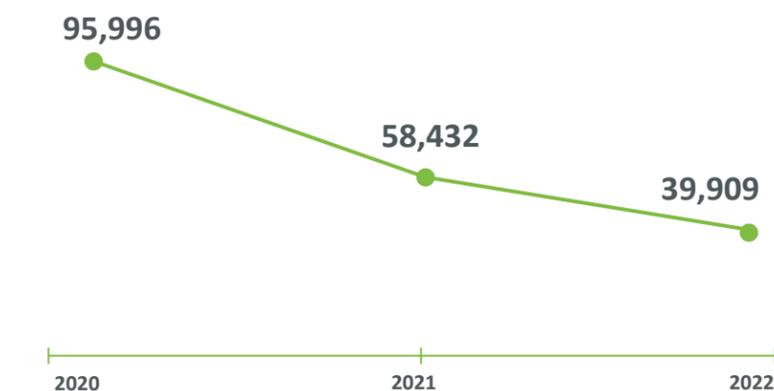
(Source: Photostock)

## Generated Emissions

● Total tCO<sub>2</sub>eq/Corporate (Scope 1, 2)



● Total tCO<sub>2</sub>eq/Investments (Scope 3)



## tCO<sub>2</sub>eq/MM USD Investments



# GHG Emissions Avoided

According to the United Nations, financial resources and sound investments are needed to address climate change, reduce emissions, promote adaptation to the already occurring impacts, 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.

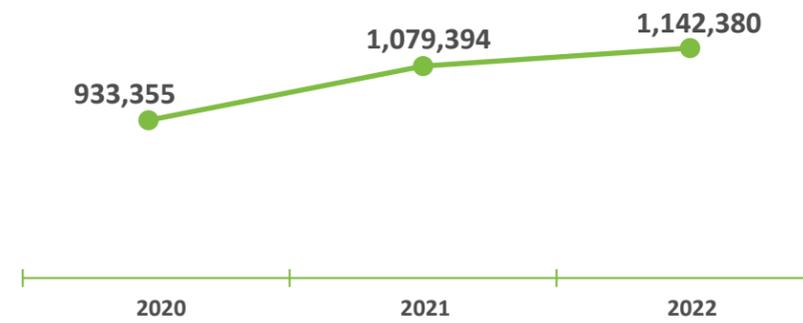
## Emissions Avoided from 2020 to 2022

KEY KPIs	2020	2021	2022
Avoided Emissions in Renewable Energy Portfolio (tCO <sub>2</sub> eq)	933,355.00	1,079,393.65	1,142,380.00
Direct attributable avoided emissions (tCO <sub>2</sub> eq)	88,851.00	122,132.00	120,358.00
Renewable Energy Portfolio (% share)	48.60	46.75	57.00
Clean Energy Generation (Millions of kWh)	1,749.00	1,726.00	1,824.92
People Benefitted from Access to Clean Energy	2,082,260.00	1,563,318.84	1,855,644.00
Jobs created in Renewable Energy Sector	4,358.00	3,385.00	3,650.00

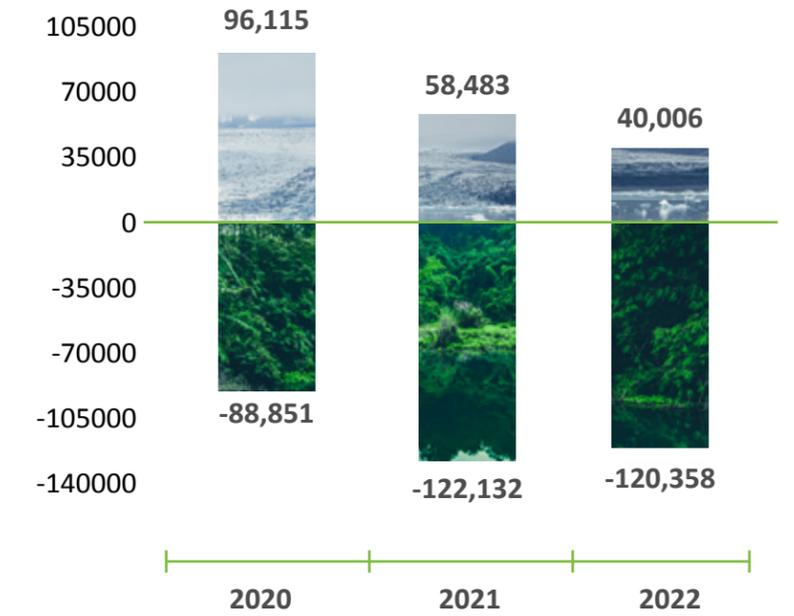


(Source: Photostock)

## Avoided Emissions (tCO<sub>2</sub>eq)



## Generated Emissions vs Avoided Emissions



- Total tCO<sub>2</sub>eq direct attributable avoided emissions
- Total tCO<sub>2</sub>eq generated emissions (Scope 1, 2 and 3)

Directly attributable financed avoided emissions of our Renewable Energy Portfolio (57% share) for 2022 amount to 120,358 tCO<sub>2</sub>eq. In turn, directly financed emissions generated through our entire portfolio amount to 40,006 tCO<sub>2</sub>eq in 2022. CIFI's avoided emissions are three times as much as our carbon footprint.

# Gender Equality

CIFI's business responsibility to respect human rights has been a corporate mandate in our operations regarding health, safety, labor, environment, security, non-discrimination, and equality. Besides measuring our own progress, and transparently disclosing our figures and efforts to improve, one of our primary concerns on these matters focuses on our investments.

The development of infrastructure projects may impact women and men differently due to their differentiated socioeconomic roles and different degrees of access to management positions, employment, energy, telecommunications, and other opportunities. Therefore, we gather gender-differentiated statistics in line with international best practices to measure their progress.

The latter is aligned with CIFI's vision and acknowledgment that Gender Equality is a fundamental element of sustainable development and a desirable outcome for society to enjoy equal rights, opportunities, and access to control resources. CIFI not only embraces diversity but also rejects any form of discrimination and promotes women's empowerment through our clients, contributing to a transformational change needed to achieve gender equality.

CIFI has collected employment statistics from projects financed disaggregated by gender since 2018 to understand female participation in the intersection of the finance sector and infrastructure development in Latin-American, assess gender-applicable recommendations to our clients, understand the labor dynamics, reduce gaps in female-work opportunities, size our impact in gender, and generate sensitive-related information to promote equality.

CIFI's Gender Equality Strategy dates from 2019 as a mandate from our Board of Directors, showing the greatest commitment from our company to work towards a more equitable and fair society.

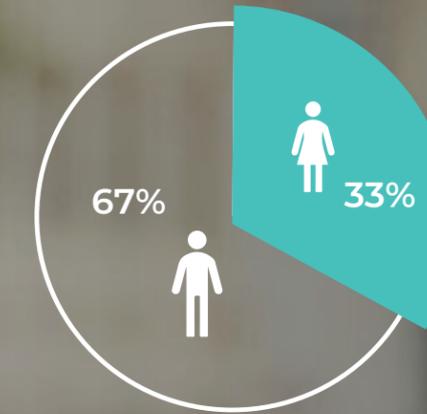
# Our Corporate Indicators

As part of our Gender Equality Strategy, measuring progress is key. Here are the latest figures at CIFI Corporate.

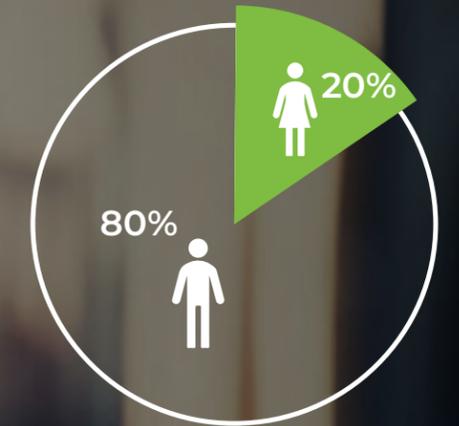


(Source: Photostock)

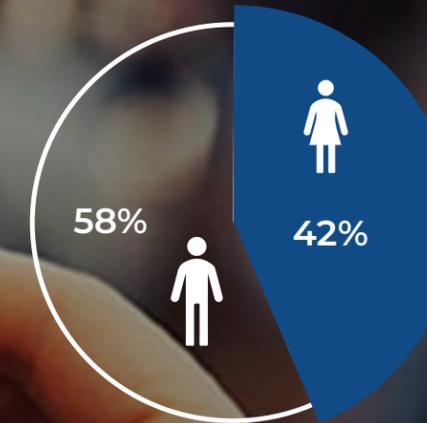
% of women Representation at the Board of Directors



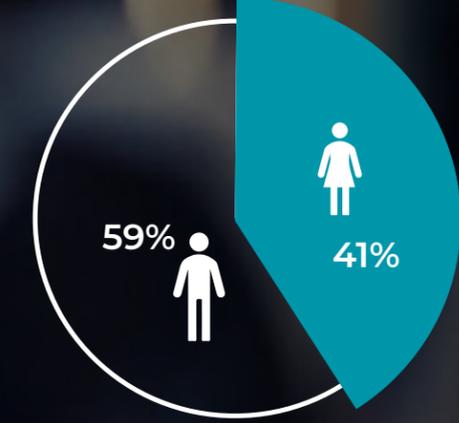
% of women representation at Senior Management Team



% of women representation in mid-level positions

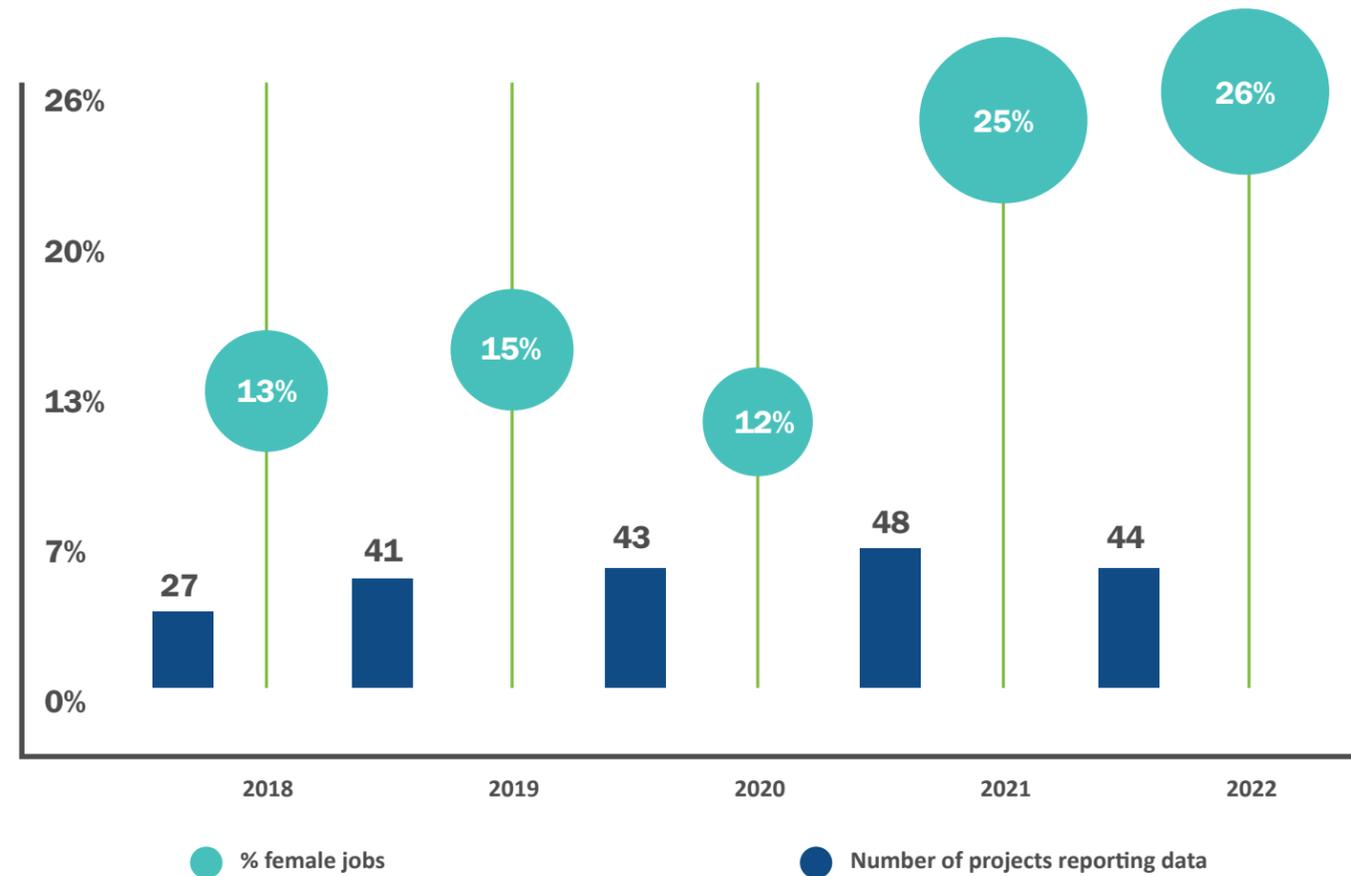


% of women representation in overall staff



# Our Investments' Indicators

Female Jobs - Portfolio (FY2018-2022)



Female Jobs per Country - Portfolio (percentage)



**Female Jobs per Sector - Portfolio (FY2018-2022)**



**“Healthcare and Leisure and Recreation were denoted as those with the most significant impact on female hiring.”**

Women account for 68.9% of the global health and social care workforce. It is estimated that women provide essential health services for around 5 billion people worldwide. The financial value of women’s input into health systems is estimated to be over US\$3 trillion annually. Yet women’s contributions to health and the health labour market remain markedly undervalued. Women in health tend to be clustered into lower-status, low-paid, and often unpaid roles. Sustainable development needs to value better women’s contributions to the population’s physical, social, and mental wellbeing.<sup>1</sup>

1. <https://www.who.int/activities/value-gender-and-equity-in-the-global-health-workforce>.

# Our Human Rights Strategy

**An adverse human rights impact occurs when an action removes or reduces the ability of an individual or community to enjoy their human rights (ALIGN, 2022).**

(Source: Photostock)

CIFI understands that investing in infrastructure projects can have significant positive impacts on human rights but, at the same time, it may also involve potential risks and adverse impacts that should be addressed fairly and effectively.

CIFI is committed to ensuring that the projects it finances or advices are developed in a manner that respects human rights, are socially responsible, and reflect sound environmental management practices. CIFI’s business activities are guided by the Equator Principles (EP) and the International Finance Corporation’s (IFC) Performance Standards for Social and Environmental Sustainability.

CIFI is committed to acting consistently with the International Bill of Human Rights and the International Labor Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work. CIFI is also committed to conducting its business in compliance with United Nations Guiding Principles for Business and Human Rights (UNGPs) and with other internationally recognized human rights standards.

CIFI is committed to respect human rights and to identify, avoid, mitigate, and manage potential and actual adverse human right impacts related to its own operations, and take actions to address them using the UN Guiding Principles for Business and Human Rights (UNGPs) as a practical framework actively and continuously. This Human Rights Statement is part of CIFI’s Environmental and Social Management System (ESMS).

CIFI acknowledges that specific circumstances may require the consideration of additional human rights

covenants to be properly addressed. For instance, where projects may involve risks or impacts to the rights of indigenous peoples; vulnerable groups; national, ethnic, religious, and linguistic minorities; children; people with disabilities; or migrant workers and their families.

CIFI recognizes the importance of the protection of environmental and human rights defenders and civil society in general. CIFI will not allow any acts by its staff, clients, or business partners that amount to violence, intimidation, repression or reprisals towards individuals and organizations that express their dissenting opinions regarding CIFI’s activities or those of CIFI’s clients and business partners.

CIFI acknowledges that it may be connected in different ways to potential and actual human rights risks and impacts through its business relationships with the companies and activities it finances. CIFI expects its clients, business partners, and other companies involved in the projects it finances to assess their actual and potential human rights impacts, as well as to prevent, mitigate, and act upon their adverse impacts in ways that are consistent with the UNGPs, regardless of their size, sector, operational context, ownership, and structure.

CIFI builds, develops, and implements tools, policies, plans, and procedures to ensure respect for human rights in its operations and supports human rights awareness, responsiveness, and capacity among its staff, contractors, clients, and business partners.

## Common adverse human rights impacts on communities in infrastructure projects may be related to the following:

- Free, Prior, and Informed Consent (FPIC) and meaningful consultation with Indigenous Peoples and other local communities.
- Physical or economic displacement without fair and adequate compensation, unobserving collective rights, affecting human rights to property, housing, land, territory, food, water, health, development, and a clean, healthy, and sustainable environment.
- Impacts on the culture and traditions around the cohesion and identity of minority groups.
- Threats, intimidation, discrimination, and violence against human rights defenders.
- Threats to community health and safety, including physical threats.
- Environmental threats from poor waste management practices.
- Labor rights abuses such as forced labor, modern slavery, and child labor.
- Bribery and corruption during project deployment.



(Source: CIFI Photo)

## How can Human Rights risks impact projects?

- Operational delays and lost productivity due to community conflict and other legal proceedings in response to adverse effects and a lack of community consultation.
- Revocation of, or an inability to secure, project finance due to a failure to meet lender social impact criteria.
- Financial losses can lead to project abandonment and limit the process of addressing grievances and identifying appropriate resolutions.
- Reputational damage from adverse media coverage and civil society campaigns.
- Financial costs and subsequent impacts on the project or business viability
- Diminished return on investment, investor pressure, and decreased investor appetite.

## Factors that could contribute to heightened risk include:

- Complex financing arrangements with multi-layered governance structures.
- Prevalence of projects developed in locations with political instability, organized crime, institutional corruption, or the weak rule of law.
- Reliance on local governments to manage stakeholder's consultation and engagement.
- Use of third-party agents and brokers to navigate local business contexts.

## Our Approach

- Identify and assess the actual and potential human rights risks and impacts of its potential clients and business partners prior to the decision to finance their projects;
- Prevent, mitigate, and account for human rights impacts and risks and the way in which those are addressed by CIFI's staff, clients, and business partners during the term of its financing operations until the time of divestment or end of the business relationship;
- Externally report on the implementation of CIFI's Human Rights Statement as part of its E&S annual reporting, and encourage CIFI's clients and business partners to also publicly report how they identify, prevent, mitigate, and account for adverse human rights impacts related to their operations;
- Use CIFI's business leverage to the extent possible to prevent and mitigate adverse human rights impacts by its clients and business partners, for instance, by providing capacity building and/or incentives to support the prevention and mitigation of adverse human rights impacts related to its activities;
- Implement and effectively manage a fair and legitimate external grievance mechanism for project-affected individuals and communities to resort to in order to enable the remediation of any adverse human rights impacts that may have been caused or contributed to by CIFI, its clients, or business partners;
- Require CIFI's clients to design and implement themselves a human rights policy and an operational level internal and external grievance mechanisms to facilitate access to remedy for individuals and communities;
- Promote and encourage meaningful stakeholder engagement by CIFI's clients and business partners throughout the life of the project, to ensure stakeholders' views and inputs are considered. This will be especially relevant for CIFI when stakeholders include vulnerable groups, women, children, indigenous peoples, migrant workers, etc. CIFI may directly engage with project-affected individuals and communities throughout the project cycle.

February 2021	Issue a Human Rights Statement.
May 2021	Review our process
June 2021	Strengthen of due diligence process
October 2021	Legal framework
November 2021	Grievance mechanism update
April/May 2022	Training



(Source: Photostock)

## Our latest Capacity Building

During early 2022, as part of our strategic approach towards managing HHR, CIFI, with support from the specialized firm BHR-Business and Human Rights, conducted a series of four training sessions for each key operational unit to:

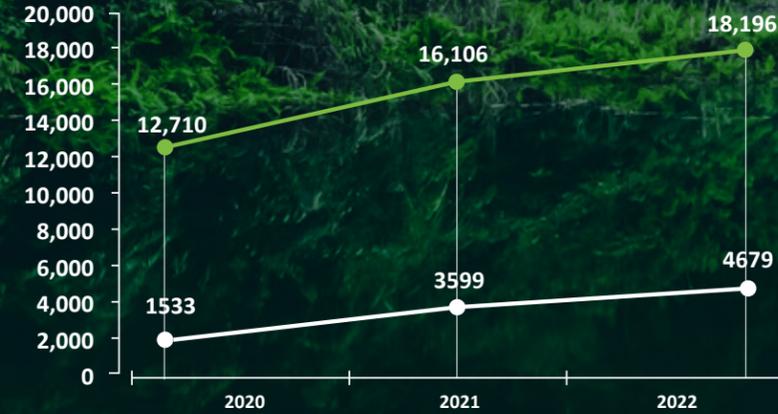
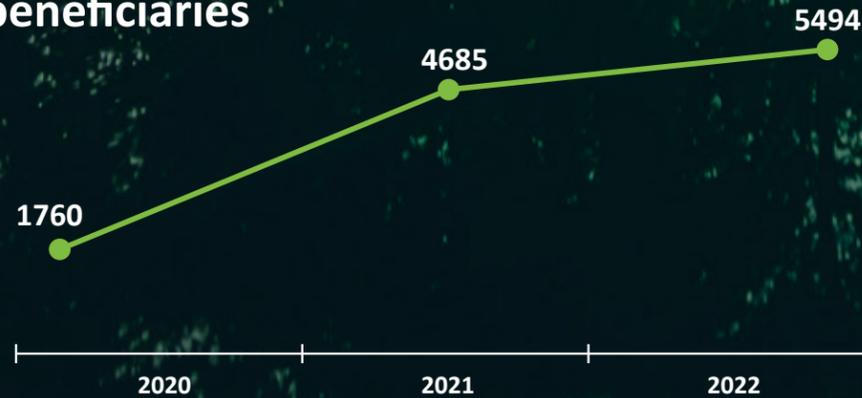
<p><b>First Session</b></p> <p>Leveling on Human Rights for all CIFI's staff, including legal, portfolio, origination, business, and ESG staff.</p>	<p><b>Second Session (ESG)</b></p> <p>Deep dive and practical issues for the ESG team, application of ESDD concepts, and demonstrative cases for sustainable financing.</p>
<p><b>Third session (Legal)</b></p> <p>Training for the Legal team to apply mandatory concepts, forms of HR concepts integration in contracts and mandates, and orientation in the legal framework of materiality and access to remedy.</p>	<p><b>Fourth session (recommendations)</b></p> <p>Wrap-up of the previous sessions with the ESG team, conclusions, and recommendations to correctly implement the HR guidelines in CIFI's financing cycle, processes, and procedures.</p>

# The Impact of Our Investments



**1,945**  
Training Sessions

## Training beneficiaries



**1,531,848**  
people benefited from telecommunications

**1,281**  
Telecom Towers



**28,332**

Gallons of treated wastewater

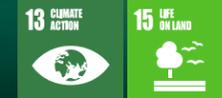


**+115,000**

Trees planted

**+44**

Hectares reforested



(Source: Photostock)

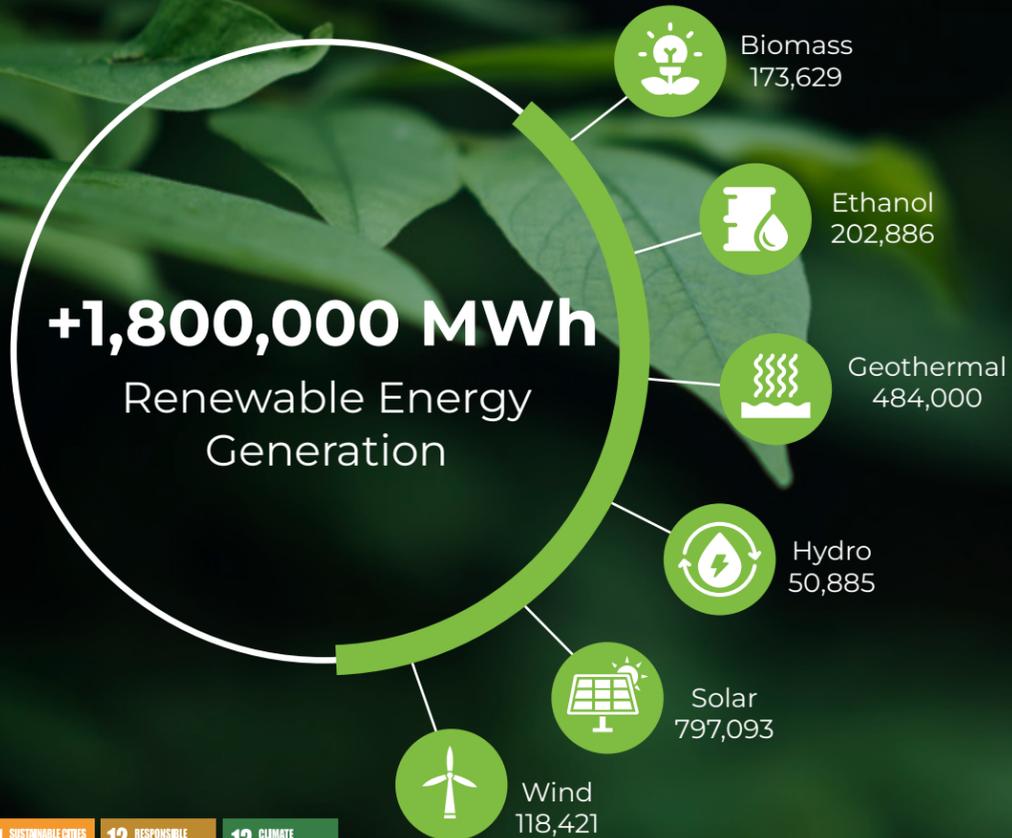


**1,883,338**

US\$ social contribution



# The Impact of Our Investments



**750 MW**

Energy operational installed capacity

**3,176,859**

People benefited from access to energy

**1,142,380 tCO<sub>2</sub>eq**

Avoided Emissions



**2,654,923**

Hazardous waste disposal

**28,000**

Recycled waste

**301,000**

Solid waste treated



(Source: Photostock)



# ACRONYMS



(Source: Photostock)

CEO	Chief Executive Officer	Kg	Kilogram
CIFI	Corporacion Interamericana para el Financiamiento de Infraestructura S.A.	KRI	Key risk indicator
COVID-19	Coronavirus disease	MM	Millions
E&S	Environmental and Social	MW	Megawatts
EHS	Environment, Health, and Safety	MWh	Megawatts hour
EP	Equator Principles	ND-GAIN	Notre Dame-Global Adaptation Initiative
ESAP	Environmental and Social Action Plan	NORFUND	Norwegian Investment Fund for Developing Countries
ESDD	Environmental and Social Due Diligence	PCAF	Partnership for Carbon Accounting Financials
ESG	Environmental, Social, and Governance	RCP	Representative Concentration Pathway
ESMS	Environmental and Social Management System	SDG	Sustainable Development Goal
FINNFUND	Finnish Fund for Industrial Cooperation, Ltd.	SDS	Sustainable Development Scenario
FPIC	Free, Prior, and Informed Consent	STEPS	Stated Policies Scenario
GDP	Global Gross Domestic Product	TCFD	Task Force on Climate-related Financial Disclosures
GHG	Greenhouse gases	tCO2eq	Tons of Carbon dioxide equivalent
IDB	Inter-American Development Bank	UN	United Nations
IEA	International Energy Agency	UNFCCC	United Nations Framework Convention on Climate Change
IFC	International Finance Corporation	UNGPs	UN Guiding Principles for Business and Human Rights
IPCC	Intergovernmental Panel on Climate Change	USD	United States dollar



## **Sustainability Report 2022**

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