



CLIMATE CHANGE POLICY

First Approved March 2021

Introduction

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 objectives¹ 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 seeks to raise ambitions when it comes to aligning its portfolio with a 1.5°C economy.

CIFI's recognition of climate change promotes climate adaptation and mitigation measures as well as the evaluation of risks and opportunities of climate change impacts in our business by incorporating responsible practices through mainstreaming ESG factors in the investment process.

CIFI aims to identify, assess, and manage climate-related risks (both physical and transitional) 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 fulfil our commitments, our approach includes:

- Adopt high level commitment to act.
- Assess physical and transitional climate risks and impacts prior to investing through the due diligence process.
- Develop adaptation and mitigation strategies at project level for risks and impacts identified during due diligence.
- Measure financed emissions during the life of the loan.
- Conduct scenario analysis and disclose residual and 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 using the recommendations of the Task Force on Climate Related Financial Disclosures (i.e., Governance, Strategy, Risk Management and Metrics and targets).

In our operations

We are committed to managing energy consumption, GWP, and GHG emissions by promoting energy efficiency and alternative energy sources; we will pursue the development of efficient and renewable energy opportunities at all CIFI's operations.

For our investments

CIFI acknowledges that, if unmitigated, climate change will have long-term impacts on society and the global economy. Thus, CIFI recognizes the importance of growing our green investment portfolio and gradually adjusting our goals to align with international climate commitments. We partner with our clients to assist them in achieving their financial and climate change objectives. This climate partnership requires not only Green House Gases

¹ The global community, through the United Nations Framework Convention on Climate Change, has identified the financial sector as a crucial actor in the fight against climate change.

(GHG) emissions estimates or Global Warming Potential (GWP) for each investment project, as appropriate, but also a thorough analysis of climate change risks and opportunities prior to investing and during the life of the loan.

Governance

CIFI's Board of Directors is responsible for approving CIFI's sustainability approach and disclosure, including updating this Climate Change policy as needed, aligned with local regulations, and defining initiatives and actions related to climate change. Implementation of all climate change-related measures will be in charge of CIFI's ESG unit.

Version History

This document is the first Climate Change Policy to be approved by the Board of Directors. Emission date: March 2021; once approved, it will be a public document.

Definitions

GHG: Greenhouse gases.

Paris Agreement: In December 2015, at COP 21 in Paris, several countries adopted the Paris Agreement, which establishes a commitment to hold "the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change". The global community, through the United Nations Framework Convention on Climate Change has identified the financial sector as a crucial actor in the fight against climate change. The Paris Agreement is available at: <https://unfccc.int/process-and-meetings/the-paris-agreement>

Equator Principles: risk management framework, adopted by financial institutions, for determining, assessing, and managing environmental and social risk in project finance. Available at: <https://equator-principles.com/>

UNFCCC: United Nations Framework Convention on Climate Change. Available at: <https://unfccc.int/>

TCFD: The Task Force on Climate-Related Financial Disclosure.

Climate transition risk: The TCFD recommendations state that 'Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, reputation and market changes to address mitigation and adaptation requirements related to climate change. Examples of transition risk include: policy and legal risks, technology risks, market risks and reputational risks. Source: EPIV Guidance Notes on Climate Change Risk Assessment, 2020.

IPCCC: The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing science related to climate change. Available at: <https://www.ipcc.ch/>

Climate-related risk: refers to the potential negative impacts of climate change on an organization. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower- carbon global economy, the most common of which relates to policy and legal actions, technology changes, market responses, and reputational considerations.

Climate-related opportunity: refers to the potential positive impacts related to climate change on an organization. Efforts to mitigate and adapt to climate change can produce opportunities for organizations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organization operates.

Climate Mitigation: reducing climate change involves reducing the flow of heat- trapping greenhouse gases into the atmosphere, either by reducing sources of these gases (for example, the burning of fossil fuels for electricity, heat or transport) or enhancing the “sinks” that accumulate and store these gases (such as the oceans, forests and soil). The goal of mitigation is to avoid significant human interference with the climate system, and “stabilize greenhouse gas levels in a timeframe sufficient to allow ecosystems to adapt naturally to climate change, ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner” (2014 report on Mitigation of Climate Change from the IPCCC, page 4).

Climate adaptation: adapting to life in a changing climate – involves adjusting to actual or expected future climate. The goal is to reduce our vulnerability to the harmful effects of climate change (like sea-level encroachment, more intense extreme weather events or food insecurity). It also encompasses making the most of any potential beneficial opportunities associated with climate change (for example, longer growing seasons or increased yields in some regions).