



# ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT 2019

Corporación Interamericana para el Financiamiento  
de Infraestructura, S.A

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

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



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» A message from our CEO



## In 2019 our Carbon Emissions

from both corporate emissions and lending facilities amounted to **37,821 tons of CO<sub>2</sub> eq**, compared to our positive impact of financing the **avoidance of 1,473,248 tons of CO<sub>2</sub> eq to the environment**. Our renewable energy portfolio has benefitted more than 2 million people in Latin America proving clean energy. In addition, over 15,000 jobs were generated due to our financing.

# A MESSAGE FROM OUR CEO

At CIFI we work as a lean team to make our clients' projects come true, while achieving environmental and social sustainability, in line with the best international standards in ESG. The success of our company lies in the success of the investments we make. That is why we give one hundred percent of our effort to work on successful projects that respect the environment and the surrounding communities.

Since our inception in 2001 to date, our policies have been strengthened to continue delivering our value promise in line with our Environmental, Social, and Governance Strategy.

In 2019, we issued Panama's first Green Bond Program for up to US\$200 million dedicated to projects in the sectors of renewable energy and waste management. Our framework was verified by a second party opinion (Sustainalytics), and for transparency purposes it is available at our website including the environmental indicators of each project included.

We exercise a stringent corporate governance over our business, continuously evaluating the environmental and social risks of our financing, while aiming to maximize our positive economic, social, and environmental impacts. We have created more rigorous results measurement systems, closely monitoring compliance with the standards that reflects the rigor and transparency of our business.

Linked to this, we work to raise awareness and prepare proposals and initiatives that make these objectives effective in line with the Sustainable Development Goals. Our Gender Equality Policy and Implementation Plan is being incorporated at a corporate and project level. We are committed to contribute to society's wellbeing not only at a project level, but in our host country as well. Our Corporate Social Responsibility Program in Panama is growing every year with activities that reflect our values with the participation of all our team. I would like to thank our team all for their incredible enthusiasm in all our endeavors.

Looking ahead, we will continue working to become a positive force and a benchmark in leadership, structuring, and financing of infrastructure projects in Latin America.

A handwritten signature in black ink, appearing to read 'Cesar Cañedo-Argüelles'.

Cesar Cañedo-Argüelles  
Chief Executive Officer



# KEY FIGURES

# KEY FIGURES

## FINANCIAL

Financial Information	2016	2017	2018	2019
<b>Balance Figures</b>				
Total Loans Portfolio	289,091	352,576	365,468	389,250
Total Assets	309,704	389,961	382,347	427,197
Total Debt	217,584	289,716	282,309	320,352
Total Liabilities	218,537	291,186	284,670	328,325
Equity	91,167	98,776	97,677	98,872
<b>Profits and Losses Figures</b>				
Total Interest Income	20,456	26,122	33,154	33,674
Total Interest Expense	9,864	12,948	16,347	17,763
Net Interest Income	10,592	13,174	16,807	15,911
Advisory and Structuring Fees	7,731	7,553	6,748	6,732
Operating Income	18,323	20,730	23,729	22,761
<b>Financial Indicators</b>				
<b>Solvency</b>				
Equity to Assets	29%	25%	26%	23%
Equity to Loan Portfolio	32%	28%	27%	25%
Capital Adequacy	28%	25%	14%	13%

Figures in US Dollars.



\*New capital adequacy policy approved by the Board of Directors at 12.50% based on Basel II.

# ENVIRONMENTAL AND SOCIAL

## In 2019 our Carbon Emissions

from both corporate emissions and lending facilities amounted to **37,821 tons of CO<sub>2</sub> eq.**, compared to our positive impact of financing the **avoidance of 1,473,248 tons of CO<sub>2</sub> eq to the environment.**



Environment	2019	2018
CIFI's Corporate Emissions (in ton CO <sub>2</sub> eq)	115	87
Net Emissions in outstanding loans scope 1 and 2 (in ton CO <sub>2</sub> eq)	37,706	NA
Avoided Emissions in renewable energy loans (in ton CO <sub>2</sub> eq)	1,473,248	1,139,061
Carbon intensity (ton CO <sub>2</sub> eq Per million USD invested)	97	NA
Renewable Energy Portfolio		
Operational Capacity Installed (MW)	764	580
Energy Generation (millions of kWh)	2,400	1,873
People benefited	2,112,743	1,760,672
Social		
Jobs created through our loans (direct and indirect)	14,672	17,028

## Our renewable energy portfolio

continues to grow, benefitting over **2 million people in Latam** with access to Clean Energy.



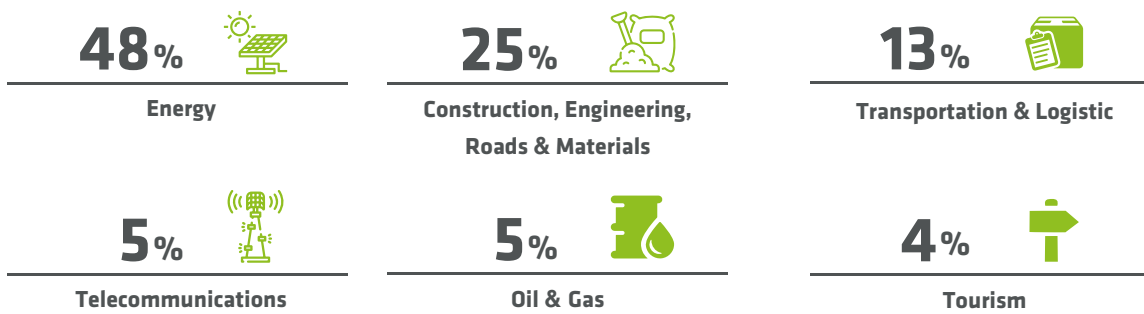
# PORTFOLIO

Over the last years “

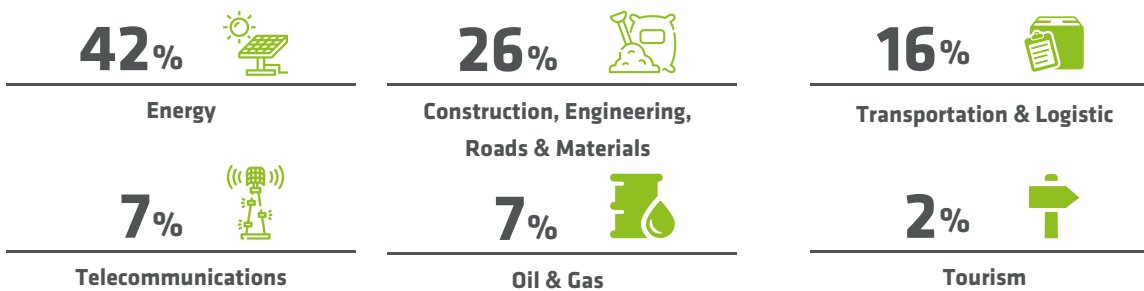
Oil and Gas (7% disbursements) remains one of the less dominant sectors in our Portfolio. In 2019, Tourism represented 2% of the disbursements which is natural, given that it is a secondary investment sector for CIFI.

”

## Portfolio by Infrastructure Sector (Primary) (Percentage, Number of Projects)



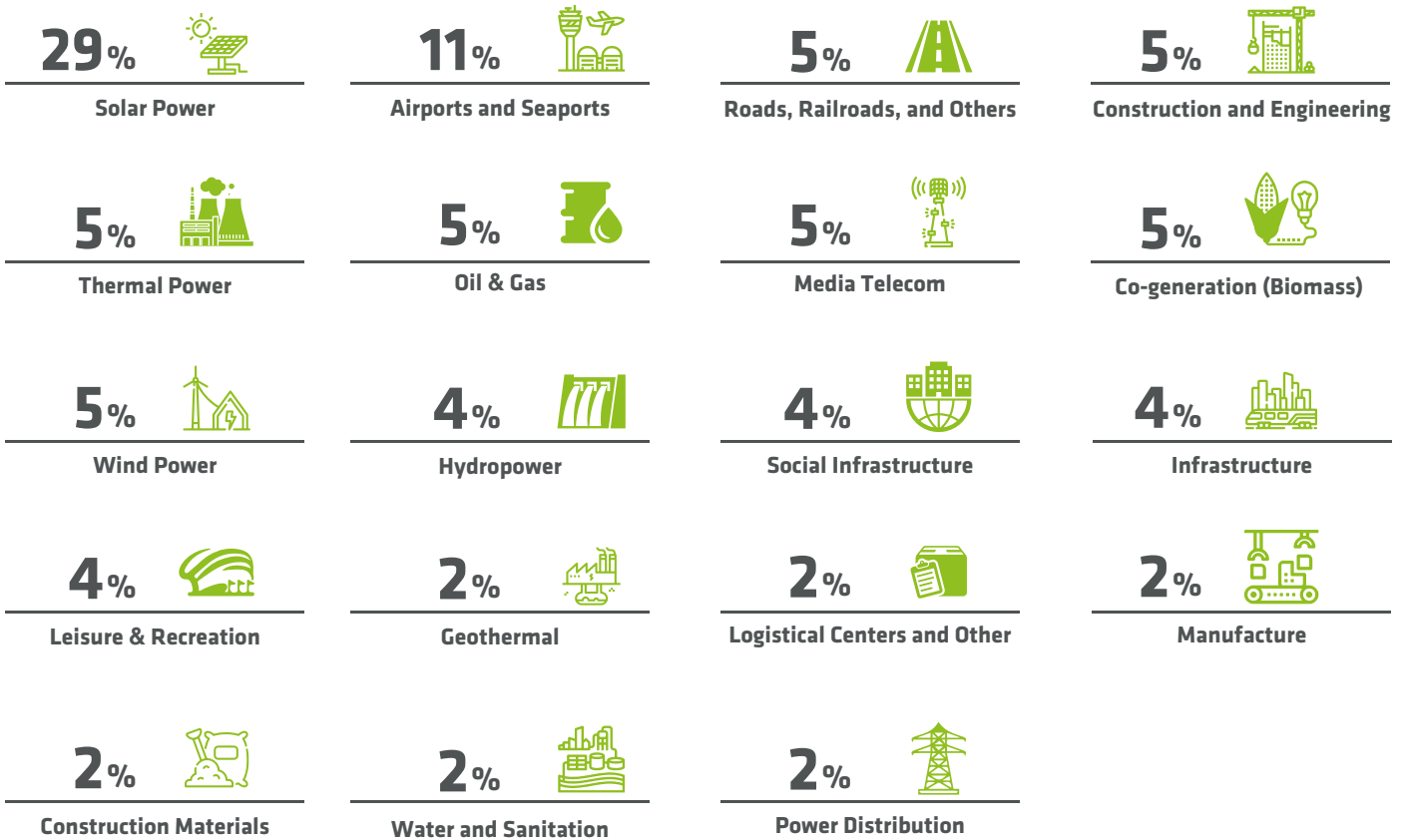
## Portfolio by Infrastructure Sector (Primary) (Percentage, US\$ Disbursed)



42% of our portfolio is devoted “  
to Energy, from which 89% corresponds to Renewable Energy.

”

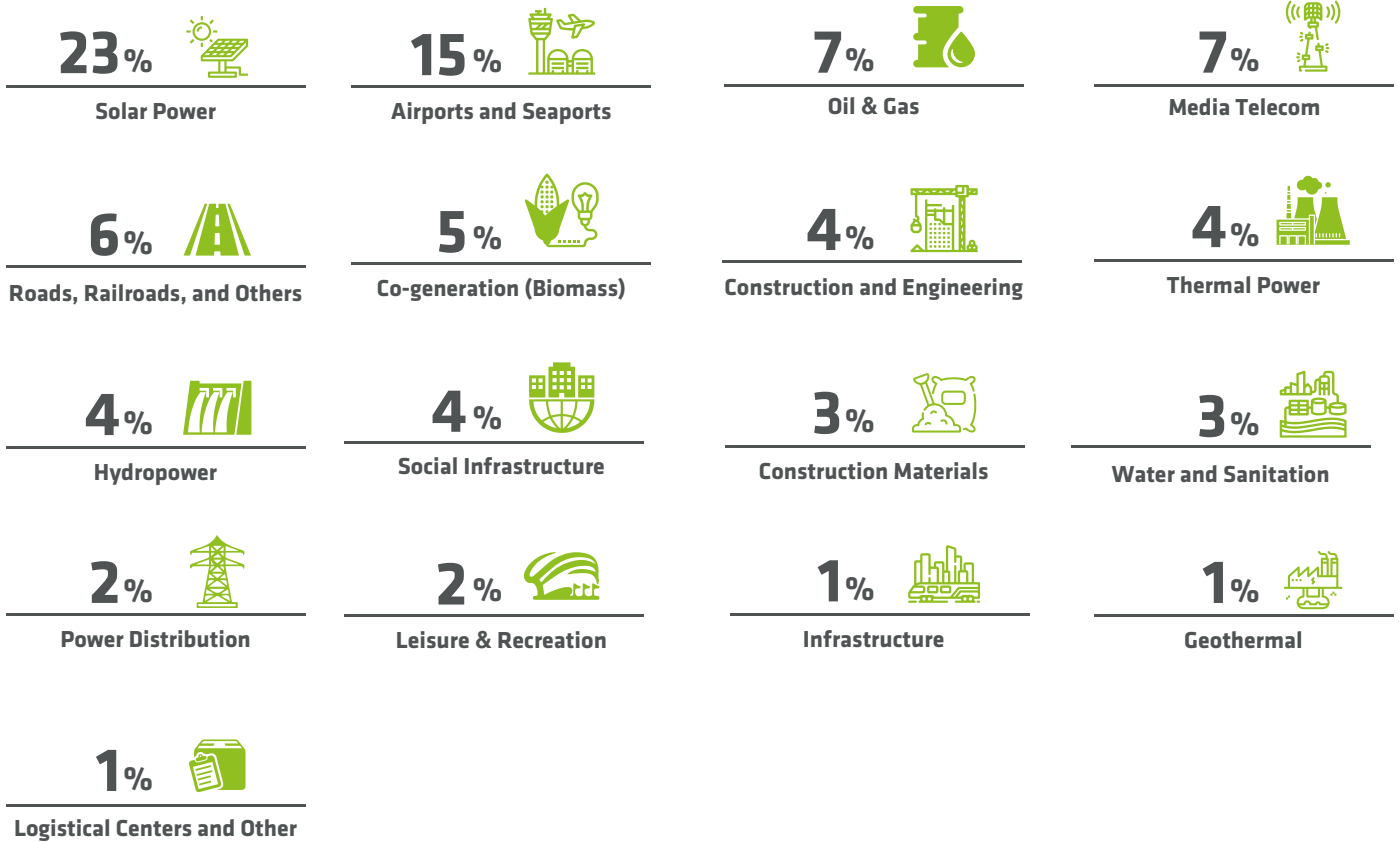
Portfolio by Infrastructure Sector (subsector)  
(percentage, number of projects)





The subsector solar energy “ ” concentrates 23% of our portfolio, followed by Airports and Seaports with 15%.

Portfolio by Infrastructure Sector (subsector)  
(percentage, US\$ disbursed)

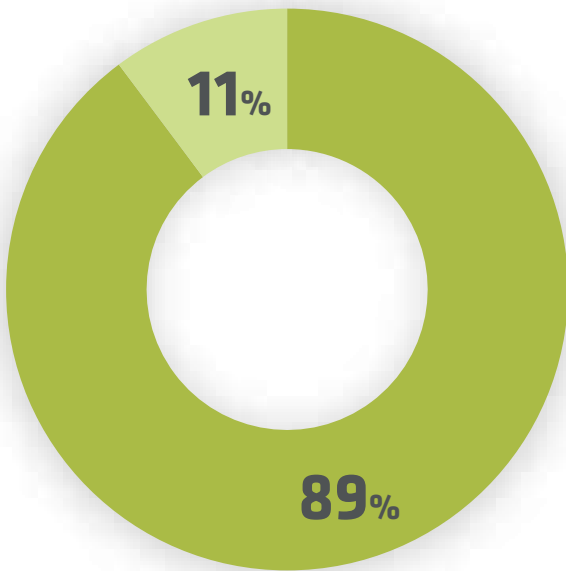


Compared to 2018 “

our lending activities grew in South America during 2019, and remained stable in the Caribbean.

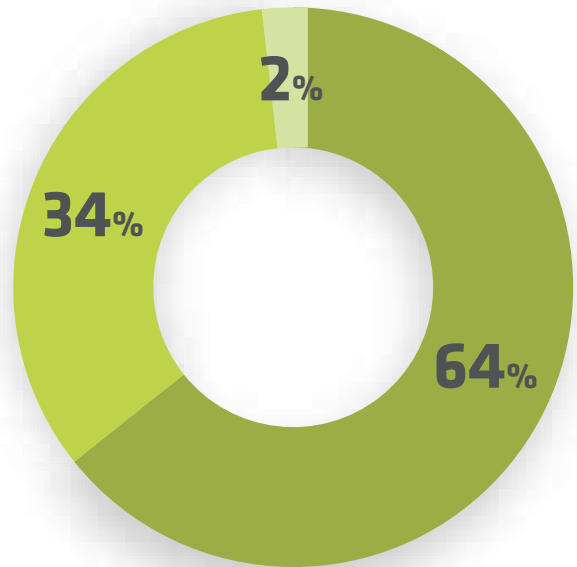
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Energy Portfolio  
(percentage, US\$ disbursed)

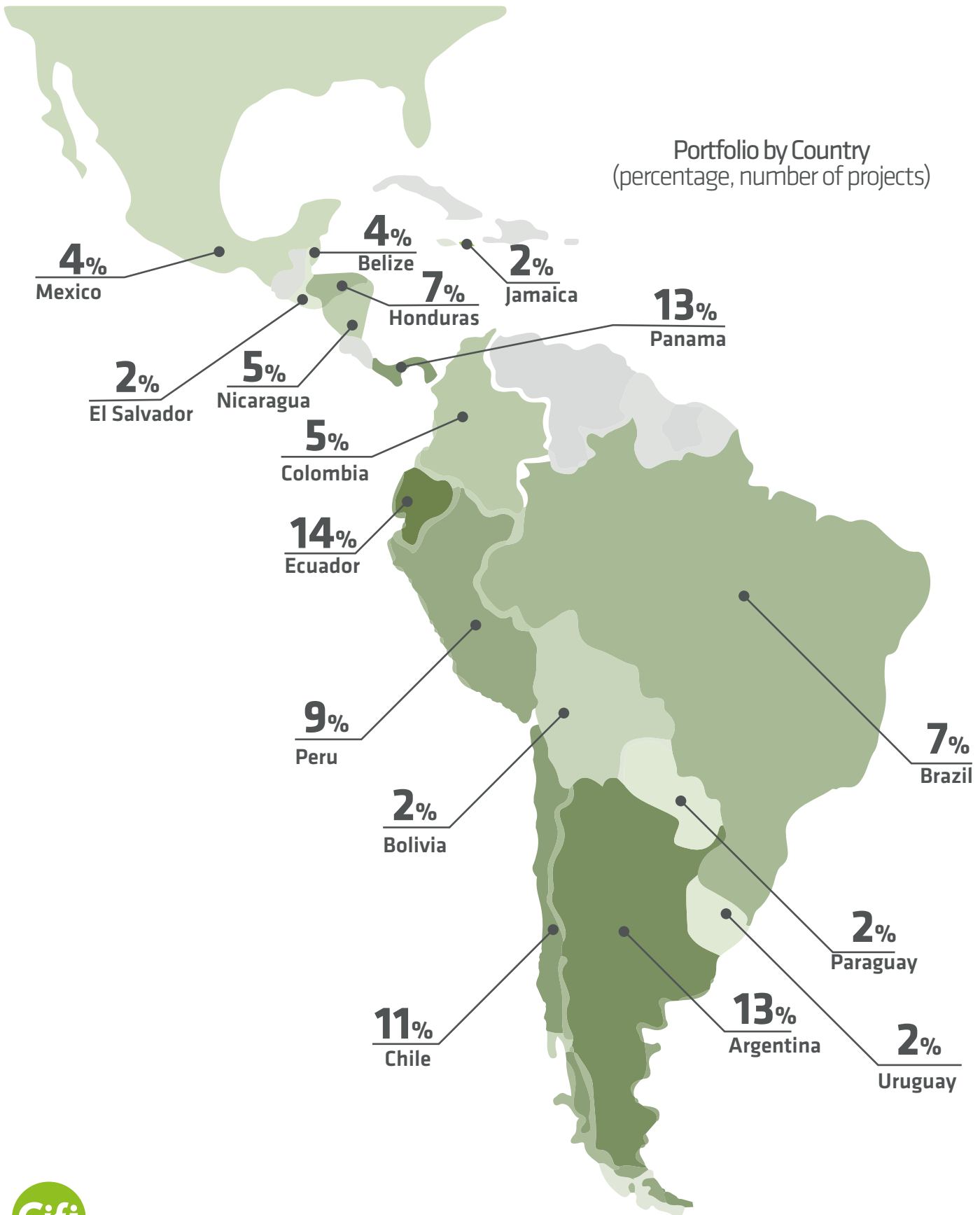


- Renewable Energy
- Non-Renewable Energy

Portfolio by Region  
(percentage, number of projects)



- South America
- Central America
- Caribbean





# EXECUTIVE SUMMARY

# EXECUTIVE SUMMARY

CIFI is a regional non-bank financial institution that began operations in July 2001. Per CIFI's 2019 Financial Annual Report, total equity (share capital, additional paid-in capital, and retained earnings) was US\$ 98.9MM, and total liabilities (at amortized cost: loans payable, bonds, commercial paper; accrued interest payable, and other accounts payable) were US\$ 328.3MM as of December 31<sup>st</sup>, 2019.

CIFI specializes in providing debt financing for private sector sponsored infrastructure projects in Latin America and the Caribbean. To date, CIFI has participated financing more than 200 transactions representing a total investment of US\$ 1.6 billion.

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

The ESG Report 2019, previously known as the Annual Environmental and Social Performance Report (AESPR), 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 from other management units. As part of our governance structure, it constitutes CIFI's Environmental, Social, and Governance Report for the 2019 fiscal year (January 1<sup>st</sup> through December 31<sup>st</sup>, 2019).

The ESG Report 2019 reviews CIFI's implementation of its Environmental and Social Management System Version 8.0 (ESMS 2018) as a self-assessment of CIFI's alignment with applicable E&S internal policies. Furthermore, the review identifies opportunities for future improvement, and for increasing governance effectiveness in environmental and social risk management.

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 present a more comprehensive report that includes how ESG is mainstreamed throughout our operations.

Our Key Risk Indicator was 1.38 at the end of 2019, showing a lower ESG risk than our maximum target 1.5. 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 88%. The trend is related to the size of the projects in accordance with the middle market, and our risk appetite.

The results show that CIFI has embraced relevant topics in its investment model such as Gender Equality, Human Rights, and Climate Change as pillars to contribute to the Sustainable Development Goals (SDG's) Agenda. In line with that vision, in 2019 CIFI issued the first Green Bond Program in Panama for up to US\$ 200MM to finance renewable energy and waste management projects providing a funding platform to support climate change mitigation efforts in the region.

## CIFI's commitment to sustainability ““

has grown significantly over the years to become part of our business model, increasingly demanding a holistic approach that we hope our stakeholders will value as much as we do. From funding, to project development, to the positive impact we finance, our vision reflects a critical world-wide momentum that demands transformational changes in the financial world.



# OUR PERFORMANCE DURING 2019

Key Objectives for 2019	Our Progress
Strategy	<p>We identified our stakeholders, evaluated our peer's best practices, reviewed our internal procedures, developed materiality assessments for each priority topic, and defined a new vision for CIFI.</p> <p>In 2020, we will continue to develop the strategy for transparency, reporting and key performance indicators progress.</p>
Stakeholder Engagement	<p>We have been members of the Steering Committee of the Equator's Principles Association (EPA), as well as representing the Latin American Network for EPA, and co-chaired the Biodiversity Working Group.</p> <p>We partnered with responsAbility (GCPF manager) to further develop our strategic approach in line with our vision. Two additional projects were identified to continue developing our risk categorization, and assessment of our carbon footprint, and opportunities to reduce it through a decarbonization assessment.</p> <p>We engaged with Principles for Responsible Investment (PRI) to share our on the ground experience supporting the Sustainable Development Goals in international events.</p> <p>We have engaged with Panama's Stock Exchange, due to the first issuance of a Green Bond in the country, to promote this type of instrument and raise awareness towards the need to further develop local markets in green finance. Our experience has served others to follow our steps.</p>
Governance	<p>During the development of our Strategy, we identified opportunities to improve the way we conduct our business from funding, to business origination and development to ensure good governance throughout our operations. Risk indicators, as well as better metrics to evaluate positive impact are now periodically reported to our Board of Directors and Risk Committee.</p> <p>In 2020, we will be conducting a complete revision of our ESMS V8.0 (2018) to incorporate a comprehensive approach towards Human Rights, Climate Change, Gender, and Biodiversity. All key material aspects of our strategic framework.</p>
Capacity Building	<p>In 2019, we conducted tailor made training opportunities for new employees to understand the work we do in ESG, their roles and responsibilities as part of a larger effort to ensure that everyone in CIFI is governing over our ESG commitments.</p> <p>All staff members from the ESG department received paid training in E&amp;S Risk Management, Climate Change Adaptation Financing, and Financing and Deploying Clean Energy.</p>





# OVERVIEW



# OVERVIEW



## ABOUT US

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

## 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 2019 Financial Annual Report, CIFI's total equity (share capital, additional paid-in capital, and retained earnings) was US\$ 98.9MM, and total liabilities (at amortized cost: loans payable, bonds, commercial paper; accrued interest payable, and other accounts payable) were US\$ 328.3MM as of December 31, 2019. 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.

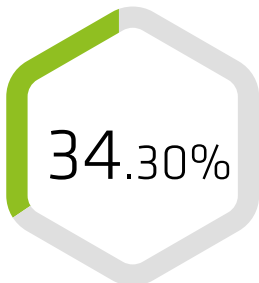




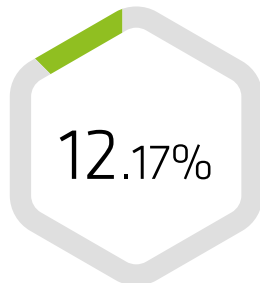
# SHAREHOLDERS



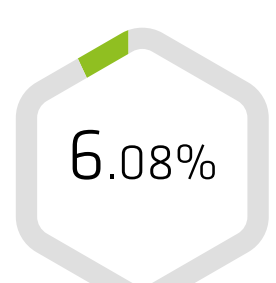
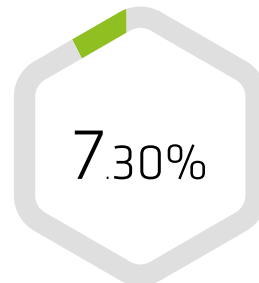
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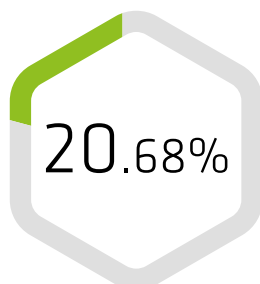
Norfund



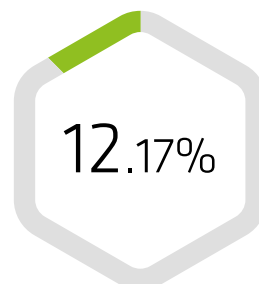
Caixa  
Banco de Investimento



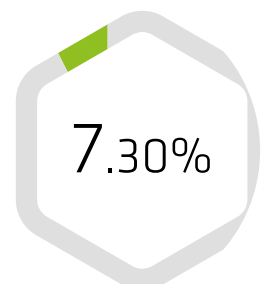
BANCO  
PICHINCHA



VALORA  
INFRASTRUCTURE PARTNERS



BCIE



finnfund

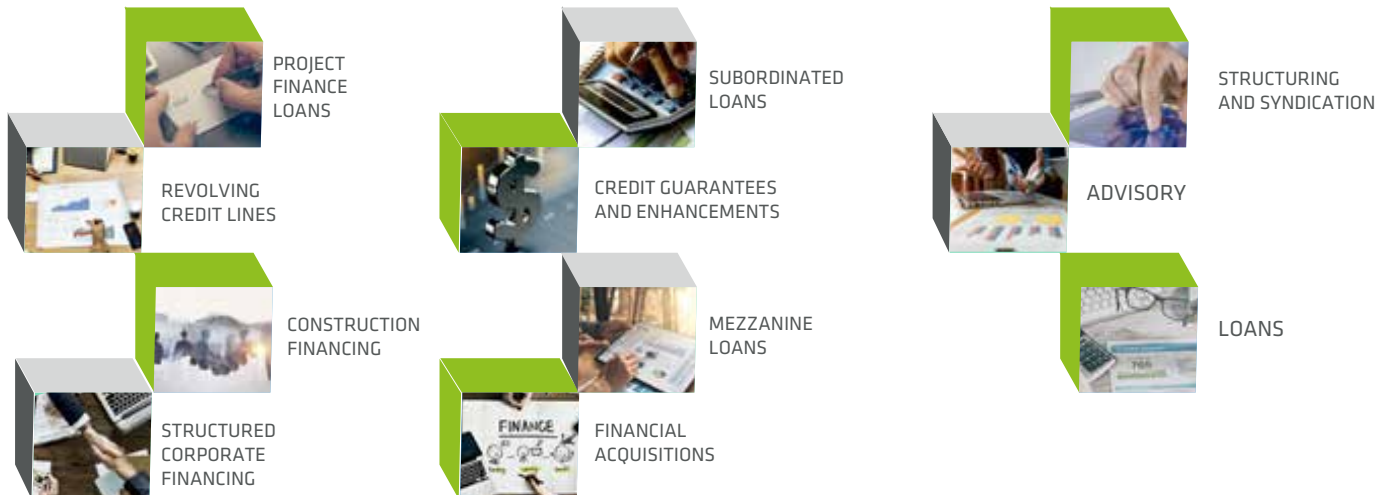


# PRODUCTS & SERVICES



## PRODUCTS

## SERVICES





# ESG STRATEGY



## Materiality Issues

Priority Issues	Definition
Anti-corruption	Avoiding instances of fraud and corruption, including the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
Biodiversity	Protecting plant and animal species, genetic diversity, and natural ecosystems, ensuring that natural ecosystems can continue to provide for human health and local livelihoods.
Climate change	Managing energy and climate change footprint through efficient usage, sourcing of renewable energy and limiting greenhouse gas emissions.
Community relations	Taking action to minimize, mitigate, or compensate for adverse social and/or economic impacts related to worksite accidents, hazardous materials, spread of diseases or interactions with private security personnel. Includes impacts of projects related to land resettlement, indigenous people, and cultural heritage.
Diversity & inclusion	Supporting cultures that embraces diversity and inclusion through valuing differences such as gender, age, ethnicity/race, physical abilities/qualities, and sexual orientation and has steps in place to prevent discriminatory behaviors and attitudes.
Governance	Corporate governance of an institution, client, project, making efficient process at top level. Ensuring that there are policies and procedures in place, and to ensure appropriate composition of board, independence, diversity.
Human rights	Respecting and promoting the rights and freedoms inherent to all people, including vulnerable groups, in the spirit of internationally recognized social and ethical standards. Includes avoiding instances of child and forced labor.
Labor & working conditions	Ensuring a good labor-management relationship by treating workers fairly, providing safe and healthy working conditions.
Legal & regulatory environment	Managing and protecting against weak legal framework or the lack of rule of law in areas of investment, such as how to enforce collateral or contracts with clients.
Water	Managing water footprint of projects and water availability in communities.
Waste	Managing waste footprint through reduction, recovery, reuse, and recycling, and ensuring proper waste disposal.

# GOALS

Following identification of our priority material issues, we worked to organize and define the pillars and set tailored goals and KPIs to support delivering of the emerging Vision. The ESG department also engaged with key internal decision makers to align ambition levels for each goal and assess feasibility.

Together, we organized an ESG framework for the categories of Environment, Society and Governance. Within the 3 pillars, we developed a set of 25 goals and associated KPIs.

# ENVIRONMENT

## ● Biodiversity

- Goal 1: 100% of CIFI's clients to be screened using our extensive best practice policies, processes and tools intended to prevent negative impacts to biodiversity in the region.
- Goal 2: Avoid projects with irreversible biodiversity impacts and risks.
- Goal 3: Champion biodiversity in the region through collaboration and partnerships with other financial institutions and industry organizations.

## ● Climate change

- Goal 4: Reduce exposure to carbon intensive or fossil-fuel investments, while evaluating on a case-by-case basis.
- Goal 5: Offset 100% of work-related flights and seek opportunities to limit travel.

## ● Waste

- Goal 6: Engage and collaborate with multilateral, development funds or other financial institutions to become the catalyst for developing a fund for waste to energy projects in Latin America.

## ● Water

- Goal 7: 100% of client projects to be screened using best practice policies, processes, and tools to assess potential water risks relating to the environment, its use and the communities.

# SOCIETY

## ● Community relations

- Goal 8: Ensure robust policies and procedures that are in place for Investments in projects do not infringe on communities, indigenous people, and cultural heritage
- Goal 9: Provide all employees with "one charity day" per year to support activities with positive community impact.

## ● Diversity & inclusion

- Goal 10: Implement one pilot project per year to work with clients to mainstream gender equality and development.
- Goal 11: All staff to undergo regular (annual) formal training on workplace diversity and inclusion.
- Goal 12: Ensure compliance with our Gender Equality Policy with proper channels to address and resolve complaints.

● **Human rights**

- Goal 13: Strive to achieve zero incidences of human rights abuses across our portfolio.
- Goal 14: 100% of client's projects to be screened using best practice policies, processes, and tools to assess potential risks relating to human rights.
- Goal 15: Champion human rights in the region through collaboration and partnerships with other FIs and industry organizations.

● **Labor & working conditions**

- Goal 16: Support local job development through the projects CIFI finances.
- Goal 17: Ensure health and safety of employees (including during work-related travel).
- Goal 18: Develop career plans for CIFI's staff members.

## GOVERNANCE

● **Anti-corruption**

- Goal 19: 100% CIFI's clients to be screened using best practice policies, processes and tools intended to prevent, detect, and report instances of money laundering and corruption.
- Goal 20: By 2020 CIFI will train 100% employees on our ethics code and money laundering, KYC, whistleblower policies and procedures.

● **Governance**

- Goal 21: Define and document robust internal processes to assess client's corporate governance and ESG performance.
- Goal 22: 100% of client projects to be screened using best practice policies, processes, and tools to assess governance strength and performance.
- Goal 23: Report monitoring/assessment results of governance of all investment projects, including steps taken to address gaps and any corrective actions and outcomes.
- Goal 24: Transparency and full disclosure on CIFI governance structure, including Board of Directors.

● **Legal & regulatory environment**

- Goal 25: 100% of client projects to be screened using extensive best practice policies, processes and tools intended to assess strength of country-level legal frameworks and application of rule of law in areas of investment.



# GREEN BONDS



## Rationale to issue a green bond “ “

Strong Commitment to Sustainable Development ” ”

CIFI has a strong commitment to sustainable development in all its operations, since it is a fundamental part of the organization from the beginning, mainly in a world that demands total transparency and accountability from companies due the current challenge of the climate change, responsible investments, gender equality and corporate social responsibility, in order to be a good corporate citizen and to promote sustainable business.

Environmental and social matters have been part of CIFI's Risk Department for over 11 years, being CIFI an active member of the Equator Principles Association since the year 2007, and it applies the International Financial Corporation's Environmental and Social Performance Standards in all its investments for managing the environmental and social risks.

The natural evolution of CIFI has made its shareholders and Management Team to decide the creation in January of 2018, of the Environment, Social, and Governance (ESG) Department, as an independent management unit within CIFI. In this way, CIFI takes a major commitment in adding value by achieving the best investment practices for infrastructure and energy in Latin America and the Caribbean, minimizing the risks and maximizing the positive impacts, both environmental and social.

# CIFI GREEN BOND FRAMEWORK

- **Use of Proceeds:** An amount equal to the Net Proceeds from the sale of Notes issued under CIFI's Green Bond Program will be allocated towards financing and / or refinancing of middle market, private sector infrastructure Eligible Green Projects, specifically:
  - Renewable energy.
  - Hydropower (limited to projects less than 25MW in capacity).
  - Solar Power.
  - Wind Power.
  - Geothermal Power.
  - Co-generation from biomass (limited to waste biomass).
  - Waste Management.
  - Treatment of wastewater and effluents.
  - Waste-to-energy from municipal solid waste.
  - Recycling & waste diversion.
- **Project Selection Criteria:** CIFI's Green Bond Committee will be responsible for the evaluation and selection of Eligible Green Projects. The Eligible Green Projects to be financed and / or refinance with the proceeds from the issuance of CIFI's Green Bond Program may have been originated and financed before 2019 with a look back period of 24 months, or after the bond's issuance. The Eligible Projects will comply with the following criteria:
  - Our Exclusion List (see Annex).
  - Renewable energy and waste management sectors.
  - Compliance with local law and regulation.
  - Equators Principles and IFC's Performance Standards on Environmental and Social Sustainability.
  - Environmental & Social Management System (ESMS).
  - Complete Due Diligence Process (Technical, legal financial and ESG).
- **Green Bond Committee:** A Green Bond Committee is expected to be setup, including the Financial Team, the ESG Management Unit, and any relevant business lines involved in the selection of Eligible Projects when required.

The Green Bond Committee is expected to check the compliance of the Eligible Projects with the Project Selection Criteria and will be responsible for approving allocations of net proceeds on an annual basis.

The Green Bond Committee will also monitor the environmental and social risk analysis process of the Eligible Projects.



- **Management of proceeds:** The Net Proceeds will be allocated to the financing or Eligible Green Projects and / or refinancing of existing Eligible Green Projects.

Pending the fill of the Net Proceeds allocation to Eligible Green Projects, the Net Proceeds will be held in cash, cash equivalents, or in CIFI's liquidity portfolio in line with investment management policies.

Payment of principal and interest of the Notes issued will be made from a general account of CIFI and will not be directly linked to the financial performance of the Eligible Green Projects. Funds are tracked on a monthly basis and presented to management on a quarterly basis to ensure compliance with internal controls.

- **Reporting:**

- Allocation Reporting

During the term of the Notes, CIFI will make and keep readily available on its website and data rooms information on the Allocation of the Net Proceeds. The report will be updated quarterly until the Net Proceeds have been fully allocated to Eligible Green Projects. The information is expected to include amounts and a brief description of the funds allocated to Eligible Green Projects.

- Impact report

Detailed information regarding the expected environmental benefits will continue to be made available for Eligible Green Projects using the following

## Project Category & Reporting Indicators

Project Category	Reporting Indicators
Renewable Energy	<ul style="list-style-type: none"> <li>• Installed capacity in MW</li> <li>• Annual renewable energy generation in MWh</li> <li>• Annual GHG emissions reduced/avoided in tons of CO2 equivalent</li> </ul>
Waste Management (solid and effluents)	<ul style="list-style-type: none"> <li>• Solid waste recycled/revalorized per year in tons</li> <li>• Effluents treated per year in cubic meters</li> </ul>

- **External Review**

- Second Party Opinion

CIFI appointed Sustainalytics, an experienced and qualified Second-Party Opinion Provider, to provide a Second Party Opinion on the Framework, evaluating the environmental added value of CIFI Green Bonds and their alignment with the Green Bond Principles. This Second-Party Opinion document will be made available on Sustainalytics website as well.

- External verification

An external verification on the allocation of the Green Bond proceeds is expected to be provided by Sustainalytics on an annual basis until the complete allocation of proceeds.



## Green Bond Series Issued in 2019

Green Bonds	Maturity Date	2019 Carrying Amount
Series A	2022	14,997,000
Series B	2024	12,000,000
Series C	2024	746,000
Series D	2024	7,000,000
Series D	2024	7,000,000
		41,743,000
		56,108
		41,686,892

## Projects included in Green Bond Program

Deal	Date funded	Series	Disbursement
HO: Mezapa Long Term	9/29/2017	A	US\$ 13,000,000.00
AR: San Juan Senior	7/10/2018	A	US\$ 1,439,570.21
AR: San Juan Senior	10/12/2018	B	US\$ 4,240,259.42
AR: San Juan Senior	4/12/2019	B	US\$ 1,120,660.98
AR: San Juan Sub	7/10/2018	A	US\$ 6,782,527.00
CH: GR Tineo SpA (Chimbarongo)	3/23/2018	C	US\$ 11,010,643.00
CH: GR Lingue SpA (Panquehue)	10/20/2017	F	US\$ 1,320,816.00
PN: Thesan Savio	3/28/2018	D	US\$ 3,001,893.87
PN: Thesan Savio	5/30/2018	D	US\$ 1,062,286.00
SA: Bosforo	5/14/2018	D	US\$ 2,511,557.54
SA: Bosforo	12/3/2018	D	US\$ 3,115,561.10
SA: Bosforo	3/25/2019	E	US\$ 1,016,949.15
SA: Bosforo	11/23/2018	E	US\$ 2,500,000.00
SA: Bosforo	11/23/2018	E	US\$ 2,500,000.00

## Reporting Indicators\*

Project	Country	Installed Capacity (MW)	Annual Generation (MWh)	Annual GHG emissions avoided (ton CO <sub>2</sub> eq)	People with clean energy access
Mezapa Long Term	Honduras	9.4	34,148	21,966	38,280
San Juan Senior	Argentina	80.0	164,954	85,370	54,850
GR Tineo SpA (Chimbarongo)	Chile	3.0	5,166	3,172	1,300
GR Lingue SpA (Panquehue)	Chile	6.8	12,366	7,594	3,050
Thesan Savio (El Espinal)	Panama	9.3	12,084	7,138	5,030
Bosforo**	El Salvador	70.0	144,806	98,756	148,063
<b>Total</b>		<b>178.4</b>	<b>373,524</b>	<b>223,996</b>	<b>250,573</b>



\*Indicators reported as of June 2020

\*\*Phases I and II operational; Phase III under construction. Total capacity will be 100MW



# IMPACT OF OUR INVESTMENT



# THE SDG'S AS A ROAD MAP

The Sustainable Development Goals (SDG's) are a call for action by all countries, as well as all kind of individuals, companies, and organizations, to promote prosperity while protecting the planet and human beings. These goals should be taken into consideration in the strategies that build economic growth to improve social aspects, and the environmental protection.

CIFI has addressed several SDG's through its financing and internally as part of its commitment with climate change, gender equality, transparency, and sustainability in the region, aiming to create a positive impact.

Goals	Actions
-------	---------



**CIFI's Employee's Benefits Program**, focusing on their health and well-being.

The main initiatives of 2019 on this matter were:

- Medical visits once per month.
- Health talks twice a year.
- Disease control program.
- The Pink Ribbon and Blue Awareness Campaign once a year.
- Health, life, and travel insurances.
- Paid Maternity and Paternity leave.



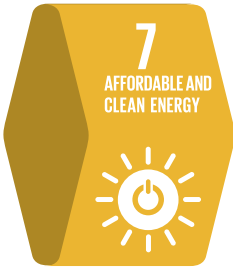
CIFI sponsor Expo Emprende 2019, with a **US\$ 1,000 award** for the students of Universidad Tecnologica de Panama and provided training about the challenges and benefits of been an entrepreneur.

» Impact of our investment



During the implementation of our Gender Equality Policy, CIFI carried out several initiatives to strengthen women's role in the business environment:

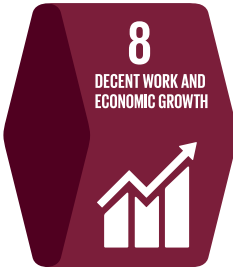
- **A revision of the salary gap** was made to conduct adjustments, if needed.
- **Women career paths** were identified to improve their opportunities within the organization.
- **A Gender Equality Policy and Implementation Strategy** was developed during 2018 and approved by the Board in 2019.
- In 2019, **women were 46% of the workforce at CIFI**. In addition, our Board of Directors increased women representation with one additional female member.



37.8% of our portfolio corresponds to energy.

We have **28 renewable energy projects** including solar power, wind power, hydropower, geothermal and co-generation (biomass) power.

Total installed capacity of the renewable energy projects financed by the company is **764 MW benefiting over 2 million people with clean energy in Latin America**.



On average, CIFI invested **\$1,200 per staff member (28 people)** in training and capacity building in 2019.

Generated **15,382 Jobs\*** in infrastructure projects in Latin America.



CIFI financed an **Energy Efficiency project in Chile**, that installed **82,369** energy-saving public luminaires. With a lifetime of 10 years, the project is expected to provide energy savings, a decrease in greenhouse gas emissions, and more security to its beneficiaries.

As part of our **Social Infrastructure** financing, will provide education for 1,200 students located in a new Smart City development in Panama.

New project in our portfolio that will become a Sustainable or "Eco Resort" in Panama. The project will implement sustainability initiatives that will provide guidance to future projects in the region. In addition, it will provide job opportunities for the local communities.



During 2019, close to **1.5 Million tons of CO<sub>2</sub>e** were avoided, this is equivalent to the CO<sub>2</sub> emissions from **250 thousand homes' electricity use for one year.**

This positive contribution to the planet comes from **renewable energy** and **energy efficiency projects benefiting over 2 million people.**



As part of our Corporate Social Responsibility Program, during **March and November 2019**, our staff and their families participated in a beach cleaning day in Veracruz Beach and Costa del Este mangroves in partnership with Fundación MiMar, a local NGO.



Stakeholder consultations and social license to operate are part of CIFI's commitment of not financing any project or company involved in:

- The production or activities involving harmful or exploitative forms of forced labor or harmful child labor;
- The production or trade in weapons and munitions;
- Pornography and/or prostitution;
- Racist and/or anti-democratic media.

Free Prior and Informed Consent (FPIC) is mandatory for projects involving indigenous communities.

In areas of social conflict, CIFI requires a Human Rights approach on the due diligence process, especially when vulnerable groups are identified.



**In partnership with responsAbility** (Manager of the Global Climate Partnership Fund) and **SustainAbility** (International Advisor), CIFI developed its first **Environmental, Social, and Governance Strategy.**

CIFI joined Principles for Responsible Investment (PRI) and shared lessons learned from the work we do in the region for a global event in sustainable investment practices in Paris.

As part of our continued engagement with local regulators, CIFI also participated from a series of events with **Panama's Stock Exchange** and other regulators sharing our experience with the issuance of Panama's first Green Bond Program.

CIFI joined the Steering Committee of the **Equator Principles Association, Leads the Regional Network for Latam**, and remains an active co-chair of the **Biodiversity Working Group.**

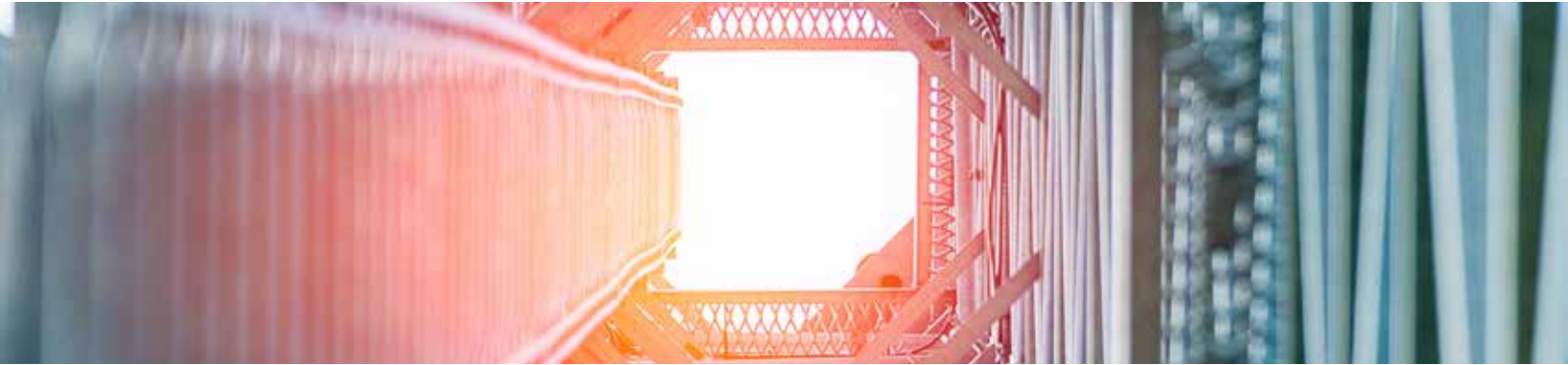


# GOVERNANCE |





# ENVIRONMENT, SOCIAL, AND GOVERNANCE POLICY



CIFI is committed to mainstream sustainability in its operations by building environmental, social and governance factors into the investment process. CIFI will perform a comprehensive ESG risk assessment; propose mitigation strategies to minimize such risks and impacts; and guide our clients through its implementation.

CIFI is committed to fostering sustainable development in the region by maximizing positive environmental and social outcomes whenever possible. To contribute to this, CIFI forbids financing to any project or company whose primarily business activities are listed in our Exclusion List.

CIFI recognizes Climate Change as a global challenge and anticipates any possible contribution from the private sector as key to sustain economic, environmental, and social wellbeing. To that end, CIFI applies IFC Performance Standards in all its financing, is committed to promote a low carbon economy, and to report GHG emissions accurately.

CIFI is a committed agent of progress in emerging markets of the Americas, understanding the value of respecting human rights and gender equality as key drivers of sustainable development in our region.

CIFI is committed to implementing principles to structure and process the direction and control of its performance, showing strong corporate leadership. To this end, CIFI will secure the necessary resources to constantly improve our ESMS and communicate its commitments to all its stakeholders.

# GENDER EQUALITY POLICY

Gender Equality “  
makes economic and business sense.”



## OUR VISION

CIFI acknowledges that Gender Equality is a fundamental element of sustainable development, and a desirable outcome for society. Men and women should enjoy equal rights, opportunities, and access to control resources.

CIFI embraces diversity, rejects any form of discrimination, and promotes women's empowerment in our workplace and through our clients, contributing to the transformational change needed to achieve gender equality.

## OBJECTIVES

To assure that men and women working for CIFI have opportunities for equal representation at different organizational levels, and to be equally valued and rewarded in our organization. We strive for these same values in the projects that we finance.

To adopt an approach that contributes to the reduction of the gender gap in all its forms: social, economic, and environmental.

## PRINCIPLES

- Gender equality as value for the organization.
- Gender equality as a means to strengthening CIFI's overall performance.
- Gender equality as a contributor to society by building capacities, promoting empowerment, and the quality of life of women and men.

# COMMITMENTS



Access to equal opportunities including equal remuneration for work with comparable value, and access to leadership positions.



Capacity building for career development, voice and influence by ensuring that barriers do not exist for women's equal and full participation.



A culture that rewards inclusiveness and prizes performance regardless of gender.



An equitable balance in workloads and economic benefits particularly with relation to family and caring responsibilities for both women and men.



Equal health and safety measures at the workplace.



A workplace free of discrimination and harassment. We will not tolerate sexual harassment, physical, verbal or mental abuse at the workplace.



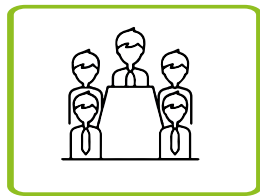
Mechanisms to receive confidential complaints and provide effective and fair solutions.

# PILLARS

## Our Gender Equality ““

Policy and Action Plan was developed in line with The Women’s Empowerment Principles (WEPS), a set of principles offering guidance to business on how to promote gender equality and women’s empowerment in the workplace, marketplace, and community. The WEPs were established by the UN Global Compact and UN Women informed by international labor and human rights standards.

### Corporate



BOARD OF DIRECTORS

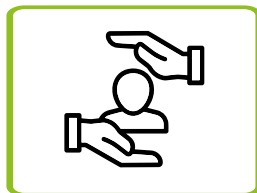


MANAGEMENT TEAM



STAFF

### Investments



CLIENTS



PROJECTS

## Our Action Plan to achieve ““

Gender Equality impacts both our Corporate Governance, and the projects that we finance. We aim to maintain 50% percent women and men distribution in our workforce. As well as to align ourselves with local regulations in Women representation at all levels of decision making within the organization. In addition, we have selected pilot projects to work closely with our clients to support them in the implementation of Gender Equality targets.

# ENVIRONMENTAL, AND SOCIAL MANAGEMENT SYSTEM



According to the definition of IFC's ESMS Handbook, a management system is a set of processes and practices to consistently implement a company's policies to meet the business objectives. The ESMS helps to assess and control risks and needs continual improvement.

It is in that spirit that since the first inception of an ESMS in CIFI, back in 2005, we have continued to review and improve almost every year to ensure that we are adjusting our risk mitigation strategies in tandem with the development of our business strategy. The last version approved by our Board of Directors is dated September 2018.

Due to the issuance of the new Equator Principles version IV in November 2019, CIFI will be conducting an annual revision of the current version of our ESMS in 2020 to incorporate new considerations related to: I) Task Force on Climate Related Financial Disclosures, II) UN Guiding Principles on Business and Human Rights; III) Free, Prior and Informed Consent on Indigenous People's consultation<sup>1</sup>, IV) Data sharing on Biodiversity, as well as other appropriate new policies and procedures to implement correctly.

CIFI's ESMS follows best practices with a solid and functioning management system that includes a set of policies and procedures covering: Identification of Risks and Impacts, Management Programs, Organizational Capacity and Competency, Emergency Preparedness and Response, Stakeholder Engagement, External Communications and Grievance Mechanisms, Reporting to Affected Communities, Monitoring and Review.

In addition, in 2018 with the creation of an independent ESG department at the management level, the company has developed a holistic approach integrating ESG factors, beyond risk management, to become an intrinsic value of our business model.



<sup>1</sup> As applicable according to the Guidance Note.

# APPLICABLE STANDARDS

CIFI's ESG policies and guidelines state that all projects must comply with its Exclusion List, the Environmental Health and Safety (EHS) Guidelines of the World Bank (2005-2007), the IFC Performance Standards on Environmental and Social Sustainability (2012) and the Equator Principles III. In addition applicable ESG policies might require compliance with several standards depending on CIFI's participation role, type of transaction, and involvement of other institutions, and environmental, social and labor laws in each country where CIFI finance projects.

As and Equator Principles Financial Institution, CIFI is committed to ensure that projects that are financed and developed through socially and environmentally responsible management practices. CIFI has committed to apply the Equator Principles per its applicable policy approach to all its portfolio.



# ESG IN OUR INVESTMENT CYCLE



## ESG risk management “

is embedded in the business cycle from origination to portfolio supervision. ESG provides opinions prior to Pipeline Committee, engages in an E&S due diligence along with legal and business officers, and provides an opinion for credit committee. All conditions agreed with the client in the E&S Action Plan will be included in the legal documentation and shall be met in its due course of a timeline according to the level of risk.

”

# RISK MANAGEMENT

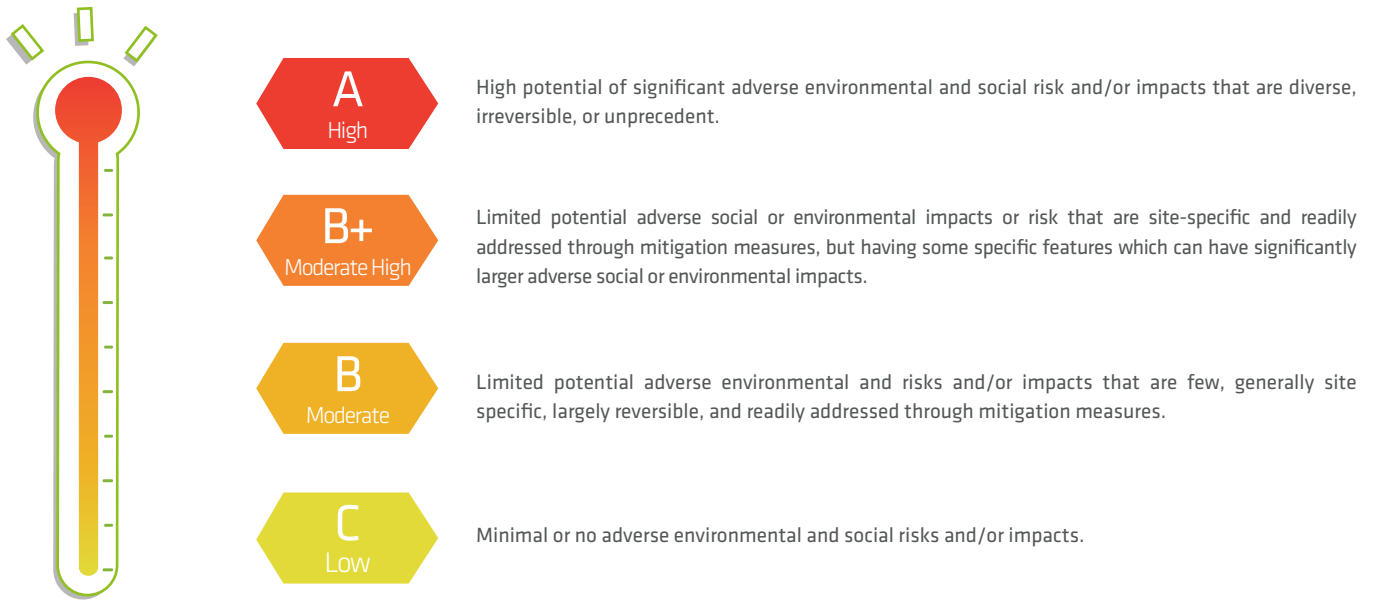
## The risk categorization “

of a project will be defined by the scoring system and assigned prior to credit committee. It includes the results of the ESDD, with an action plan associated to risks identified to be included in the legal documentation as part of the obligations of the client.

”

In finance, risk is defined as the possibility of an event occurring that will have a negative impact on the institution's financial results, directly or indirectly, affecting business continuity and service quality as well as threatening its long-term sustainability.

The main risks identified as part of the ESMS are<sup>2</sup> in line with our Credit Policy as follows:



## ENVIRONMENTAL AND SOCIAL

defined as the reduction in asset values due to environmental and social accountabilities, e.g. cleanup costs, lawsuits, fines, etc. that might result in credit risks where the clients might not be able to repay the loan.

## LIABILITY

legal complications, fees, and/or fines in rectifying social and environmental damages by virtue of taking possession of collateral.

## CREDIT RISK

defined as the risk of default on a debt that may arise from a borrower failing to make required payments due to environmental and social events, e.g. construction and operations interruption.

## REPUTATIONAL

which is the risk of loss resulting from damages to a client's image in the media, with the public, with the business community, and the spillover effect of being associated with projects/clients that could cause environmental and social negative impacts.



<sup>2</sup>Based on: Abiola, S. 2015. Environmental and social management system and tools for financial institutions. IFC sustainability webinar series. IFC. Washington DC.



# SUPERVISION MONITORING

Loan monitoring begins after the first disbursement of the loan, and ends when the loan is prepaid, repaid or sold (end of the loan life cycle).

CIFI's clients are required to submit an Annual Monitoring Report (AMR) within 60<sup>3</sup> days after the end of each calendar year. Such reports, as well as the construction and periodic monitoring reports are the building blocks of this report.

The ESG Department developed, in conjunction with the Portfolio Department, a protocol to follow up on E&S performance during the life of the loan. Such protocol details the steps and actions that the portfolio officer needs to conduct to ensure compliance. There are three tiers that define compliance with the applicable standards and conditions. The ESG team should provide technical assistance whenever requested.

## Tiers

Tier I	Full Compliance with all E&S requirements.
Tier II	Partially in compliance with E&S requirements as stated in their contract.
Watchlist	Non-compliance with E&S requirements as stated in their contract that are considered High Risk. In addition, other matters can influence according to the definition.
Tier III	Non-compliance with E&S requirements as stated in their contract.



<sup>3</sup> Loan Agreements signed before the fourth quarter of 2017 have a longer time frame for submission and reporting. the first quarter of 2018 CIFI sent letters to these clients requesting a submission of 60 days. Some clients have graciously accepted, others have not.

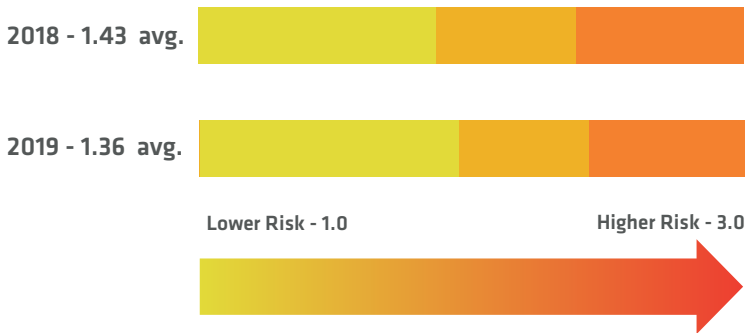
# KEY RISK INDICATOR

78% of our portfolio is within the Lower Risk Limit “ “

As part of our Corporate Governance structure, in 2018, our Board of Directors approved an ESG Key Risk Indicator that sheds light and informs the Board about the performance of the portfolio, as well as our capacity to manage risks, and apply our ESMS. The parameters to measure our risk are described below. The KRI was developed by the ESG department in accordance with our ESMS, risk appetite, previous experience, and stakeholder requirements. Our initial goal is to maintain a KRI of 1.5, which indicates good overall performance, and a medium risk appetite for projects that CIFI finances.

Risk level			
<b>Category</b>			
	A	High Risk	Inherent Risk
	B+	Med-high Risk	
	B	Med-Risk	
	C	Low-Risk	
<b>ESAP Compliance</b>			
	Non-compliance	High Risk	Residual Risk Management
	Mostly in compliance Completed/	Med-high Risk	
	In compliance	Low-Risk	
<b>Tier</b>			
	III (E&S default)	High Risk	Performance in Portfolio
	Watchlist (at risk)	Med-high Risk	
	II (average performance)	Med-Risk	
	I (good performance)	Low-Risk	

## Results from 2018 and 2019



Overall, in 2018 and 2019 “ “  
 CIFI has remained below the target KRI 1.5, which means that the risk is managed in accordance with our standards. ” ”



# ORGANIZATIONAL CAPACITY AND COMPETENCY

At a corporate level, the following personnel are responsible for the implementation of the ESMS:

1. The **Board of Directors** approves E&S policies, procedures, and Key Performance Indicators (KPI).
2. The **Risk Committee** evaluates and recommends to the Board E&S policies and procedures for approval, especially those concerned with the identification of risks.
3. The **Chief Executive Officer** has the ultimate responsibility for compliance with the ESMS.
4. The **Head of ESG** has the responsibility for the implementation of the ESMS and for overseeing ESG performance at CIFI. In addition, the Head of ESG must elaborate, review, and recommend policies, reports, and procedures for approval of the CEO, the Risk committee and the Board of Directors.
5. The **Lead Investment Officer** (IO), is responsible for the coordination and leadership of the due diligence process and the deal team (gathering a representative from each department: risk, ESG and legal). The IO, in conjunction with the E&S Specialist, introduce and lead the environmental and social due diligence and the implementation standards as required.
6. The **Environmental and Social Specialist** identifies environmental and social risk while categorizing all transactions and supports project monitoring of portfolio with any E&S issues that might emerge. E&S Specialist supports the Head of the ESG Department in all aspects of operations.
7. The **Environmental and Social Analyst** supports the ESG department in the implementation of the ESMS.
8. **Portfolio Officers** are responsible for monitoring E&S matters over the life of the loan, supported by the E&S Specialist and Analyst, when required.

The ESG team is continuously improving its competencies through training and active engagement in local and international events that discuss environmental and social management trends specially designed for financial institutions. In addition, our capacity building strategy for all staff at CIFI includes at least one in-person training on selected topics each year. During 2019, CIFI invested ca. US\$ 10,000 in training for the ESG team as follows:

- Financing and Deploying Clean Energy Certificate. Yale University. From August 2019 until May 2020. Carla Chizmar, Head of ESG.
- Analysis of Environmental and Social Risks. ARAS – UNEP Finance. June 2019  
María Alejandra Vega, E&S Senior Specialist.
- Certification of Expert in Sustainable Finance. Frankfurt School of Finance and Management- from September 2019 until February 2020. Abdiel Santamaría, E&S Specialist.



# TRANSPARENCY AND ACCOUNTABILITY

E&S disclosure and transparency have always been a pillar for CIFI. However, in recent years we have improved our reporting that is published online at [www.cifi.com](http://www.cifi.com), targeting relevant stakeholders.

As part of our ESG Strategy, with support from Sustainability (consultancy firm), CIFI is drafting a Transparency and Accountability Policy that will cover all aspects of corporate governance disclosure of information.

As of 2019, CIFI maintains the following ESG reporting:

- Corporate Social Responsibility Report.
- Annual Environmental and Social Performance Report Executive Summary.
- Green Bond Framework and Indicators.

# ANNEXES |

## ANNEX 1

## Acronyms

ACRONYM	NAME
ESGR	Environmental, Social, and Governance Report
AMR	Annual Monitoring Report
BAM	Banco Agromercantil
BCIE/CABEI	Banco Centroamericano de Integración Económica
BICSA	Banco Internacional de Costa Rica S.A.
BNP	Banco Nacional de Panamá
CAF	Corporación Andina de Fomento
CDB	Caribbean Development Bank
CDM	Clean Development Mechanism
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIFI	Corporación Interamericana para el Financiamiento de Infraestructura S.A.
CP	Credit Proposal
CRO	Chief Risk Officer
CS	Closing Summary
E&S	Environmental and Social
EIA	Environmental Impact Assessment
ELA	Executed Loan Agreement
EMP	Environmental Management Plan
EPC	Engineering, Procurement Construction
EPFIs	Equator Principles Financial Institutions
EPRP	Emergency Preparedness and Response Plan
EP	Equator Principles
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESHS	Environmental and Social, Health and Safety

## Acronyms

ACRONYM	NAME
ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management System
ESQ	Environmental and Social Questionnaire
FINNFUND	Finnish Fund for Industrial Cooperation, Ltd.
FMO	The Netherlands Development Finance Company
H&S	Health and Safety
IDB	Inter-American Development Bank
IDB Invest	Inter-American Investment Corporation
IFC	International Finance Corporation
MDB	Multilateral Development Bank
MIGA	Multilateral Investment Guarantee Agency
MFI	Multilateral Financial Institution
MM	Millions
NCB	National Commercial Bank Jamaica Ltd.
NORFUND	Norwegian Investment Fund for Developing Countries
OEEB	Oesterreichische Entwicklungsbank AG
OHS	Occupational Health and Safety
PPA	Power Purchase Agreement
PRI	Principles for Responsible Investment
PROPARCO	Société de Promotion et de Participation pour la Coopération Economique
PS	Performance Standard

# ANNEX 2

## EXCLUSION LIST

CIFI will not Provide Financing to any Project or Company that is primarily involved in the following prohibited activities:

1. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase out or bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
2. Production or trade in weapons and munitions (1).
3. Production or trade in alcoholic beverages (excluding beer and wine) (1).
4. Production or trade in tobacco (1).
5. Gambling, casinos and equivalent enterprises (1).
6. Production or trade in radioactive materials (2).
7. Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
8. Drift net fishing in the marine environment using nets more than 2.5 km. in length.
9. Production or activities involving harmful or exploitative forms of forced labor (3)/harmful child labor (4).
10. Commercial logging operations for use in primary tropical moist forest.
11. Production or trade in wood or other forestry products other than from sustainably managed forests.
12. Such other projects as the Company shall determine are inconsistent with its policies and objectives.
13. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulation.
14. Destruction (5) of High Conservation Value areas (6).
15. Pornography and /or prostitution.
16. Racist and / or anti-democratic media.

### Notes to Exclusion List:

1. This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations. For companies, "substantial" means more than 10 % of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio volumes.
2. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where CIFI considers the radioactive source to be trivial and/or adequately shielded.



3. Forced labor means all work or service, not voluntarily performed that is extracted from an individual under threat of force or penalty.
4. Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.
5. Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.
6. High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <http://www.hcvnetwork.org>).



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