Disclosure Statement
Operating Principles for Impact Management
CAF - Development Bank of Latin America
August 24th, 2022

Corporación Andina de Fomento ("CAF"), is a founding signatory to the Operating Principles for Impact Management (the "Impact Principles"). The Impact Principles provide a reference point against which the impact management systems of funds and institutions may be assessed. They draw on emerging best practices from a range of asset managers, asset owners, asset allocators, and development finance institutions. Through certain flexibility, the Impact Principles allow for impact investors to apply their own impact management systems in accordance with the best practices of reference.

CAF's processes and practices set forth in this Disclosure Statement are aligned with the Impact Principles. The total portfolio of active equity investments in alignment with the Impact Principles is USD 450,56 million as of December 31st, 2021.[1]

Sergio Díaz-Granados
Executive President
Corporación Andina de Fomento

[1] This Disclosure Statement is exclusively intended to declare CAF´s observance and compliance with the Impact Principles established herein. This document shall not constitute and should not be construed as an offer or invitation to participate in any financial service, transaction, or investment, including but not limited to equity investments in ventures, enterprises and private equity funds. It should not be taken as an opinion, advice or base for a decision to participate in any investment. CAF makes no assurance or guarantee as to any results or outcome that may be obtained from the performance of any financial instrument or practices described herein. While past performance may be analyzed in this Disclosure Statement, past performance should not be considered indicative of future performance. CAF makes no guarantee or other promise as to any outcomes, including any financial or development impact results that may be obtained from the practices disclosed in this statement. CAF shall not have any liability to any of the recipients of this Disclosure Statement, nor to any other party in connection with or arising in any way from, or in relation to, the information or any opinions expressed in this Disclosure Statement, and CAF does not accept any responsibility whatsoever for any action or omission by any party on the basis of any matter contained in, or omitted from, the Disclosure Statement. Under no circumstances does CAF assume any responsibility for actions or omissions of third parties in relation to the content of this Disclosure Statement.

General Note – On our operations:

- As a multilateral development bank, CAF offers a variety of financial services that include equity investments in ventures, enterprises and private equity funds. In equity investments, CAF acts as a shareholder in its direct investments and as an investor / limited partner in investment funds (venture, growth, equity, among others). In line with CAF's mission, the investments are made with the purpose of supporting the public and private sectors of our shareholder countries and promoting sustainable development and regional integration. For clarity, these investments will be referred to in this Disclosure Statement as "Investments".

- All Investments by CAF are impact driven, aligned with Environmental, Social and Governance ("ESG") Principles and oriented towards sustainable development. In order to strengthen the alignment of CAF's future Investments with the Impact Principles, CAF has been working on certain supplementary internal procedures which will streamline the ex-ante assessment and management of the impact of our investments and will improve measurement and monitoring their impact. In particular, CAF approved the *Manual para la Gestión de la Metodología de Inversión con Impacto* (CAF's Impact Management Methodology Manual), aimed at adding certain objective criteria that are mapped to the Impact Principles and the Sustainable Development Goals ("SDGs") and allow to monitor (pre and post investments) the alignment of investments with internal ESG indicators and specific impact goals.

- As per the document "*Investing for Impact: Operating Principles for Impact Management Reporting Requirements and Template for Annual Disclosure Statement*" prepared by the International Finance Corporation, we hereby represent that the information contained in this Disclosure Statement has not been verified or endorsed by the International Finance Corporation, the World Bank, or any member of the World Bank Group or the Secretariat or the Advisory Board. All statements and/or opinions expressed in this document are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of International Finance Corporation, the World Bank or any member of the World Bank Group. Neither the International Finance Corporation, the World Bank nor any member of the World Bank Group shall be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing Principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

Principle 1 – Define strategic impact objective(s), consistent with the investment strategy:

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals ("SDGs"), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

- CAF is committed to promoting sustainable development and the economic integration of its member countries by providing financial services and technical cooperation to public and private sector clients, which include the Investments.

- CAF's strategic objectives are aligned with the Sustainable Development Goals ("SDG") and the internal regulations link each of the goals / objectives to one or more SDG (as provided in CAF's Management Policy and explained in the annual Sustainability Report, available at https://www.caf.com/media/2826053/politicas-de-gestion-sep2019.pdf and at https://scioteca.caf.com/handle/123456789/1931 respectively). In fact, the internal regulations, driven by sustainable development, provide a set of tools to monitor (pre- and post-investment) alignment of the strategic plans with the SDG.

- The Investments in the active portfolio are impact driven and are generally aligned with ESG Principles and oriented towards sustainable development. Impact funds that are part of the active portfolio and companies that are beneficiaries of the direct investments closed since 2019, have adopted impact monitoring methodologies and are providing applicable reports.

- On an annual basis and based on CAF's Corporate Results Framework (the "CRF"), CAF monitors the operations (including Investments) *vis a vis* the institutional goals which, as stated above, are directly aligned with the SDG.

- To ensure CAF's strategies are consistent with its impact objectives and vice versa, CAF: (i) conducts ESG due diligences to determine applicable ESG conditions for its operations; (ii) identifies a set of indicators tied to development goals to measure and monitor the outcome of the projects; and (iii) evaluates and reports on the contributions generated by the relevant investment to sustainable development.

- In March 2022, CAF's Impact Evaluation Unit was restructured under the new name "Development Contributions and Impact Measurement Department" ("DADMI"), reporting to the Executive Presidency of CAF. DADMI is engaged in providing recommendations and suggesting applicable amendments to CAF's policies and procedures to ensure the alignment of CAF's systems with the Impact Principles. This ties in with CAF's strategy to conduct its business operations with strategic impact objectives aligned with the SDGs and with an impact management approach to guide and efficiently oversee its portfolio.

Principle 2 – Manage strategic impact on a portfolio basis:

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- CAF has a private sector corporate strategy as well as a country-by-country corporate strategy, all of which are updated periodically to assure that the operations are consistent and aligned with the SDG (collectively, the Corporate Strategy). Current investments and potential Investments are covered by the Corporate Strategy and oriented towards the achievement of said development goals.

- CAF pursues a portfolio approach strategy that guides the project selection and investment process. The portfolio approach is designed to achieve the development objectives and maintain financial sustainability, recognizing possible trade-offs between these objectives across projects. While Investments are analyzed and monitored individually, the results are consolidated and integrated at a corporate level.

- As part of the internal approval processes, the committees assess and evaluate the potential contribution that each Investment will have on sustainable development in the corresponding member country or region.

- CAF's CRF provides a set of indicators to measure the effective contribution to sustainable development of those operations. CAF also considers the Harmonized Indicators for Private Sector Operations ("HIPSO") and the Joint Impact Indicators ("JII"), a subset of IRIS+, when negotiating the indicators, the funds or investees will have to measure and report their effective contribution to sustainable development of their operations.

- CAF's employee's performance is measured with respect to annual goals and objectives which are aligned with the mission of contributing to sustainable development as well as with the Corporate Strategy. In the case of the team managing the Private Sector investment portfolio, each member has specific corporate goals and associated metrics related to pursuing investments that have direct contributions to sustainable development and are in line with the SDG.

Principle 3 – Establish the Manager's contribution to the achievement of impact:

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- Based on internal regulations (including Credit and Investments Manual), CAF applies the following criteria to analyze the eligibility and priority of its investments (and other operations):
  - Contribution to Development alongside Financial Return: Investments must favorably contribute to the sustainable development of the corresponding member country, while also generating attractive financial gains. Applicable indicators to the Investment are to be selected.
  - Risk Factors: Risk factors of the Investments that could impact the environment, including ESG aspects in general, are identified and addressed.
  - Additionality: It refers to the value which CAF adds to a certain transaction beyond pure financial assistance (i.e., direct financial contribution) to contribute to each transaction elements such as: (i) promotion and structuring of the transaction; (ii) technical assistance; (iii) other non-financial contributions such as improving the cost of capital, getting active shareholder engagement, providing capacity building to the investee, among others.
  - Catalytic role: CAF should aim to further mobilize resources from various sources to each transaction.
- CAF has internal regulations that provide for operations that are environmentally sustainable and socially responsible and follow recommendations to further align the corporate governance ("CG") systems with applicable best practices. Moreover, all of them must clear the strict compliance filters and are constantly monitored by compliance experts to assure that red flags are addressed on time.

Principle 4 – Assess the expected impact of each investment, based on a systematic approach:

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts.

Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

- As part of the approval process of each Investment, CAF's internal committees evaluate the potential contribution to sustainable development of the specific investment as well as its environmental and social ("E&S") and CG aspects. For these purposes, applicable indicators provided in CAF's CRF and the HIPSO and JII catalogs, are analyzed and the results drive the investment decision. Contribution to sustainable development and regional integration are the core of this analysis which also considers indirect and systemic impacts. Moreover, conclusions and recommendations derived from E&S and CG due diligences are included in the internal documents for further monitoring.

- CAF generally involves specialists on each investment industry from other CAF's teams in order to have a comprehensive analysis of the potential impacts and the recommendations issued to ensure fluent monitoring.

- The set of indicators provided in CAF's CRF and the HIPSO and JII catalogs, selected for each operation, allows to estimate the contribution to development of the investments. Such set of indicators is reviewed periodically by CAF's internal specialists in order to determine whether updates or supplements are needed, with the last update occurring in September 2020. CAF has applicable rules that provide for the monitoring of applicable indicators throughout the life of the investment. For that purpose, the transaction documents establish the monitoring scheme to be followed. The results of said monitoring (i.e., indicator tracking information) will be included in the CRF as well as on the ex-post analysis and report to be prepared upon divestment / termination of the corresponding Investment.

- CAF's CRF is spread across the CAF's private sector investment units with strong support from sector economists to analyze and address the development challenge of each Investment as well as the intended impact of the proposed investment. The CRF also takes into account country and market context for the relevant member country and tracks progress of the applicable indicators.

Principle 5 – Assess, address, monitor, and manage potential negative impacts of each investment:

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

- CAF's mission is fully aligned with ESG Principles and with the SDG in order to assess the potential environmental and social ("E&S") and CG risks and associated impacts of each Investment. Based on CAF's CRF, the investments alignment with the ESG goals, objectives and indicators are monitored on a regular basis. For these purposes, CAF complies with ESG requirements throughout the life of the investments.

- CAF's Investments are expected to comply with applicable environmental and social laws and regulations of the relevant country as well with the Environmental and Social Safeguards.

- CG also plays an important role in the decision-making process. The CG methodology is aligned with the global Corporate Governance Development Framework (adopted by CAF and several other DFIs).

- CAF's CRF describes the approach to ESG sustainable development, and it is key in the effort to contribute to sustainable development in private equity activities.

- Monitoring potential risks that could deviate the impact of the investment from the sustainable development estimations are based on the potential negative impacts registered in CAF's "*Plantilla - Priorización de Inversiones de Impacto*" (Impact Investment Prioritization Template). The use of the template was included in CAF's Impact Management Methodology Manual.

Principle 6 – Monitor the progress of each investment in achieving impact against expectations and respond appropriately:

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment.

Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported.

When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

- As stated above, the set of indicators of CAF's CRF is the main tool to monitor progress of the investments towards expected impact on sustainable development. Internal portfolio management regulations require to monitor applicable indicators to each Investment and progress of each of them on an annual basis.

- Regular feedback to clients includes ESG performance. CAF might offer various business support services to its clients to improve their ESG performance and their contribution to sustainable development.

- CAF contractually engages the managers of the Investments to report periodically their progress in delivering development outcomes and the performance of selected indicators. CAF may take certain actions when material deviations from the development expectations are found. Those actions, analyzed by the committees on a case-by-case basis, may include further engagement with the investee and the implementation of certain remedial actions to further align results with expected contributions to sustainable development.

- CAF portfolio's performance is closely monitored and regularly reported to senior management.

- Moreover, in line with its internal processes, CAF monitors investments through various corporate measures including the direct and disciplined participation and involvement with the boards of directors or other applicable governance committees of invested companies and funds.

Principle 7 – Conduct exits considering the effect on sustained impact:

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

- The investments may include (i) direct equity investments in local development financial institutions, infrastructure projects, SMEs and start-ups; (ii) participations in private equity funds (funds of funds, venture, growth, equity, debt, impact, among others); and (iii) investments through quasi-equity, mezzanine, subordinated loans, among other financial facilities.

- In connection with direct investments:

    - CAF does consider the effect which the timing, structure, and process of its exits will have on the sustainability of the expected contributions to development of the corresponding investments. The decision to exit these investments tends to be in CAF's field.

    - When exit decisions are in CAF's control, CAF thoroughly documents the underlying rationale behind each of them along with the support of the applicable internal approval. CAF's internal committees consider the effect that the relevant exit may have on the expected contributions to sustainable development. Further, CAF analyzes said impact when choosing the exit structure, negotiating the exit terms and conditions and selecting the buyer.

- In connection with the investments in private equity funds, decision making process related to the exit strategy relies entirely on the managers. Moreover, the funds tend to be close-end vehicles that do not allow for early divestments by investors / limited partners. In connection with the impact funds of the portfolio, managers generally mind the effects of their exits with respect to the impact objectives and targets.

- CAF promotes best practices among the funds and investees to trace sustainable development goals. CAF seeks that investees apply such best practices as Corporate Guidelines and in that regard, they shall continue to reinforce even after CAF exercises its right to exit the Investment.

Principle 8 – Review, document, and improve decisions and processes based on the achievement of impact and lessons learned:

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

- CAF performs periodic evaluations of each private equity investment in order to, among others, track the evolution of the relevant indicators in order to compare expected and actual impacts. In order to make the monitoring process more efficient, effective and centralized, CAF is implementing a virtual dashboard and analyzing new mechanisms for compiling information. The new tool should provide us with a portfolio management perspective and an integral decision-making approach.

- CAF conducts a mandatory final evaluation on each Investment in its active portfolio once it reaches early operating maturity. This evaluation compares the expected and effective contribution to sustainable development of each Investment through a systematic assessment of relevant metrics. The evaluation includes and documents the main lessons and the evolution of the key indicators related to contributions to sustainable development.

Principle 9 – Publicly disclose alignment with the Principles and provide regular independent verification of the alignment:

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

- This Disclosure Statement affirms CAF's status as a Signatory to the Operating Principles for Impact Management. This Disclosure Statement confirms the alignment of CAF's investment policies and processes with the Principles and will be updated annually.
- CAF's Development Contributions and Impact Measurement Department ("DADMI"), will continue to engage in providing recommendations and suggesting applicable amendments to CAF's current policies and procedures to ensure the alignment of the systems with the Principles.
- The 2021 independent verification report on the alignment of CAF with the Operating Principles for Impact Management was performed by the Internal Audit and is available on https://www.caf.com/media/3380971/caf-independent-verification-report-2021.pdf

Name and Address: CAF's General Audit: CAF's General Audit - Ave. Luis Roche - Torre CAF Altamira – Caracas – Venezuela.

Qualifications: The General Audit ("AG") is an independent assurance provider guided by international professional standards (https://global.theiia.org). AG is committed to influence the strengthening of governance, risk management and control processes that helps CAF accomplish its objectives.

Most Recent Review: August 2021

Next Planned Review: August 2024

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Seguimiento de registro

Estado: Original 24-ago.-2022 | 14:49	Titular: Consultoria Jurídica consultoriajuridica@caf.com	Ubicación: DocuSign

Eventos de firmante	Firma	Fecha y hora
Jorge Luis Silva jsilva@caf.com Nivel de seguridad: Correo electrónico, Autenticación de cuenta (opcional)	DS Adopción de firma: Dibujada en dispositivo Utilizando dirección IP: 201.221.232.192 Firmado con un dispositivo móvil	Enviado: 24-ago.-2022 | 14:59 Visto: 24-ago.-2022 | 15:41 Firmado: 24-ago.-2022 | 15:42

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LINA M. MONDRAGON A. lmondragon@caf.com Nivel de seguridad: Correo electrónico, Autenticación de cuenta (opcional)	DS Adopción de firma: Estilo preseleccionado Utilizando dirección IP: 201.224.81.166	Enviado: 24-ago.-2022 | 15:42 Visto: 26-ago.-2022 | 21:12 Firmado: 26-ago.-2022 | 21:12

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Sergio Díaz-Granados sdiaz-granados@caf.com Nivel de seguridad: Correo electrónico, Autenticación de cuenta (opcional)	DocuSigned by: E6B3585DB73F403... Adopción de firma: Dibujada en dispositivo Utilizando dirección IP: 201.227.226.136 Firmado con un dispositivo móvil	Enviado: 26-ago.-2022 | 21:12 Visto: 26-ago.-2022 | 21:44 Firmado: 26-ago.-2022 | 21:45

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Eventos de firmante en persona	Firma	Fecha y hora

Eventos de entrega al editor	Estado	Fecha y hora

Eventos de entrega al agente	Estado	Fecha y hora

Eventos de entrega al intermediario	Estado	Fecha y hora

Eventos de entrega certificada	Estado	Fecha y hora

Eventos de copia de carbón	Estado	Fecha y hora

Eventos del testigo	Firma	Fecha y hora

Eventos de notario	Firma	Fecha y hora

Eventos de resumen de sobre	Estado	Marcas de tiempo
Sobre enviado	Con hash/cifrado	24-ago.-2022 | 14:59
Certificado entregado	Seguridad comprobada	26-ago.-2022 | 21:44
Firma completada	Seguridad comprobada	26-ago.-2022 | 21:45
Completado	Seguridad comprobada	26-ago.-2022 | 21:45

Eventos del pago	Estado	Marcas de tiempo