CAF DEVELOPMENT BANK OF LATIN AMERICA AND THE CARIBBEAN

Sustainable Finance Framework

February 2025

CAF: The Green Bank for Sustainable and Inclusive Growth of Latin America and the Caribbean

CAF – Development Bank of Latin America and the Caribbean ("CAF" or "the Bank") is a multilateral financial institution dedicated to fostering sustainable and inclusive development in its shareholder countries and advancing regional integration throughout Latin America and the Caribbean ("LAC").[1] The Bank's membership comprises 22 shareholder countries—Argentina, Bahamas, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Portugal, Spain, Trinidad and Tobago, Uruguay, Venezuela; and 13 private banks in the region.[2]

CAF supports both the public and private sectors, offering a diverse range of products and services to its ample client portfolio, including shareholder countries, private companies, and financial institutions. Its management policies integrate social and environmental variables, applying eco-efficiency and sustainability criteria to all operations. As a financial intermediary, CAF mobilizes capital from international markets to LAC, driving investments and business opportunities.

1 https://www.caf.com/media/3682706/convenio-constitutivo-ingles-mar2022.pdf
2 https://www.caf.com/media/4670464/accionistas-caf-ingles.pdf

To achieve this mission, with the aim of becoming the *Green Bank for Sustainable and Inclusive Growth of Latin America and the Caribbean*, CAF launched its 2022–2026 corporate strategy. With measurable objectives, it focuses on 18 strategic agendas designed to maximize positive impacts on its shareholder countries' development.[3]

Institutional Strategy

CAF's institutional strategy aims to establish the Bank as the *Green Bank for Sustainable and Inclusive Growth of Latin America and the Caribbean* by 2026, positioning the region as a leader in developing innovative solutions for pressing global challenges. The strategy is a comprehensive effort that leverages CAF's institutional strengths and engages all areas across the organization, including development experts, to address the region's most urgent issues. The strategy aligns with CAF's mission to support shareholder countries in achieving sustainable development and building regional integration through financial instruments and knowledge services.

For more than 55 years, CAF has worked with countries and strategic partners to promote a holistic development approach that prioritizes the social and economic needs of people, communities, and ecosystems throughout the region. By emphasizing regional values, CAF seeks to foster effective integration with global value chains, driving sustainable economic growth.

CAF's renewed strategic agenda provides a clear roadmap with targeted actions to support public and private sector clients. This involves, first and foremost, maintaining and strengthening the following cross-cutting elements underpinning CAF's value proposition:

- Greener operations: Identify early opportunities and maximize environmental and climate benefits across all operations.
- Knowledge generation: Assess impacts to contribute to global biodiversity & climate goals and sustainable development agendas while generating and sharing valuable insights with society and decision-makers.
- Institutional strengthening: Capacity-building initiatives designed to enhance the capabilities of counterparts across multiple levels of government, as well as internally at CAF.
- Gender, inclusion, and diversity: Addressing barriers to gender equality, promoting racial equity and ethnic diversity, and ensuring the inclusion of persons with disabilities to foster an accessible and inclusive economic and social recovery.
- Regional integration: Boosting productivity, strengthening regional markets, and expanding participation in global value chains.

3 https://www.caf.com/es/sobre-caf/estrategia-caf/

CAF's institutional strategy aims to establish the Bank as the Green Bank for Sustainable and Inclusive Growth, positioning the region as a leader in developing innovative solutions.

- Resource mobilization and partnerships: Building strategic partnerships and mobilizing third-party resources to amplify the impact of development projects.

The strategy also guides CAF's actions to advance strategic agendas that support the sustainable and inclusive development of the region. These agendas focus on:

- Just energy transition: Supporting countries in maintaining their energy sovereignty, increasing their competitiveness in global energy markets, and meeting decarbonization and renewable energy commitments.
- Climate resilience and biodiversity protection: Assisting countries in adapting to the adverse impacts of climate change, fostering climate resilience and low greenhouse gas ("GHG")-emission development,[4] protecting biodiversity, restoring strategic ecosystems, and sustainably managing ecosystem services and resources.[5]
- Resilient and sustainable territories: Creating territories that meet the needs of local populations in an efficient, inclusive, and creative manner, adding value to the cultural and identity characteristics of the communities in the region.
- Social well-being: Advancing gender equality, inclusion of persons with disabilities, and racial ethnic equity, prioritizing the fundamental needs and rights of people and communities.
- Infrastructure development: Expand physical and digital infrastructure to enable regional integration, strengthen productive value chains, and drive regional development.
- Sustainable productivity and finance: Step up efforts for sustainable productivity, internationalization, and sustainable finances, recognizing the importance of the private sector and companies of all sizes and sectors as key drivers of sustainable economic development.

The agendas reflect CAF's commitment to fostering the well-being of its member countries. To achieve these goals, CAF will continue to consolidate its financial solvency, enhance staff capabilities, undergo digital transformation, deepen transparency, expand its geographical presence in the region, and develop innovative financial instruments that effectively address emerging challenges.

4 Paris Agreement, para 2(b)
5 Convention on Biological Diversity, Article 1

Alignment with the United Nations Sustainable Development Goals ("SDG")

CAF supports the sustainable development and inclusive growth of its member countries by providing financial, technical, and knowledge resources while supporting their transition to low-carbon, climate-resilient production models. In 2023, CAF strengthened its commitment to becoming the *Green Bank for Sustainable and Inclusive Growth of Latin America and the Caribbean* through initiatives that emphasize the region's biodiversity and natural capital and address climate change, underscoring LAC as a region of solutions.

CAF works toward improving the quality of life of people in its shareholder countries by implementing high-impact environmental and social solutions, driving regional integration, and collaborating strategically with national and subnational governments. CAF also supports private sector action to develop and consolidate strategic alliances. As a dynamic, reliable, highly regarded, and ever-expanding institution, CAF is an agile and timely partner while serving as a platform that amplifies the region's voice in the most important global discussions and scenarios.

In 2023, CAF approved transactions totaling USD 2.5 billion linked to sustainable development, particularly in water and sanitation, education, and urban development. These operations reflect CAF's dedication to addressing the needs of the most vulnerable sectors in its shareholder countries.

CAF's commitment to the 2030 Agenda was evident in 2023, with 27% of approved operations contributing to environmental sustainability and climate change; and 16% contributing to gender equality, the inclusion of persons with disabilities, and racial and ethnic equity. Among the SDGs to which CAF has made the most significant contributions through its operations, the following stand out:

- **Goal 17:** Revitalize the global partnership for sustainable development (87 approved operations).
- **Goal 8:** Promote inclusive and sustainable economic growth, employment, and decent work for all (80 approved operations).
- **Goal 9:** Build resilient infrastructure, promote sustainable industrialization, and foster innovation (68 approved operations).

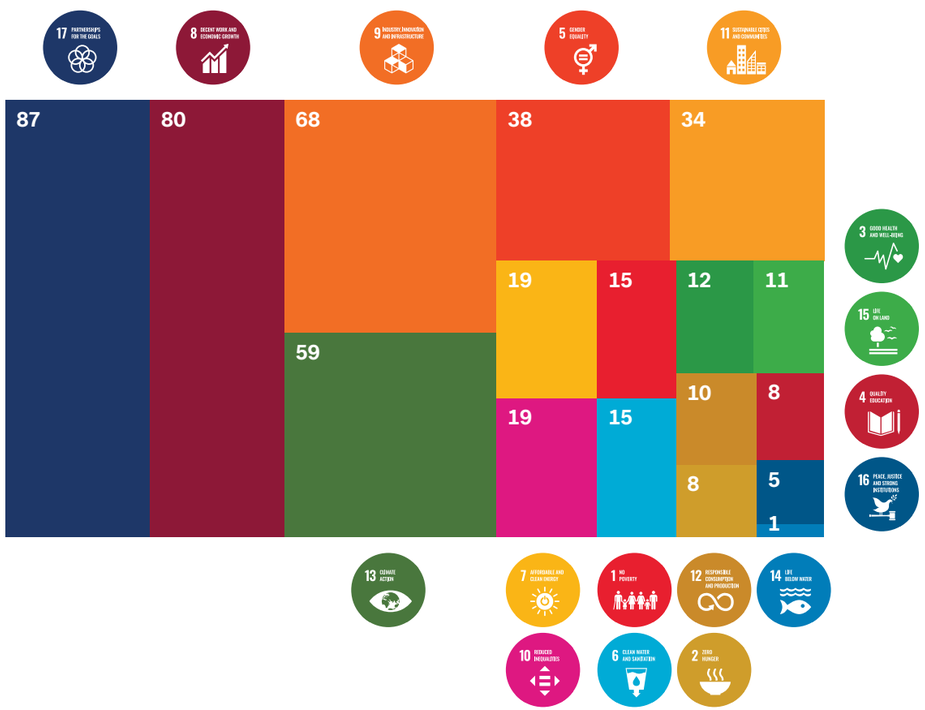
The chart illustrates the number of operations approved by CAF in 2023 and their contributions to the SDGs. Most operations contribute to more than one SDG since primary and secondary SDGs are accounted for.

CAF uses a classification model to map its operations to the SDGs. This approach ensures that every loan and equity investment operation align with the SDGs, considering factors like objective, scope, and components. The model assigns a primary SDG and target to each operation, along with up to eight secondary SDGs and targets. This methodology enables CAF to track and report its contributions to the 2030 Agenda, providing clear evidence of alignment with all 17 SDGs through comprehensive reporting.

CAF supports sustainable development and inclusive growth by providing financial, technical, and knowledge resources while supporting transition to low-carbon, climate-resilient production models.

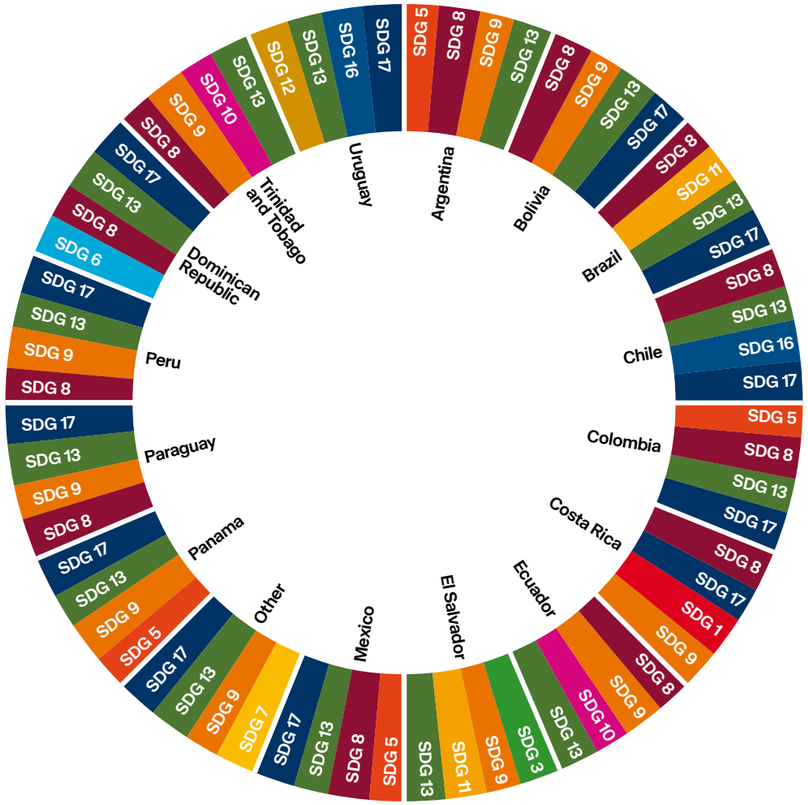
Approvals by SDG

The chart illustrates the number of operations approved by CAF in 2023 and their contributions to the SDGs. Most operations contribute to more than one SDG since primary and secondary SDGs are accounted for.



Approvals by SDG in each country

The chart reflects the number to operations approved during 2023 by CAF and their contributions to various SDGs. Most operations contribute to more than one SDG.



Furthermore, over 90% of CAF's shareholder countries have approved projects that directly or indirectly contribute to SDG 13 – Climate Action, which advocates for urgent measures to combat climate change and its effects. This aligns with CAF's commitment to becoming the *Green Bank for Sustainable and Inclusive Growth of Latin America and the Caribbean*.

The chart reflects the number to operations approved during 2023 by CAF and their contributions to various SDGs. Most operations contribute to more than one SDG.

Moreover, as of August 2024, CAF's commitment to the 2030 Agenda is clear, with 31% of approved operations contributing to environmental sustainability, climate change mitigation, and gender equality and diversity. The following SDGs highlight CAF's most significant contributions through its operations:

- **Goal 8:** Promote inclusive and sustainable economic growth, employment, and decent work for all (62 approved operations).
- **Goal 17:** Revitalize the global partnership for sustainable development (45 approved operations).
- **Goal 9**: Build resilient infrastructure, promote sustainable industrialization, and foster innovation (68 approved operations).

CAF is committed to aligning all its new operations with the Paris Agreement under the United Nations Framework Convention on Climate Change ("Paris Agreement") by 2026. To this end, in 2025 the Bank will develop and test evaluation procedures to assess the alignment of loan operations with the Paris Agreement's objectives. In addition, the Bank has set the goal of reaching 40% of green financing approvals by 2026.

Furthermore, CAF has committed to allocate USD 1.25 billion during the period 2022–2026 to finance projects that contribute to preserving marine and coastal ecosystems in LAC. The Bank also intends to incorporate gender equality, inclusion of persons with disabilities, and ethnic diversity components into 60% of its sovereign operation approvals. To meet these commitments, CAF is coordinating efforts across sectoral areas to integrate environmental and climate components into all CAF operations. This includes identifying new operations linked to shareholder countries' environmental agreements.

CAF is focused on increasing its green operations portfolio by strengthening components that enhance environmental sustainability and resilience to climate change; structuring and originating new operations to help LAC countries meet biodiversity goals outlined in their National Biodiversity Strategies and Action Plans (NBSAP);[6] and improving disaster risk management.

CAF adheres to international green financing standards, including those defined by the International Development Finance Club ("IDFC"), the OECD, and the Kunming-Montreal Global Biodiversity Framework ("Global Biodiversity Framework") established under the Convention on Biological Diversity. CAF also joined the Sustainable Blue Economy Finance Principles Initiative, led by UNEP FI, in 2022.

CAF's Water Security Strategy for 2023–2026 reinforces its voluntary commitment, announced at the United Nations ("UN") Water Conference in March 2023, to approve USD 4 billion for water security over four years, averaging close to USD 1 billion annually. This commitment supports member countries' efforts to:

6 National Biodiversity Strategies & Action Plans is a strategic policy document drafted to provide guidance at a national level on the management and protection of biodiversity.

CAF is committed to aligning all its new operations with the Paris Agreement under the United Nations Framework Convention on Climate Change by 2026.

reduce the population's vulnerability to water extremes (e.g., droughts and floods); ensure safe, inclusive, and efficient access to water and sanitation; reduce water pollution for a healthier environment; and improve access to irrigation for small-scale family and intensive agriculture.

CAF is committed to addressing poverty and inequality by improving the lives of vulnerable populations. The Bank has pledged to allocate USD 22 billion by 2035 to provide technical assistance and funding to improve infrastructure and expand access to essential services like healthcare, education, and food security. Additionally, CAF will boost social protection mechanisms to directly impact key social indicators. To further its mission, CAF has also committed to optimizing resource allocation and strengthening collaboration by joining the Global Alliance Against Hunger and Poverty.

Accredited Entity Under the Leading Climate and Biodiversity Funds

As an accredited entity to the Green Climate Fund ("GCF"), the Global Environment Facility ("GEF"), and the Adaptation Fund ("AF"), CAF has undergone highly rigorous due diligence processes, demonstrating the Bank's capacity for fiduciary administration, environmental and social risk management, and gender policies. These certifications, upheld through continuous reaccreditation, reinforce the trust of CAF's shareholders, investors, and partners, who are committed to advancing a just green transition in the region.

- **Green Climate Fund**: Accredited in July 2015, CAF became the first multilateral development bank to sign an Accreditation Master Agreement with the GCF, enabling access to loans, non-reimbursable grants, equity, and guarantees to address climate change mitigation and adaptation. In 2023, CAF successfully completed the GCF's rigorous reaccreditation process, which evaluated its fiduciary, environmental, and social risk management, as well as its gender and ethnic group policies following a thorough due diligence analysis. This milestone reaffirmed investor and partner confidence in CAF's ability to support the region's green, sustainable, and resilient transition agenda. With this reaccreditation in place, CAF continues to develop climate-resilient, low-emission development projects in LAC and to secure additional sources of green funding for the region.
- **Global Environment Facility**: Established in 1992 at the Rio Earth Summit, GEF is a catalytic financial instrument that supports investments to help recipient countries meet the global environmental goals outlined in various UN environmental agreements. As an accredited agency since April 2015, CAF has focused on building a portfolio of green business initiatives to enhance biodiversity, sustainably manage ecosystem services, and facilitate the transition to a low carbon emission economy. Since 2018, CAF has expanded its work

CAF proudly announced its corporate carbon neutrality at COP 25, reaffirming its commitment to sustainability.

with the GEF to include areas such as international waters, along with new instruments and funds in addition to traditional grants, such as the Global Biodiversity Framework Fund (2022). These efforts have strengthened CAF's agenda in supporting the blue economy and strategic ecosystems in the region.

- **Adaptation Fund**: Launched in 2001, the fund finances concrete adaptation projects and programs in developing countries that are parties to the Kyoto Protocol and particularly vulnerable to the adverse effects of climate change. Since qualifying as a regional implementing agency in March 2014, CAF has structured several national and regional projects that support local adaptation initiatives in communities affected by climate change. Today, CAF is one of the AF's main partners in the LAC region.

Corporate Sustainability

CAF proudly announced its corporate carbon neutrality[7] at COP 25, reaffirming its commitment to sustainability. Since 2019, the Bank has undertaken strategic efforts to quantify its GHG emissions, directly reduce those under scopes 1 and 2, and offset its historical carbon footprint (1970–2019). These efforts include measures of internal efficiency, the adoption of sustainable procurement practices, and the implementation of best sustainability practices. Additionally, CAF has acquired carbon credits from certified projects located in its shareholder countries. In 2023, CAF reported a carbon footprint of 12,703 tCO_2e, encompassing its operations in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Spain, Trinidad and Tobago, Uruguay, and Venezuela. Of these emissions, 99% were categorized under scopes 2 and 3, with the remaining 1% classified as direct scope 1 emissions.

To offset its greenhouse gas emissions, CAF acquired 13,339 tCO_2e—5% above its recorded footprint as a precautionary measure—through certified projects such as *Vichada Climate Reforestation*[8] in Colombia, *Montes Del Este Afforestation Through High-Quality Timber in Degraded Grassland*[9] in Uruguay, and *Mirador Enhanced Distribution of Improved Cookstoves in Latin America*[10] in Honduras. These projects adhere to rigorous international carbon market standards such as Gold Standard and Verra.

Additionally, CAF made significant progress in implementing internal sustainable purchasing and procurement by setting criteria and developing tools to facilitate this practice throughout 2023.

7 CAF quantifies its GHG emissions annually, prioritizing the reduction of emissions under its direct control (scope 1 and scope 2 emissions). To achieve annual carbon neutrality for its operations, CAF offsets any remaining emissions by purchasing GHG emission reductions from mitigation projects registered under internationally recognized programs. GHG mitigation projects and programs are selected based on their positive environmental impacts, integrity, and transparency.

8 https://marketplace.goldstandard.org/products/forest-finest-colombia-vichada-climate-reforestation-colombia

9 https://climatetrade.s3.amazonaws.com/media/projects/documentation/certificates/9a58f031-b1a2-46a0-a76f-1cf00fb30d7b_Ey9WS5N.pdf

10 https://registry.goldstandard.org/projects/details/1691

Sustainable Finance Framework

CAF's Sustainable Finance Framework (the "Framework") outlines the key policies, strategies, processes, and mechanisms that guide its sustainable financing activities. This Framework aligns with CAF's mission to support member countries in meeting their Paris Agreement climate commitments, advancing the Global Biodiversity Framework targets, and achieving their SDGs.

The Framework encompasses the issuance of Sustainable-Labeled Instruments ("SLIs"), which include (i) Green Finance Instruments ("GFIs") and/or Blue Finance Instruments ("BFIs"); (ii) Social Finance Instruments ("SoFIs"); (iii) Thematic Finance Instruments where the proceeds are allocated exclusively to investments in a thematic area[11] issued under specific eligible categories detailed under (i) and (ii); and (iv) a combination of any of the above, referred to as Sustainable Finance Instruments ("SFIs"). For purposes of this Framework, all finance instruments issued under the Framework will be referred to as SLIs unless otherwise specified.

These finance instruments can be issued in various formats including public offerings and private placements; across different tenors, including medium-term instruments, long-term instruments, and commercial papers. Issuances may fall under any of CAF's existing funding programs or as standalone offerings.

This Framework aligns with internationally recognized standards published by the International Capital Market Association ("ICMA"), including the Green Bond Principles (updated in June 2022), the Social Bond Principles (updated in June 2023), and the Sustainability Bond Guidelines (updated in June 2021). The Framework also incorporates guidance from the International Finance Corporation's (IFC) Blue Finance Guidelines and Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide, September 2023.

This Framework extends to all remaining outstanding financing instruments issued under the CAF Green Bond Framework (May 2019) and CAF Social Bond Framework (May 2020). Allocation of proceeds will follow the processes and criteria outlined in the Framework.

11 Proceeds of a Thematic Finance Instrument are in line with an Eligible Project Category and its relevant criteria listed in the Use of Proceeds section of the Framework. The thematic areas covered by this Framework include Gender Bonds, Diversity Bonds, Inclusion Bonds, Food Security Bonds, Education Bonds, Health and Sanitation Bonds, Reforestation Bonds, Flyways Bonds, and Endangered Species Conservation Bonds, among others.

Use of Proceeds

The proceeds from SLIs under the Framework will be allocated to financing and/or refinancing new and/or existing projects that meet the criteria outlined in this section, collectively referred to as "Eligible Projects." Eligible Projects may include loans, direct financing, or equity investments[12] provided either by CAF or by its shareholder countries.

Eligible Projects include those disbursed within a lookback period of up to two (2) years prior to the issue date of the SLI, as well as projects financed after the issue date and up to the maturity date of the SLI. Best efforts will be made to fully allocate the net proceeds to Eligible Projects within two (2) years of the issuance of each SLI.

Eligible Projects may qualify under one or more SLI categories. In these cases, CAF will allocate proceeds to the applicable category while reporting additional environmental or social co-benefits, where relevant, as set forth in Section II.4. *Reporting and Transparency.* Where applicable, the Bank will report on the relevant impacts of Eligible Projects within these focus areas.

12 Equity investments into investment funds managed by CAF or an external fund manager, which contribute to at least one Eligible Category and the corresponding Eligible Project(s). Investment funds must comply with CAF's Environmental and Social Safeguards.

The methodologies used to evaluate climate and biodiversity benefits are the result of years of collaboration among leading international development finance institutions.

Green Finance Instruments ("GFIs") and Blue Finance Instruments ("BFIs")

CAF supports the national commitments, or Nationally Determined Contributions ("NDCs") made by member countries under the Paris Climate Agreement. As part of its commitment to addressing climate change mitigation and adaptation challenges, CAF mobilizes capital to tackle SDGs related to these areas.

GFIs finance Eligible Green Projects that contribute to three (3) thematic focus areas that are strategic priorities for CAF: (i) adaptation to climate change; (ii) mitigation to climate change; and (iii) biodiversity conservation and other environmental objectives.

BFIs finance Eligible Blue Projects that contribute to the following strategic priorities for CAF: (i) the health of oceans and/or coastal zones; (ii) the conservation, sustainable use, and/or restoration of marine biodiversity; (iii) climate change mitigation in the maritime sector and other sectors associated with the sea; (iv) energy transition based on marine renewable energy; and/or (v) the adaptation of communities or ecosystems in marine-coastal areas.

CAF's sustainability accounting systems monitor the Bank's annual commitments toward green and blue objectives. This accounting process is based on the principles and definitions established by the IDFC. As a member of the IDFC, CAF jointly reports on the contribution of its portfolio to climate action (i.e., GHG mitigation[13] and adaptation[14]) and biodiversity objectives in the IDFC Green Finance Mapping Report.[15]

The methodologies used to evaluate climate and biodiversity benefits are the result of years of collaboration among leading international development finance institutions. The IDFC methodologies have been adapted to reflect the specific characteristics of CAF's portfolio and are provided as internal guidance for all business units.

13 https://www.idfc.org/wp-content/uploads/2023/12/revised-common-principles-2023-12-05.pdf
14 https://www.idfc.org/wp-content/uploads/2023/11/idfc-2023-common-principles-adaptation-1.pdf
15 https://www.idfc.org/wp-content/uploads/2024/11/idfc-gfm-2024.pdf

Table 1
Eligible Green and Blue Projects

ICMA	Eligible Green / Blue Project	SDG
Renewable Energy	Financing the design, construction, maintenance, and operation of generation, distribution, and/or transmission of energy from renewable energy sources as well as renewable energy-related appliances and products including: — Solar photovoltaic and concentrated solar power[16] — Onshore wind generation facilities — Small-scale, run-of-river hydro without artificial reservoir or low storage capacity — Bioenergy including biomass, biogas, and biofuels[17] using sustainable feedstocks[18] — Geothermal energy[19] **Blue** — Ocean power (offshore wind, offshore and coastal solar photovoltaic, wave, tidal, and salinity gradient) **Low-Carbon Energy Transition** — Low-carbon hydrogen production, storage, or usage [20] **Blue** — Low-carbon hydrogen production, storage, or usage (from seawater or coastal aquifers) [21] **Energy Storage and Transmission Systems** — Energy storage or measures to improve grid stability that increase the share of low-carbon energy in the system — Greenfield transmission of electricity that increases the efficiency of the system and plans to reduce energy losses (technical and non-technical) compared with the national losses average — Greenfield distribution of electricity that increases the efficiency of the system and reduces energy losses (technical and non-technical) by more than 5% — Efficiency improvement or reduction of CO_2e emissions in transmission or distribution of electricity	7, 13
Energy Efficiency	Financing the design, construction, maintenance, and operation of energy efficiency systems, equipment, and processing to obtain an energy efficiency improvement including: **Electrification** — Industrial energy-efficiency improvement by more than 15% relative to a calculated previous baseline — Commercial and collection loss reduction in the distribution of electricity, or measures aimed at demand-side management **Energy Efficient Applications** — Improving energy efficiency in existing facilities with smart meters, smart grids, and upgraded equipment (including LED lighting, HVAC systems, and heat recovery systems) — Information, communications, and digital technologies ("ICT") including energy management systems, AI for energy optimization, demand response systems, smart meters	7, 9, 13
Pollution Prevention and Control	Financing the design, construction, maintenance, and operation of systems to reduce or eliminate pollution and waste including: **Pollution Prevention Systems** — Industrial pollution control, different than conventional solid waste management and wastewater treatment (includes reduction of air pollutants) **Blue** — Pollution prevention systems specified above must be located in or near a coastal area and generate a positive impact on the ocean by improving water environmental quality **Waste Management** — Solid waste treatment plants — Systems for collection, transportation, storage, transfer, classification, recycling, reuse, and final disposal of waste — Reuse of products and recovery of materials from solid waste — Recovery and valorization of biowaste — Waste-to-energy projects[22] — Treatment of mixed residual waste — Landfill gas capture, reduction, and utilization **Blue** — Waste management and pollution prevention projects specified above that generate a positive impact on the ocean or nearby coastal areas	6, 9, 11, 12, 14

16 For wind and solar facilities, auxiliary equipment usage must not exceed 15% of the total electricity generated.

17 Biomass and biogas energy production from waste sources that neither compete with food sources nor deplete carbon stocks.

18 Sustainable feedstocks must not interfere with crop-based feedstock that do not compete with food production, existing terrestrial carbon pools, or biodiversity. Eligible emissions thresholds and other qualifying criteria must be in line with specific local jurisdictional requirements.

19 Geothermal energy emissions should be less than 110 gCO_2e/KWh, calculated using ISO 14067:2018.

20 Eligible Projects should have a carbon intensity threshold of no more than $3.5kgCO_2e/kgH_2$.

21 Eligible Projects should have a carbon intensity threshold of no more than $3.5kgCO_2e/kgH_2$.

22 Does not include incineration. Feedstock will include: Sewage, manure, wastewater, landfill gas capture, sugar cane bagasse, wood pellets and municipal waste.

Environmentally Sustainable Management of Living Natural Resources and Land Use: Agriculture, Land Use, Livestock Activity, Fishing, Mariculture, Forestry and Aquaculture

Financing the design, construction, maintenance, and operation of systems, technologies, and processes that contribute to maintaining or improving the productivity of land-based economic activities including:

Sustainable Agriculture

— Certified Organic Agriculture under recognized international standards. Accepted standards include UTZ Certified, Roundtable on Sustainable Biomaterials ("RSB") and the International Federation of Organic Agriculture Movements ("IFOAM"), National Certification schemes, Fairtrade Certification, Rainforest Alliance Certification, USDA Organic, or the European Organic Standard (EC Regulation 034/2007)
— Projects that improve the productivity of agricultural, livestock, fishing, mariculture, or marine or continental aquaculture systems threatened by climate hazards
— Institutional support/funding programs related to enhancing traceability in livestock production
— Climate-smart agriculture and farming projects including effective irrigation and water stewardship, diversified cropping systems, no-till practices, reduction in pesticide use, nutrient cycling
— Regenerative agriculture practices that improve existing carbon pools and soil health including rehabilitation of degraded land, rangeland management, and the collection and treatment/remediation of hazardous waste and contaminated soil
— Livestock projects that reduce methane and other GHG emissions, including manure management with the use of biodigesters, improved feeding practices to reduce methane emissions, grazing rotation, electric fences, living fences, bio-input production
— Traceability systems to ensure sustainability of operations, facilities, and supply chains

Blue

Sustainable Agriculture – Fisheries and Mariculture

— Sustainable production and waste management and reduction measures that meet, keep, or exceed the Marine Stewardship Council, Aquaculture Stewardship Council, or equivalent
— Traceability systems to ensure sustainability of operations, facilities, and supply chains
— Projects that prevent illegal, unreported, and unregulated fishing
— Technology transfer towards artisanal sustainable fishing and/or prevention of illegal fishing practices
— Recovery of overexploited fish stocks

Sustainable Forestry

— Sustainable management of natural forests and forest plantations, through afforestation, reforestation, restoration of productive landscapes, and restoration of high-conservation-value forests. These activities must be aligned with recognized forest certification standards, such as the Forest Stewardship Council ("FSC") and the Programme for the Endorsement of Forest Certification ("PEFC"), as well as evaluation and implementation as a mechanism to ensure the sustainability and competitiveness of productive or restoration activities
— Agroforestry and silvopastoral projects under the certification schemes mentioned above
— Evaluation and implementation of the eco-efficiency of the forestry industry to ensure the sustainability and competitiveness of value-added production processes, including sawing, peeling, bioenergy, and pulp macroprocesses

Terrestrial and Aquatic Biodiversity Conservation

Financing the design, construction, maintenance, and operation of projects and initiatives that promote the protection or restoration of terrestrial ecosystems, habitats, and nature-based solutions including:

— Conservation, restoration, afforestation and reforestation of terrestrial ecosystems and native vegetation
— Restoration of natural forests of high conservation value forests through enrichment strips and assisted natural regeneration
— Restoration of degraded lands with forest plantations of native species and genetic material from the vicinity
— Restoration of wetlands and mangroves through hydrological rehabilitation, reforestation with native species and genetic material from the vicinity, control of invasive species, sediment management, and use of natural barriers
— Urban forests and public green spaces, which involve urban trees, green infrastructure
— Biological corridors and nature-based solutions such as urban watershed restoration and mangrove restoration (including those activities in urban spaces)
— Prevention and control programs for invasive species, essential for preserving ecological balance and avoiding the loss of biodiversity
— Establishing and managing Protected Areas (PA) and Other Effective Area-Based Conservation Measures (OECM)
— Biotrade, Bioeconomy, and Bio businesses projects & Program activities
— Implementation of activities related to the Nagoya and Cartagena Protocols
— Implementation of biodiversity and ecosystem solutions to reduce vulnerability and physical climate risk
— Rewilding, species reintroduction, and monitoring programs
— Biodiversity data platforms and /or IoT-based habitat monitoring

Blue

— Restoration, protection, and conservation of coastal and marine ecosystems such as wetlands, coral reefs, mangroves, seagrass
— Establishing and managing Marine Protected Areas (MPA)
— Marine spatial planning
— Rewilding, species reintroduction, and monitoring programs
— Invasive marine species prevention programs

Sustainable Water and Wastewater Management

Financing the design, construction, maintenance, and operation of systems and equipment that contribute to improving access and/or efficient use of water, and wastewater management including:

— Water conservation infrastructure such as monitoring systems, early warning systems for floods and droughts, drip irrigation, water recycling systems
— Water storage and distribution infrastructure such as urban drainage, stormwater management systems, and rainwater harvesting systems
— Infrastructure for reduction of losses and consumption
— Infrastructure for drinking water treatment
— Wastewater collection and treatment systems including sewerage systems, and water treatment infrastructure

Blue

— Wastewater management located in or near a coastal area, or that generates a positive impact on the ocean by improving the environmental quality of the water

Climate Change Adaptation

Financing the design, construction, operation, and maintenance of infrastructure and measures that build resiliency and adaptation to climate-related natural hazards, such as drought, floods, wildfires, and hurricanes, including:

- Climate change adaptation infrastructure for natural disasters (e.g., flood prevention and wildfire mitigation and management)
- Upgrade of built infrastructure and/or integration of nature-based solutions to enhance community climate resiliency, including urban green systems
- Information systems, weather, and climate analytics, remote sensing-based tools, and early warning systems designed for analyzing physical climate risk exposure and protecting against extreme events
- Disaster response and recovery platforms including tracking relief efforts, coordination of resources, and mapping impacted areas through real-time data
- Interventions in public spaces (squares, parks, linear parks, urban forests)
- Urban roads with the concept of complete streets which include a green adaptation component and social component too
- Measures to strengthen climate resilience of energy systems and digital infrastructure address climate adaptation risks

Blue

- Upgrade of built infrastructure and/or integration of nature-based solutions to enhance community climate resiliency to hurricanes and storm surges located in coastal areas or small islands
- Development of coastal-zone management plans and coastal erosion prevention plans
- Upgrade of built infrastructure and/or integration of nature-based solutions to enhance community climate resiliency
- Projects that contribute to increasing the resilience of marine and coastal ecosystems to climate change
- Smart water management systems

Clean Transportation

Financing the design, acquisition, manufacture and upgrade, purchase, leasing, expansion of, and/or operation of low carbon transport assets[23] and supporting infrastructure including:

- Public low-carbon land transport such as electric rail, metros, trams, and electric buses with direct emissions <50g CO_2e/p-km
- Freight rail with direct emissions <25g CO_2e/t-km
- Low carbon vehicles such as electric, non-motorized, or any other non-fossil fuel transportation with direct emissions <50g CO_2e/vkm
- Infrastructure for clean energy vehicles and reduction of harmful emissions (e.g., charging infrastructure upgrades, batteries, fuel cells, electric charging ports, and hydrogen fueling stations)
- Charging infrastructure with smart grid integration
- Public transportation and dedicated infrastructure for multimodal transport (public walking or cycling infrastructure)
- Traffic and demand management control systems (land, air, and aquatic)
- Smart, digital traffic management systems
- Fleet management technologies and systems
- Smart parking systems

Blue

- Climate adaptation of marine ports and shipping canals in climate obsolescence due to changing climate patterns
- Projects based on the decarbonization of maritime transport streamline with IMO recommendations.
- Implementation of green corridors initiatives.
- Low-carbon marine fuel bunkering facilities
- Investments in shipping in the research, design, development, and implementation of water and waste management and ballast water strategy
- Supporting innovative design and construction of eco ports in high-value environmental marine and land areas
- Energy efficient port terminals.
- Shore to ship power (cold ironing)
- Port city and port territory projects based on the principles of blue economy, fostering.
- Marine passenger transport and tourism in sustainable coastal areas (low emissions, zero pollution, and/or low noise)[24]

23 Hybrid vehicles are not eligible for financing under this Framework
24 Sustainable tourism is defined as tourism activities that comply with local legislation and adhere to CAF's applicable safeguard criteria.

Green Buildings

Financing the acquisition, design, retrofit, construction, leasing, and/or maintenance of green building solutions including:

— Measures that reduce net energy consumption, resource consumption or CO_2e emissions, or increase plant-based carbon sinks in greenfield and brownfield buildings and associated grounds (e.g., use of building materials with low embedded GHG emissions, construction of building structures for high energy efficiency, such as advanced thermal protection of the building envelope, windows with low thermal conductivity/low-emissivity façade glazing, passive energy design, green roofs and green walls partially or completely covered with vegetation, thermal mass storage systems, and active or passive façade shading elements)
— Residential, commercial, and industrial buildings that have the following certifications:
- EDGE Level 2 or Level 3
- LEED Gold or Platinum
- DGNB Gold or Platinum certification
- BREEAM Excellent or Outstanding
- ENERGY STAR: score of 85 or above
- Properties in the top 15% Energy Performance Certification ("EPC") rating categories by city

— Newly constructed greenfield data centers that consider:
- Energy efficiency: maximizing processor performance to reduce the need for underutilized servers
- Efficient cooling: liquid cooling systems and/or hot and cold aisle containment to optimize temperature management
- Renewable energy to power the data center or strategies to reduce the reliance on fossil fuels
- Water efficiency: recycling of water for cooling systems/rainwater collection for sustainable water management
- Circular economy: capture and reuse residual heat from servers for heating systems or urban networks

Circular Economy, Eco-efficient Products, and Technologies

Financing the research, design, construction, development, procurement, and operation of technologies and processes that promote circular economy activities aimed at reducing, redesigning, and reusing materials/waste including:

— Production of products that can be recycled or composted where the input feedstock is from recycled/reused waste
— Production of end-use plastic products with (i) at least 90% of recycled, renewable, and/or bio-based input, (ii) at least 90% is not intended for single-use consumer products, and (iii) all products are recyclable
— Substitution of virgin raw materials with 100% secondary (recycled or reused waste) materials (fabrics, metals, fibers, wood and recycled plastics) in manufacturing and industrial processes
— Development, manufacturing, and distribution of sustainable packaging certified by a recognized third-party certification such as the FSC
— Smart/digital waste management and recycling platforms or solutions
— ICT-enabled circular supply chain management systems

These projects are specifically tailored to address deficiencies or needs within communities, promoting social well-being through targeted interventions in key areas.

Social Finance Instruments ("SoFI")

SoFIs finance Eligible Social Projects designed to generate a positive impact on society, particularly by improving the living conditions of populations in vulnerable situations.

These projects are specifically tailored to address deficiencies or needs within communities, promoting social well-being through targeted interventions in key areas such as education, health, employment, housing, social inclusion, basic infrastructure, and essential services, among others.

Eligible Social Projects play a crucial role in reducing inequalities and enhancing living conditions. Their purpose goes beyond addressing immediate needs. They also aim to reduce inequalities to foster structural changes that encourage sustainable and inclusive development and social cohesion. By actively involving specific segments of the population living in vulnerable conditions, as well as communities overall, in their design and implementation, these initiatives not only enhance their capacity to address future challenges but also foster active participation and technical contributions to sustainable development. This approach cultivates a strong sense of belonging and shared responsibility among participants.

Target Populations for Eligible Social Projects

Eligible Social Projects may focus on one or more of the following target populations:

- Children and adolescents, defined as persons under the age of 15
- Ethnic groups:
  - Afro-descendant populations
  - Indigenous populations
- Low- and moderate-income borrowers (defined according to each local jurisdiction's criteria)
- Mental health service users
- Micro, Small, and Medium Enterprises ("MSMEs") (defined as enterprises that either (i) meet two out of three criteria of the IFC MSME definition (employees, assets, and sales), or the relevant MSME loan size proxy defined by the IFC;[25] or (ii) an enterprise that meets the country-specific criteria for small, medium enterprise)
- People of the LGBTQ+ community
- Persons with disabilities
- Pregnant and lactating women

25 https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors

- Rural/intermediate regions (defined according to each local jurisdiction's criteria)
- Small landholder farmers (defined according to each local jurisdiction's criteria)
- Teachers and school/tertiary education leadership teams
- Technical and Vocational Education and Training ("TVET") and higher education students
- Unbanked persons (defined as individuals living in households in which no one has a checking or savings account)
- Women (adults, teenagers, and girls) living in vulnerable conditions
  - Women living in poverty or with low income
  - Women experiencing gender-based violence
  - Women experiencing time poverty due to an overload of unpaid care work according to the local jurisdiction time-use survey[26]
  - Women experiencing racial discrimination
- Woman-Owned Enterprise: an MSME meeting the following criteria:
  - ≥ 51% owned by woman/women; or
  - ≥ 20% owned by woman/women; and (i) has ≥ 1 woman as CEO/ COO/President/Vice President; and (ii) has ≥ 30% of the board of directors composed of women, where a board exists
- Youth (defined as persons 15–24 years old as per UN classification)[27]

Projects, programs, or initiatives under the Eligible Social Project category will be labeled with gender and/or inclusive or/and diversity ("GID") considerations when there is evidence that they reduce social inequalities experienced by people of the LGBTQ+ community, women, persons with disabilities, and ethnic groups.

26 As defined by the country-specific National Household Survey

27 https://www.un.org/en/global-issues/youth#:~:text=There%20is%20no%20universally%20agreed%20international%20definition%20of,between%20the%20ages%20of%2015%20and%2024%20years.

Projects, programs, or initiatives under the Eligible Social Project category will be labeled with gender and/or inclusive or/and diversity ("GID") considerations when there is evidence that they reduce social inequalities.

Table 2
Eligible Social Projects

ICMA	Eligible Social Projects	SDG
Access to Essential Services	Financing initiatives and programs that provide and enhance accessibility to basic services to target populations including: **Financial Inclusion—**Expansion, construction, upgrade, studies, or operation of: — Banks and other financial intermediaries to promote financial inclusion — Programs and initiatives dedicated to expanding access to free and/or discounted financial products and microfinance — Programs and initiatives to expand financial education and literacy programs — Digitalized finance platforms — Programs and initiatives that promote the adaptation of services to the cultural and linguistic particularities of ethnic groups **Health—**Expansion, design, studies, construction, upgrade, or operation of: — Public health facilities that guarantee access to target populations — Production and expansion of access to medicines, and vaccines for epidemics and pandemics affecting target populations or geographical regions — Programs, initiatives, and research and development to support the modernization and operational efficiency of healthcare and health services — Programs and initiatives that expand access to education and care on sexual and reproductive health **Education—**Financing initiatives, design, studies, and programs that provide and enhance accessibility to education and learning opportunities including: — Learning spaces including preschools, primary and secondary public schools, technical and vocational education institutions, universities, and libraries — Facilities, equipment, educational materials, and digital content to support learning spaces — Financing and scholarships to enhance access to tuition for schooling and universities, and other educational services — Professional development to improve teaching and learning processes through technical training and capacity building for educational staff — Vocational training for affected target populations including skills development, recruitment and job placement, and trade schooling — Inclusive education programs for persons with disabilities — Programs and initiatives that actively promote non-racial discrimination and the recognition of cultural diversity	1, 2, 3, 4, 5, 6, 7, 8, 10, 11
Employment Generation	Financing initiatives, studies, and programs designed to deliver long-term benefits to alleviate unemployment, preserve job opportunities, facilitate job placement, and/or retrain/reskill target populations that: — Suffered from significant socioeconomic crises and economic losses due to significant events such as climate-related natural disasters and pandemics — Experienced a loss of jobs due to climate transition projects — Experienced a loss of jobs due to automatization — Are located in areas where economic opportunities are limited with a high incidence of poverty — Experienced discrimination or inequality to access the labor market and specific productive sectors — Have not completed secondary education and are in vulnerable segments of the labor market (informal, short-term employments, low wages, in small firms with no in-house mechanisms of upskilling) — Are located in areas with limited education and training opportunities	4, 5, 8
Food Security and Sustainable Food Systems	Financing initiatives, studies, and programs that expand access to food and nutrition, and support robust food systems for target populations including: — Free and subsidized access to food and water programs for target populations that are experiencing or threatened by food insecurity — Transformation of food systems, including technologies for production, logistics, and short circuits — Emergency readiness and response to target emergencies that involve agriculture, food systems, and food security — Agricultural health, food, and water safety services as well as access to supplies that promote food and water safety — Enhancement of technical capabilities through equipment and machinery, and educational and skill-building programs to support smallholder farmers to increase the nutritional capacity of food and enhance productivity and adaptation to climate change, extreme weather, drought, flooding, and other disasters — Social protection and insurance programs for farmers to build climate adaptation and risk management To mitigate environmental concerns related to agricultural activities, the *Environmentally Sustainable Management of Living Natural Resources and Land Use: Agriculture, Land Use, Livestock Activity, Fishing, Mariculture, Forestry and Aquaculture* category's eligibility criteria will be applied.	2, 5, 8, 9, 10, 11
Affordable Housing	Financing related to the design, construction, development, expansion, acquisition, procurement, maintenance, and operation of safe, affordable, adequate housing units[28] including: — The purchase of new or existing facilities (new/used homes or apartments, social housing, shelters, transitional housing, subsidized housing projects) that ensure access to safe and affordable housing for the target populations — Social housing projects and programs targeted towards the target population and supporting rural housing developments — Renovation, maintenance, and improvements of social housing projects	1, 5, 10, 11
Socioeconomic Advancement and Empowerment	Financing programs and initiatives that provide advancement and empowerment of target populations including: — Initiatives and financing that support enhanced access to affordable, non-discriminatory financial services for target populations, specifically for MSMEs, and particularly MSMEs owned by women and/or ethnic groups — Financial education, free and subsidized financial services, access to credit, supply chain financing, and other wealth-building capacities and services — Educational, vocational, and professional training and skill development, recruitment, and other economic opportunities	4, 5, 8, 9

28 Allocations to mixed-use buildings under this category will be made on a pro-rata basis based on the number of affordable units financed.

Access to Basic Infrastructure

Financing related to the design, construction, development, expansion, maintenance, and operation of facilities, services, systems, or equipment for target populations and/or communities that have unsafe, inadequate, or limited access to infrastructure including:

Energy:

— Expansion and/or rehabilitation of newly connected or reliable energy and heating services and infrastructure[29]

Water and Sanitation:

— Construction and maintenance of adequate drinking water and sanitation services through increased water treatment and supply systems, sewerage systems, urban waste collection, treatment, and disposal systems

Transport:

— Enhancing transport connectivity through road infrastructure, bridges, tunnels[30], public transportation and metro networks, airports, and ports
— Providing access to safe, accessible, inclusive, and sustainable transport systems

Telecommunications Connectivity:

— Expansion and/or rehabilitation of newly connected or reliable telecommunications, mobile broadband, and internet services, equipment, and infrastructure

29 Must be restricted to renewable energy projects that qualify under the Green Project Category or to transmission and distribution infrastructure that meets the specified criteria: the expansion of fossil fuel infrastructure is strictly ineligible.

30 Road, bridge, and tunnel projects will be subject to environmental assessments prior to their implementation to identify and mitigate potential environmental externalities.

Gender, Inclusion, and Diversity (GID)

Financing programs, studies, and initiatives designed to deliver long-term benefits that address social inequalities and favor equal opportunities, rights, and conditions for target populations, including:

Gender:

— Comprehensive care systems
— Comprehensive care services for women's rights
— Prevention and support for victims of gender-based violence
— Prevention of all forms of violence and discrimination
— Prevention and support related to pregnancies for girls and teens

Inclusion of Persons with Disabilities:

— Universal accessibility projects (including public spaces, and transportation)
— Social protection programs and support/care policies
— Inclusive education (infrastructure, teacher training, technology)
— Adapted sports infrastructure (equipment, facilities, etc.)
— Mental health programs with a rights-based approach (including deinstitutionalization and primary care)
— Inclusive tourism (including tourist services and accessibility)

Ethnic and Cultural Diversity:

— Strengthening and innovating agricultural practices of Indigenous peoples and adaptation to climate change
— Promoting community strategies and access to basic services, training, and employment for ethnic groups
— Initiatives that promote culturally appropriate healthcare services
— Environmental, tourism and productive management of Indigenous territories
— Promoting access to digital and technological infrastructure, equipment and training for ethnic groups
— Initiatives for language preservation, intercultural, and multilingual education
— Courses and training to develop a deeper awareness of the social and historical roots of racism to equip educators with strategies to create more inclusive and equitable classrooms.

CAF has developed a system for the comprehensive management of environmental, social, and climate risks in operations, in accordance with international standards.

Process for Evaluation and Selection of Eligible Projects

CAF has developed a system for the comprehensive management of environmental, social, and climate risks in operations, comprised of a set of criteria, procedures, and specialized tools (carbon footprint calculation, climate change exposure to physical risks, etc.), in accordance with international standards. During due diligence, the environmental, social, gender, reputational, and client compliance risks, among others, are assessed. A significant part of this project appraisal is based on CAF's Environmental and Social Safeguards ("CAF's ESS").[31] Operations must comply with CAF's ESS before their contribution to green financing can be determined.

To develop the Framework and facilitate internal coordination, CAF has carried out a broad consultation process at all levels, including all business areas and sector specialists.

Eligible Projects under the Framework go through the different evaluation stages and due diligence procedures established by CAF. Once operational, risk, climate, and social requirements—including gender, ethnic diversity, and inclusion—are satisfied, initial disbursements are approved and the projects are integrated into CAF's portfolio.

With the assistance of CAF's technical teams and in close coordination with the Sustainable Finance Task Force (described below), potential Eligible Projects are assessed for inclusion in CAF's sustainable eligible portfolio ("Sustainable Eligible Portfolio"). CAF has robust procedures in place to classify operations, assess and monitor environmental and social projects, estimate the contribution in climate action (carbon balance) and climate risks, as well as a complete set of ESS that, together with local regulations, become the pillars of the organization's environmental and social management. CAF's ESS establishes the minimum requirements that projects financed by CAF must meet, taking all necessary precautions to mitigate potential negative social and/or environmental impacts.

Every Eligible Project financed through an SLI is subject to the Bank's portfolio monitoring policy. During loan administration, CAF monitors disbursements, client quality, operation status, and guarantees (if any). Business executives in the Bank's local offices where the projects are located oversee the operations, focusing on three key aspects:

- Financing commitments: Ensures compliance with project conditions, disbursements, and the loan's amortization schedule.
- Execution status: Assesses the quality of the client and operation, financial health, investment value, and project progress.
- Contractual compliance: Verifies adherence to contractual covenants and guarantees agreed upon by the parties.

31 https://www.caf.com/media/30035/salvaguardas-ambientales-y-sociales.pdf

Business executives also review the credit risk associated with each client and every project per internal guidelines. For sovereign-risk operations, credit risk is reviewed annually, while non-sovereign-risk operations are reviewed semi-annually. However, business executives may conduct as many reviews as they consider necessary.

CAF's sustainable project pipeline includes a wide range of initiatives with environmental and social impact. As these projects remain subject to final approval, the pipeline is considered a potential source for expanding the Sustainable Eligible Portfolio.

Sustainable Finance Task Force

The Sustainable Finance Task Force (the "Task Force") was created to oversee the issuance, management, and monitoring of the SLIs. The Task Force is composed of representatives from different key areas of CAF, including:

- Funding Team.
- Climate Action and Positive Biodiversity Management.
- Gender, Inclusion, and Diversity Management.
- Planning and Impact Development Management; and
- Business project units from sovereign and private sectors which may include the following areas:
  - Social and Human Development Management.
  - Urban Development, Water, and Creative Economies Management.
  - Physical Infrastructure and Digital Transformation Management; and
  - Private Sector Vice-Presidency.

Other areas may collaborate with the Task Force as needed, depending on project-specific requirements. The Funding Team, within the Finance Vice Presidency, leads the Task Force and oversees the whole SLI process.

The Task Force's responsibilities include:

- Selection of projects for inclusion in SLIs based on eligibility criteria outlined in Section II.1 Use of Proceeds and integrating them into the Sustainable Eligible Portfolio.
- Monitoring of Eligible Projects and replacement of projects that no longer satisfy the eligibility criteria (e.g., due to divestment, prepayment, ineligibility) with new Eligible Projects as needed.
- Supervision of proceeds management.
- Monitoring and reporting compliance.
- Validation of the annual impact report.

The Task Force operates independently from the regular evaluation and assessment team, assigned to follow up on projects throughout their lifecycle. Regular meetings and reports are scheduled to manage the project portfolio, track performance, monitor SLI issuances, and oversee proceeds management. The Task Force meets at least once a year.

Environmental and Social Risk Management

All projects financed by the Bank are governed by CAF's ESS, including the exclusion list (detailed in Annex 1 of CAF's ESS). In 2023, all new financing and portfolio projects were subject to due diligence and environmental and social monitoring, ensuring compliance with CAF's ESS.

If a project within the Sustainable Eligible Portfolio requires replacement, CAF reserves the right to substitute it with another project that meets the established eligibility criteria.

Eligible Projects may be earmarked for allocation at one of the following stages:

All projects financed by the Bank are governed by CAF's ESS, including the exclusion list.

- During the disbursement period.
- After full disbursement, provided the project is either in its grace period or has started amortization while maintaining an outstanding balance in CAF's loan portfolio.

Where applicable, and on a best-efforts basis, CAF will review Eligible Projects for alignment with the EU Taxonomy Regulation and the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation, adopted in June 2021 (the "EU Taxonomy"). If alignment is confirmed, this information will be disclosed in the annual report.

Management of Proceeds

CAF allocates an amount equal to the proceeds from its SLIs to the appropriate categories of Eligible Projects summarized in the Sustainable Eligible Portfolio. The proceeds are managed using a portfolio approach. The Eligible Project portfolios are dynamic with Eligible Projects maturing and new Eligible Projects being added. Portfolios for each label (Green, Blue, Social, Sustainability, Thematic) will be managed separately to ensure total amounts under each label are equal to or greater than the total net proceeds of the respective SLIs outstanding.[32]

Net proceeds from CAF's SLIs will be deposited in the Bank's general account, with an amount equal to the net proceeds raised from SLIs earmarked for allocation to the relevant portfolio. If the aggregate amount raised by an SLI exceeds the value of eligible assets in CAF's applicable portfolio, the unallocated portion of proceeds of CAF's SLIs will be managed in alignment with CAF's treasury liquidity portfolio. This includes cash, other liquidity instruments, or the repayment of short-term indebtedness until the total cumulative disbursement to selected Eligible Projects can be allocated. CAF ensures that unallocated proceeds will not be invested in activities listed in the exclusion list defined by CAF's ESS.

Due to the varying characteristics of Eligible Projects—such as tenor, disbursement period, grace period, and amortization schedule—flow mismatches may occur when compared to the characteristics of the SLI.

32 Green and social bonds issued prior to the establishment of this Framework will remain fully allocated and managed separately in accordance with the parameters set forth in the previous Frameworks.

SLI coupon payments are paid from general liquidity and are not directly linked to interest payments from associated Eligible Projects. This accounts for differences in payment periods, cash flow distribution, and maturities. Final redemption payments for SLIs are also not necessarily sourced from project cash flows.

If funds are reassigned to an Eligible Project, this will be reflected in the annual report. Double-counting of allocation or impact will not occur.

SLIs can be increased (tapped), as long as proceeds are used to finance Eligible Projects.

For projects repaid early, proceeds will either be reused for new Eligible Projects or integrated into the Bank's general liquidity portfolio as described in Section II.3. *Management of Proceeds*. This applies to all cases of early repayment.

Reporting and Transparency

CAF is committed to maintaining transparency by providing yearly reports, which are published on its website until the maturity of the SLI. These reports include: (i) an allocation report detailing the allocation of proceeds raised through SLIs; (ii) an impact report outlining the environmental and/or social impact results achieved.

The annual reports will include the following:

- An overview of the current state of the Sustainable Eligible Portfolio vs. outstanding SLIs.
- The total of disbursed proceeds allocated to Eligible Projects by Use of Proceeds category, where feasible.
- The outstanding balance of the SLIs under the Framework allocated by country and sector.
- The ratio of financing and the ratio of refinancing.
- The remaining balance of unallocated proceeds.
- The total net proceeds allocated to Eligible Green Projects aligned with the EU Taxonomy Technical Screening Criteria, if applicable.

To the extent possible, the core principles and recommendations for reporting contained in ICMA's Harmonized Framework for Impact Reporting, referencing the latest handbooks for green projects and social projects (June 2024 and June 2023 editions, respectively) will be considered.

CAF will report impact metrics by the Use of Proceeds category, drawing on metrics included in Annex 1. Other impact measurements may be reported if needed. Additionally, CAF will provide:

- Methodologies and assumptions: Explanation of the underlying methodologies and assumptions used to quantify impact.
- Co-benefits: Highlights any additional green, blue, or social co-benefits derived from projects, where relevant and feasible.

CAF will engage an external and independent verifier to assess the alignment of the allocation of proceeds with the Framework's criteria.

Second-Party Opinion

CAF has appointed Moody's Ratings to provide a Second-Party Opinion (SPO) on the Framework, which will be published on CAF's website.

Verification

To ensure the highest level of transparency, CAF will engage an external and independent verifier to assess the alignment of the allocation of proceeds with the Framework's criteria. This annual external review will be carried out until the proceeds are fully allocated and will be included in CAF's annual report on the allocation and impact of proceeds.

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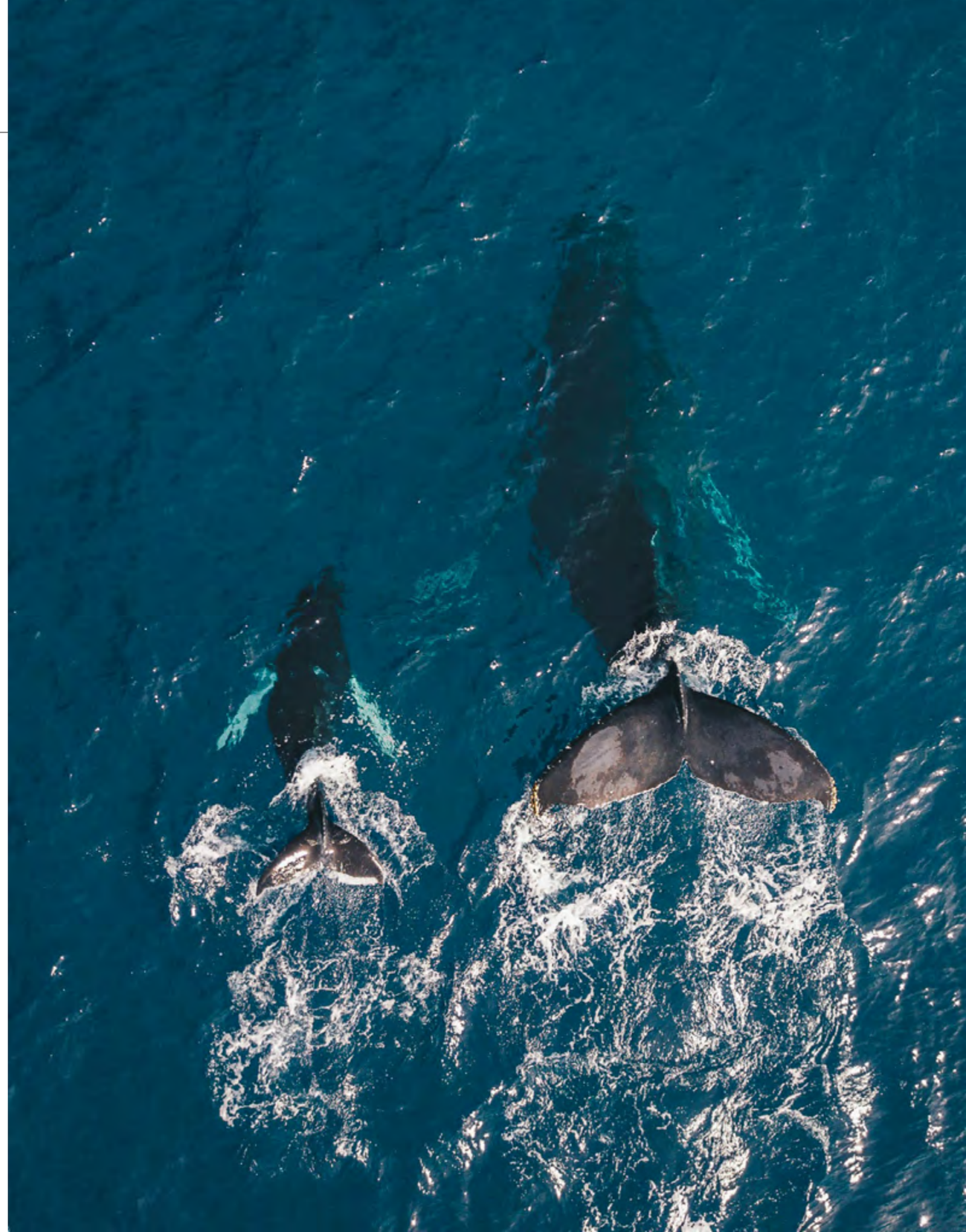


Annex 1
Impact Indicators

The following impact indicators align with CAF's internal methodology for tracking its Sustainable Eligible Portfolio. They are designed to adhere to the Bank's sustainable guidelines and policies, where feasible.

Indicators related to "People benefiting," "beneficiaries," "SMEs benefiting owned by specific target populations," "microentrepreneur," "students," "teachers," or "farmers" should be disaggregated-when possible- by sex, disability status, and ethnicity (Afro-descendent and/or Indigenous peoples). Additionally, the following indicators can be applied across all categories where relevant: (i) Interventions with gender equality components (#); (ii) Women directly benefiting from CAF interventions (#); and (iii) Afro-descendent and/or Indigenous peoples benefitted from CAF interventions.

Green and Blue Eligible Projects

Category	Impact Indicator
Renewable Energy	— Installed generation capacity added to the national electrical system (MW) — Annual electricity generation (MWh) — Transmission and distribution lines installed or rehabilitated (Km) — People benefiting from new or improved energy infrastructure (#) — Annual GHG emissions reduced or avoided with support from CAF interventions (annual tCO_2e)
Energy Efficiency	— Annual energy savings (MWh/GWh) — Annual reduction of energy consumption in % or MWh from a baseline — Annual energy saved in MWh/GWh (electricity) and GJ/TJ (other energy savings)/year — Annual GHG emissions reduced or avoided with support from CAF interventions (annual tCO_2e)
Pollution Prevention and Control	— Waste that is prevented, minimized, reused, or recycled before and after the project in % of total waste and/or in absolute amount in tons/year — Annual absolute (gross) amount of waste that is separated and/or collected, treated (including composted), or disposed of (in tons/year and % of total waste) — Annual GHG emissions reduced or avoided with support from CAF interventions (annual tCO_2e) — Energy recovered from waste in MWh/GWh/KJ of net energy generated per year.
Environmentally Sustainable Management of Living Natural Resources and Land Use: Agriculture, Land Use, Livestock Activity, Fishing, Mariculture, Forestry and Aquaculture	— Land area benefiting from new and/or rehabilitated irrigation infrastructure (has) — People benefiting from new and/or rehabilitated irrigation infrastructure for large-scale agriculture and improved management and sustainable use of the environment (#) — Annual GHG emissions reduced or avoided with support from CAF interventions (annual tCO_2e) **Sustainable Agriculture:** — Farmland covered by sustainable agricultural practices/varieties/ technology and/or infrastructure that increases crop yields/ quality on existing land without increasing the environmental footprint (in Ha and % of acreage farmed; increase in %) — Carbon footprint of agricultural activities (kg CO_2e/ton of product): — Quantity of water used in irrigation (m^3/Ha or m^3/ton) — Efficiency in the use of fertilizers—balance of fertilizers applied vs. absorbed by plants (kg/ha): — Impact on local flora and fauna (number of species affected or area of habitat affected) — Quantity of employment generated by the activity (number of jobs/ha) — Access to food and food security (tons produced/locality) — Working conditions (working conditions index): quality of employment and compliance below the standards of the International Labor Organization — Agricultural productivity in the cultivated area (tons/Ha or kg/plant) — Net income per hectare (USD/ha) — Financial performance of sustainable agriculture investment (ROI, IRR) **Livestock:** — Annual methane and nitrous oxide emissions reduced or avoided (kg CH_4 or N_2O per animal unit) — Soil degradation (ha affected): level of erosion and loss of soil nutrients (ha). — Quantity of water used for animal consumption and maintenance (liters/animal) — Feed efficiency conversion (kg of feed per kg of meat or milk produced) — Employment generation and rural development (jobs/direct or indirect) — Animal welfare: access to food, water, space, and health conditions (welfare index) — Reduction in the number of infections in the population related to livestock (number of zoonotic diseases)

Sustainable Agriculture – Fisheries and Mariculture

- Globally over-exploited marine fisheries in recovery or transition to more sustainable levels (metric tons)
- Area of marine habitat under (excluding protected areas) (ha)
- Reduction, disposal/destruction, phase out, elimination, and avoidance of chemicals of global concern and their waste in the environment and processes, materials, and products (metric tons of toxic chemicals reduced)
- Annual GHG emissions reduced or avoided with support from CAF interventions (annual tCO_2e)
- Certified sustainable seafood products produced/traded/retailed (in t/y and % of total; increase in %)

Sustainable Forestry

- Annual GHG emissions reduced or avoided with support from CAF interventions (annual tCO_2e)
- Amount of sequestered GHG emissions (tons of CO_2/ha/year)
- Area under certified sustainable forest management (in ha and % of the total area; increase in %)
- Change in land use (Area ha. reforested with native species (in ha and % of the total area; increase in %))
- Biodiversity and forest cover (Increase in species richness and relative abundance of priority biodiversity species (in number)): impact on the ecosystem and biodiversity)
- Water quality indicators (temperature, nutrient, pH, dissolved solids indices)
- Job creation generated in forestry activities, such as planting and harvesting (jobs/ha)
- Community satisfaction (Number and percentage of conflicts resolved satisfactorily)
- Participation in conservation programs (number of projects)
- Volume of sustainably sourced goods produced (m^3/ha/year): volume of timber or non-timber forest products harvested per unit of surface area.

Terrestrial and Aquatic Biodiversity Conservation

- Area of land restored or rehabilitated (in ha and % of total area; increase in %)
- Area of land and water protected (in km; increase in %)
- Maintenance/safeguarding/increase of protected area/OECM/habitat (ha^2)
- Increase in species richness and relative abundance of priority biodiversity species (in number)
- Annual GHG emissions reduced or avoided with support from CAF interventions (annual tCO_2e)
- Area covered by nature-based solution (in ha and % of total area under land management practices and/or infrastructure area; increase in %)
- Wildlife crossings/corridors created (in number and ha; increase in %) (number of wildlife species populations connected – Size of these wildlife populations)

Sustainable Water and Wastewater Management

- Annual absolute (gross) water use before and after the project in m^3/a, reduction in water use in %
- Drinking water pipes installed (km)
- New drinking water connections (#)
- Sewerage networks, built or improved (km)
- New sewerage connections (#)
- Installed wastewater treatment capacity (m^3/year)
- Wastewater treatment plants, built or improved (#)
- Drinking water treatment plants built or improved (#)
- Watercourse or body control infrastructure, built or rehabilitated (#)
- Land area benefited from new and/or rehabilitated irrigation infrastructure (has)
- People benefited from a new or improved drinking water and/or sewerage connection (#)
- Drinking water treatment plants, built or improved in Indigenous territories or communities (#)
- People benefited from sanitation solutions (#)
- People benefited from infrastructure for watercourse or water body management, newly built or rehabilitated (#)
- People benefited from new and/or rehabilitated irrigation infrastructure in rural and vulnerable areas (#)
- Annual GHG emissions reduced or avoided with support from CAF interventions (annual tCO_2e)

Climate Change Adaptation

- Reduction in the number of operating days lost or repair costs due to weather-related disruptions
- Number of beneficiaries benefiting from climate change adaptation solutions and/or newly implemented warning systems (#)
- Value of economic savings generated by improvements in climate change adaptation (USD)
- Number of km of road, rail, or other infrastructure adapted

Clean Transportation

- Number of clean vehicles deployed
- Estimated reduction in fuel consumption
- Travelers in new or improved sustainable modes of transport (#)
- Annual GHG emissions reduced or avoided with support from CAF interventions (annual tCO_2e)
- Savings in travel times (minutes)
- Investments in R&D for clean transport systems (shipping, ballast water management systems, etc.)

Green Buildings

- Annual GHG emissions reduced or avoided with support from CAF interventions (annual tCO_2e)

Circular Economy, Eco-efficient Products and Technologies

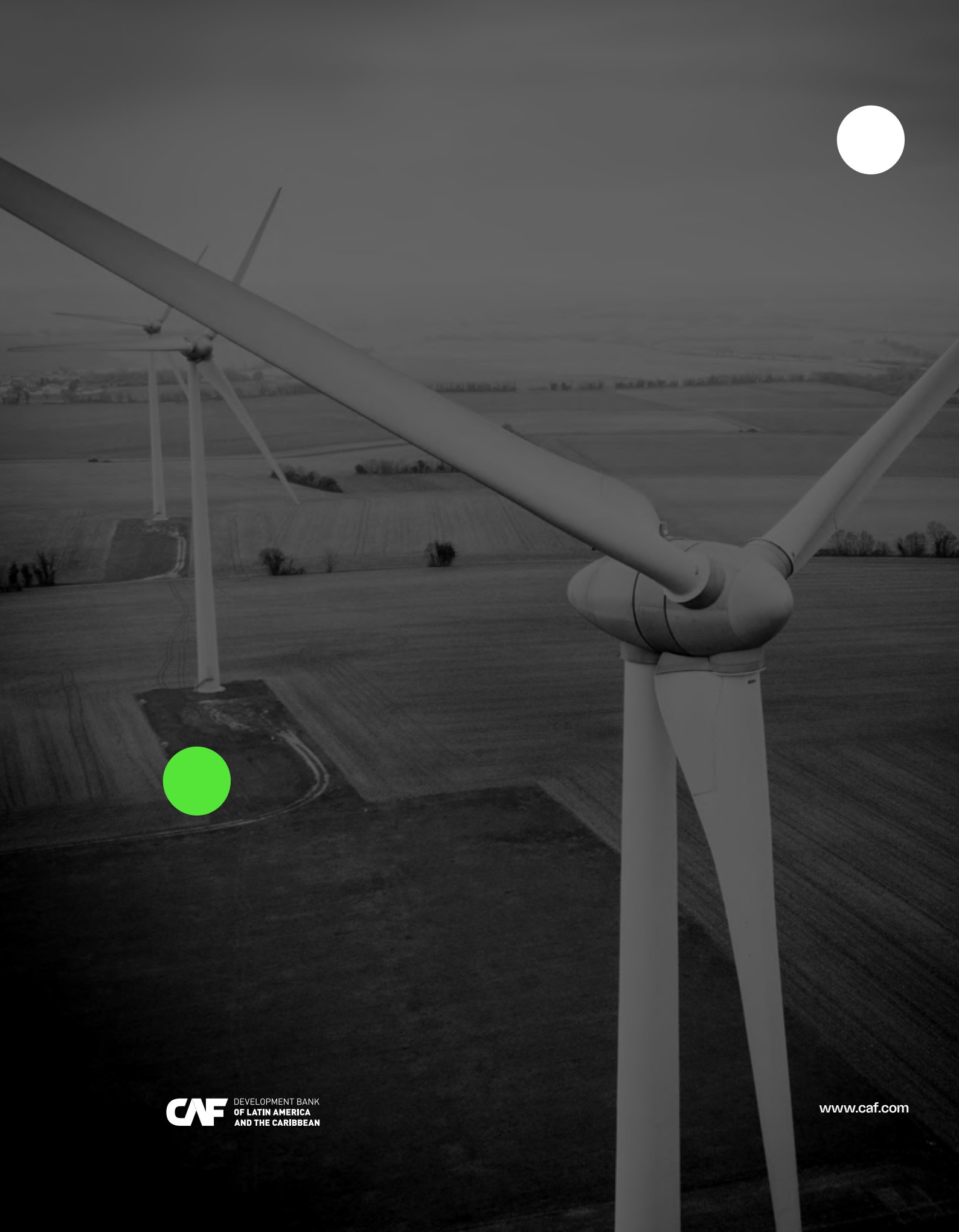
- Annual GHG emissions reduced or avoided with support from CAF interventions (annual tCO_2e)
- % of energy used reduced/avoided
- Number of certified Green Buildings

Social Eligible Projects

Category	Impact Indicator
Access to Essential Services	**Financial Inclusion** — SMEs benefiting from innovation services financed by CAF through knowledge-generating entities and/or development banks (#) — SMEs benefiting from CAF operations through intermediaries (#) — Microentrepreneurs benefited from a microcredit (#) — Students benefited from education projects (#) — Women's MSMEs benefited from innovation services financed by CAF through knowledge-generating entities and/or development banks (#) — Women's businesses benefited from CAF operations through intermediaries for working capital, foreign trade, and investment projects (#) — Companies benefiting from CAF operations through intermediaries for working capital, foreign trade, and investment projects (#) **Health** — Children under 5 years of age served by early childhood care programs (#) — Pregnant women who have received prenatal care (#) — Patients reached from built or provided medical sources/programs/infrastructure (#) — Surface area of healthcare infrastructures (m2) **Education** — Educational infrastructure built or rehabilitated (m2) — Students benefited from education projects (#) — Teachers trained (#) — Projects with a focus on early childhood care (#) — Students with disabilities benefited from inclusive education projects (#) — Teachers trained in inclusive education (#) — Number of people (students and/or teachers) trained (#) — Post-training employment rate (%) **Other** — Number of new social infrastructures built or rehabilitated (schools, health facilities, primary infrastructure care centers) (#) — Increase in access to health, education, and early childhood services (%) in communities (%) — Reduction of child malnutrition in rural and Indigenous communities: - Number of nutrition programs implemented in partnership with local communities, focusing on sustainable agriculture, access to nutritious food, and healthcare services (#) - Increase in the percentage of households in Indigenous and rural areas with access to safe drinking water, sanitation, and essential health services, contributing to better child health outcomes (%)
Employment Generation	— Proportion of jobs occupied by women hired by the operation (%) — Direct and indirect jobs created (#) — Increase in average family income (%) or target population — Reduction in unemployment rate (%) in areas of intervention
Food Security and Sustainable Food Systems	— Increase in sustainable food production (%) — Increase in access to food programs (%) — Reduction in food waste (%) — Number of producers served by programs to strengthen small producers or family farming (#) — Number of people provided with increased access to food and nutrition
Affordable Housing	— People living in neighborhoods benefited from improvements in their habitat environment (#) — People benefiting from affordable housing solutions (#) — Improved urban area (m2) — Affordable housing units, built or improved (#) — Property value within the project's area of influence (%) — People benefited from social innovation projects (#) — Reduction in housing costs for low-income families (%)
Socioeconomic Advancement and Empowerment	— Women's MSMEs benefited from innovation services financed by CAF through knowledge-generating entities and/or development banks (#) — Number of beneficiaries of social protection programs (#) — Increase in per capita income in target communities (%)
Access to Basic Infrastructure	**Energy** — People benefiting from new or improved energy infrastructure (#) **Water and Sanitation** — People benefited from a new or improved drinking water and/or sewerage connection (#) — People benefited from infrastructure for watercourse or water body management, newly built or rehabilitated (#) — People benefited from new and/or rehabilitated irrigation infrastructure in rural and vulnerable areas (#) **Transportation** — New or rehabilitated road infrastructure: - Km of newly constructed or rehabilitated roads and bridges, ensuring improved access to services, markets, and economic opportunities (km) - Percentage of new or improved infrastructure projects designed in consultation with local communities, ensuring respect for their land rights and cultural heritage (%) - Number of transportation hubs and networks improving mobility, connectivity, and economic integration with broader regions (#) **Other** — Surface area of infrastructure built for comprehensive care of women's rights (m2) — Beneficiaries served by new infrastructure (same as new or rehabilitated) (#) — People benefited from urban regeneration programs in neighborhoods, improved quality of public transport, education, basic water and sanitation services, and environmental programs (#) — Reduction of child malnutrition in rural and Indigenous communities: - Number of nutrition programs implemented in partnership with local communities, focusing on sustainable agriculture, access to nutritious food, and healthcare services (#) - Increase in the percentage of households in Indigenous and rural areas with access to safe drinking water, sanitation, and essential health services, contributing to better child health outcomes (%)

Gender, Inclusion, and Diversity (GID)

— Pregnant women who have received prenatal care (#)
— Gender-responsive budget (USD)
— Measures to reduce insecurity or fear of crime by women (#)
— Surface area of care infrastructure (m2)
— Surface area of infrastructure built for comprehensive care of women's rights (m2)
— Surface area of universally accessible infrastructure (m^2)
— Travelers with disabilities using new or improved universally accessible modes of transport (#)
— Persons with disabilities directly benefited from support/care policies (#)
— Accessible sports facilities, built or improved (#)
— Persons with disabilities using accessible sports facilities (#)
— Decrease in the number of institutional care beds (#)
— New users of community-based mental health services (#)
— Beneficiaries with disabilities of social protection programs (#)
— Accessible tourism facilities, built or improved (#)
— Persons with disabilities using accessible tourism services (#)
— Number of healthcare workers trained in intercultural competence (#)
— Number of Indigenous language courses offered in schools and communities (#)
— Number of educators trained in anti-racism and inclusive education (#)



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