

Second-Party Opinion

CAF Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the CAF Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds (i) Renewable energy, (ii) Clean transportation, (iii) Sustainable management of living natural resources and land use, (iv) Waste management, (v) Water management, (vi) Energy efficiency are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible projects will contribute to a reduction in the environmental footprint in the countries where CAF operates and issues loans. In addition, Sustainalytics views that the projects will advance UN SDG 6, 7, 11, 14, and 15.



PROJECT EVALUATION / SELECTION CAF's process for project evaluation and selection is executed through a dedicated Green Bond Program Team with cross-departmental representation from key areas of the bank such as international bond issuances and climate change, strategic planning, treasury and business project executives. This process is in line with market practices.



MANAGEMENT OF PROCEEDS CAF has an internal process to monitor and track individual projects composing CAF's Green Bond portfolio. Pending full allocation, CAF will track and maintain its unallocated proceeds in the company's general liquidity portfolio and invest them in high grade short-term liquid assets in line with the bank's liquidity and treasury policy. This process is aligned with market practices.



REPORTING CAF committed to disclose annual allocation and impact reporting. The (i) allocation reporting will include loan information, allocated amounts to projects or portions allocated. The (ii) impact report will include relevant KPIs tailored for each Eligible Green Project Category. Sustainalytics views the scope and granularity of CAF's reporting to be in line with market practices.

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Issuer Location	Latin America

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Introduction

Corporación Andina de Fomento (“CAF” or the “bank”) is a multilateral development bank which provides financial services such as commercial loans, financial advisory services, equity investments and others, to the public and private sectors in Latin America, the Caribbean, Spain and Portugal. CAF has offices in Buenos Aires, La Paz, Brasília, Bogotá, Asuncion, Lima, Madrid, Mexico City, Montevideo, Panama City, Port of Spain and Quito. CAF was founded on 1968 and is headquartered in Caracas, Venezuela.

CAF has developed the CAF Green Bond Framework (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance and/ or refinance, in whole or in part, existing and/or future projects targeting the reduction of GHG emissions, climate resilience and adaptation, the efficient use of resources and ecological services. The Framework defines eligibility criteria in six areas:

1. Renewable energy
2. Clean transportation
3. Sustainable management of living natural resources and land use
4. Waste management
5. Water management
6. Energy efficiency

CAF engaged Sustainalytics to review the CAF Green Bond Framework, dated April 2019, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of CAF’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of CAF’s green bonds. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the CAF Green Bond Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The CAF Green Bond Framework is available on CAF’s website at: <https://www.caf.com/en/investors/>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the CAF Green Bond Framework

Summary

Sustainalytics is of the opinion that the CAF Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of the CAF Green Bond Framework:

- Use of Proceeds:
 - The six use of proceeds categories of the CAF Green Bond Framework are recognized by the Green Bond Principles 2018 as project categories with positive environmental benefits. For additional information on impact, consult Section 3.
 - Eligible renewable energy projects are defined as wind, solar, small-scale hydro (<20MW installed capacity), biomass, ocean power and wholly dedicated transmission systems for renewable energy. Sustainalytics views favorably that only biomass projects with direct emissions of less than 100g CO₂/kWh are included and that feedstocks will be limited those that do not deplete existing terrestrial carbon pools, do not compete with food production, and are not grown in areas of high biodiversity.
 - The sustainable management of living natural resources and land use criteria makes reference to credible third-party standards, such as the Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), Rainforest Alliance, UTZ, Roundtable on Sustainable Biomaterials (RSB), the Intercultural Federation of Organic Agriculture Movements (IFOAM), Aquaculture Stewardship Council (ASC), and the Marine Stewardship Council (MSC). While some of these third-party certification schemes have received criticism related to the implementation and control of standards, Sustainalytics considers the schemes to be credible and impactful. See Appendix 1 and 2 for additional detail on the third-party standards.
- Project Evaluation and Selection:
 - CAF has a project evaluation and selection process which is executed through a dedicated Green Bond Program team headed by the Vice President of Finance. The team will have cross departmental representation from various functional areas of the bank such as international bond issuances and climate change, strategic planning, treasury and business project executives. Sustainalytics assesses this process to be aligned with market practice.
- Management of Proceeds:
 - CAF implemented a Portfolio Monitoring Policy through which it will monitor and track individual projects composing the bank's green bond portfolio. Pending full allocation, CAF will track and maintain its unallocated proceeds in the company's general liquidity portfolio and invest them in high grade short-term liquid assets in line with the bank's liquidity and treasury policy. Sustainalytics views this process to be aligned with market practice.
- Reporting:
 - CAF confirmed that it will publish annual allocation and impact reporting.³ The (i) allocation reporting will cover relevant transaction information such as loan information, allocated amounts and portions financed. The (ii) impact report will cover impact metrics dedicated per each Eligible Green Project category such as annual GHG emissions savings (in tCO_{2e}), renewable energy capacity built or rehabilitated (in MW), minimum energy efficiency improvement achieved (%), and certification achieved for sustainable management of living natural resources and land use. Sustainalytics views the scope and granularity of CAF's allocation and impact reporting to be in line with current market practices.

³ The allocation and impact reporting will be made available on CAF's website at: <https://www.caf.com/en/investors/>

Alignment with Green Bond Principles 2018

Sustainalytics has determined that CAF's green bond aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy and Performance of the Issuer

Contribution of framework to issuer's sustainability strategy

Sustainalytics considers that CAF has a strong sustainability strategy and effective sustainability governance structures due to the following reasons:

- CAF is a multilateral financial institution with a clear mission to support the sustainable development of its shareholder countries⁴ and the integration of Latin America.
- CAF's management policies are structured around social, environmental and climate change considerations. Sustainalytics highlights that CAF has dedicated policy-based loans targeting programs, projects and action promoting green infrastructure and transitioning towards a low-carbon economy. Such policy-based loans have provided sovereign beneficiaries the opportunity to fund policy reforms or institutional changes related to the strengthening of their adaptive capacity and lower exposure to climate risks⁵ or food security,⁶ in addition to institutional and regulatory consolidation designed for climate change adaptation and mitigation.

Considering the above, Sustainalytics believes that CAF's Framework is aligned with the bank's overall mission and sustainability strategy.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the proceeds from the CAF Green Bond Framework will be directed towards Eligible Green Projects that are recognized as impactful under the Green Bond Principles 2018, Sustainalytics is aware that such projects may also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects may include pollution control risks (dust, particulate, water and soil pollution or unintended discharges) in construction and infrastructure projects, risks related to social license to operate or fragile community involvement, biodiversity loss and others.

Sustainalytics is of the opinion that CAF is able to mitigate such risks through internal regulations and sustainability structures set out by the bank's Guidelines and Procedures on Environmental and Social Safeguards Manual⁷ (the "manual"). The manual set out guidelines, requirements and instruments deemed necessary and sufficient to avoid, minimize, abate and offset any adverse impacts on people and the environment as part of the implementation of CAF funded projects. The manual also establishes nine key safeguard areas, namely (i) environmental and social impact assessment, (ii) natural habitats, (iii) involuntary resettlement, (iv) indigenous peoples, (v) pest management, (vi) physical cultural resources, (vii) safety of dams, (viii) accountability and grievance system and (ix) gender mainstreaming. As part of the bank's sustainability risk evaluation, all CAF funded projects undergo an environmental and social impact assessment segregating projects on a 3-level risk scale (Category A, B or C).⁸ CAF has confirmed that projects that are classified as Category A are not eligible for the green bond program. CAF defines internal "Guidelines and Procedures for Reviewing the Environment and Social Impact Assessment (ESIA) and Environment and Social Management Plan (ESMP)", which is to be followed by a public consultation process with project-affected groups and all relevant stakeholders.

⁴ CAF's shareholder countries are Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Portugal, Spain, Trinidad and Tobago, Uruguay, Venezuela and 13 other private banks in the Latin American region.

⁵ Support Program for Policies of Climate Change Mitigation and Adaptation in Mexico was financed in the amount of USD 300 million.

⁶ Support Program for Food Security Public Policy Management in Bolivia was financed in the amount of USD 70 million.

⁷ CAF's Guidelines and Procedures on Environmental and Social Safeguards manual available at:

https://www.caf.com/media/2759391/d0-7_s_e_safeguards_manual_to_caf-gef_projects_may_2015_28.pdf

⁸ Category A projects bear a high environmental and social impact potential, Category B projects bear a moderate environmental and social impact potential, while Category C bear a low environmental and social impact potential.

CAF has confirmed to Sustainalytics that proceeds from the green bonds will not be used to finance any countries / projects under the sanctioned list of the US Department of the Treasury's Office of Foreign Assets Control (OFAC).⁹

Overall, Sustainalytics is confident that CAF is well positioned to issue green bonds and that the issuance of green bonds will help CAF fulfill its mission to support shareholder countries to their sustainable transformation and transition to low-carbon economy model. Moreover, given the structural due diligence performed on all CAF funded projects internally through the set-up Guidelines and Procedures on Environmental and Social Safeguards Manual, Sustainalytics considers that CAF is well positioned to identify and mitigate environmental and social risks associated with its Eligible Green Project Categories.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are recognized as impactful by the GBP. Sustainalytics has focused on three below where the impact is specifically relevant in local context.

Importance of clean transportation in Latin America

Latin America has the fastest urbanization rate¹⁰ in the world and is expected to maintain the trend leading to more than 90% of Latin Americans living in cities by 2050. However, as an increasing number of people migrate from rural to urban areas, cities in the region struggle to provide adequate, sufficient and clean transportation infrastructure. Inadequate or scarce urban transportation infrastructure, originating mostly from rapid and unplanned urbanization, have led to extreme air pollution issues, with 81 million Latin Americans, or 26.5% of the urban residents, being currently exposed to air pollutant levels exceeding WHO guidelines.¹¹ Moreover, it is estimated that poor or inadequate transportation infrastructure in Latin America exacerbates social inequalities mostly due to unequal access of vulnerable communities to mobility services and social, economic and professional opportunities, which in turn reinforce the barriers for social integration.¹² Studies concluded that Latin America's current level of motorized private transportation is unsustainable and prescribed public policies oriented promoting a paradigm shift focusing on low-carbon and clean modes of transportation.¹⁴ Sustainalytics considers that CAF's financing of public and low carbon land transport such as electric rail, metros and tramways will have a direct positive impact on downscaling road influx and air pollution, in addition to entailing substantial benefits such as social inclusion and enhanced access to social, professional, economic or educational opportunities in Latin American cities.

Importance of sustainable waste management in Latin America

The United Nations Environment Program¹⁵ indicated that around a third of Latin America's urban waste ends up in open dumpsites or directly into the biosphere,¹⁶ while the current predictions suggest a waste generation increase of at least 25% by 2050. In this sense, the same studies demonstrated that 145,000 tonnes of waste are inadequately disposed every day in Latin American countries, while another 35,000 tonnes per day remain uncollected, ultimately affecting more than 40 million people.¹⁷ Other studies have concluded that Latin America's waste mismanagement originates from a series of perverse incentives making waste management unprofitable.¹⁸ Sustainalytics therefore, views positively CAF's investments into new and modern waste management capacities, and strongly encourages the bank to select projects in local jurisdictions with sound waste incentives promoting the reduction, reuse and recycling of waste to ensure waste collection and treatment is impactful and sustainable.

⁹ The Office of Foreign Assets Control ("OFAC") - Sanctions Programs and Information of the US Department of the Treasury available at: <https://www.treasury.gov/resource-center/sanctions/pages/default.aspx>

¹⁰ Latin America's cities are ready to take off. But their infrastructure is failing on them, article from the World Economic Forum available at: <https://www.weforum.org/agenda/2018/06/latin-america-cities-urbanization-infrastructure-failing-robert-muggah/>

¹¹ Urban air pollution in Latin America and the Caribbean: health perspectives, article available at: <https://www.ncbi.nlm.nih.gov/pubmed/2238696>

¹² Urban infrastructure in Latin American and the Caribbean: public policy priorities, article available at: <https://link.springer.com/article/10.1007/s40503-015-0027-5>

¹³ Urban Transport System in Latin American and the Caribbean: Challenges and Lessons Learned, paper available at: <http://ftp.iza.org/dp11812.pdf>

¹⁴ Urban infrastructure in Latin American and the Caribbean: public policy priorities, article available at: <https://link.springer.com/article/10.1007/s40503-015-0027-5>

¹⁵ The United Nations Environment Program website available at: <https://www.unenvironment.org/>

¹⁶ A third of urban waste ends up in open dumpsites or environment in Latin America and the Caribbean, UNEP article available: <https://www.unenvironment.org/news-and-stories/press-release/third-urban-waste-ends-open-dumpsites-or-environment-latin-america>

¹⁷ Waste Management Outlook for Latin America and the Caribbean available at: https://wedocs.unep.org/bitstream/handle/20.500.11822/26448/Residuos_LAC_EN.pdf?sequence=2&isAllowed=y

¹⁸ Fulfilling the promise of Latin America's cities, McKinsey findings available at: <https://www.mckinsey.com/featured-insights/urbanization/fulfilling-the-promise-of-latin-americas-cities>

Importance of sustainable water management in Latin America

World Bank estimations show that more than 70% of the wastewater discharged in Latin America receives no treatment¹⁹ leading to groundwater, lake and river pollution and leaving more than 77 million people out of access to safe water supplies.²⁰ As rapid urbanization has made cities unable to keep up with the inflow of new residents in Latin America's megacities, old distribution networks have turned obsolete while new urbanized areas became improperly supplied and prone to improper water quality supply.²¹

Experts from the World Bank also indicated that investments into water treatment, collection and distribution are crucial in order to reduce contamination,²² in addition to human-induced soil salination,²³ which is the primary cause for soil degradation desertification directly affecting food security.²⁴ Sustainalytics is confident that CAF's investments into water supply and treatment facilities in Latin America will provide a meaningful contribution to improve the quality and efficient use of the region's water resources, while improving access and sanitation for residents

Sustainable management of living natural resources and land use

CAF confirmed that it will allocate a portion of the green bond proceeds to finance or refinance projects certified under internationally recognized and impactful standards related to the sustainable management of living natural resources and land use, such as: Forest Stewardship Council (FSC),²⁵ Programme for the Endorsement of Forest Certification (PEFC),²⁶ Rainforest Alliance,²⁷ UTZ Certified²⁸, Roundtable on Sustainable Biomaterials (RSB)²⁹, the Intercultural Federation of Organic Agricultural Movements (IFOAM)³⁰, Aquaculture Stewardship Council (ASC)³¹, and Marine Stewardship Council (MSC).³² Deforestation, or the unsustainable conversion of forest land into agriculture and livestock areas is the second largest source of GHG emissions globally.³³ The State of the World's Forests report issued by the Food and Agriculture Organization in 2016 concluded that around 70% of deforestation in Latin American countries originates from commercial agriculture.³⁴ However, the same report indicated that the rate of deforestation was almost halved in 2015 compared to the 1990 levels, while emphasizing the role for reforestation and certified forest plantations to reverse the trend. Sustainalytics is of the opinion that CAF will play a contributing role to expand certified forest services in Latin America and provide a meaningful contribution to revert deforestation. Similarly, Sustainalytics considers that the financing of certified organic farming through the above-mentioned sustainable agriculture standards will provide strong environmental incentives for the expansion of forested areas across Latin American countries.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

¹⁹ Towards a water security assessment in Latin America and the Caribbean, article available at: <https://blogs.worldbank.org/water/category/regions/latin-america-caribbean>

²⁰ Water Problems in Latin America, article from the World Water Council available at: http://www.worldwatercouncil.org/fileadmin/www/News/WWC_News/WWC_News/water_problems_22.03.04.pdf

²¹ Thirsty Cities, Environments and Water Supply in Latin America, Danilo J. Anton, International Development Research Centre, available at: <https://idl-bnc-idrc.dspacedirect.org/bitstream/handle/10625/11078/IDL-11078.pdf?sequence=1&isAllowed=y>

²² Excerpt from: <https://www.telegraph.co.uk/news/worldnews/southamerica/argentina/10559685/Latin-American-rivers-among-most-polluted-in-the-world-says-new-study.html>

²³ The Struggle for Latin America's Water, article available at: <https://nacla.org/article/struggle-latin-americas-water>

²⁴ Soil Degradation Threatens Nutrition in Latin America, article available at: <http://www.ipsnews.net/2016/06/soil-degradation-threatens-nutrition-in-latin-america/>

²⁵ Forest Stewardship Council website available at: <https://ic.fsc.org/en>

²⁶ Programme for the Endorsement of Forest Certification website available at: <https://www.pefc.org/>

²⁷ Rainforest Alliance website available at: <https://www.rainforest-alliance.org/>

²⁸ UTZ Certified website available at: <https://utz.org/>

²⁹ RoundTable on Sustainable Biomaterials website available at: <https://rsb.org/>

³⁰ The Intercultural Federation of Organic Agricultural Movements website available at: <https://www.ifoam.bio/>

³¹ The Aquaculture Stewardship Council website available at: <https://www.asc-aqua.org/>

³² The Marine Stewardship Council website available at: <https://www.msc.org/>

³³ <https://qcostarica.com/latin-america-one-of-three-regions-with-persistent-deforestation/>

³⁴ State of the World's Forests 2016 report available at: <http://www.fao.org/americas/noticias/ver/en/c/425600/>

Energy efficiency		7.3 By 2030, double the global rate of improvement in energy efficiency.
Clean transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable management of living natural resources and land use	14. Life below water 15. Life on land	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans 14.6 By 2020, prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, eliminate subsidies that contribute to illegal, unreported and unregulated fishing and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the World Trade Organization fisheries subsidies negotiation. 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
Waste management	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
Water management	6. Clean water and sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all. 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

Conclusion

CAF has Developed the CAF Green Bond Framework under which it intends to issue green bonds and use the proceeds to finance or refinance Eligible Green Projects related to (i) Renewable Energy, (ii) Clean Transportation, (iii) Sustainable Management of Living Natural Resource and Land Use, (iv) Waste Management, (v) Water Management and (vi) Energy Efficiency.

Sustainalytics is of the opinion that the use of third-party certification standards for projects related to the Sustainable Management of Living Natural Resource and Land Use ensure the integration of environmental and social considerations and provide additional assurance that the company's eligible projects will deliver meaningful positive impact.

The use of proceeds categories specified in the Framework are aligned with those of the Green Bond Principles 2018; CAF has implemented a process by which all green bond proceeds will be tracked, allocated and managed, along with clear commitments for reporting on the allocation and KPIs tracking the environmental outcomes. Sustainalytics views that the investments funded by the green bonds will contribute to the advancement of the UN Sustainable Goals, in particular 6, 7, 11,14, and 15.

Based on the above, Sustainalytics is confident that CAF is well-positioned to issue green bonds, and that the CAF Green Bond Framework is credible, transparent, and in alignment with the Green Bond Principles 2018.

Appendices

Appendix 1: Overview and Analysis of FSC and PEFC Certifications







FSC and PEFC are both based on rigorous standards and on a multi-stakeholder structure. Both organizations are in line with international norms such as the International Labor Organization (ILO) conventions, the Convention on Biological Diversity (CBD), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In addition to compliance with laws in the country of certification, both schemes have a set of minimum requirements that companies are required to meet to obtain and maintain certifications. These requirements include compliance with standards around sustainable management of forests, management of environmental impact of operations, preservation of biodiversity, management of socio-economic and community relations, and sourcing of sustainable wood (chain of custody). Furthermore, both FSC and PEFC require external annual audits to ensure compliance and achieve and maintain certification. Despite these similarities, PEFC has faced certain criticisms from civil society actors. These are highlighted below:

- (i) **Type of organization:** Since the FSC is an international labelling and certification system, it sets its own global standards. The PEFC, in contrast, is not a standard setter, but a mutual recognition scheme. The PEFC sets sustainability benchmarks according to international norms and endorses national certification schemes that comply with these benchmarks. A common criticism of this model is that it allows for more flexibility in the interpretation of international PEFC benchmarks as per regional, cultural, and socio-economic context, and results in the endorsement of less rigorous national certification schemes. However, the process for being endorsed by the PEFC is thorough; any national certification system seeking to obtain PEFC endorsement must submit to a comprehensive assessment process, including independent evaluation and public consultation. This evaluation of compliance with international PEFC benchmarks is carried out by independent, accredited certification organizations.
- (ii) **Indigenous People's Rights:** FSC and PEFC both identify indigenous rights as an important standard in forest management. Both certification schemes require that forest management activities consider and do not infringe on indigenous people's rights, and the activities are carried out using frameworks ensuring their free and informed consent. A criticism of PEFC is that it requires only engagement with indigenous people in forest management decisions, while the FSC provides performance-oriented targets, and requires forest managers operating on indigenous lands to obtain indigenous people's consent through binding agreements.
- (iii) **Sourcing wood from non-certified sources:** Both FSC and the PEFC have established standards around sourcing wood from non-certified and controversial sources. FSC's standards direct forest managers to avoid wood harvested in violation of traditional and civil rights. A criticism of the comparable PEFC standard is that it limits identification of controversially sourced wood to situations where the local legislation is violated. However, PEFC standards explicitly reference the violation of local, national, and international legislation with regards to worker's and indigenous people's rights as being a controversial source of wood.

Appendix 2: Overview and Assessment of Sustainable Forestry, Agriculture, Fishery and Aquaculture

	Rainforest Alliance	UTZ	Roundtable on Sustainable Biomaterials	Intercultural Federation of Organic Agriculture Movements	Marine Stewardship Council	Aquaculture Stewardship Council
Background	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.	The UTZ Label is a global certification system for coffee, cocoa, tea and hazelnuts. The UTZ certification incorporates environmental, social, farm management and farming practices considerations. UTZ merged with Rainforest Alliance in January 2018.	The Roundtable on Sustainable Biomaterials (RSB) is an international initiative that promotes and supports the sustainability of biomaterials production and processing, bringing together companies, farmers, NGOs, and inter-governmental agencies. While the RSB was set up in 2007 as a means of ensuring the sustainability of liquid biofuels for transport, in 2013, it expanded its scope to include biomaterials.	The Intercultural Federation of Organic Agriculture Movements (IFOAM) is an NGO that represents more than 160-member organizations, including farmers, producers, traders, research and lobby organizations, environmental and consumer NGOs and companies. Its main purpose is to promote knowledge, principles and practices about organic agriculture. The Family of Standards contains all standards endorsed as organic by the Organic Movement.	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.
Clear positive impact	Promoting sustainable practices in agriculture, forestry and tourism.	Promoting sustainable practices in Coffee, Cocoa Tea and Hazelnut farming and trading.	Promoting sustainable biomaterials.	Promoting sustainable practices for organic agriculture.	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.
Minimum standards	Rainforest alliance establishes a minimum threshold for impact through critical criteria, and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.	UTZ establishes a minimum threshold for impact through mandatory points and additional points, and requires farmers to go beyond by demonstrating compliance with an increasingly large proportion of both mandatory and additional points.	The RSB sets minimum requirements in the areas of legality, planning, monitoring and continuous improvement, GHG emissions, human and labour rights, rural and social development, local food security, conservation, soil, water and air management, use of technology, inputs and management of waste, land rights and chain of custody.	Each standard, which is a part of IFOAM, has its own set of minimum requirements.	A minimum score must be met across each of the performance indicators. As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based. Certification may be granted with a "variance" to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions, but has been criticized for weakening the standard and overriding the consultations

						involved in the standard-setting process.
Scope of certification or programme	Rainforest alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.	UTZ addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.	The RBS certification addresses key risks such as human and labour rights, supply chain, resource management, and land and biodiversity use through its criteria.	The IFOAM standards addresses different risk, including such as soil, pesticide, synthetic fertilizers and land use, through its criteria.	The MSC standard consists of a fisheries standard and a chain of custody standard. The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts. The Chain of Custody standard addresses certified spirchsing, product identification, seperation, traceability and records, and good management.	ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standars lay out minimum requirements regarding both environmental and social performance. Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.
Verification of standards and risk mitigation	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	Certified entities undergo a self-assessment process and, afterward, receives a visit from a third-party auditor. Annual audits will also take place after the validation.	Certified entities undergo third-party verification according to the specific IFOAM standard.	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065. Certification is valid for up to five years.	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065. Major non-compliances must be remedied within three months.
Third party expertise and multi-stakeholder process	Standard setting is aligned with the ISEAL Standard Setting Code.	Standard setting is aligned with the ISEAL Standard Setting Code.	RSB is a full member of the ISEAL Alliance and respects its Codes of Good Practice for multi-stakeholder sustainability standards. RSB's benchmarks are available with Rainforest Alliance, the Sustainable Agriculture Network, the	IFOAM maintains an Organic Guarantee System, which is a non-profit independent evaluation program that provides customers with trusted organic labels. The Standards Requirements Committee is responsible for developing the IFOAM Standards Requirements (COROS), which serve	Aligned with the UN Code of Conduct for Reponsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)	Developed in line with United Nation's Food and Agriculture Organization) UN FAO) and International Labour Organisation (ILO) principles. Managed in accordance with the International Social and Environmental Accreditation and

			Forest Stewardship Council, Bonsucro and the IFC Performance standards.	as the basis for the approval of standards under the IFOAM Family of Standards. COROS was developed jointly by IFOAM, FAO and UNCTAD.		Labelling (ISEAL) Codes of Good Practice.
Performance Display						
Third-party verified	<ul style="list-style-type: none"> Africert Conservacion y Desarrollo Certified S.A. Imaflora IMO India CERES IBD Indocert NaturaCert Productos y Procesos Sostenables, A.C. NEPCon 	<ul style="list-style-type: none"> 60 UTZ approved certification bodies split by country and by relevant commodity (coffee, cocoa, tea, hazelnut, herbals, Rooibos) 	<ul style="list-style-type: none"> ASI SGS Global Services 	<ul style="list-style-type: none"> Argencert SA AsureQuality Limited Australian Certified Organic Bioagricert Biocert International PVT Limited BIOGRO New Zealand LTD CCPB SRL Doalnara Certified Organic Korea, LLC Hong Kong Organic Resource Centre Certification Limited IBD Certifications Ltd. iCOOP Certification Center Japan Organic & Natural Foods Association LETIS S.A. NASAA Certified Organic Pty. Ltd. Organic Agriculture Certification Thailand Organic Food Development & Certification Center of China Organizacion Internacional Agropecuaria S.A Social Certification Services Pvt. Ltd 	<p>The MSC label is the most widely recognized sustainable fisheries label worldwide and is generally accepted to have positive impacts on marine environments.</p> <ul style="list-style-type: none"> Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains. 	<p>Widely recognized and modeled on the successful MSC certification.</p> <p>Some criticism has been focused on the ability to certify with a "variance", in which certain aspects of the standard can be interpreted or waived during the audit procedure.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>

<p>Qualitative considerations</p>	<p>Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people which have conducted training, certification and verification under the Rainforest Alliance standard. Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.</p>	<p>Global recognition across 131 countries around the world. There are 987,000 UTZ Certified farmers in the UTZ programme with more than 368,000 workers on the UTZ certified farms in 41 producing countries and more than 3.4 million hectares of UTZ certified crops. The UTZ name or label is present on more than 15,000 products in 131 countries worldwide. Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.</p>	<p>The RSB certification is considered strong by organizations such as WWF, IUCN and NRDC. In 2017, RSB certified 50 industrial facilities and 56 784 hectares of farmland.</p>	<p>In 2016, IFOAM was formed out of 40 governmental bodies, 297 companies and 245 civil society organizations. In total, IFOAM has around 800 affiliates in 117 countries.</p>		
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Appendix 3: Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

Issuer name:	Corporación Andina de Fomento ("CAF")
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	CAF Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The six eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles 2018. Sustainalytics considers projects in the area of (i) Renewable Energy, (ii) Clean Transportation, (iii) Sustainable Management of Living Natural Resource and Land Use, (iv) Waste Management, (v) Water Management and (vi) Energy Efficiency to have positive environmental impacts and to advance the UN Sustainable Goals 6, 7, 11, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

CAF has a project evaluation and selection process which is executed through a dedicated Green Bond Program team headed by the Vice President of Finance. The team will have cross departmental representation from various functional areas of the bank such as international bond issuances and climate change, strategic planning, treasury and business project executives. Sustainalytics assesses this process to be aligned with market practice.

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

CAF implemented a Portfolio Monitoring Policy through which it will monitor and track individual projects composing the bank's green bond portfolio. Pending full allocation, CAF will track and maintain its unallocated proceeds in the company's general liquidity portfolio and invest them in high grade short-term liquid assets in line with the bank's liquidity and treasury policy. Sustainalytics views this process aligned with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

CAF confirmed that it will publish annual allocation and impact reporting. The (i) allocation reporting will cover relevant transaction information such as loan information, allocated amounts and portions financed. The (ii) impact report will cover impact metrics dedicated per each Eligible Green Project category such as annual GHG emissions savings (in tCO₂e), renewable energy capacity built or rehabilitated (in MW), minimum energy efficiency improvement achieved (%), and certification achieved for sustainable management of living natural resources and land use. Sustainalytics views the scope and granularity of CAF's allocation and impact reporting to be in line with current market practices.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): capacity of renewable energy plant(s) built or rehabilitated (MW), certification achieved for sustainable management of living natural resources and land use. |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): company website: https://www.caf.com/en/ |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.caf.com/en/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognized external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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