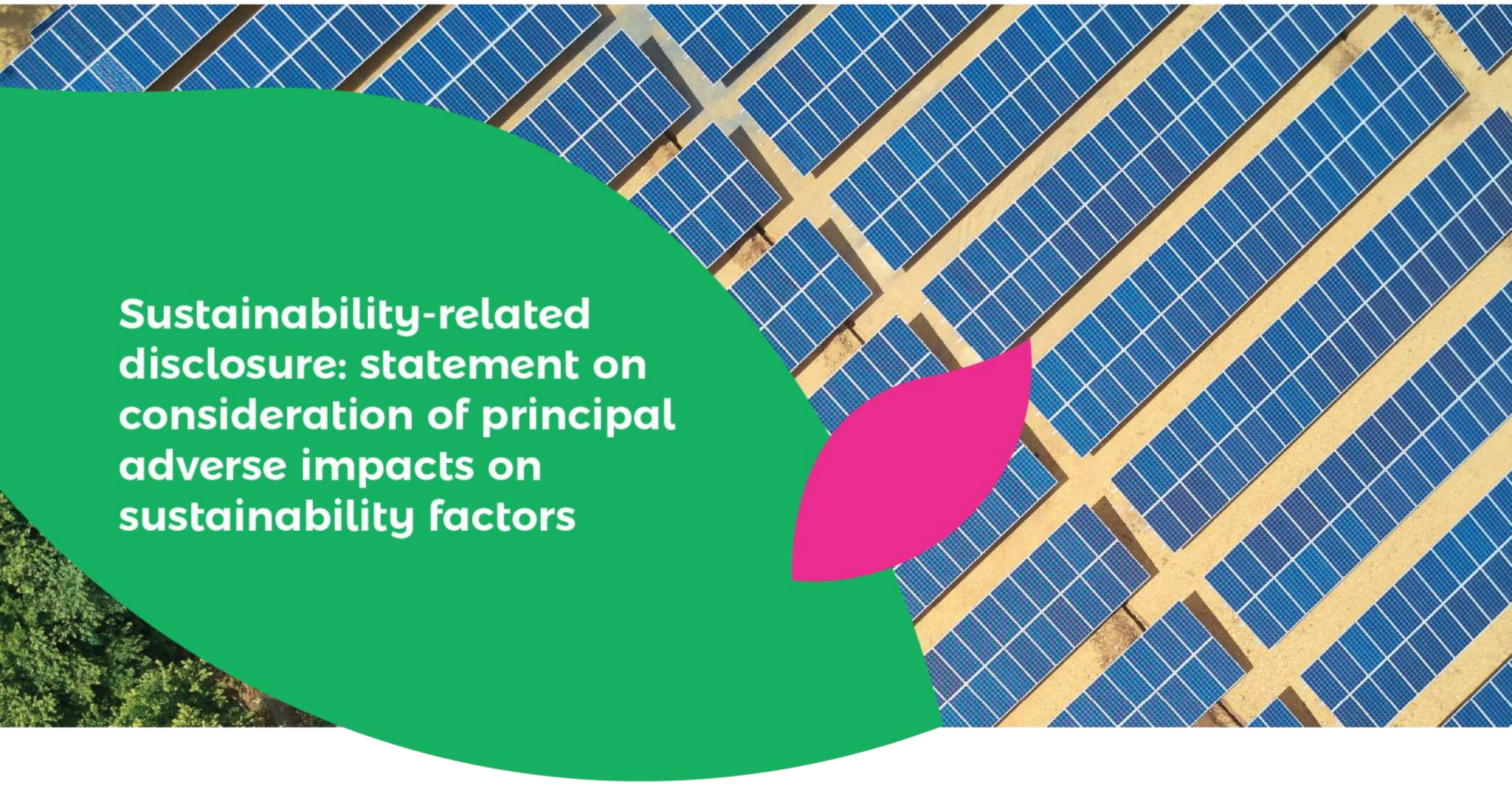
Sustainability-related disclosure: statement on consideration of principal adverse impacts on sustainability factors



Introduction

This statement is published by the LATIN AMERICAN GREEN BOND FUND S.A., SICAV-SIF (LAGreen, "the Fund") on its website in accordance with Article 4 of Regulation (EU) 2019/2088 on Sustainable Finance Disclosure. Its purpose is to provide transparency on the principal adverse impacts of investment decisions. Other publicly available documents that are related to this statement include:

- Statement on the integration of sustainability risks in the investment process (December 2021) in accordance with Article 3 of the Regulation
- Statement on the promotion of sustainable investment objectives (December 2021) in accordance with Article 10 of the Regulation

This statement is made on 20th December 2021[1].

The strategic focus of LAGreen is to promote climate change mitigation and adaptation and the delivery of other environmental and societal benefits in Latin America through investing in Green Bonds[2] and other thematic fixed income products (such as Social Bonds and Sustainability Bonds) that contribute to international development priorities, including the UN Sustainable Development Goals (SDGs). LAGreen may also invest in other products such as green loans.

[1] Published on the occasion of the launch of the LAGreen Website.

[2] The term 'Green Bond' in this document is used as a generic term to cover various types of thematic bonds that follow the relevant International Capital Markets Association's principles or any equivalent standard.

Description of principal adverse impacts and the policies and actions to identify and prioritize and address such impacts

The issuers of Green Bonds can be financial intermediaries, corporates as well as sovereign and sub-sovereign entities. Given the wide range of eligible project categories and business activities that could be financed through proceeds of green or other thematic bonds, adverse impacts on sustainability related factors may occur and undermine the environmental, social and governance (ESG) performance of issuers, particularly in relation to pollution prevention and control; protection of biodiversity and natural habitats; occupational and community health and safety; labor and working conditions; anti-corruption; and anti-bribery matters. Against this background, LAGreen places a priority on assessing the issuer's capacity to effectively manage (potential) principal adverse impacts of eligible projects on these ESG factors.

Funds provided by LAGreen are largely invested in thematic bonds. LAGreen conducts a due diligence on both the use of bond proceeds and the issuer, including on ESG matters. This due diligence aims at ascertaining that funds are only allocated to projects and companies that meet the eligibility criteria, the exclusion list, and the ESG requirements defined in the LAGreen ESG Policy and Investment Guidelines. Primary responsibility for day-to-day implementation of the policy and guidelines rests with the Fund Advisor[3] who adheres to the United Nations Principles for Responsible Investment (UN PRI). Against the background of such an investment strategy, the risk of causing principal adverse impacts on the environment and/or the society is inherently diminished.

While the level of management of potential adverse sustainability impacts depends on the size, nature, and scale of the investment, LAGreen acknowledges that effective management of adverse impacts requires careful governance and therefore maintains an environmental and social management system (ESMS) and a detailed risk-based AML/CFT framework that define LAGreen's commitment to managing adverse impacts.

The key document summarizing the Fund's ESG management approach is the LAGreen ESG Policy. The LAGreen Exclusion List is an integral part of the ESG Policy and prohibits the use of funding provided by the Fund for activities with inherent or elevated risk of causing adverse impacts, such as those related to coal, oil and gas sectors, activities involving child or forced labor, activities associated with the destruction or impairment of areas particularly worthy of protection, among others. Equally, issuers are expected to carry out activities financed by the Fund in compliance with national law and in a manner consistent with the IFC Performance Standards and good international industry practice, including relevant World Bank Group Environmental, Health and Safety Guidelines and the principles contained in the UN Global Compact where applicable. LAGreen is also committed to the core conventions of the International Labor Organization and the International Bill of Human Rights.

Within the investment process, thorough due diligence is a key tool for identifying potentially significant adverse sustainability impacts and assessing the issuer's ESG policies, procedures, capacity, and commitment to address and mitigate these impacts. The scope of the due diligence on

[3] LAGreen's Fund Advisor is the impact asset manager Finance in Motion.

environmental and social (E&S) risks is customized depending on the initial E&S risk categorization of the investment.

Results of the E&S due diligence form an integral part of each investment proposal. Where E&S risks and potential negative impacts are identified during the due diligence process, these are described along with the Fund Advisor's assessment of the ability of the issuer to mitigate and manage the risks and impacts. If the E&S due diligence appraisal determines that additional measures are required for the issuer to meet LAGreen's E&S requirements, these are presented in the investment proposal as well as potential engagement measures to support the issuer in meeting LAGreen's requirements. Issuers which are not considered to have the capacity to manage potential principal adverse sustainability impacts or who were identified to exceed certain levels of adverse impacts are excluded from financing.

Regular risk-based monitoring of the issuer's E&S performance is considered crucial in order to effectively manage the potential risks of principal adverse impacts of LAGreen's investments. Monitoring makes use of publicly available reports from the issuer, media screenings, ESG data providers and third-party consultants, as required.

Governance factors are assessed as part of the investment process, with the aim to ensure that corruption, bribery, and other adverse governance practices are not promoted. The Fund's AML/CFT policy is complementary and defines the minimum eligibility and monitoring requirements for investees/investors, the scope and frequency of which is determined by the counterparties AML risk classification.

Engagement policies

LAGreen focuses on bonds and other debt instruments without voting rights and as such does not undertake investor engagement within the meaning and context provided by Article 3(g) of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies. While engagement with issuers is considered by the Fund throughout the investment process, the Fund acknowledges that the depth of engagement will vary depending on the product and the Fund's degree of leverage in the transaction. Where appropriate, e.g., when an issuer was identified to not meet the required standards of ESG management during initial DD, technical assistance or capacity building may be offered in selected cases.