

Counterparty Risk Due Diligence Policy

Policy Number: MnCIFA-INV-002

Policy

The purpose of this policy is to establish Minnesota Climate Innovation Finance Authority's ("MnCIFA", or the "Authority") approach to assessing and mitigating potential risks associated with counterparties receiving financial support from MnCIFA's debt financing and credit enhancement products. This Counterparty Risk Due Diligence ("CRDD") policy defines the counterparty risk factors that MnCIFA assesses as a part of its underwriting of new loans and monitoring of its outstanding loan portfolio, while ensuring compliance with applicable laws, regulations, and MnCIFA funding requirements.

Guiding Principles

MnCIFA seeks to:

- Eliminate waste, fraud, and abuse, including the misuse of Authority's funds and resources by its counterparties;
- Reduce borrower repayment risk to the Authority; and
- Protect the reputation of the State of Minnesota and that of the Authority.

Counterparty Risk Factors

In assessing counterparty risk, the Authority analyzes the following factors regarding counterparty entities and counterparty key persons:

- A. Identity Verification: Confirms the legal identity of counterparty entities and counterparty key persons, including the counterparty key person(s) authorized to sign on behalf of the counterparty entity.
- Financial and Operational Health: Confirms the condition of the counterparty's financial management and operational status, including those of counterparty key persons.
- Compliance and Sanctions: Confirms that counterparty entities and key persons are responsible stewards of public funds and are not engaged in illicit business activities.
- Transparency: Confirms the ownership structure, related entities, business and financial relationships of counterparty entities and counterparty key persons.

Counterparty Risk Thresholds

For new and existing loans, the Authority has two separate counterparty risk thresholds during loan origination and the loan monitoring and servicing life cycle:

- Material Counterparty Risk: An identified counterparty risk factor that represents a potential or actual repayment and/or reputational risk of significance to the Authority that may not be able to be mitigated by the Authority and/or the counterparty.

- Immaterial Counterparty Risk: An identified counterparty risk factor that does not represent a potential or actual repayment and/or reputational risk to the Authority.

Loan Origination

In general, the Authority will not underwrite any loans associated with a Material Counterparty Risk unless the assessed risks can be mitigated to the satisfaction, consent, and written approval of the Authority's Executive Management Team.

Loan Monitoring

Should a loan in the Authority's outstanding portfolio be associated with or should the Authority become aware of a Material Counterparty Risk that cannot be mitigated by the Authority and/or the Counterparty, the Authority will seek to liquidate or otherwise exit the loan. Any action taken with respect to a Material Counterparty Risk requires the consent and written approval of the Authority's Executive Management Team.

Authority

Minnesota Statute, section 216C.441, Minnesota Climate Innovation Finance Authority

Applicability

MnCIFA staff may be subject to disciplinary action, up to and including termination, for failure to comply with this policy.

Purpose

This policy establishes the Authority's approach to assessing the risk of counterparties receiving financial support from MnCIFA's debt financing products.

Definitions

- Counterparty: A business, entity, or person seeking or receiving financing from the Authority.
- Counterparty Entity: A business or other entity seeking or receiving financing from the Authority.
- Counterparty Key Person(s): A member (or members) of the Counterparty Entity's executive management team and any other officers or employees of the Counterparty Entity that are mission critical to execution of the

Procedures

[Forthcoming]

Review and Approval

This policy will be reviewed at least annually by MnCIFA and the Credit Committee, or upon significant changes in strategy, market conditions or regulatory requirements, and recommended for approval by the Board of Directors.

References

None

Attachments

None

Supersession

MnCIFA “Counterparty Risk Due Diligence Policy” effective upon the initial adoption date and all policies, memos or other communications whether verbal, written, or transmitted by electronic means regarding this topic are superseded with this version, if any.

History and Updates

Initial adoption date: Upon completion of the procedures, or December 31, 2026, whichever occurs first.