



**1<sup>st</sup> GREEN BONDS  
REPORT**



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2018

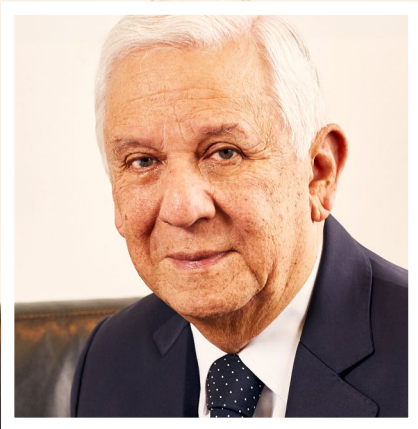


**GOBIERNO  
DE COLOMBIA**



**MINCIT**





**Mario Suárez Melo**  
President of Bancóldex

## PAVING THE WAY

When we decided to issue the first green bonds in the Colombian public securities market, on August 9th, 2017, we knew that starting out on this new path, despite the challenges, would represent a new milestone of approaching financing for green

development in the country. Our motivations in issuing this first bond, which was groundbreaking for the financial system and main market at the time, revolved around the idea of adding new stakeholders who believed in the financial benefits of investing in green business projects, diversifying the traditional investor base. The result was the demand of 2.5 times the auction value and the allocation of 200 billion pesos to 78 investors, including institutional investors, companies, foundations and individuals.

However, this initiative, which today is replicated by other issuers in the Colombia' Stock Exchange, is not a one-off step. It is part of a strong commitment to contributing to sustainable development in Colombia through distinct financial products and services which support companies in reducing their impact on the environment. To do this, we have designed an environmental and social corporate policy which, in addition to the credit products, promotes a culture of eco-efficiency to reduce the footprint of our own banking operations. It also establishes a system to manage environmental and social risks, enabling us to make investment decisions in a more effective way.

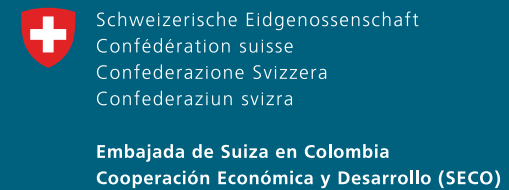
Today, we are proud to present the Annual Report on the use of resources which, in line with the Green Bond Principles established by the International Capital Market Association (ICMA), gives an account of the main achievements through four business projects. These illustrate different types of impact which are united under a common goal: to promote the transition towards an economy which is resilient to climate change and has low carbon emissions.

This journey, which we began in 2017, is unstoppable. The recent allocation of the first social bonds in May 2018, for a total of 600 billion pesos in sustainability bonds in less than a year, further illustrates our commitment to sustainability. This was what made us decide to focus exclusively on issuing bonds that would generate strategic value for the development of the country and contribute to the ambitious target of the Paris Agreement and to fulfillment of the Sustainable Development Goals of the 2030 Agenda.

*Before our investors, shareholders, employees and, above all, business owners, we confirm our commitment to continue promoting financial instruments that support the growth of Colombian companies while protecting the resources of future generations of Colombians.*

## Bancóldex is thankful with

All the strategic partners that made the issuance of its  
Green Bonds in the Colombian Stock Exchange possible:



And the enterprises that shared the results of their projects:

**ALUBAQ Barranquilla  
Capital de Luz S.A.S.**

**Dobleclick Software e  
Ingeniería S.A.S.**

**GERT S.A. Empresa de  
Servicios Públicos**

**ABControl  
Ingeniería S.A.S.**



## INTRODUCTION

By issuing the Green Bonds, Bancóldex has consolidated its strategic focus on boosting business growth and increasing the productivity and competitiveness of the Colombian business sector by promoting the proper use of natural resources and the wellbeing of society in present and future activities. In order to fulfill this objective, Bancóldex has taken part in actions to strengthen the commitment of the financial sector to sustainable development. Through its adherence to the Green Protocol<sup>1</sup>, it has mobilized resources to mitigate the impact of productive activity, and it has played a pioneering role in the incorporation of environmental criteria in credit granting processes.

By issuing its first Green Bonds, Bancóldex sought to engage the private sector in the financing of productive projects that contribute to the protection of the environment, the efficient use of resources and the mitigation and adaptation to climate change, with a tangible and measurable impact.

*Additionally, Green Bonds constitute an innovative financial instrument for the achievement of the Sustainable Development Goals (SDG) of the 2030 Agenda.*

The monitoring and results contained in this report are in line with the international principles of the Voluntary Process Guideline for issuing Green Bonds<sup>2</sup>, established by the International Capital Market Association (ICMA).

<sup>1</sup> Protocol signed between the Colombian financial sector and the government, which seeks to unite efforts to promote sustainable development in the country and work towards the conservation of the environment and the sustainable use of natural resources.

<sup>2</sup> The Green Bond Principles 2017. Available at <https://www.icmagroup.org/assets/documents/RegulatoryGreen-Bonds/GreenBondsBrochure-JUNE2017.pdf>



## USE OF RESOURCES

The projects, which are financed or refinanced using resources from the issuance of the Green Bonds, are developed by companies in Colombia that aim to generate environmental benefits and considerably contribute to the transition to a low-carbon economy through their productive activities.

### THESE ACTIVITIES AIM TO:

- Optimize the use of resources.
- Effectively use and correctly manage waste generated in the production process.
- Use energy in an increasingly efficient way.
- Incorporate sustainable practices, including the replacement of technology which is inefficient or based on fossil fuels with clean technology.
- Control pollution.

# **ELIGIBILITY CRITERIA**

for the selection  
of projects:

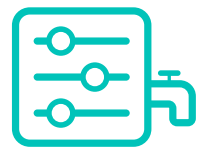
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# ELIGIBILITY CRITERIA

for the selection of projects:

DESTINATION OF RESOURCES



## POLLUTION CONTROL AND EFFICIENT USE OF RESOURCES

CRITERIA

### Construction, installation and operation of production control and monitoring systems to prevent and mitigate the negative effects of business activities on the environment:

- Acquire equipment and make adjustments to treat waste water.
- Acquire equipment to make effective use of solid, liquid and gaseous waste.
- Acquire monitoring systems to reduce pollution in solid, liquid and gaseous waste (e.g. filters to control atmospheric emissions).
- Acquire equipment to efficiently use resources (e.g. water-saving devices).



# ELIGIBILITY CRITERIA

for the selection  
of projects:

DESTINATION OF RESOURCES



## SUSTAINABLE TRANSPORT

CRITERIA

### Renewal, modernization and modal shifts in transport systems towards zero or low-emission transport:

- Acquisition of all kinds of hybrid or electric vehicles for public or private transport of passengers or cargo.
- Electric infrastructure to charge hybrid or electric vehicles.
- Infrastructure to operate mass transportation systems.





# ELIGIBILITY CRITERIA

for the selection of projects:

DESTINATION OF RESOURCES



## ENERGY EFFICIENCY



CRITERIA

### Optimization of electric or thermal energy consumption to improve productive processes:

- Development of energy audits.
- Substitution or renewal of existing equipment for more efficient equipment (e.g. replace conventional lighting with LED, high-efficiency motors, efficiency refrigeration systems, among others).
- Investments to optimize energy consumption in productive processes (e.g. reduce energy loss, efficient boilers, among others).
- Acquisition and installation of systems to measure and control energy use.
- Systems to recover and make use of residual heat.
- Design, construction and installation of cogeneration projects. Only if a net reduction in greenhouse gas emissions is observed.
- The necessary activities to obtain certification under the ISO 50001<sup>3</sup> standard.

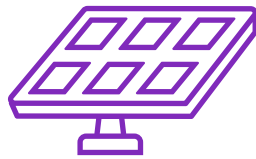
<sup>3</sup> International standard which aims to establish the necessary systems and processes to improve the energy performance of organizations.



# ELIGIBILITY CRITERIA

for the selection of projects:

DESTINATION OF RESOURCES



## RENEWABLE ENERGY

CRITERIA

**Generation of electric or thermal energy through renewable sources, such as wind energy, solar energy, biogas (from biomass waste), small hydroelectric plants with a capacity lower than 10 MW and geothermal energy:**

- Design of the energy generation project.
- Adjustments for the construction and installation of energy generation projects.
- Acquisition of energy generation technology.
- Acquisition of storage systems.
- Systems for transmission and connection to the grid.
- Measurement and information technology to integrate renewable energy into the power grid.
- Systems to monitor variables for each technology.

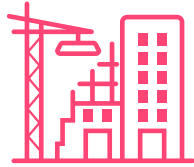




# ELIGIBILITY CRITERIA

for the selection  
of projects:

DESTINATION OF RESOURCES



## SUSTAINABLE CONSTRUCTION

CRITERIA

### Design and construct buildings that fulfill sustainable construction parameters and

guidelines to save water and energy, in accordance with the Sustainable Construction Guide established through Resolution No. 0549 of 2015 by the Ministry of Housing, City and Territory.



## The results for the use of

resources represent a positive contribution to the fulfillment of Sustainable Development Goals 3, 6, 7, 8, 9, 11, 12, 13 and 15.





## EVALUATION PROCESS AND SELECTION OF PROJECTS

The **Green Bonds** resources support the initiatives of Colombian companies to efficiently use and reduce the pollution of resources such as air, water and land, invest in energy efficiency and incorporate renewable energy in all sectors of the economy. These efforts are in line with the Intended Nationally Determined Contributions (INDCs) announced in the Paris Agreement and the sustainability strategy of Bancóldex.

The business projects chosen for the use of resources fulfilled one or more of the five eligibility criteria for financing through the green credit lines which are directly linked to the objective of the Bancóldex Green Bonds:

- **SUSTAINABLE DEVELOPMENT LINE**
- **ENERGY EFFICIENCY AND RENEWABLE ENERGY LINE**
- **BUSINESS MODERNIZATION LINE**

## RESOURCE ADMINISTRATION

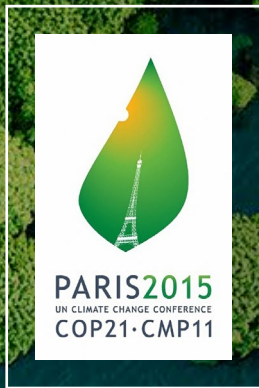
The **Green Bonds** resources were entirely addressed to financing the business activities selected under the previously mentioned criteria, in accordance with the provisions of the Framework<sup>4</sup>. On the cut-off date of July 19th, 2018, all of the resources had been assigned to eligible green operations.

## REPORT

**In accordance** with the principle of transparency, Bancóldex presents the consolidated information concerning the use of the resources of its Green Bonds in terms of the number of beneficiaries, the distribution per category for the total portfolio, the average value of disbursements and the regional distribution. It also presents the positive environmental impact of **four representative projects** which, in sum, exemplify the expected achievements and significantly contribute towards the objectives of the Green Bonds.

<sup>4</sup> <https://www.bancoldex.com/informacion-emisiones/prospecto-bonos-2014.aspx>





These efforts are in line with the Intended Nationally Determined Contributions (INDCs) announced in the **Paris Agreement** and with the sustainability strategy of Bancóldex.





Bancóldex was given the favorable second party opinion of the independent third party Sustainalytics to verify the fulfillment of the Use of Resources and Report on projects financed with the resources of the Green Bonds.

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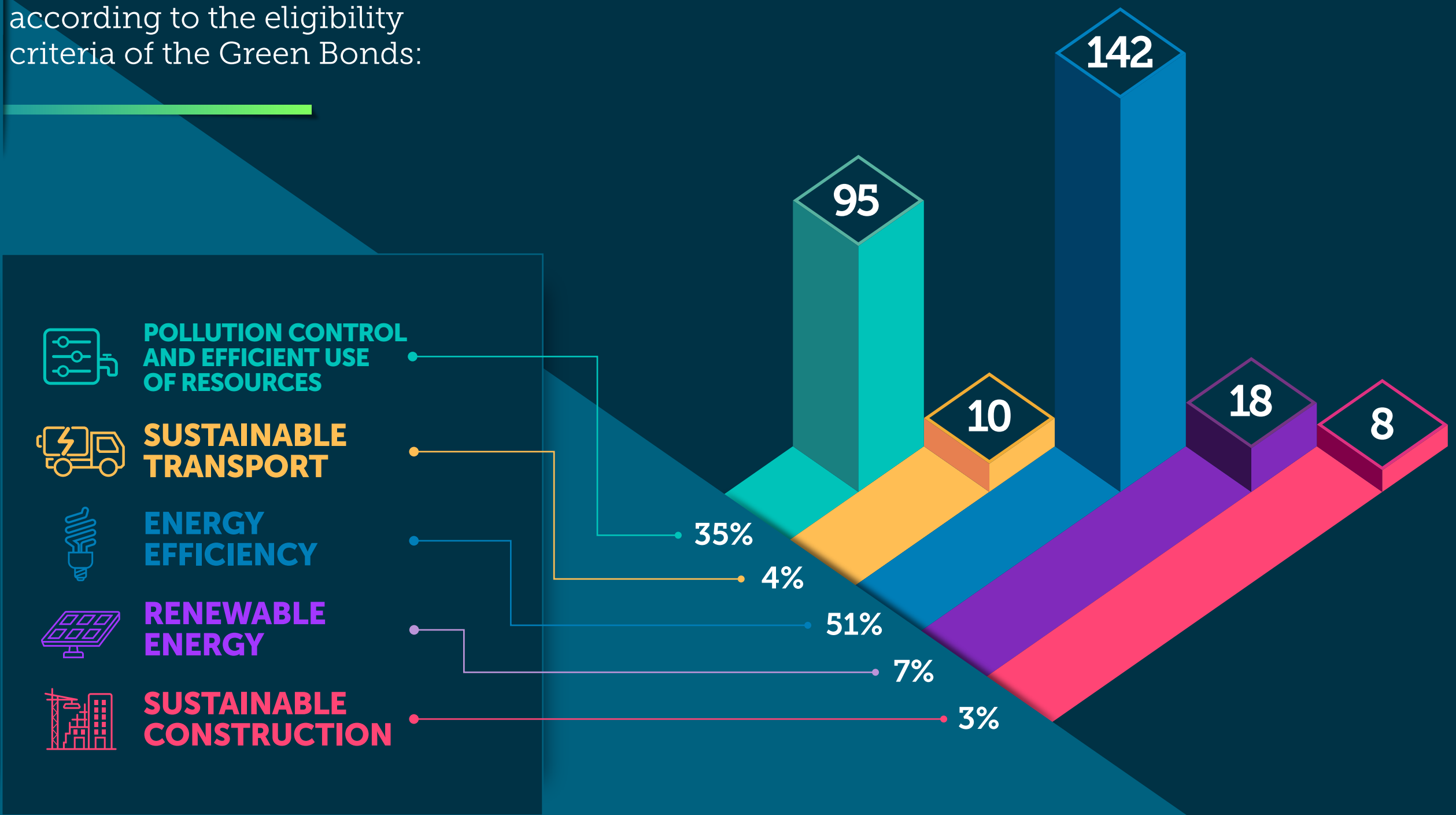
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OPINION FILE >>

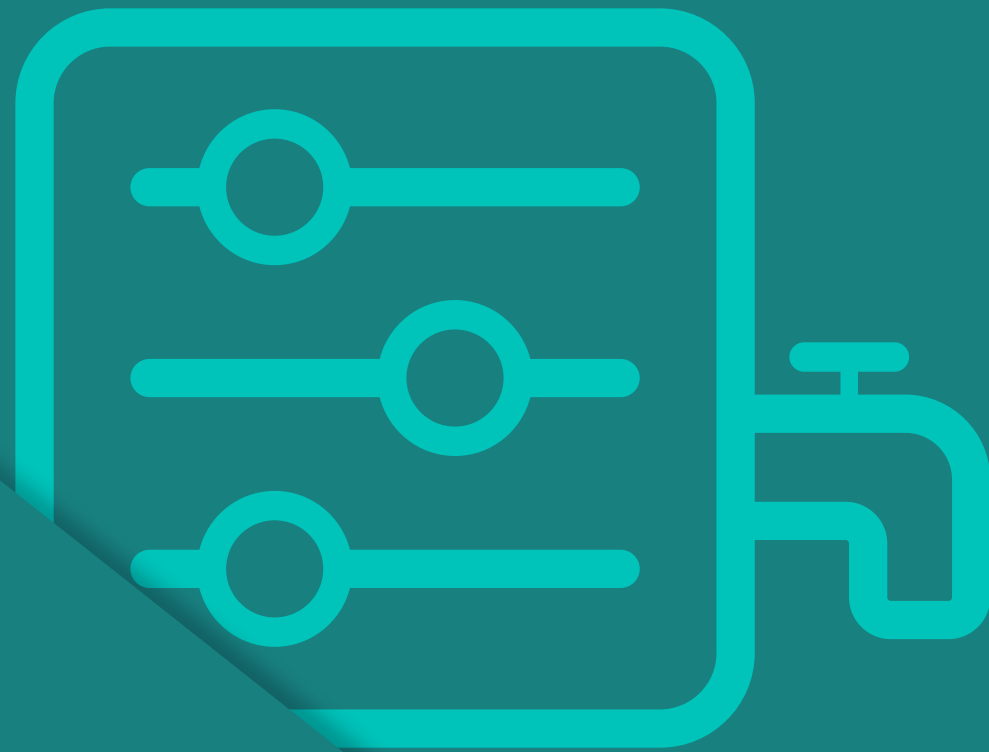




# DISTRIBUTION OF THE 273 PROJECTS

according to the eligibility criteria of the Green Bonds:





**PROJECTS ON  
MONITORING POLLUTION AND  
THE EFFICIENT USE OF RESOURCES**

## DISTRIBUTION OF THE 273 PROJECTS

according to the eligibility criteria of the Green Bonds:



# 95

### PROJECTS ON MONITORING POLLUTION AND THE EFFICIENT USE OF RESOURCES

**53** projects to reduce or manage liquid waste, within which the following items have been financed: low-water-consumption equipment, rainwater collection systems, water reuse systems for process water, wastewater treatment plants and drinking water treatment plants. From this group, 34 projects correspond to the implementation or optimization of wastewater treatment plants (WWTP) and one corresponds to a drinking water treatment plant (DWTP).

**20** projects to reduce or manage atmospheric emissions, including systems to collect and control particulate matter, gases and smells (such as dust extraction systems, filters, cyclones and gas scrubbers), projects to optimize combustion processes and minimize polluting CO<sub>2</sub>, NO<sub>x</sub> and SO<sub>2</sub> emissions, among others.

**18** projects to reduce or manage solid waste, including investments in equipment to separate solids, treatment systems, recovery and use of solid waste to enable a lesser degree of soil contamination and a reduction in loads sent to landfill.

**3** projects on tree planting or reforestation, one of which corresponds to a sustainable tree-planting plan with 56,087 trees planted over a period of 6 years. This project has made it possible to capture 29.9 tons of CO<sub>2</sub> per hectare per year. Another project has led to the reforestation of water protection areas near to the company.

**1** project on cleaner production by substituting polypropylene in the manufacturing of packaging for the food industry.





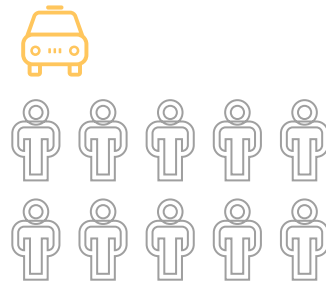
# SUSTAINABLE TRANSPORT PROJECTS

# DISTRIBUTION OF THE 273 PROJECTS

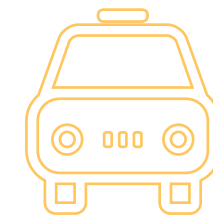
according to the eligibility criteria of the Green Bonds:



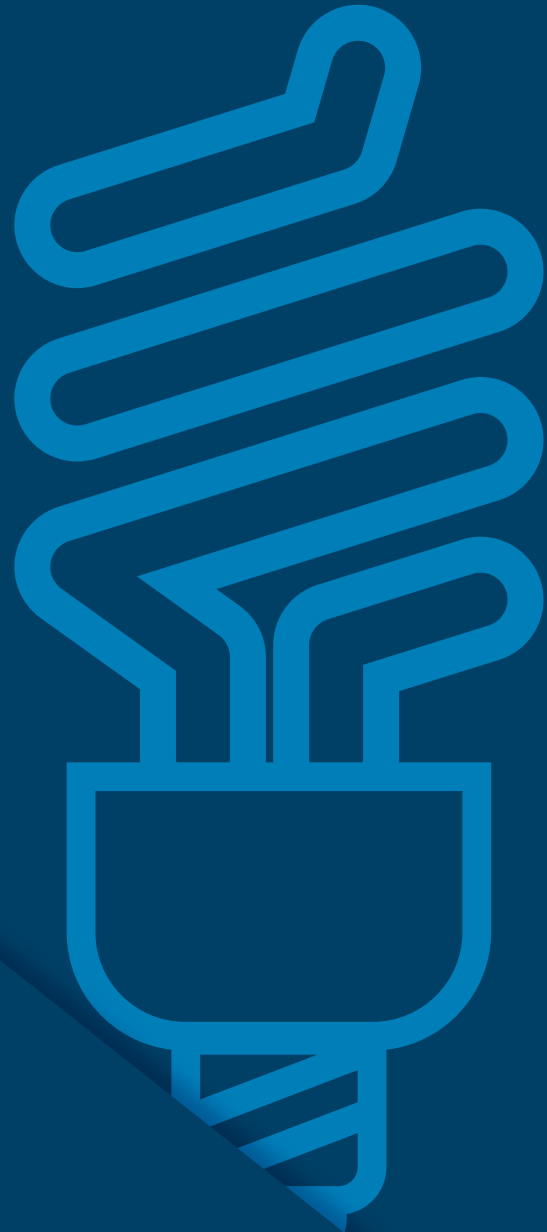
# 10



## SUSTAINABLE TRANSPORT PROJECTS



**10 persons** acquired credits within the electric taxi program for the city of Bogotá as part of the Plan for Technological Advancement which aims to reduce emissions of particulate matter by replacing gasoline or gas vehicles with zero-emissions vehicles.



# ENERGY EFFICIENCY PROJECTS



## DISTRIBUTION OF THE 273 PROJECTS

according to the eligibility criteria of the Green Bonds:



142



## ENERGY EFFICIENCY PROJECTS

**56** projects on LED lighting, including three operations corresponding to street-lighting projects. Two operations requested resources to operate under the savings payment market model or the ESCO (Energy Service Company) model, where the beneficiary of the credit is the company providing the lighting project, and the client pays the investment in the medium-long term with the savings obtained.

**23** projects for technological modernization in air-conditioning which enables the substitution of old refrigerants for ones with a lower ozone-depletion potential.

**16** projects to install energy measurement and control systems, grouped into the following categories: renovation of electrical substations, implementation of control systems for production processes and systems for industrial services such as lighting, air-conditioning and combustion systems, among others.

**9** projects to implement or substitute thermal insulation to optimize thermal energy use (whether hot or cold), leading to a reduction in the energy consumption of industrial systems.

**8** projects to optimize combustion processes in order to reduce fuel use in heating or steam generation processes.

**8** projects on energy efficiency in processing equipment to increase productivity and reduce energy consumption.

**4** projects on refrigeration, corresponding to projects to update technology and implement refrigerants with a lower global warming and ozone-depletion potential, in accordance with current regulations in Colombia.

**4** projects for furnace technology substitution, making it possible to reduce energy consumption and, therefore, GHG<sup>5</sup> emissions. One of these projects is specially highlighted due to its use of recycled material in the production process.

**3** projects for conversion to high-efficiency motors, contributing to a reduction in electric energy use.

**3** projects to implement high-efficiency boilers.

**3** projects on energy efficiency in compressed air systems to replace out-dated equipment.

**2** projects on waste heat recovery to use the thermal energy of exhaust gases that was previously released into the atmosphere.

**1** project on efficient pumping, achieving a reduction in energy use.

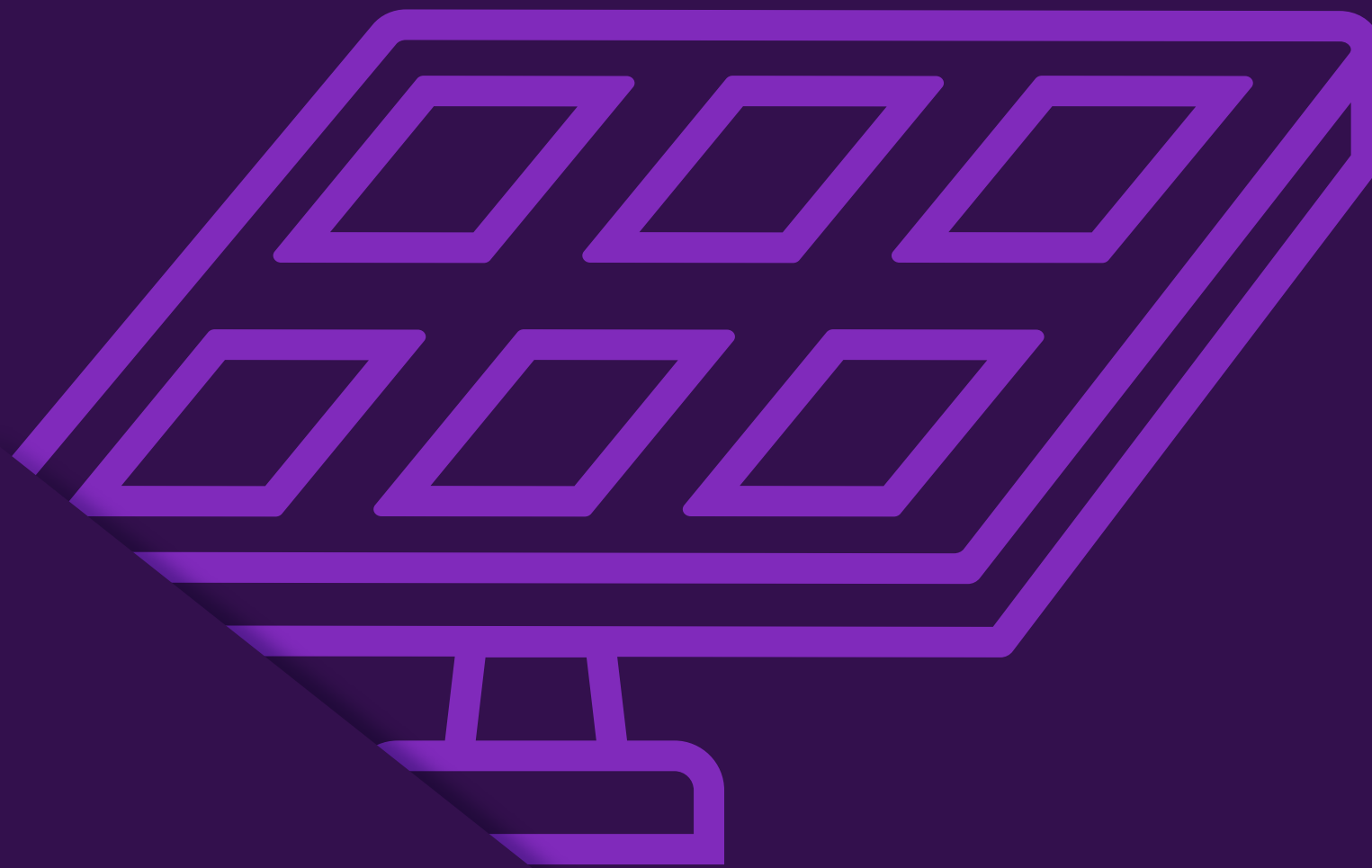
**1** project on energy cogeneration which makes use of production waste (biomass).

**1** project on the design, development and certification of hardware and software to control the consumption and demand of electric energy and its quality.

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<sup>5</sup> Greenhouse Gases



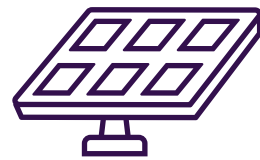


# RENEWABLE ENERGY PROJECTS



## DISTRIBUTION OF THE 273 PROJECTS

according to the eligibility criteria of the Green Bonds:



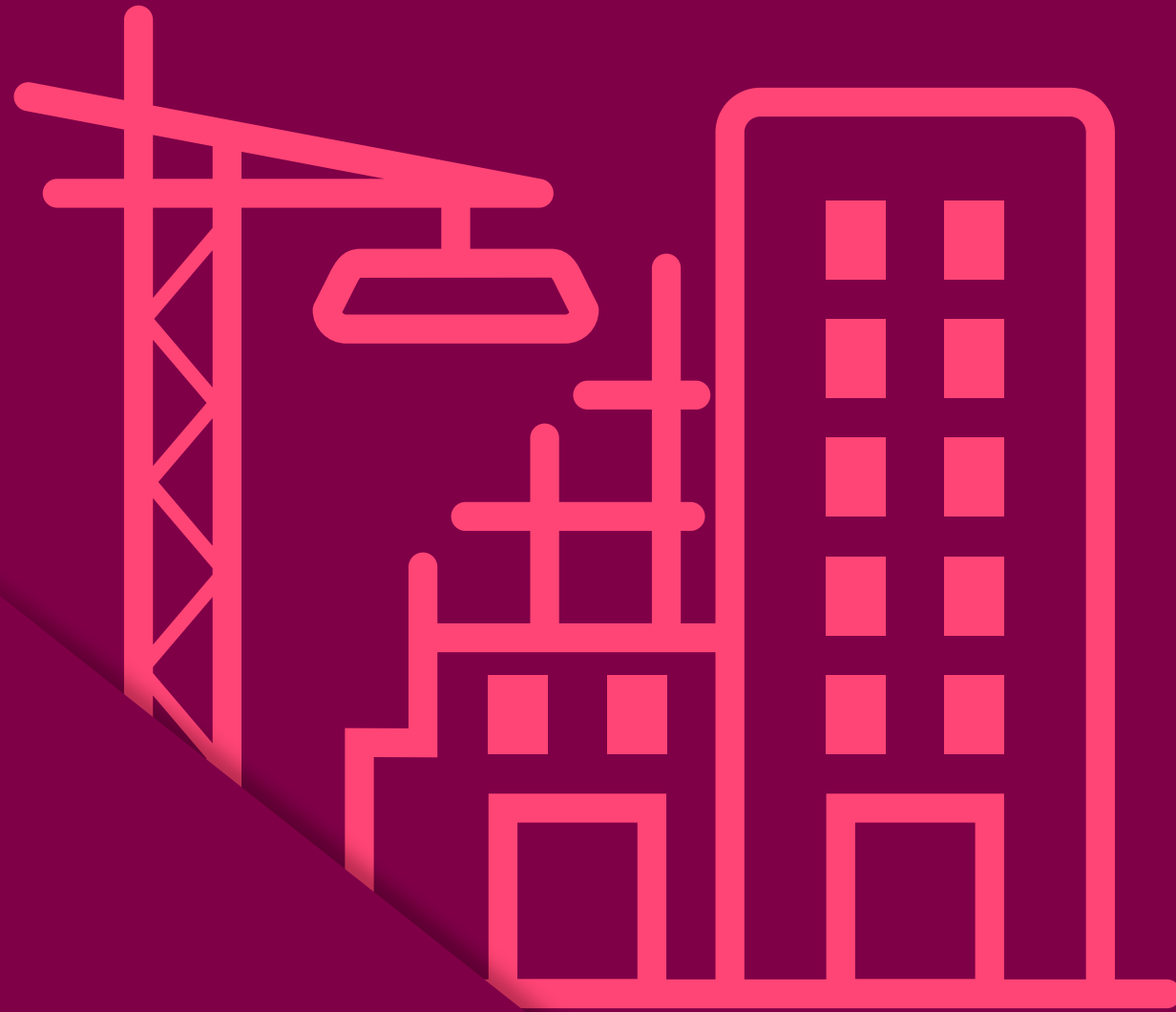
# 18

## RENEWABLE ENERGY PROJECTS

**13** projects to generate solar photovoltaic energy for users of the National Interconnected System (SIN, by its Spanish acronym).

**4** projects on biomass, of which three relate to the recovery of biogas from solid waste, or the effluents of waste water treatment plants, and one corresponds to electric energy generation.

**1** project on heating water with solar energy to supply hot water for employees' showers.



# SUSTAINABLE CONSTRUCTION PROJECTS

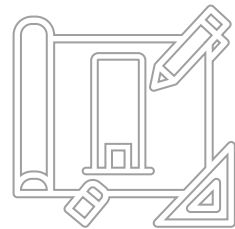


# DISTRIBUTION OF THE 273 PROJECTS

according to the eligibility criteria of the Green Bonds:



# 8



## SUSTAINABLE CONSTRUCTION PROJECTS

Some of the 8 designs focused on the redesign and modification of existing buildings to make use of natural light and relocate some areas. Other projects were directed towards the use of facades to reduce the thermal load inside the buildings and on the use of special or recyclable building materials. All of the projects were structured around the main objective of reducing water or electric energy consumption in the buildings, and some even sought to achieve international certifications.

# THE RESOURCES OF THE **GREEN BONDS**

have enabled Bancóldex to make:



Disbursements worth  
**\$328,358**  
million



in  
**176\*** credits

\*One credit operation can finance one or more projects from the same company.



finance  
**273** projects



in  
**22** departments  
and in Bogotá.



benefit  
**158** companies

**33%**   
micro, small and  
medium-sized  
businesses

Average  
disbursement

**\$1,868**  
million

Average  
timeframe  
per operation

**5.7**  
years

Current  
portfolio balance

**\$206,357**  
million

in lending operations

\*cut off period July 19th, 2018

# THE RESOURCES OF THE GREEN BONDS

finance projects in 22 departments and in Bogotá:





# IMPACT

OF PROJECTS FINANCED  
BY BANCÓLDEX  
GREEN BONDS



**99,80**  
GWh

**of electric energy generated per year from renewable sources** for free of charge to the electric grid of the National Interconnected System (SIN, by its Spanish acronym).



**788.277**  
m<sup>3</sup>

**of natural gas not used as a source** of fuel per year.



**360**  
tons

**of carbon substituted for other fuel sources** per year (biomass waste, natural gas, biogas, among others).



**22.333**  
tons

**of CO<sub>2</sub>e not emitted** per year.

## **REPRESENTATIVE PROJECTS** FINANCED USING GREEN BONDS RESOURCES

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Next, we summarize the cases of four Colombian companies that used Bancóldex credits with resources from the issuance of Green Bonds to implement their sustainable development projects.



## ENERGY EFFICIENCY

Company:  
**ALUBAQ**

City:  
**BARRANQUILLA**





## ALUBAQ

BARRANQUILLA CAPITAL DE LUZ

Since January 2017, the private company ALUBAQ has been part of the partially government-owned company Alumbrado Público de Barranquilla SAS, which is responsible for the administration, operation, maintenance, modernization and expansion of the street lighting of the city. Since then, it has initiated the substitution of halogen lights for LED lights that, as well as providing high-quality lighting, have low energy consumption and protect the environment and health.

***“Since 2017,  
we have begun a period of  
modernization of the street lighting system of the  
city which consists of replacing all of the current  
lights with lights that use LED technology”***

**Gustavo Puello**  
Alubaq Manager





Description of the

## LED LIGHTING PROJECT FOR STREET LIGHTING

In January 2017, the street lighting system of Barranquilla had just over 54,000 lights installed, of which only 10% were LED lights. The project consists of replacing the street lighting of the city of Barranquilla with LED lights.

The objective is to improve the levels of lighting of the streets, sports areas and neighborhoods of the city to have a positive impact on the safety and quality of life of its inhabitants. From the beginning of the project until May 2018, over 22,000 halogen lights had been replaced with LED lights, equivalent to 44% of the total number of installed lights, including a 3% increase in the total number of installed lights.



## RESULTS OF THE PROJECT



⇓ **17.760** MWh  
annual reduction

Despite the increase in the number of lights installed, the energy use was reduced by over 1,480 MWh per month. This equates to an annual reduction in electric energy use of 17,760 MWh.



⇓ **30%**  
energy use

Once all street lighting in Barranquilla uses LED lights, it is estimated that the total energy use will be reduced by at least 30%.



⇓ **3.534** tons of CO<sub>2</sub>e  
emissions avoided

This is equivalent to an annual reduction in GHG emissions of 3,534.2 tons of CO<sub>2</sub> (emissions avoided).



In January 2017, the street lighting system of Baranquilla had just over 52,000 lights installed, of which only 10% were LED lights. The project consists of replacing the street lighting of the city of Baranquilla with LED lights.



## RENEWABLE ENERGY

Company:  
**DOBLECLICK**

City:  
**POPAYÁN**





## DOBLECLICK SOFTWARE E INGENIERÍA

Dobleclick Software e Ingeniería S.A.S. began in 2005 with the objective of solving the immediate needs of communities in the north of the Nariño department and the south of the Cauca department in terms of being connected to the world through the internet. The idea, which began with a purely social focus, was very successful and was replicated in other municipalities of these departments.

The company therefore began offering wireless broadband services at moderately low prices compared to its competition. During these years, the employees of the

organization made continuous efforts to maintain their hopes of having a company from Cauca that would spread technology throughout Colombia, despite constantly competing with large telecommunications companies.

Today, Dobleclick Software e Ingeniería is a company that provides diverse telecommunications services, with the latest generation technology, which has expanded throughout the south west of the country and provides services in the departments of Cauca, Huila, Nariño, Putumayo, Tolima and Valle del Cauca.

***"The project consists of implementing clean energy***

*solutions to supply our communications towers located in rural areas in the departments of Cauca and Nariño and bring internet services to these communities"*

**Alejandro Muñoz**  
Dobleclick Manager





Description of the project

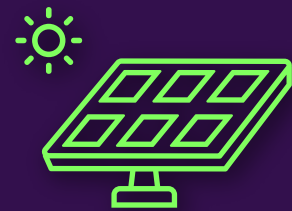
## TO INVEST IN SOLAR PHOTOVOLTAIC ENERGY

The project to implement solar photovoltaic energy consists of installing solar panels to resolve the intermittency in the energy service in rural areas of different departments in the south west of Colombia. This is due to the fact that, in this area, every month there are power cuts which total approximately 36 hours. These cuts particularly affect colleges, hospitals, city halls, commercial businesses and bank branches.





## RESULTS OF THE PROJECT



≈ 178 MWh

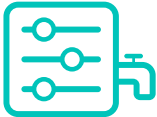
in annual generation  
of renewable energy.



≈ 35,44 tons of  
CO<sub>2</sub>e

in annual reduction of  
GHG emissions  
(emissions avoided).





**POLLUTION CONTROL  
AND EFFICIENT USE  
OF RESOURCES**

Company:  
**GERT**

City:  
**CALI**





## GERT EMPRESA DE SERVICIOS PÚBLICOS

*Grupo Empresarial de la Recuperación y Transformación de Materiales, Sociedad Anónima – Empresas de Servicios Públicos*<sup>6</sup> (GERT S.A. E.S.P.) is a socially and environmentally-responsible company specialized in managing collection centers and the collection, transport and use of solid waste.

The company was created in 2007 by a group of recycling factories in Cali to guarantee continuity of the provision of materials and workstations linked to the recycling chain of the city, which were threatened by the difficulties caused by the closure

of the landfill in Navarro. GERT offers the Colombian industry a comprehensive service which is consistent with current regulations to provide support in environmental management plans and the closure of the cycle of waste generated through productive activities. The company currently collects and transports useable solid waste, deposits it in a plant for waste classification and use and, using the recycled material, creates products for schools, offices and hardware stores.

***"GERT goes to the residential unit and removes all the material***

*that can be used, such as cardboard, glass, plastic and paper. After processing these materials, we create new stationery and hardware products"*

<sup>6</sup> Business Group for the Recovery and Transformation of Materials, Limited Liability Company – Public Utility Companies

**Fabio Lozano**  
GERT Manager





Description of the project

## TO USE POLYPROPYLENE WASTE

Due to the need to add value to the raw material being sold, the company invested in machinery to transform it into finished products, guaranteeing its incorporation into the productive cycle and the creation of products made of recyclable material.

The investment was used to purchase die cutting machines and a plastic injection machine, which are used to manufacture final products such as buckets, building materials (plastic wash bowls) and clipboards using the waste plastic that is collected.

These new machines can also be used to extract a special kind of plastic raw material to make folders and other articles with various uses. Likewise, these machines are vital for us to be able to carry out the new production, since there is no other machinery, manual or semi-automatic, which can be used for this.





## RESULTS OF THE PROJECT

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**300** tons

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**of solid waste will no longer go to landfill since they are used in the recycling process to manufacture new products.**





## RENEWABLE ENERGY

Company:

**ABCONTROL  
INGENIERÍA**

City:

**BOGOTÁ**





## ABCONTROL INGENIERÍA

ABCONTROL INGENIERÍA S.A.S. is an electrical integration and communications company, founded in Bogotá in 2001. It is specialized in the area of electrical protection and comprehensive solutions for data centers. It provides synchronized switchboards, rectifiers, energy generation units, and comfort and precision air-conditioning.

In 2016, it created a new business unit in renewable energy, specifically, solar panels, thanks to the legal and environmental incentives that this energy solution presents.

***"What we wanted to do is reduce the cost of energy,***

*which we have achieved by up to 70%, and we wanted to demonstrate to our customers that it is possible to reduce energy use"*

**Harvey Riaño**  
ABCONTROL Manager





Description of the

## SOLAR PHOTOVOLTAIC ENERGY PROJECT

The ABCONTROL INGENIERÍA project financed by Bancóldex consisted of implementing a photovoltaic solution to provide energy for the company. Additionally, the building has become a show-room so that customers can discover the advantages and operation of the system for solar energy generation and use.







⇓ 70%

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**reduction in traditional energy use and a reduction**  
in its cost thanks to the implementation of solar panels.



BUSINESS DEVELOPMENT BANK

FIRST **GREEN BONDS** REPORT  
2018

# BANCO DE COMERCIO EXTERIOR DE COLOMBIA (BANCOLDEX) GREEN BOND FRAMEWORK

SECOND PARTY OPINION BY SUSTAINALYTICS

June 29<sup>th</sup>, 2017



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# 1. INTRODUCTION

Banco de Comercio Exterior de Colombia S.A. (Bancóldex) is a state owned development bank that provides financial solutions to support the growth of Colombian companies of all sizes and industries.<sup>1</sup> Bancóldex also provides non-financial solutions that aim to promote innovation and environmental stewardship amongst Colombian companies.

Bancóldex has developed a Green Bond Framework<sup>2</sup> in accordance with which it intends to issue a green bond. The net proceeds of the green bond will be used to finance or refinance, in whole or in part, existing and future projects that promote sustainable development in Colombia and the transition to a low-carbon, climate-resilient economy. Proceeds of the bond will be directed towards five categories:

1. Pollution control and resource efficiency (including waste management and wastewater treatment)
2. Sustainable transport
3. Energy efficiency
4. Renewable energy
5. Sustainable buildings

A list of projected allocations per eligibility criterion that will be considered for refinancing purposes is provided in Appendix 1.

Bancóldex has engaged Sustainalytics to provide a second-party opinion on the Bancóldex Green Bond Framework.<sup>3</sup> As part of this engagement process, Sustainalytics held conversations with various members of Bancóldex's team, including the treasury department, legal department, commercial department, and risk vice-presidency. These conversations clarified the use of proceeds, management of proceeds and reporting aspects of the green bond as well as the environmental and social corporate policy of Bancóldex. Sustainalytics also reviewed relevant public documents and non-public information relating to the analysis of eligible projects under Bancóldex's Green Bond Framework. Following this engagement between Bancóldex and Sustainalytics, some elements of the Green Bond Framework were clarified to ensure an alignment with the level of disclosure expected by ICMA's Green Bond Principles, 2017.<sup>4</sup>

This document contains Sustainalytics' opinion on the Bancóldex Green Bond Framework and should be read in conjunction with that framework.

<sup>1</sup> Except for excluded activities, defined in Bancóldex's Environmental and Social Management Policy ([https://www.bancoldex.com/documentos/4603\\_Formato\\_de\\_información\\_ambiental\\_y\\_social.pdf](https://www.bancoldex.com/documentos/4603_Formato_de_información_ambiental_y_social.pdf) - section F)

<sup>2</sup> <https://www.bancoldex.com/informacion-emisiones/prospecto-bonos-2014.aspx>

<sup>3</sup> <https://www.bancoldex.com/informacion-emisiones/prospecto-bonos-2014.aspx>

<sup>4</sup> "The Green Bond Principles 2017", dated 2 June 2017, issued by the International Capital Market Association (ICMA)



## 2. SUSTAINALYTICS' OPINION

### Section 1: Assessment of Bancóldex's Environmental Strategy

#### **Contribution of the green bond to Bancóldex's environmental strategy**

As highlighted in the framework document, Bancóldex has an explicit commitment to contribute to sustainable development in Colombia through financial products and services. Bancóldex has implemented an Environmental and Social Corporate Policy with the following three pillars<sup>5</sup>:

- a) *Eco-efficiency*, which defines the internal actions implemented to reduce the environmental impact of Bancóldex's operations;
- b) *Management of environmental and social risks*, through which Bancóldex identifies and classifies the social and environmental risk of its portfolio;
- c) *Green financial and non-financial product design*, privileging investments for mitigation and adaptation to climate change, while generating social benefits;

Specifically, the *green product design* pillar seeks to support the Colombian business sector to become more competitive while making a responsible use of natural resources and striving for a positive environmental impact.<sup>6</sup> In line with this commitment, Bancóldex has been implementing green financial instruments that seek to catalyse investments that reduce greenhouse gas emissions, such as the incorporation of clean technologies in Bogota's Mass Transportation System, financing a fleet of electric taxis, and supporting renewable energy investments and energy efficiency at the national level.

Following an assessment of several projects that may be financed with the proceeds from the green bond, Sustainalytics is confident that the issuance of Bancóldex's green bond aligns with these commitments and will support the bank's Environmental and Social Corporate Policy.

#### **Well positioned to manage social and environmental risks associated with the financed projects**

By offering financing services, banks are exposed to risks associated with controversial companies and/or projects they may finance. To reduce exposure and prevent negative impacts, banks are expected to implement social and environmental risk assessments for projects that they choose to finance.

In line with this expectation, Bancóldex implemented an *Environmental and Social Risk Management System* (ESMS) for second-tier banking activities in 2013, with the support of the Inter-American Development Bank (IADB). This system allows Bancóldex to identify the environmental and social risks of credit operations, to have a more comprehensive profile of its clients in the portfolio, and to make investment decisions in a more informed way. This assessment includes five stages:

- a) verification of the coherence of the information provided by the enterprise,

<sup>5</sup> <https://www.bancoldex.com/Modelo-de-gestion-ambiental-Bancoldex/Politica-AmbSocial.aspx>

<sup>6</sup> For instance, according to its 2016 Annual Report, Bancoldex has 'Sustainable Development Products', which are an alternative financing product that supports investment in environmental monitoring systems, and is focused on mitigating the negative effects of the business activity on the environment. This credit line seeks to encourage companies to have a stronger sustainability approach, so that they are more competitive in markets that have higher environmental standards and are able to offer goods and services with added value in terms of environmental protection and care.

- b) initial categorization of the level of risk associated with the credit operation,
- c) identification of environmental and social risks, that are not being avoided, mitigated or compensated,
- d) definitive categorization,
- e) monitoring measures aimed at controlling and mitigating risks that are not being avoided, mitigated or compensated.

According to this information, Bancóldex assigns one of the following socio-environmental risk categories to the credit operation: High Risk (Category A), Medium Risk (Category B), or Low Risk (Category C).

In 2016, Bancóldex requested the International Finance Corporation (IFC) to evaluate its Environmental and Social Risk Management System. IFC considered Bancóldex's ESMS as "developed" and provided additional recommendations. As part of its continuous improvement process, Bancóldex is currently implementing some adjustments to address the improvements areas identified during the evaluation.

Sustainalytics recognizes that several development projects such as those to be financed and refinanced by the bond can generate environmental and social risks. Material risks might include wastewater and liquid waste generation, solid waste production, air pollution, noise nuisance, and health and safety risks. Of the portfolio of projects that may be refinanced, Bancóldex discloses that the vast majority (81%) has a risk category of 'B' according to IADB's risk classification,<sup>7</sup> meaning that projects or operations may "cause mostly local and short-term negative environmental and associated social impacts, and for which effective mitigation measures are readily available."<sup>8</sup>

Overall, given the level of assessment required in Bancóldex's Environmental and Social Risk Management System, the exclusionary criteria (which identify activities that cannot be financed by Bancóldex due to associated risks), and the due diligence performed at project level, Sustainalytics is of the opinion that Bancóldex is well positioned to identify, manage and address environmental and social risks associated with the projects financed.

### **Collaborating with other stakeholders locally and internationally**

Bancóldex collaborates with different initiatives, locally and internationally, to strengthen its environmental management and to promote sustainable development and mitigate climate change. In Sustainalytics' view, this level of engagement also demonstrates the bank's commitment to best practices. For example, Bancóldex is a member of the:

- "Protocolo Verde", an agreement between the financial sector and the Colombian government that seeks to join efforts to promote sustainable development in Colombia;
- International Development Finance Club (IDFC)
- SISCLIMA initiative, a space for public-private dialogue to achieve coherence and joint opportunities for the financing of Colombia's climate change mitigation efforts.

<sup>7</sup> IADB's risk classification model has been used in Bancóldex's framework as it is a model recognized by several investors worldwide. Bancóldex's socio-environmental risk categorization is considered to be stricter than IADB's system, classifying as High Risk (Category A) several projects that are perceived as Medium Risk (Category B) by IADB. Bancóldex has engaged with Sitawi to map and categorize the eligible projects according to IADB's risk categories.

<sup>8</sup> <http://www.iadb.org/en/topics/sustainability/project-categories,8736.html>

Based on the analysis of Bancóldex's Environmental and Social Corporate Policy, its Environmental and Social Risk Management System, and the bank's public commitments to promote sustainable development, Sustainalytics believes that Bancóldex is well positioned to issue a green bond.

## Section 2: Impact of the use of proceeds

### *Impact from Use of Proceeds*

Proceeds of the bond will be directed towards five categories:

1. Pollution control and resource efficiency (including waste management and wastewater treatment)
2. Sustainable transport
3. Energy efficiency
4. Renewable energy
5. Sustainable buildings

Overall, Sustainalytics is of the opinion that the proceeds from the green bond will have clear environmental benefits, contributing to achieving Colombia's environmental targets to reduce GHG emissions and improving natural resource efficiency. As highlighted in the framework document, the projects financed with the proceeds of the green bond will contribute to Colombia's commitments established in the Paris Agreement, according to which the Colombian government intends to reduce greenhouse-gas emissions by 20% by 2030, as stated in its Intended Nationally Determined Contribution (INDC), as well as to reach the objectives established in the National Development Plan 2014 – 2018, specifically with regards to "Green Growth Strategies".<sup>9</sup> Specific objectives established by the Colombian government include:

- (i) move towards sustainable and low-carbon growth;
- (ii) protect and ensure the sustainable use of natural resources and improve environmental quality and governance; and
- (iii) achieve resilient growth and reduce vulnerability to climate change risks.

Below, Sustainalytics provides an opinion on the impact of the Bancóldex's green bond eligibility criteria, considering the local context and focusing on the analysis of some of the projects financed over the past years by Bancóldex.<sup>10</sup>

### *Importance of water efficiency and wastewater treatment in Colombia's context*

Among the projects analysed by Sustainalytics and that have been included in Bancóldex's green bond portfolio, there were several examples related to wastewater treatment and reducing water pollution,

<sup>9</sup> <https://www.minagricultura.gov.co/planeacion-control-gestion/Gestin/Plan%20de%20Acci%C3%B3n/PLAN%20NACIONAL%20DE%20DESARROLLO%202014%20-%202018%20TODOS%20POR%20UN%20NUEVO%20PAIS.pdf>

<sup>10</sup> Bancóldex has shared with Sustainalytics the environmental and social assessment of several projects that it has implemented in previous years and that are part of the current eligible project portfolio. Analysed projects finance initiatives of Colombian companies that meet the green bond eligibility criteria.



such as the construction and operation of a wastewater treatment plant in Cartagena, water treatment equipment for a plant in Medellín, and water treatment equipment and biodigestors to process organic waste generated by livestock farming companies.

Technically, water is abundant in Colombia. However, due to extreme variability in annual rainfall, pollution from industrial and agricultural activities, and inadequate infrastructure resulting in unequal distribution, the country is also susceptible to water stress and draughts. According to a report by Stratfor, a geopolitical intelligence platform, regulations aimed at mitigating pollution exist but are often not coordinated or enforced. Therefore, pollution remains an issue for Colombia's water supply.<sup>11</sup> In this context, Sustainalytics considers that projects that improve water efficiency, treat wastewater, and reduce water pollution will provide a positive contribution to support companies complying with environmental legislation, protect the country's clean water resources, and allow for clean water supply.

### ***Importance of providing clean transportation for 6 million passengers in Bogota***

The IFC states that, in Bogotá, public and private transport systems consume 67% of energy and that there are more than 1.5 million vehicles in the city, along with bus rapid transit (BRT) systems and an extensive network of bike lanes.<sup>12</sup> The TransMilenio, a BRT system<sup>13</sup> that was developed by Bogota's bus operator in 2012, resulted in improved public transportation for 6 million passengers.

Even though an important part of the BRT's fleet is still fuelled by diesel and natural gas technology, Bancóldex's green bond will support the efforts to transition towards low-carbon transportation by only financing the acquisition of hybrid and electric vehicles for public or private transportation of passengers or cargo. Sustainalytics recognizes that hybrid vehicles, despite still being partly dependent on fossil fuels, qualify as a transition solution towards a low-carbon economy and can therefore be financed with the proceeds from a green bond. In addition, according to 2016 sample projects disclosed by Bancóldex to Sustainalytics, Bancóldex has also financed the first electric taxi fleets in Bogota. Overall Sustainalytics considers that these expenditures support a transition to clean transport technologies that, in addition to contributing to GHG emissions targets, will also reduce air pollution and improve the air quality in Bogota.

### ***Positive impact of renewable energy and energy efficiency projects in Colombia***

Colombia's government intends to reduce greenhouse-gas emissions by 20% by 2030, and energy efficiency projects are expected to represent an important contribution to this target. According to the analysed green bond portfolio, Bancóldex has supported projects such as:

- Financing solar energy panels and batteries for energy storage;
- Energy monitoring systems;
- Acquisition of more energy efficient technologies, leading to a reduction of energy consumption;
- Improving lighting systems, generating an increase of 50-80% in energy efficiency;
- Improving industrial processes in order to increase energy efficiency;
- Cogeneration, producing energy from industrial heat.

<sup>11</sup> Stratfor, (2016) <https://www.stratfor.com/analysis/colombia-abundant-water-brings-no-security>.

<sup>12</sup> International Finance Corporation, [https://www.ifc.org/wps/wcm/connect/51183b2d-c82e-443e-bb9b-68d9572dd48d/3503-IFC-Climate\\_Investment\\_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/51183b2d-c82e-443e-bb9b-68d9572dd48d/3503-IFC-Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES).

<sup>13</sup> The BRT system consists of fleet management and real-time monitoring via information technology with more efficient bus routing and lower GHG emissions.

Sustainalytics raised two questions related to the impact of energy efficiency projects. These have been clarified by Bancóldex:

- *Energy efficiency equipment labelling*: Sustainalytics recognizes that, with respect to investments in energy efficiency, best practice in the green bond market is to invest in technologies that ensure a minimum of 20-30% performance improvement in energy efficiency. Bancóldex has clarified that energy efficiency labelling is not yet widely used for products in Colombia,<sup>14</sup> but that, nonetheless, according to information available on each project financed, average gains surpass the recommended threshold.
- *Replacing old power systems using high efficiency motors powered by natural gas in industrial processes*: Sustainalytics considers that projects that use natural gas are 'less-brown', and do not qualify as 'green' (given that they prolong dependency on fossil fuel technology). Bancóldex ensured to Sustainalytics that these projects: (i) represent best efforts in the local industrial context, (ii) provide an important contribution to energy efficiency efforts in industrial processes in Colombia, and (iii) will only be included when there is a clear net GHG emissions reduction. Given this clarification, Sustainalytics has a positive view on the contribution of these efforts to improve energy efficiency. Furthermore, overall, these projects represent only 3% of the current project portfolio eligible for refinancing.

### ***Contribution of sustainable buildings to greenhouse gas emissions targets and sustainable resource consumption***

Buildings in Latin America consume 21% of treated water and 42% of electricity, and are responsible for 25% of carbon emissions.<sup>15</sup> In 2015, Colombia launched an important green building initiative, which was translated into a new green building code announced by Colombia's Housing Minister in June of that year. The plan, which aims to promote water and energy efficiency in new buildings, has received support from both the IFC and Switzerland's State Secretariat for Economic Affairs (SECO),<sup>16</sup> and it is being replicated by other countries in the region. This initiative is of great importance for Colombia given that the country is highly urbanized, with 48.2 million inhabitants, 75% of whom live in cities. The IFC estimates almost USD 8 billion will be invested in new low-carbon buildings in Colombia by 2020.

The new building code, officially implemented in 2016, calls for a balanced use of resources in new buildings, leading to:

- In a first phase of the program: 15% water and energy-use savings for commercial buildings, and savings of 10% for residential buildings;

<sup>14</sup> Since September 2016 the energy efficiency label developed by the Ministry of Mines and Energy (MINMINAS) will gradually become required for various products starting with refrigerators, washing machines and air conditioning equipment. Next year the label will be required for cooking houseware, water heaters and commercial refrigeration sets as well (Ministry of Mines and Energy (2016). <https://www.minminas.gov.co/web/ingles/noticias?idNoticia=23815191>)

<sup>15</sup>

[http://www.ifc.org/wps/wcm/connect/news\\_ext\\_content/ifc\\_external\\_corporate\\_site/news+and+events/news/greeninglam\\_one+building+at+a+time](http://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/greeninglam_one+building+at+a+time)

<sup>16</sup> International Finance Corporation, [https://www.ifc.org/wps/wcm/connect/51183b2d-c82e-443e-bb9b-68d9572dd48d/3503-IFC-Climate\\_Investment\\_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/51183b2d-c82e-443e-bb9b-68d9572dd48d/3503-IFC-Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES)

- By 2021: buildings are expected to consume up to 45% less water and energy, and this will reduce construction sector emissions by 28%, contributing to Colombia's GHG emissions target.

With respect to the sustainable buildings eligibility criterion, Sustainalytics recognizes that there is a very low degree of penetration of green building certifications initiatives in Colombia. Notably, there are only 105 LEED-certified buildings in the country.<sup>17</sup> Given this context, Sustainalytics is of the opinion that supporting sustainable building projects that are aligned with the Colombian government's green building code will result in a significant overall impact in Colombia's context.

#### ***Alignment with the Sustainable Development Goals (SDGs)***

Sustainalytics is confident that given the eligibility criteria defined in the Bancóldex Green Bond Framework, the selected projects will provide a positive contribution, in particular to the following SDGs:

- *SDG 6 Clean water and sanitation*, in particular to targets related to improving water quality by reducing pollution and increasing water efficiency;
- *SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all*, specifically contributing to targets related to increasing renewable energy and energy efficiency;
- *SDG 11 Sustainable Cities*, specifically targets to (i) reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management, and (ii) providing access to safe, affordable, accessible and sustainable transport systems for all, notably by expanding public transport.

### **Section 3: Sustainalytics Opinion on the Green Bond Framework**

#### ***Use of Proceeds***

Overall, Sustainalytics views Bancóldex's eligibility criteria for the use of proceeds under its green bond framework as credible and robust. All of the use of proceeds categories are recognized as eligible by the Green Bond Principles (GBP) 2017. For considerations on the impact of the use of proceeds please see Section 2 of this document.

#### ***Process for Project Evaluation and Selection***

Bancóldex communicates transparently about how the eligibility criteria for the use of proceeds aligns with the bank's strategy and with Colombia's sustainable development priorities. Bancóldex's eligible projects are evaluated and selected by a dedicated Green Bond Committee that includes team members from different departments such as risk management and treasury. Sustainalytics considers this to be in line with recommended market practice. This Committee will ensure that selected projects are aligned with the eligibility criteria defined in the green bond framework, and will assess the impacts associated with projects classified as 'Risk Category A'. Sustainalytics' views on Bancóldex's Environmental and Social Risk Management System have been provided in Section 1 of this document. Overall, Sustainalytics is of the opinion that Bancóldex is well positioned to identify, manage and address environmental and social risks associated with the projects financed.

<sup>17</sup> <http://www.gbig.org/places/336>



### **Reporting**

Throughout the term of the bond, Bancóldex will disclose annually the allocated proceeds, providing information about the number of beneficiaries, the average loan value, and the allocation per use of proceeds category. The information will be externally verified by an auditor, and published in the report “Use of Resources of the Green Bond”. This is in line with best market practice.

With regard to impact reporting, Bancóldex will publish up to four case studies to display the environmental impact of selected projects. Bancóldex specifies that selected projects will be representative with respect to financing and environmental impact, and impact will be aligned with the metrics defined in the green bond framework. Sustainalytics recognizes Bancóldex’s ongoing efforts, and recommends that the issuer strive for greater transparency with respect to impact reporting.

### **Alignment with Green Bond Principles 2017:**

Sustainalytics has determined that the Bancóldex Green Bond Framework aligns to the four pillars of the Green Bond Principles 2017, as detailed in Appendix 2: Green Bond External Review Form.

### **Conclusion**

Bancóldex, a Colombian development bank, intends to issue a green bond to finance or refinance existing and future projects in Bancóldex’s portfolio, that promote sustainable development in Colombia and the transition to a low-carbon, climate-resilient economy. The net proceeds of the green bond will be allocated towards the following eligible categories: (i) Pollution control and resource efficiency; (ii) Sustainable transport; (iii) Energy efficiency; (iv) Renewable energy; and (v) Sustainable buildings.

Bancóldex has an explicit commitment to contribute to sustainable development in Colombia through its financial products and services. Sustainalytics is of the opinion that the proceeds from the green bond will have clear environmental benefits and contribute to: achieving commitments established in Bancóldex’s Environmental and Social Corporate Policy; achieving Colombia’s commitments established in the Paris Agreement to reduce greenhouse-gas emissions by 20% by 2030; and advancing SDGs 6, 7 and 11. With respect to investments in the energy efficiency category, some activities related to replacing old power systems in industrial processes using high efficiency motors powered by natural gas, do not, in Sustainalytics’ view, qualify as ‘green’. Nonetheless, Sustainalytics has a positive view on the contribution of these efforts to improve energy efficiency in the local context.

Furthermore, after analysing the Bank’s Environmental and Social Risk Management System, Sustainalytics is confident that Bancóldex is well positioned to identify, manage and address environmental and social risks associated with the projects financed.

Bancóldex’s eligible projects are evaluated and selected by a dedicated Green Bond Committee, and the Bank communicates transparently about the portfolio that is eligible for refinancing. While allocation reporting will be disclosed annually and is externally verified, Sustainalytics recommends that the issuer strive for greater transparency with respect to impact reporting.

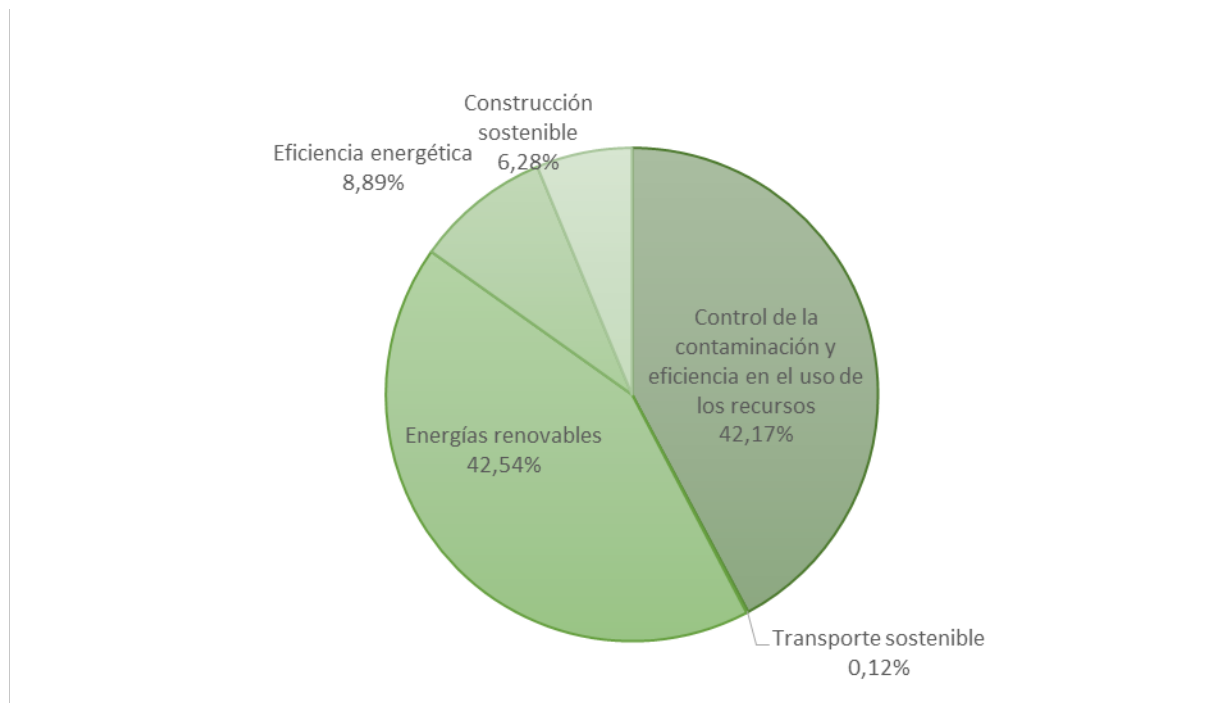
Based on the above, Sustainalytics is confident that Bancóldex is well positioned to issue a Green Bond and that the Bancóldex Green Bond Framework is transparent and in alignment with the four pillars of ICMA’s Green Bond Principles 2017.

## APPENDICES

### Appendix 1: Project portfolio

Considering the eligibility and exclusionary criteria, Bancóldex has identified a portfolio which includes 117 projects that could receive allocations from its green bond issuance. This portfolio amounts to approximately USD 50,0 million (COP 145.439 million) million as of May 26, 2017, representing 79% of the use of proceeds of the green bond at the time of issuance.

Below a distribution of the project portfolio per eligibility criteria is presented.



## Appendix 2: Green Bond External Review Form

### Green Bond External Review Form

#### Section 1. Basic Information

**Issuer name:** Banco de Comercio Exterior de Colombia S.A. (Bancóldex)

**Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:** Banco de Comercio Exterior de Colombia S.A. (Bancóldex) Green Bond

**Review provider's name:** Sustainalytics

**Completion date of this form:** June 29<sup>th</sup>, 2017

**Publication date of review publication:**

#### Section 2. Review overview

##### SCOPE OF 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 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

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

Please refer to Bancóldex Green Bond Framework, June 29, 2017, available at <https://www.bancoldex.com/informacion-emisiones/prospecto-bonos-2014.aspx>, and Second Opinion Document above.



## Section 3. Detailed review

### 1. USE OF PROCEEDS

#### Overall comment on section

Proceeds of the green bond will be allocated towards financing and refinancing projects in Bancóldex's portfolio, that are aligned with one or more of the following categories: (i) Pollution control and resource efficiency (including waste management and wastewater treatment); (ii) Sustainable transport; (iii) Energy efficiency; (iv) Renewable energy; (v) Sustainable buildings.

Overall, Sustainalytics is of the opinion that the proceeds from the green bond will have clear environmental benefits and contribute to: achieving commitments established in Bancóldex's Environmental and Social Corporate Policy; achieving Colombia's commitments established in the Paris Agreement to reduce greenhouse-gas emissions by 20% by 2030; and advancing SDGs 6, 7 and 11.

#### 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 type="checkbox"/> Sustainable management of living natural resources |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation                    |
| <input checked="" type="checkbox"/> Sustainable water management   | <input type="checkbox"/> Climate change adaptation                          |
| <input type="checkbox"/> Eco-efficient products, production technologies and processes   | <input type="checkbox"/> Other ( <i>please specify</i> ):                   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs |   |

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

#### Overall comment on section

Bancóldex's eligible projects are evaluated and selected by a dedicated Green Bond Committee that includes team members from different departments such as Risk management and Treasury.

Sustainalytics considers this to be aligned with recommended market practice. This Committee will ensure that selected projects are aligned with the eligibility criteria defined in the framework, and will assess the impacts associated to projects classified as 'Risk Category A' (i.e. projects that are considered high risk according to Bancóldex's Environmental and Social Risk Management System). Bancóldex

discloses that this is equivalent to a risk category of 'B' according to the Inter-American Development Bank's risk classification, meaning that projects or operations may "cause mostly local and short-term negative environmental and associated social impacts and for which effective mitigation measures are readily available". Sustainalytics recognizes that several development projects such as those to be financed and refinanced by the bond can generate environmental and social risks. However, overall, given the level of assessment required in Bancóldex's Environmental and Social Risk Management System, the exclusionary criteria (which identify activities that cannot be financed by Bancóldex due to associated risks), and the due diligence performed at project level, Sustainalytics is of the opinion that Bancóldex is well positioned to identify, manage and address environmental and social risks associated with the projects financed.

Bancóldex also communicates transparently about the current portfolio that is eligible for refinancing, and how the project categories align with Colombia's sustainable development priorities.

### Evaluation and selection

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" 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 type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |   |

### 3. MANAGEMENT OF PROCEEDS

#### Overall comment on section

Proceeds of the green bond issue will be managed by the treasury department of Bancóldex and finance current or future projects. Pending allocation to eligible projects, unallocated proceeds will temporarily be invested in high liquidity / low risk instruments. Allocation reporting will be externally audited. This is in line with market practices.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in a systematic manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

**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 type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

**4. REPORTING****Overall comment on section:***Allocation Reporting*

Throughout the term of the bond, Bancóldex will disclose annually the allocated proceeds, providing information about the number of beneficiaries, the average loan value and the allocation per use of proceeds category. The information will be externally verified by an auditor, and published in the report "Use of Resources of the Green Bond". This document will be made publicly available. This is in line with best market practice.

*Impact Reporting*

Bancóldex will publish up to four case studies to display environmental impact of selected projects. Bancóldex specifies that selected projects will be representative with respect to financing and environmental impact, and impact will be aligned with the metrics defined in the green bond framework. Sustainalytics recognizes Bancóldex's ongoing efforts, and recommends that the issuer strive for greater transparency with respect to impact reporting.

**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 type="checkbox"/> GB 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:**

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify): *Bancóldex will report on the impact of four representative projects*

**Frequency:**

- Annual
- Semi-annual
- Other (please specify):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings
- Energy Savings
- Other ESG indicators (please specify): *e.g. recovered wastewater; amount of treated waste; etc. depends on selected case projects*

**Means of Disclosure**

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify): *Information will be published in an annual report "Use of Resources of the Green Bond"*
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): *allocating reporting*

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.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)
- Certification
- Verification / Audit
- Rating
- Other (please specify):

**Review provider(s):**

**Date of publication:**

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

- (i) **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second opinions" may fall into this category.
- (ii) **Verification:** An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- (iii) **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- (iv) **Rating:** An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

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# SUSTAINALYTICS

Sustainalytics is the largest independent provider of sustainability research, analysis, and services to investors. We serve over 250 institutional investors which include some of the world's largest asset owners and asset managers. Through over 20 years of experience serving the responsible investment (RI) market, we have gained a reputation for providing high-quality ESG research solutions and excellent client service.

Sustainalytics is headed by seasoned professionals in the field of business, finance, and sustainability, with a wealth of experience in the Responsible Investment area. After more than 20 years of local experience and expertise in the Responsible Investment (RI) market Sustainalytics has developed a comprehensive understanding of trends and best practices and a solid process to assist organisations in integrating ESG considerations into their policies and strategies. We have worked with some of the world's financial institutions including pension plans, investment managers and banks providing customised support to help them achieve their RI objectives. Clients include ABN AMRO, APG, BBVA, BNP Paribas, Deutsche Bank, ING Bank, Lombard Odier, Lloyds Bank, Triodos Bank, UBS and over 250 other financial institutions and organisations.

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**SUSTAINALYTICS**  
At a Glance

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- Company ESG Research  
4,500 Issuers
- Corporate Governance Research  
4,000 Issuers
- Global Compact Research  
20,000+ Issuers
- Product Involvement  
40,000 Issuers
- Controversial Weapons Radar  
40,000 Issuers
- Sector Research  
42 Peer Groups

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Michael Jantzi, CEO

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