

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

SECOND PARTY OPINION BY SUSTAINALYTICS

June 29th, 2017



SUSTAINALYTICS

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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.¹ Bancóldex also provides non-financial solutions that aim to promote innovation and environmental stewardship amongst Colombian companies.

Bancóldex has developed a Green Bond Framework² 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.³ 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, 2017.⁴

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

¹ 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 - section F)

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

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

⁴ "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 pillars⁵:

- 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.⁶ 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,

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

⁶ 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,⁷ 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."⁸

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.

⁷ 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.

⁸ <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”.⁹ 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.¹⁰

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,

⁹ <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>

¹⁰ 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.¹¹ 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.¹² The TransMilenio, a BRT system¹³ 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.

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

¹² 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.

¹³ 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,¹⁴ 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.¹⁵ 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),¹⁶ 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;

¹⁴ 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>)

¹⁵

http://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/greeninglam_one+building+at+a+time

¹⁶ 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

- 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.¹⁷ 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.

¹⁷ <http://www.gbif.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.

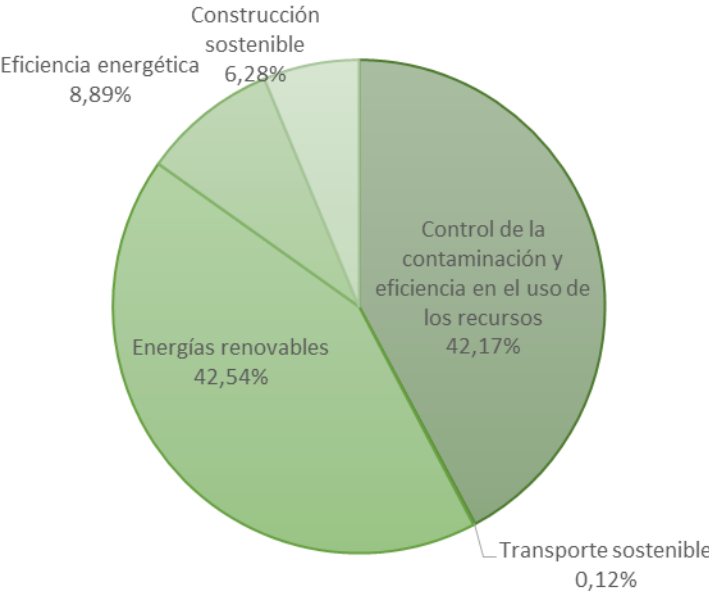
Based on the above, Sustainalytics is confident that Bancóldex is well positioned to issue a Green Bond and that the Bancóldex Green Bond Framework is transparent and in alignment with the four pillars of ICMA’s Green Bond Principles 2017.

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 29th, 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 nd 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:

- Renewable energy
- Pollution prevention and control
- Terrestrial and aquatic biodiversity conservation
- Sustainable water management
- Eco-efficient products, production technologies and processes
- Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs
- Energy efficiency
- Sustainable management of living natural resources
- Clean transportation
- Climate change adaptation
- Other (*please specify*):

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:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in a systematic 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 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. 2nd opinion)
- Certification
- Verification / Audit
- Rating
- Other (please specify):

Review provider(s):

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- (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.
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