

Second-Party Opinion

Bancóldex Social Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Bancóldex Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – micro and small enterprise financing; rural business financing; women-owned business financing; victims of armed conflict- owned business financing; and financing for MSMEs affected by the Covid-19 pandemic or an economic or social event that negatively affects its productive activity to support their economic reactivation – are aligned with those recognized by the Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 5, 8, 9 and 10.



PROJECT EVALUATION AND SELECTION Bancóldex’s Social Bonds Committee, which will be overseen by the Bank’s Financial Vice-Presidency and includes representatives from the Treasury Department, the Corporate Strategic Vice-Presidency and the Commercial Vice-Presidency, will be responsible for the evaluation of eligible projects. The Bank’s Commercial Vice-Presidency and the Corporate Strategic Vice-Presidency will oversee the selection of the eligible projects, while the Financial Vice-Presidency, the Commercial Vice-Presidency and the Corporate Strategic Vice-Presidency will be responsible for monitoring of the eligible projects. Bancóldex has in place internal risk functions and procedures that incorporate ESG risks for all allocation decisions of the bank including those under the Framework. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Bancóldex’s Treasury Department will be responsible for the management of proceeds and will track the allocation of proceeds using an internal tracking system. Bancóldex intends to allocate all proceeds to eligible projects within 24 months of issuance. Pending allocation, proceeds may be held in cash or other highly liquid instruments. This is in line with market practice.



REPORTING Bancóldex commits to report on allocation of proceeds in its annual report which will be published on its website on an annual basis until full allocation. The allocation reporting will include information such as the number of loans granted and the average loan size. In addition, the bank is committed to reporting on relevant impact with a selection of up to four representative case studies to further illustrate the social impact of its financing. Sustainalytics views Bancóldex’s allocation and impact reporting as aligned with market practice.

Evaluation date October 10, 2023¹

Issuer Location Bogotá, Colombia

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendix	9

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¹ This document is an update to the Second-Party Opinion originally provided on 6 November 2020.

Introduction

Banco de Comercio Exterior de Colombia S.A. (“Bancóldex” or the “Bank”) is a state-owned development bank in Colombia that provides financial solutions to support the growth of Colombian companies of all sizes and industries. Headquartered in Bogotá, Colombia, the Bank has 430 employees and total asset value amounting to COP 12.48 trillion (USD 2.9 billion)² as of December 2022.³

Bancóldex has developed the Bancóldex Social Bond Framework dated October 2023 (the “Framework”) under which it intends to issue social bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that promote sustainable economic development and financial inclusion in Colombia. The Framework defines two eligible project categories, which are further broken down into eligible target groups:

1. Micro and small enterprise (MSE) financing and financial inclusion:
 - a. Micro and small enterprise financing
 - b. Rural business financing
 - c. Women-owned business financing
 - d. Victims of armed conflict - owned business financing
2. Financing and financial inclusion for micro, small and medium enterprises (MSMEs) for their post-pandemic economic reactivation:
 - a. Financing for MSMEs affected by the Covid-19 pandemic or an economic or social event that negatively affects its productive activity to support their economic reactivation.

Bancóldex engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2023 (SBP).⁴ The Framework will be published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Social Bond Principles 2023, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Bancóldex’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Bancóldex representatives have confirmed (1) they understand it is the sole responsibility of Bancóldex to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

² Sustainalytics converted the currency COP to USD throughout the Second-Party Opinion based on the currency exchange rate on October 10, 2023.

³ Bancóldex, “2022 Annual Report”, at: https://www.bancoldex.com/sites/default/files/bancoldex_annual_report_2022.pdf

⁴ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

⁵ The Bancóldex Social Bond Framework is available on Bancóldex’s website at: <https://www.bancoldex.com/es/sobre-bancoldex/quienes-somos/informacion-de-interes-para-accionistas-e-inversionistas/emisiones>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Bancóldex.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Bancóldex is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Bancóldex has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Bancóldex Social Bond Framework

Sustainalytics is of the opinion that the Bancóldex Social Bond Framework is credible, impactful and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The two eligible categories – MSE financing and financial inclusion (which includes four sub-categories: Micro and small enterprise financing, Rural business financing, Women-owned business financing, and Victims of armed conflict-owned business financing) and Financing for MSMEs affected by the Covid-19 pandemic to support their economic reactivation – are aligned with those recognized by the SBP.
 - The Framework specifies that financing provided in response to Covid-19 shall be limited to those loans granted after March 11, 2020, which corresponds to the date on which the World Health Organization officially declared a pandemic. Financing in other categories may include loans dating back to January 1, 2020. In all cases, the Framework confirms that the lookback period for refinancing will not exceed 36 months from issuance, which Sustainalytics considers as good practice.
 - The Framework uses a classification of MSEs in line with that of Colombian regulation, specifically the thresholds defined by the Ministry of Trade in Decree 957 of June 2019. The Bank has confirmed to Sustainalytics that the eligibility criteria for SME classification will be based on the most recent available tax value unit (UVT) and equivalent corresponding sales levels, at the time of financing under the Framework. Sustainalytics further notes that the MSMEs are based in Colombia, which is classified as a developing economy, and therefore increases the likelihood that the financing is targeted towards vulnerable groups.⁷ Based on the use of official definitions to identify MSEs and the additional locational context, Sustainalytics considers the financing of MSEs under the Framework to be socially impactful.
 - In addition to lending more broadly to MSEs that are defined based on UVT and corresponding sales level, the Framework defines specific MSE business types, namely rural businesses, women-owned businesses⁸, and businesses owned by victims of armed conflict^{9,10} as additional

⁷ As defined by the UN World Economic Situation and Prospects 2023 report. UN, "World Economic Situation and Prospects 2023", (2023), at: <https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-2023/>

⁸ Bancóldex has confirmed to Sustainalytics that the women-owned MSEs are majority-owned by women with more than 50% ownership of business.

⁹ As defined by Colombian Law 1448 of 2011, Law of Victims and Restitution of Lands, article 159.

¹⁰ Bancóldex has confirmed to Sustainalytics that the Victims of armed conflict MSEs are 100% owned by victims of armed conflict as defined above.

- targets for financing with the objective of financial inclusion. Sustainalytics views positively this targeting and is of the opinion that it supports the social impacts of the financing.
- As it relates to the category of Financing for MSMEs affected by the Covid-19 pandemic to support their economic reactivation, Sustainalytics views the provision of credit facilities for businesses impacted by the effects of the Covid-19 pandemic to deliver positive social impacts and to be in line with market expectations. The Bank has confirmed to Sustainalytics that, under the Framework, eligibility criteria for MSME classification will be based on the most recent UVT and equivalent corresponding sales levels at the time of financing.
 - Sustainalytics notes that the proceeds of the social bonds will not be directed to activities on the exclusion list published in Bancóldex's environmental and social risk policy, which screens for activities known to have severe environmental or social impact or to be in violations of laws and regulations. For a full list of the excluded activities, see Appendix IV of the Framework.
- **Project Evaluation and Selection:**
 - The evaluation of eligible projects will be conducted by the Bank's Social Bonds Committee, which will be overseen by the Bank's Financial Vice-Presidency and will include representatives from the Treasury Department, the Corporate Strategic Vice-Presidency and the Commercial Vice-Presidency.
 - The Bank's Corporate Strategic Vice-Presidency and the Commercial Vice-Presidency will be responsible for evaluating and selecting the eligible projects. Additionally, the Financial Vice-Presidency, the Corporate Strategic Vice-Presidency and the Commercial Vice-Presidency will monitor the eligible projects annually.
 - The Bank has in place internal risk functions and procedures that incorporate ESG risks for all allocation decisions of the bank, including an evaluation process that includes an assessment of the financed enterprises by its Risk Department. Additionally, the financed enterprises are governed by a regulatory authority in Colombia which ensures that they comply with applicable local law. For details of the Bank's risk mitigation practices, refer to Section 2.
 - Based on the establishment of a defined group responsible for the project selection and the presence of risk management processes, Sustainalytics considers this process to be in line with market practice.
 - **Management of Proceeds:**
 - The Bank's Treasury Department will oversee the management of proceeds and will use an internal statistical tracking system to allocate and track the net proceeds.
 - The Bank has communicated to Sustainalytics that it intends to allocate proceeds within 24 months of issuance. Pending allocation, proceeds may be temporarily held in cash or other highly liquid assets with low risk.
 - Based on the disclosures around unallocated proceeds and the reliance on formal internal tracking systems, Sustainalytics considers this process to be in line with market practice.
 - **Reporting:**
 - Bancóldex commits to annual disclosure indicating, for each social bond, the amount disbursed, the average loan value, and the number of beneficiaries. The allocation reporting, which will be included in the Bank's annual report, will be externally audited and made available to investors on Bancóldex's website, the National Registry of Securities and Issuers, as well as on the website of the Colombia Stock Exchange.
 - Bancóldex will disclose impact reporting in the Use of Social Bond Resources section in the annual report, selecting up to four indicative case studies which are representative of the bonds' impacts and providing relevant quantitative indicators.
 - Based on the commitment to annual allocation reporting and the provision of impact case studies, Sustainalytics considers this process to be in line with market practice.

Alignment with Social Bond Principles 2023

Sustainalytics has determined that the Bancóldex Social Bond Framework aligns with the four core components of the SBP. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Strategy of Bancóldex

Contribution to Bancóldex's sustainability strategy

Bancóldex focuses on the following social areas in its sustainability strategy: i) generating value through sustainable economy, ii) increasing productivity and competitiveness of Colombian companies; and iii) promoting the adoption of sustainable development standards of cities.¹¹

In 2021, Bancóldex developed the 2022-2026 strategic guidelines, which includes a focus on financing MSMEs and improving access to credit for women, people with disabilities and people in vulnerable regions.¹² As the result of the 2022-2026 strategic planning exercise, the Bank decided to strengthen its direct credit portfolio to meet the needs of companies of all sizes with a special focus on SMEs.

In line with this strategic priority, in 2022, Bancóldex disbursed COP 6.9 trillion (USD 1.6 billion) in financial support to 138,000 companies, of which COP 3.7 trillion (USD 860 million) was disbursed to the MSME segment including COP 1.4 trillion (USD 320 million) in loans to 132,000 micro enterprises, which included nearly 70,000 women.¹³ In addition to MSME financing, the Bank also focused on affecting social impact in 2022 through multiple credit lines focused on specific target populations including the: i) Mujeres Empresarias programme under which COP 87,835 million (USD 20 million) was extended in credit to support the working capital needs of over 2,900 women-led enterprises; ii) Ascende credit line which provided COP 1,080 million (USD 250,000) to victims of armed conflict; and iii) Línea para Actividades Productivas de Personas en Condición de Discapacidad credit line under which 1,000 million was placed in credit to companies that are focused on creating jobs for people with disabilities.¹⁴ To address the pandemic crisis and boost economic reactivation, in 2021, Bancóldex launched the "Adelante" programme and the Apoyo Direct a Pymes credit line, which benefited 943 SMEs across the country.¹⁵

In addition to creating social impact through its financing, Bancóldex also focused on furthering its goals of supporting sustainable investments in 2022, by financing 1,603 green projects totaling COP 176 billion (USD 41 million) in loans, with a major focus on investments in energy efficiency, renewable energy, sustainable transport, waste management, climate change adaptation measures, and bioeconomy.¹⁶

Sustainalytics is of the opinion that the Bancóldex Social Bond Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's actions on its key social priorities.

Approach to managing social and environmental risks associated with the projects

Sustainalytics recognizes that the proceeds from the social bonds issued under the Framework will be directed towards eligible projects that are expected to have positive social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving money laundering, predatory lending, corruption and risks associated with controversial companies or projects that the Bank may finance.

Sustainalytics is of the opinion that Bancóldex is able to manage or mitigate potential risks through implementation of the following:

- To manage social risks, Bancóldex has implemented an Integral Risk Management, which enables the Bank to avoid the materialization of risks affecting the Bank's operation, environment and stakeholders.¹⁷ In addition, Bancóldex has developed the Environmental and Social Risk Management System (abbreviation in Spanish: SARAS), which includes policies, processes and organizational structure to enable the Bank to identify, analyze, mitigate and monitor social risks.¹⁸ The SARAS assesses environmental, social, labour, and other risks associated with projects, as well as ensuring that any projects financed have obtained all necessary regulatory authorizations and are being carried out in compliance with all legal requirements.¹⁹

¹¹ Bancóldex, "Social Bond Framework", (2023), at: <https://www.bancoldex.com/es/sobre-bancoldex/quienes-somos/informacion-de-interes-para-accionistas-e-inversionistas/emisiones>

¹² Bancóldex, "Sustainability Report 2021", at: https://www.bancoldex.com/sites/default/files/bancoldex_sustainability_report_2021_vfinal_1.pdf

¹³ Bancóldex, "2022 Annual Report", at: https://www.bancoldex.com/sites/default/files/bancoldex_annual_report_2022.pdf

¹⁴ Ibid.

¹⁵ Bancóldex, "Sustainability Report 2021", at: https://www.bancoldex.com/sites/default/files/bancoldex_sustainability_report_2021_vfinal_1.pdf

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Bancóldex, "Environmental and Social Risk Management", at: <https://www.bancoldex.com/en/about-bancoldex/bancoldex-more-sustainable>

¹⁹ Bancóldex, "Sustainability Report 2021", at: https://www.bancoldex.com/sites/default/files/bancoldex_sustainability_report_2021_vfinal_1.pdf

- Regarding risks associated with money laundering, the Bank has developed the Certification on the System to Manage the Risk of Money Laundering and Financing of Terrorism (abbreviation in Spanish: SARLAFT) Manual, which contains the ethical principles, policies and support tools for the managing reported money laundering activities and monitoring clients and operations against money laundering risks.²⁰ The Bank conducts due diligence process of knowledge of its clients, in accordance with local and international standards and OECD principles, for prevention and control of money laundering risks. In addition, the Bank provides SARLAFT training to its employees.²¹
- Regarding risks associated with predatory lending, Sustainalytics notes that there are two main groups of intermediaries that participate in the financing of micro and small businesses with Bancóldex. Bancóldex has confirmed with Sustainalytics that both groups of intermediaries are overseen by a regulatory entity that guarantees that they comply with the processes required by the applicable local laws to ensure there is no predatory lending. Additionally, the Bank has informed Sustainalytics that the risk of predatory lending is also addressed through the Usury Rate established by the Bank of the Republic,²² which sets a limit to the maximum interest rate that lenders can charge when extending loans or credit to a beneficiary.
- Regarding risks associated with corruption, the Bank has in place the Fraud and Corruption Risk Prevention Program and implemented the Anti-Corruption and Citizen Service Plan 2021 strategy, which includes corruption risk management components that include processes, goals, specific products, follow-up indicators and responsible parties with dates for completion. Additionally, the Bank provides annual training operational risks including the topic of prevention of corruption.²³
- To address the risks of financing potentially controversial companies and/or projects, the Bank follows a process for risk evaluation of the entities that it will finance and for managing its loan portfolio of the micro or small enterprises. The risk evaluation process is overseen by the Bancóldex Risk Department and includes i) requesting and assessing the onboarding documents from the entity for risk evaluation; ii) visiting the premises of the borrowing entity; iii) establishing a credit limit amount for the borrower based on the risk assessment which is subsequently approved by senior management; and iv) conducting follow up assessments of the borrowing entity on a quarterly basis.²⁴
- Regarding potential environmental risks associated with financing from the proceeds of the social bonds, Sustainalytics notes that the Framework includes an exclusion list, which details that Bancóldex will not support companies or projects directly or indirectly linked to activities that could lead to negative environmental outcomes, such as i) projects in protected and conservation areas that do not have the respective permission from the designated authority; and ii) fishing in the marine environment with nets of more than 2.5 km in length.²⁵ For a complete list of projects in the exclusion list, please refer to Appendix IV in the Framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Bancóldex has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible category.

Section 3: Impact of Use of Proceeds

Both use of proceeds categories are aligned with those recognized by the SBP. Sustainalytics focuses below on where the impact is specifically relevant in the local context.

²⁰ Ibid.

²¹ Ibid.

²² The Bank of the Republic is the central bank of Colombia.

²³ Ibid.

²⁴ This risk management process is shared in the Framework.

²⁵ The entire Exclusion List can be viewed in the Appendix IV of the Bancóldex Social Bond Framework, which is available at:

<https://www.bancoldex.com/es/sobre-bancoldex/quienes-somos/informacion-de-interes-para-accionistas-e-inversionistas/emisiones>

Importance of supporting women-owned businesses

According to the United Nations Independent Country Programme Evaluation for Colombia²⁶ and the UN Colombia Strategy Plan for Women 2017-2019,²⁷ gender inequality is a structural issue and is considered a major obstacle in achieving general peace in Colombia. The country's ranking in the World Economic Forum's Global Gender Gap Index has fallen from 22nd out of 153 countries in 2020 to 42nd out of 146 countries in 2023, with ranking in the index's 'Economic Participation and Opportunity' dimension specifically falling from 42nd in 2020 to 92nd in 2023.^{28,29}

In 2023, the Colombian government, in alliance with various women's organization started the formulation of a National Action Plan in 2023 to implement the United Nations Resolution 1325 to promote gender equality and protect women's right in conflict or post-conflict situations.³⁰ The government's National Development Plan 2022–2026 "Colombia World Power of Life" also highlights its objectives for overturning the historical injustices and exclusions including reducing gender gaps and inequality.³¹

Bancóldex intends to allocate social bond proceedings to businesses owned by women in order to promote their integration and employment, reduce the gender pay gap, and support victims of gender violence, all sustainability goals which are aligned with the country's national development plan.

Sustainalytics recognizes the importance of gender parity and the link between supporting female-owned businesses and improving gender equality, and regards the projects funded through Bancóldex's social bonds as bringing significant positive social benefits to Colombian society.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Bancóldex Social Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	Eligible Projects	SDG	SDG target
Micro and small enterprise financing and financial inclusion	Micro and small enterprise financing	1. No Poverty	1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters. 5.1 End all forms of discrimination against all women and girls everywhere. 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
	Rural business financing	5. Gender equality	
	Women-owned business financing	8. Decent work and economic growth	
	Victims of armed conflict - owned business financing		
Financing and financial inclusion for MSMEs for their post-pandemic or an economic or social event that negatively affects its productive activity economic reactivation		9. Industry, Innovation, and Infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services,

²⁶ Colombia's National Development Plan 2014 – 2018, available at: <https://www.contraloria.gov.co/documents/463406/472376/Comentarios+al+Plan+Nacional+de+Desarrollo+2014-2018.pdf/e1781355-35fb-45da9eea-0a12269d7778?version=1>

²⁷ UN Colombia Strategy Plan for Women 2017-2019, available at: <http://colombia.unwomen.org/es/como-trabajamos/estrategia-pais-2017-2019>

²⁸ World Economic Forum, "Global Gender Gap Report", (2020), at: https://www3.weforum.org/docs/WEF_GGGR_2020.pdf

²⁹ World Economic Forum, "Global Gender Gap Report", (2023), at: https://www3.weforum.org/docs/WEF_GGGR_2023.pdf

³⁰ Reliefweb, "Advances in the Colombian National Action Plan of UN Resolution 1325: Women, Peace, and Security", (2023), at: <https://reliefweb.int/report/colombia/advances-colombian-national-action-plan-un-resolution-1325-women-peace-and-security>

³¹ Ministry of Finance and Public Credit, Republic of Colombia, "An Overview of the Colombian Social Context", (2023), at: https://www.irc.gov.co/webcenter/ShowProperty?nodeId=%2FConexionContent%2FWCC_CLUSTER-228754

	<p>10. Reduced inequalities</p>	<p>including affordable credit, and their integration into value chains and markets.</p> <p>10.3 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>
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Conclusion

Bancóldex has developed the Bancóldex Social Bond Framework under which it intends to issue social bonds and use the proceeds to finance MSMEs with a focus on businesses based in rural areas; owned by women or victims of armed conflict; or adversely affected by the Covid-19 pandemic or an economic or social event that negatively affects its productive capacity. Sustainalytics considers that the eligible projects are expected to provide positive social impact.

The Bancóldex Social Bond Framework outlines a process for the tracking, allocation and management of proceeds. Under this framework, Bancóldex commits to report on allocation and impact of the bond's proceeds. Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 1, 5, 8, 9 and 10. Additionally, Sustainalytics is of the opinion that Bancóldex has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Banco de Comercio Exterior de Colombia S.A. is well positioned to issue social bonds and that the Bancóldex Social Bond Framework is robust, transparent and in alignment with the core components of the Social Bond Principles 2023.

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Banco de Comercio Exterior de Colombia S.A.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Bancóldex Social Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 10, 2023
Publication date of review publication: Original publication date [please fill this out for updates]: November, 2020	Update to Bancóldex Social Bond Framework Second-Party Opinion provided in November 2020

Section 2. Review overview

SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
 - Use of Proceeds
 - Process for Project Evaluation and Selection
 - Management of Proceeds
 - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones:

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Certification
- Verification
- Scoring/Rating
- Other (please specify):

Does the review include a sustainability quality score?

- Of the issuer
- Of the project

- Of the Framework Other (please specify):
- No scoring

ASSESSMENT OF THE PROJECT(S)

Does the review include:

- The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
- The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
- The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

ISSUER'S OVERARCHING OBJECTIVES

Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY

Does the review assess:

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

Overall comment on this section:

Section 3. Detailed review

1. USE OF PROCEEDS

Does the review assess:

- the environmental/social benefits of the project(s)?

- whether those benefits are quantifiable and meaningful?
- for social projects, whether the target population is properly identified?

Does the review assess if the issuer provides clear information on:

- the estimated proceeds allocation per project category (in case of multiple projects)?
- the estimated share of financing vs. re-financing (and the related lookback period)?

Overall comment on this section:

The eligible categories for the use of proceeds – micro and small enterprise financing; rural business financing; women-owned business financing; victims of armed conflict- owned business financing; and financing for MSMEs affected by the Covid-19 pandemic or an economic or social event that negatively affects its productive activity to support their economic reactivation – are aligned with those recognized by the Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 5, 8, 9 and 10.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Does the review assess:

- whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Sustainalytics has a proprietary taxonomy which is influenced by the EU taxonomy, Climate Bonds Initiative taxonomy as well as international standards.
- whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

Overall comment on this section:

Bancóldex's Social Bonds Committee, which will be overseen by the Bank's Financial Vice-Presidency and includes representatives from the Treasury Department, the Corporate Strategic Vice-Presidency and the Commercial Vice-Presidency, will be responsible for the evaluation of eligible projects. The Bank's Commercial Vice-Presidency and the Corporate Strategic Vice-Presidency will oversee the selection of the eligible projects, while the Financial Vice-Presidency, the Commercial Vice-Presidency and the Corporate Strategic Vice-Presidency will be responsible for monitoring of the eligible projects. Bancóldex has in place internal risk functions and procedures that incorporate ESG risks for all allocation decisions of the bank including those under the Framework. Sustainalytics considers the project selection process in line with market practice.

3. MANAGEMENT OF PROCEEDS

Does the review assess:

- the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- the intended types of temporary investment instruments for unallocated proceeds?
- Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

Overall comment on this section:

Bancóldex's Treasury Department will be responsible for the management of proceeds and will track the allocation of proceeds using an internal tracking system. Bancóldex intends to allocate all proceeds to eligible projects within 24 months of issuance. Pending allocation, proceeds may be held in cash or other highly liquid instruments. This is in line with market practice.

4. REPORTING

Does the review assess:

- the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- the frequency and the means of disclosure?
- the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

Overall comment on this section: Bancóldex commits to report on allocation of proceeds in its annual report which will be published on its website on an annual basis until full allocation. The allocation reporting will include information such as the number of loans granted and the average loan size. In addition, the bank is committed to reporting on relevant impact with a selection of up to four representative case studies to further illustrate the social impact of its financing. Sustainalytics views Bancóldex's allocation and impact reporting as aligned with market practice.

Section 4. Additional Information

Useful links (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

Analysis of the contribution of the project(s) to the UN Sustainable Development Goals: SDG 1, 5, 8, 9 and 10.

Additional assessment in relation to the issuer/bond framework/eligible project(s):

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

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

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- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

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