

Second-Party Opinion

Banco Continental

Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Sustainability Bond Framework is credible, impactful and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The green and social categories eligible for the use of proceeds – (i) Energy efficiency, (ii) Green buildings, (iii) Clean transportation, (iv) Environmentally sustainable management of living natural resources and land use, (v) Sustainable water and wastewater management (vi) Renewable energy, (vii) Prevention and contamination control, (viii) Affordable basic infrastructure, (ix) Access to essential services, and (x) Employment generation – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles, respectively. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 6, 7, 8, 9, 11, 12 and 15.



PROJECT EVALUATION / SELECTION Banco Continental will establish a Sustainability Bond Committee, comprised of two board directors, the risk manager, the general manager, the environmental and social risk coordinator and a treasury representative to oversee the selection process of Eligible Projects. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Banco Continental will establish an internal tracking system to monitor and account for net proceeds. Pending allocation, net proceeds will be held temporarily in cash, cash equivalents, or other forms of available short-term funding sources. This is in line with market practice



REPORTING Banco Continental intends to publish a Sustainability Bond Report on its website, on an annual basis and until full allocation, containing the amount of net proceeds allocate to each Eligible Project Category, and the outstanding amount of net proceeds yet to be allocated. In addition, Banco Continental is committed to reporting on relevant impact metrics where feasible. Sustainalytics views the Bank’s allocation and impact reporting as aligned with market practice.

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Introduction

Banco Continental S.A.E.C.A. (“Banco Continental”, or the “Bank”) was founded in 1980 and today is one of the largest banks in Paraguay. The Bank offers both retail and corporate banking services, and serves approximately 19,000 customers in the areas of agribusiness, industrial, commercial and service sectors.

Banco Continental has developed the Sustainability Bond Framework (the “Framework”) under which it intends to issue multiple sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that advance the transition to an environmentally and socially sustainable economy.

The Framework defines eligible green categories in the following seven areas:

1. Energy efficiency
2. Green buildings
3. Clean transportation
4. Environmentally sustainable management of living natural resources and land use
5. Sustainable water and wastewater management
6. Renewable energy
7. Prevention and contamination control

Additionally, the Framework defines an eligible social category in the following three areas:

1. Affordable basic infrastructure
2. Access to essential services
3. Employment generation

Banco Continental engaged Sustainalytics to review the Sustainability Bond Framework, dated March 2020, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (“SBG 2018”).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of Banco Continental’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 Banco Continental’s Sustainability Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

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

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>.

² The Sustainability Bond Framework is available on Banco Continental’s website at: www.bancontinental.com.py.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sustainability Bond Framework

Sustainalytics is of the opinion that the Sustainability Bond Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 ("GBP 2018") and Social Bond Principles 2018 ("SBP 2018"). Sustainalytics highlights the following elements of Banco Continental's Sustainability Bond Framework:

- Use of Proceeds:
 - Banco Continental's seven green categories are recognized as impactful by the GBP 2018. Banco Continental's three social categories are also recognized as impactful by the SBP 2018.
 - For the "Energy efficiency" category, the Bank intends to allocate bond proceeds to finance projects achieving at least a 15% energy efficiency improvement, on a best effort basis. Sustainalytics notes positively both the inclusion of an intended minimum performance level for projects receiving financing, as well as a specific exclusion of projects reliant on fossil-fuels.
 - Where the Bank intends to finance biofuel powered machinery, Sustainalytics notes that the Bank has confirmed that such machinery is for agricultural purposes and that the feedstock will be from certified organic feedstocks. Sustainalytics notes the inclusion of third-party verification standards for the sustainable sourcing of biofuels, and Sustainalytics encourages the Bank to limit financing to biofuels which are both as low carbon as possible and which do not generate other environmental risks such as reducing carbon sinks or competing with food production.
 - For the "Green buildings" category, Sustainalytics views positively the alignment of green building projects with credible third-party standards such as LEED, BREEAM and HQE. The Bank has committed to financing projects which have or will achieve LEED Silver or higher, BREEAM Excellent or higher, and HQE Excellent or higher. Sustainalytics recognizes that LEED Gold is generally viewed as market practice, it is appropriate to consider the local market context. Banco Continental is encouraged to strive and prioritize green building projects aiming for LEED Gold or higher certifications, and the inclusion of LEED Silver is noted as a limitation. Please see Appendix 1 for a summary of green building certification schemes and Section 3 for further discussion of green buildings in the local context.
 - Within the "Clean transportation" category the Bank may finance the purchase of hybrid or electric vehicles. Sustainalytics notes inclusion in the Framework of an emission threshold for hybrid vehicles of 75 grams of CO₂ per passenger-kilometre (75 gCO₂/p-km), but that the Bank will finance only those hybrid vehicles "to the extent possible". Sustainalytics considers the threshold to be feasible but notes that financing hybrid vehicles above this threshold is not aligned with a low-carbon trajectory and thus encourages the Bank to make every effort to focus on electric vehicles and hybrids below the threshold of 75 gCO₂/p-km.
 - For the "Environmentally sustainable management of living natural resources" category, the Bank intends to finance projects, equipment and operations for soil remediation and soil preparation; sustainable agricultural practices such as Integrated Crop-Livestock-Forest (ICLF) systems; silvopastoral systems; drip irrigation systems; afforestation and reforestation; and landscape conservation or restoration.
 - The Bank has communicated to Sustainalytics that all projects will either be subject to environmental management plans reviewed by the Bank or certification under FSC, PEFC or SFI. Sustainalytics notes that forestry-related activities such as afforestation, reforestation and landscape conservation or restoration projects should be third-party certified under FSC, PEFC or SFI and, therefore, notes as a strong limitation that such certification will be ensured only "to the extent possible". Eligible certification schemes have been assessed in Appendix 2.
 - ICLF and silvopastoral projects are viewed favourably in that their diversified approach has been demonstrated to reduce vulnerability of farmers (particularly smallholder

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farmers) to environmental shocks, including climate change.^{3,4} However, Sustainalytics notes that certain limitations^{5,6,7} are to be considered with ICLF and silvopastoral systems, including their implementation difficulties, potential for counteracting methane emissions from livestock, and their limited capacity to act as a net carbon sinks if improperly managed.

- For the “Sustainable water and wastewater management” category, Sustainalytics views positively the inclusion of systems for water and wastewater treatment and technologies and equipment for the efficient use of water.
- For the “Renewable energy” category, Sustainalytics note positively the inclusion of waste feedstock for biogas and the Framework’s restriction of financing to hydro power stations at or below 25 megawatts, which is aligned with market practice.
- For the “Prevention and contamination control” category, Sustainalytics notes positively the exclusion of fossil fuels power technologies for investments in air pollution control.
- For the “Affordable Basic Infrastructure” category, the Bank intends to finance, among other projects, electric power lines meant to provide access to essential services to target populations. Sustainalytics notes that the electrical grid in Paraguay relies almost entirely on existing low-carbon hydroelectrical power and, consequently, the construction of electric transmission lines is considered an eligible project.⁸
- For the “Access to essential services” category, Sustainalytics notes the construction and renovation of public hospitals, and the financing of telecommunication infrastructure to provide internet and telephone lines to target underserved populations.
- For the “Employment generation” category, the Bank will finance SMEs and training programs for marginalized populations to support social advancement in the form of employment.
- Sustainalytics notes positively the identification of target populations for all the social categories as recommended by the SBP. Sustainalytics recognizes that advancing widely accessible public systems will increase social benefits to both disadvantaged groups as well as the general public.
- Project Evaluation and Selection:
 - Banco Continental will establish a Sustainability Bond Committee comprised of six members, including two board directors, the risk manager, the general manager, the environmental and social risk coordinator, and a treasury representative, who will meet at least twice a year to oversee the selection of eligible projects.
 - Eligible projects include those that have received funding up to 36 months prior to the issuance date and through the maturity of the term of the bond. Sustainalytics notes that Banco Continental’s plan to allocate an amount equal to the net proceeds of the bonds over the duration of the bond term is longer than market practice and is, therefore, a limitation. Notwithstanding, Sustainalytics notes positively Banco Continental’s intention to, where feasible, allocate an amount equal to the net proceeds of the bonds in the first 24 months after issuance, which is aligned with market expectation.
 - Based on the Bank’s procedures in place, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Banco Continental has established an internal tracking system to monitor and account for the net proceeds of the sustainability bonds. The Sustainability Bond Committee will oversee disbursement of proceeds and pending allocation proceeds will be held in cash, cash equivalents or other forms of available short-term funding sources.
 - Sustainalytics considers this process to be in line with market practice.

³ World Development Perspectives, Overcoming barriers to low carbon agriculture and forest restoration in Brazil: The Rural Sustentável project:

<https://www.sciencedirect.com/science/article/pii/S2452292916301321#b0010>

⁴ Current Opinion in Environmental Sustainability, Climate risk adaptation by smallholder farmers: the roles of trees and agroforestry:

<https://www.sciencedirect.com/science/article/pii/S1877343513001619?via%3Dihub>

⁵ Springer, “Silvopasture: a sustainable livestock production system”, at: <https://link.springer.com/article/10.1007/s10457-019-00366-8>

⁶ Instituto Nacional de Investigacion, “Silvopasture in the Caatinga biome of Brazil - A review of its ecology, management, and development opportunities”, at: <http://revistas.inia.es/index.php/fs/article/view/12267/4006>

⁷ IPCC, Land-Climate Interactions, at: https://www.ipcc.ch/site/assets/uploads/2019/08/2c-Chapter-2_FINAL.pdf

⁸ Ministerio de Obras Publicas y Comunicaciones, “Reseña Energética”, at:

https://www.ssme.gov.py/vmme/index.php?option=com_content&view=article&id=1213&Itemid=598&showall=1.

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- Reporting:
 - Banco Continental commits to annually report, until full allocation, (i) the amount of net proceeds allocated to each Eligible Project Category, (ii) a brief description of Eligible Projects and, where feasible, expected impact metrics, and (iii) the outstanding amount of net unallocated proceeds. Impact metrics could include annual GHG emissions avoided, green building certifications achieved, annual water savings, number of clean vehicles deployed, social and economic impact assessments of social projects, percent of household with access to internet or telecommunications services, and area (m²) of healthcare facilities built.
 - The Sustainability Bond Report will be published on its website.
 - Based on these reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Sustainability Bond Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2018). For detailed information please refer to Appendix 3: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Banco Continental

Contribution of Framework to Banco Continental's sustainability strategy

Sustainalytics is of the opinion that Banco Continental demonstrates a commitment to sustainability with a focus on “the sustainable use of natural resources, and improving the quality of life of people, through the analysis of the interactions between the activities of its customers and the environment”.⁹ As part of its strategy, the Bank has adopted social and environmental business standards and worked with international banks and development agencies to further its sustainability agenda.

Banco Continental was a founding member of the Sustainable Finance Roundtable of Paraguay (*Spanish: Mesa de Finanzas Sostenibles del Paraguay* or “MFS”), an organization with a mission to advance a sustainable economy by working with the financial sector and stakeholders to promote and set social and environmental management standards. Member institutions integrate environmental and social credit risk assessment and integrate best practices for the agricultural, livestock and agro-industrial sectors in Paraguay. In 2017, MFS aligned with the United Nations Environment Programme Finance Initiative (“UNEP-FI”)¹⁰ which requires that all members work to achieve the Sustainable Development Goals (“SDGs”) and meet the targets established in the Paris Climate Agreement.¹¹

As part of its work with international development banks, Banco Continental has received funding from the Inter-American Development Bank (“IDB”) specifically to provide financing to SMEs.¹² The Bank has also worked with the International Finance Corporation (“IFC”)¹³ and Agence Française de Développement¹⁴ to contribute to financial inclusion, support small farmers and further SME lending.

In addition, an integral part of its corporate social responsibility strategy has been to support education by building schools in underserved areas, and offering tools and resources to improve education. To-date, Banco Continental has built more than 10 schools in Paraguay.¹⁵

Sustainalytics is of the opinion that the Sustainability Bond Framework is aligned with the company's overall sustainability strategy and initiatives, and that it will further the Company's action on its key social and environmental priorities.

Well positioned to address common environmental and social risks associated with the projects

⁹ UNEP FI, “Banco Continental”, at: <https://www.unepfi.org/member/banco-continental-s-a-e-c-a/>.

¹⁰ UNEP FI is a partnership between UNEP and the financial sector to mobilize private sector financing for sustainable development. UNEPFI, “About United Nations Environment Programme Finance”, at: <https://www.unepfi.org/about/>.

¹¹ Mesa de Finanzas Sostenibles, “Adhesión de la MFS a los Principios de Banca responsable de UNEP FI”, (2019), at: www.mfs.org.py/es/act/adhesion-de-la-mfs-a-los-principios-de-banca-responsable-de-unep-fi/.

¹² IDB, “Resumen de Inversión”, at: <https://www.idbinvest.org/es/node/45642>.

¹³ IFC, “IFC's US\$100 million investment in Banco Continental supports the expansion of access to finance for SMEs and agribusiness in Paraguay”, (2019), at: <https://ifcextapps.ifc.org/IFCExt/Pressroom/IFCPressRoom.nsf/0/44D0D8188FC2F90885258403005C0043>.

¹⁴ Proparco, “Loan to Banco Continental: Supporting the development of agricultural holdings and agribusinesses in Paraguay”, (2017), at: <https://www.proparco.fr/en/carte-des-projets/banco-continental>.

¹⁵ Banco Continental, “Responsabilidad Social”, at: https://www.bancontinental.com.py/Paginas/Responsabilidad_Social.html.

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While Sustainalytics recognizes that eligible projects to be financed by the sustainability bonds are recognized by the GBP 2018 and SBP 2018 to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include community relations issues as well as land use and biodiversity loss associated with large-scale projects. Furthermore, by offering lending and financial services, all banks face risks associated with controversial companies and/or projects they may finance and may also be exposed to the possibility of financing activities that have negative social or environmental impacts.

To mitigate these risks, Banco Continental has in place an environmental and social management system (*Spanish: Sistema de Gestión Ambiental y Social* or "SGAS")¹⁶ through which it manages risk by incorporating standards and processes to identify, assess, mitigate and monitor possible impacts of their customers' activities. The Bank recognizes that multiple sectors in which its clients operate require tailored environmental and social risks management strategies. These include reducing forest degradation, protecting wild areas and wetlands protected under the Ramsar Convention,¹⁷ and minimizing impacts to indigenous communities. The SGAS includes a tool, CountiMap, which compiles images, and geographic data supplied by the National Forestry Service (*Spanish: Instituto Forestal Nacional* or "INFONA") and analyzes the data to monitor the above mentioned sensitive areas. In addition, the Bank gathers data from multiple institutions including the National Cadastre Service (*Spanish: Servicio Nacional de Catastro* or "SNC") , the Secretary for the Environment (Ministerio del Ambiente or "MADES"), the General Direction for Statistics, Surveys and Census (Dirección General de Estadística, Encuestas y Censos or "DGEEC"), NGO Guyra Paraguay and Global Forest Watch (GFW)¹⁸ to ensure their clients are not involved in illegal deforestation.¹⁹

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Banco Continental has in place sufficient mechanisms to manage and mitigate environmental and social risks commonly associated with the eligible categories and is well positioned to issue sustainability bonds.

Section 3: Impact of Use of Proceeds

All seven green use of proceeds categories and all three social use of proceeds categories are aligned with those recognized by the GBP or the SBP, respectively. Sustainalytics has focused the following analysis on where the impact is specifically relevant in the local context.

Environmental and social issues are the center of Paraguay's National Development Plan 2030 ("National Development Plan"). This National Development Plan establishes a framework to guide the country's development to ensure socio-economic and environmentally sustainable development. The National Plan has three strategic pillars: (i) poverty reduction and social development, (ii) inclusive economic growth, and (iii) inserting Paraguay into the world. Below is an analysis of how Banco Continental's sustainability bonds are aligned with the National Development Plan.

The role of financial institutions supporting sustainable development

It is estimated that in order to achieve the Sustainable Development Goals (SDGs) by 2030, there is a USD 2.5 trillion gap in funding.²⁰ Furthermore, the Intergovernmental Panel on Climate Change ("IPCC") estimates that if we are to limit global warming to 1.5°C, the annual investment in low-carbon technologies and energy efficiency would need to increase six fold compared to 2015.²¹ As a means to increase funding for these areas, private financial institutions are working with the UN, through the UNEP-FI, to better incorporate ESG considerations and mobilize private sector finance for sustainable development.²² The UNEP-FI has also recognized that "bank loans are the most important source of external finance for companies and will play a

¹⁶ Banco Continental has provided to Sustainalytics, in confidence, its SGAS manual and Sustainalytics has reviewed the Bank's processes to identify, evaluate, mitigate and monitor environmental and social impact associated with the Banks credit loan portfolio and clients.

¹⁷ The Ramsar Convention on Wetlands is the intergovernmental treaty that provides the framework for the conservation and wise use of wetlands and their resources. At: <https://www.ramsar.org/about-the-convention-on-wetlands-0>.

¹⁸ Banco Continental, "Memoria y Balance 2018", at: <https://www.bancontinental.com.py/Files/Memoria.pdf>.

¹⁹ FMO, "Where on earth are banks a catalyst for positive change?", at: <https://www.fmo.nl/blog-linda-broekhuizen-paraguay>.

²⁰ UNDP, "Closing the green finance gap", (2019), at: <https://www.undp.org/content/undp/en/home/blog/2019/closing-the-green-finance-gap.html>.

²¹ IPCC, "Special Report: Global Warming of 1.5°C Summary for Policymakers

²² IISD, "UN Secretary-General Releases Strategy for Financing 2030 Agenda", (2018), at: <https://sdg.iisd.org/news/un-secretary-general-releases-strategy-for-financing-2030-agenda/>.

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crucial role in steering businesses.”²³ Thus, financial institutions such as Banco Continental are vital players in the drive to mobilize capital to achieve the SDGs and limit the impacts of global warming.

An OECD report²⁴ found that one of the main challenges for Paraguay to continue its sustainable development agenda are fiscal constraints and limited public investment. The report acknowledges that there is an unexploited potential to increase private investment flows which can have a significant impact on development. Sustainalytics is of the opinion that Banco Continental’s sustainability bonds will advance the goals of the National Development Plan and contribute to closing the funding gap to reach the climate targets and SDG goals.

Towards a low-carbon economy in Paraguay

In its most recent Biennial Update Report, Paraguay reported that, as of 2015, its GHG emissions came predominantly from three sectors: 52.9% from the agricultural sector, 30.7% from land use, land-use change and forestry (“LULUCF”), and 12% from the energy sector.²⁵ As a signatory of the Paris Agreement, Paraguay has developed its National Climate Change Mitigation Plan and Action Programs (*Spanish: Plan Nacional de Mitigación Ante el Cambio Climático y Los Programas de Acción*)²⁶ in which the Government of Paraguay aims to reduce its emissions by 20% by 2030, compared to 2000.²⁷ To achieve these goals, Paraguay is currently developing strategies to lower its emissions by increasing renewable energy generation by 60%, reducing consumption of fossil fuels by 20%, and increasing the efficiency of agricultural production systems. Given this context, Sustainalytics is of the view that Banco Continental’s financing of green projects will contribute to meet these national targets.

The importance of sustainable agriculture practices

Global GHG emissions from food production accounts for approximately 26% of anthropogenic emissions. It is estimated that 31% of these emissions come from livestock and fisheries, 27% from crop production, 24% from land use, and 18% from the supply chain.²⁸ Conventional agricultural practices, including tillage and use of chemical inputs (pesticides and fertilizers), have resulted in soil erosion and nutrient loss, resulting in nonarable land that is no longer suitable for the cultivation of crops.²⁹ Sustainable agricultural practices aim to mitigate the degradation of land and ensure the sustained ability to grow crops for current and future populations.

Considering the large role of the agricultural sector in Paraguay in both its economy and GHG emissions, the government has sought to encourage more sustainable agricultural practices that are cost-effectively. Together with the UNDP, Paraguay carried out the project Green Production Landscapes, Sustainable Commodities (*Spanish: Paisajes de Producción Verde, Commodities Sustentables*) with the goal of establishing a framework to protect biodiversity and improve the sustainable use of land to limit the impacts from this sector.³⁰ The project resulted in the creation of the National Platform of Sustainable Commodities (*Spanish: Plataforma Nacional de Commodities Sustentables*) whose mission is to promote and improve the overall social, environmental and economic performance of the national agricultural industry.³¹ To this end, Banco Continental’s Framework includes financing to support sustainable agricultural practices which include Integrated Crop-Livestock Systems (“ICLS”). The Food and Agriculture Organization (“FAO”) has recognized

²³ UNEP, “Financial Institutions Taking Action on Climate Change”, at: <http://www.unepfi.org/fileadmin/documents/FinancialInstitutionsTakingActionOnClimateChange.pdf>.

²⁴ OECD, “Multi-dimensional Review of Paraguay Volume a. Initial Assessment”, (2018), at: https://www.oecd.org/development/mdcr/countries/paraguay/Paraguay_Vol_1_Overview_En.pdf.

²⁵ Ministerio del Ambiente y Desarrollo Sostenible, “Segundo Informe Bienal de Actualización Sobre Cambio climático Ante la CMNUCC”, (2018), at: http://www.mades.gov.py/wp-content/uploads/2019/04/IBA2_DNCC_MADES-1.pdf.

²⁶ Ministerio del Ambiente y Desarrollo Sostenible, “Plan Nacional de Mitigación Ante el Cambio Climático y Los Programas de Acción”, (2017), at: <http://dncc.seam.gov.py/wp-content/uploads/2018/11/PLAN-NACIONAL-DE-MITIGACIÓN-Y-LOS-PROGRAMAS-DE-ACCIÓN.pdf>.

²⁷ Ministerio del Ambiente y Desarrollo Sostenible, “Plan Nacional de Mitigación Ante el Cambio Climático y Los Programas de Acción”, (2017), at: <http://dncc.seam.gov.py/wp-content/uploads/2018/11/PLAN-NACIONAL-DE-MITIGACIÓN-Y-LOS-PROGRAMAS-DE-ACCIÓN.pdf>.

²⁸ University of Oxford, “Food production is responsible for one-quarter of the world’s greenhouse gas emissions”, (2019), at: <https://ourworldindata.org/food-ghg-emissions>.

²⁹ Challenge Advisory, “The Importance of Sustainable Farmers”, (2018), at: <https://www.challenge.org/knowledgeitems/the-importance-of-sustainable-farming/>.

³⁰ UNDP, “Paisajes de Producción Verde, Commodities Sustentables”, (2019), at: https://www.py.undp.org/content/paraguay/es/home/operations/projects/poverty_reduction/paisajes-de-produccion-verde-commodities-sustentables.html.

³¹ Plataforma Nacional de Commodities Sustentables, at: <https://greencommoditiesparaguay.org/>.

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that “well-integrated crop and livestock systems at various levels of scale”³² increase environmental sustainability and support livelihoods in a sustainable manner. Sustainalytics is of the opinion that Banco Continental’s financing of such projects, limiting the use of synthetic fertilizers and pesticides, to contribute to support the national strategy to make the agricultural sector more sustainable.

Green Buildings in Paraguay

At present, there are no building energy codes in Paraguay,³³ but the country has published a building criterion (*Spanish: Hacia ciudades mas sostenibles: Una Certificación de Construcción Sostenible para Paraguay*) to advance its goal of making cities and buildings more sustainable. Part of this strategy involves the Paraguay Green Building Council³⁴ which is in the process of being certified as the official body able validate green buildings, based on the Paraguayan Standards for Sustainable Buildings (*Spanish: Normas Paraguayas de Construcción Sostenible* or “NPCS”) which covers building location, design, materials, and water and energy efficiency.³⁵

Banco Continental’s financing of green building can have a significant impact as the country develops its green building market to lower emissions from the built environment. Sustainalytics recognizes that the upper levels of green building certifications, namely LEED Gold and Platinum, and BREEAM Very Good or above, are often considered to represent the highest levels of environmental performance. For example, BREEAM states that a rating of Very Good is intended to represent a building in the “top 25% of UK new non-domestic buildings (advanced good practice)”, whereas a score of Good is equivalent to a building in the top 50%, or “intermediate good practice”.³⁶ However, it is important to consider the context in which these buildings are being constructed; what is merely good practice in some regions could be considered indicative of best practices in emerging markets. In Paraguay, there are currently 14 LEED certifications and registrations,³⁷ while in neighboring Argentina, for example, there are 340 buildings that have received certification.³⁸ Sustainalytics is of the opinion that the use of proceeds of the sustainability bond related to green buildings will have positive environmental impacts.

Public infrastructure and social impacts

Despite sustained economic growth and a rise in living standards over the last decade, Paraguay is faced by a high rate of inequality among its populations and between regions. Paraguay has seen a consistent improvement in several social indicators such as the country’s literacy rate, where illiteracy has decreased from 6.13% to 4.8% between 2010 to 2015.³⁹ However, challenges persist in closing the gap specifically in rural areas where the illiteracy rate remains at 8.7%. Discrepancies also remain for poverty rates between regions. Paraguay saw its overall poverty rate reduced from 45% in 2007 to 27% in 2015,⁴⁰ however, 32.5% of the population in rural areas was considered poor, compared with 15.4% of the urban population. Available data shows that there was an increase in social expenditure from 4% to 11.8% of GDP between 2003 and 2016 (excluding a doubling of spending by social security institutions from 2.1% to 4.4% of GDP), significantly increasing the reach of anti-poverty programmes.⁴¹ A report by the government also showed that access to water and sewage has also improved and as of 2015, 81.2% of the population had access to potable water. In terms of sanitation, coverage in urban areas reached 81.2% consisting of sewage networks, while only 59.4% of the rural regions were covered with on-site collection systems.⁴² The report also indicates a lag in terms of wastewater treatment facilities in the country.

³² FAO, “Integrated Crop-Livestock Systems (ICLS)”, at: <http://www.fao.org/agriculture/crops/thematic-sitemap/theme/spi/scpi-home/managing-ecosystems/integrated-crop-livestock-systems/en/>.

³³ Silvero, F., et al. (2019), “Impact assessment of climate change on buildings in Paraguay”, at: <https://link.springer.com/article/10.1007/s12273-019-0532-6>.

³⁴ INTN, “Proyectan una certificación de Construcción Sostenible para Paraguay”, (2019), at: <https://www.intn.gov.py/index.php/noticias/proyectan-una-certificacion-de-construccion-sostenible-para-paraguay>.

³⁵ CCI, “Lanzaron las normas paraguayas de la construcción sostenible”, (2017), at: <https://www.cci.com.py/2017/02/07/lanzaron-las-normas-paraguayas-de-la-construccion-sostenible/>.

³⁶ BREEAM, “Scoring and Rating BREEAM assessed buildings”, at: https://www.breeam.com/BREEAM2011SchemeDocument/Content/03_ScoringRating/scoring.htm

³⁷ GBIG, “Paraguay”, at: <http://www.gbig.org/places/828>.

³⁸ GBIG, “Argentina”, at: <http://www.gbig.org/places/8279>.

³⁹ UNFCCC, “Tercera Comunicación Nacional de Paraguay a la Convención Marco de las Naciones Unidas sobre el Cambio Climático”, at: <https://unfccc.int/sites/default/files/resource/NC3%20PARAGUAY.pdf>.

⁴⁰ OECD, “Multi-dimensional Review of Paraguay Volume a. Initial Assessment”, (2018), at: https://www.oecd.org/development/mdcr/countries/paraguay/Paraguay_Vol_1_Overview_En.pdf.

⁴¹ *Ibid*

⁴² UNFCCC, “Tercera Comunicación Nacional de Paraguay a la Convención Marco de las Naciones Unidas sobre el Cambio Climático”, at: <https://unfccc.int/sites/default/files/resource/NC3%20PARAGUAY.pdf>.

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Banco Continental's sustainability bonds will help close the gap between regions by targeting underserved populations that lack quality access to essential services such as public health, water and sanitation, and educational services. This is aligned with the National Development Plan and will further strengthen the reach of social programs in Paraguay.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Energy efficiency	7. Affordable Clean Energy 9. Industry Innovation and Infrastructure	7.3 By 2030, double the global rate of improvement in energy efficiency 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Green buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning.
Clean transportation	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Environmentally sustainable management of living natural resources and land use	15. Life on Land 12. Responsible Consumptions and Production	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally 12.2 By 2030, achieve the sustainable management and efficient use of natural resources.
Sustainable water and wastewater management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Renewable energy	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Prevention and contamination control	12. Responsible Consumptions and Production	12.5 By 2030 substantially reduce waste generation through prevention, reduction, recycling and reuse.
Affordable basic infrastructure	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Access to essential services	3. Good Health and Well Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

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Employment generation	8. Decent work and economic growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
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Conclusion

Banco Continental has developed the Sustainability Bond Framework under which it will issue multiple sustainability bonds and use the proceeds to finance and/or refinance projects that advance the transition to an environmentally and socially sustainable economy. Sustainalytics considers that the projects funded by the sustainability bond proceeds will provide positive environmental and social impact and advance the goals of the National Development Plan.

The Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Sustainability Bond Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 6, 7, 8, 9, 11, 12 and 15.

Additionally, Sustainalytics is of the opinion that Banco Continental has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Banco Continental is well-positioned to issue sustainability bonds and that that Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2018).

Appendices

Appendix 1: Summary of referenced green building certification schemes

	LEED ⁴³	BREEAM ⁴⁴	HQE ⁴⁵
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, BREEAM can be used for new, refurbished and extension of existing buildings.	The Haute Qualité Environnementale or HQE (High Quality Environmental standard) is a standard for green building in France, based on the principles of sustainable development first set out at the 1992 Earth Summit. The standard was launched in 2005 and is controlled by HQE and certificate is issued by Cerway/ Certivea/ Cerqual
Certification levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding 	<ul style="list-style-type: none"> • Pass • Good • Very good • Excellent • Exceptional
Areas of assessment	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation Design • Regional Priority 	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Energy • Environment (Site, Components, Worksite, Water, Waste, Maintenance) • Comfort (Hydrothermal, Acoustic, Visual, Olfactory) • Health (Spaces quality, Air Quality, Water Quality) • Principles of Equivalence
Requirements	Prerequisites (independent of level of certification) + Credits with associated points. These points are then added together to obtain the LEED level of certification. There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operations and Maintenance).	Prerequisites depending on the levels of certification, and credits with associated points. This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.	Prerequisites independent of level of certification, and points-based performance level. Levels are obtained based on a percentage of points given per target, allowing for flexibility. Based on the total number of stars obtained per area, an overall HQE level is then given. Environmental certificates are assigned at all stages of the building life cycle, and on-site audits are required.

⁴³ USGBC, "LEED rating system", at: <https://www.usgbc.org/leed>.

⁴⁴ BREEAM, "Scoring and Rating BREEAM assessed buildings", at: https://www.breeam.com/BREEAM2011SchemeDocument/Content/03_ScoringRating/scoring.htm.

⁴⁵ HQE, "Schemes and Documents", at: <https://www.behqe.com/schemes-and-documents>.

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Qualitative Considerations	Widely recognized internationally, and strong assurance of overall quality.	Widely accepted within the industry. Sustainalytics considers BREEAM Very Good (provided a minimum score of 70% is achieved in the energy category), Excellent and Outstanding to be representative of best practice.	Most commonly used system in France, with strong acceptance within the local market.
Performance display			

Appendix 2: Summary of agricultural sustainability certifications

	FSC ⁴⁶	PEFC ⁴⁷	SFI ⁴⁸
Background	Founded in 1993 after the 1992 Earth Summit in Rio failed to produce any international agreements to fight against deforestation, FSC aims to promote sustainable forest management practice.	PEFC was founded in 1999 in response to the specific requirements of small- and family forest owners as an international umbrella organization providing independent assessment, endorsement and recognition of national forest certification systems.	In 2005, the PEFC recognized the SFI standard with an aim to advance sustainable forestry and responsible purchasing globally. The SFI program has on-product labels to help consumer interact with the forestry supply chain by supporting responsible forestry. The SFI standards pertain to - Forest Management Standard, Fiber Sourcing Standard and Chain-of-Custody Standard
Basic Principles	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations 	<ul style="list-style-type: none"> • Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions 	<ul style="list-style-type: none"> • To practice sustainable forestry that integrates land stewardship ethic and conservation of ecosystem services • To protect and maintain forest productivity and health • To protect water resources and biological diversity • To manage the visual impacts of forest operations, and to provide recreational opportunities for the public • To manage and protect integrity of forests and lands of special significance (ecologically, geologically or culturally important) • To use and promote sustainable forestry practices that are both scientifically credible and economically, environmentally and socially responsible • To avoid Controversial Sources including Illegal logging in Offshore Fiber Sourcing as well as sourcing from countries that do not have effective social laws. • To comply with applicable federal, provincial, state, and local forestry and related environmental laws, statutes, and regulations

⁴⁶ Forest Stewardship Council, at: <https://www.fsc.org/en>

⁴⁷ Programme for the Endorsement of Forest Certification, at: <https://www.pefc.org/>

⁴⁸ Sustainable Forestry Initiative, at: <https://www.sfiprogram.org/>

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		<ul style="list-style-type: none"> Compliance with legal requirements 	<ul style="list-style-type: none"> To support advances in sustainable forest management through forestry research as well as improve the practice of sustainable forestry through training and education programs To broaden the practice of sustainable forestry on public lands through community involvement as well as the understanding of the standard by documenting certification audits and making the findings publicly available. To continually improve the practice of forest management
Governance	<p>The General Assembly, consisting of all FSC members, constitutes the highest decision-making body.</p> <p>At the General Assembly, motions are proposed by one member, seconded by two more, and deliberated and voted on by all members. Members are entitled to vote to amend the bylaws, initiate new policies, and clarify, amend or overturn a policy decision by the board.</p> <p>Members apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers.</p> <p>Each chamber holds 33.3% of the weight in votes, and within each chamber the votes are weighted so that the North and South hold an equal portion of authority, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p> <p>The votes of all individual members in each sub-chamber represent 10% of the total vote of the sub-chamber, while the votes of organizational members make up the other 90%.</p> <p>The members vote for the board of directors, which is accountable to the members. There is an international board elected by all members and a US board, elected by the US-based members.</p>	<p>PEFC’s governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders.</p> <p>Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p> <p>The Board of Directors supports the work of the GA and together the GA and the Board make the formal approval of final draft standards. Standards are developed by working groups.</p> <p>In general, PEFC’s governance structure is more representative of industry and government stakeholders than of social or environmental groups, which gives industry and governments more influence in the decision-making process. However, the organization does include stakeholders from all sectors.</p>	<p>The SFI program is operated by SFI Inc., a fully independent non-profit charitable 501(c)(3) organization.</p> <p>SFI Inc. is governed by an 18-member board of directors made up of three chambers with equal membership: environmental, social and economic. This multi-stakeholder board of directors is the sole governing body over all aspects of the SFI program, including the SFI 2010-2014 Standard, chain-of-custody, labeling and claims, marketing and promotion.</p> <p>The SFI has an External Review Panel, comprising environmental, conservation and forestry experts. This panel annually reviews the program’s progress and releases a report publicly.</p> <p>There are thirty-seven SFI Implementation Committees across North America that operate at the regional, state and provincial level to help promote the SFI Standard through targeted local actions. They involve public agencies, universities, local forestry associations, landowners, loggers, partnerships with conservation groups, and other community based organizations</p>
Scope	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an</p>	<p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting</p>	<p>SFI Standards promote sustainable forest management in North America and responsible procurement of forest products around the world.</p>

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	<p>FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)⁴⁹ and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>The SFI Forest Management Standard particularly applies to organizations in the United States and Canada and the Fiber Sourcing Standard as well as the Chain-of-Custody standard apply to any organization globally.</p>
<p>Chain-of-Custody</p>	<ul style="list-style-type: none"> The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards. CoC standard includes procedures for tracking wood origin. CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products. CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC. 	<ul style="list-style-type: none"> Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC. Only accredited certification bodies can undertake certification. CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials. The CoC standard includes specifications for the physical separation of certified and non-certified wood. The CoC standard includes specifications about procedures for dealing with complaints related to participant's chain of custody. 	<ul style="list-style-type: none"> Any entity harvesting, transporting, handling or processing forest based products can use CoC certification to track and communicate forest fiber content using one of the following optional approaches for chain of custody: physical separation, average percentage or volume credit method. These entities shall obtain an independent, third-party certification by an SFI certification body to the requirements set out in this standard if they choose to utilize an SFI CoC label or claim. Quality or environmental management systems (ISO 9001: 2008) or environmental management system (ISO 14001:2004) can be used to meet minimum requirements for the management system. This standard shall be used together with the requirements specifying the origin, which is to be verified by the CoC. Usage of labels and claims based on the implementation of this standard shall follow ISO 14020:2000 (Environmental labels and declarations)
<p>Non-certified wood sources</p>	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <p>a. Illegally harvested wood, including wood that is</p>	<p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <p>a. forest management activities that do not comply with local, national</p>	<p>SFI requires program participants to:</p> <p>a. Comply with applicable federal, provincial, state, and local forestry and related environmental laws, statutes, and regulations such as - The Clean Water Act, The Endangered Species Act, The Species at Risk Act, The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) etc.</p>

⁴⁹ ISO, "ISO/IEC Guide 59:2019", (2019), at: <https://www.iso.org/standard/23390.html>

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	<p>harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others,</p> <p>b. Wood harvested in violation of traditional and civil rights,</p> <p>c. Wood harvested in forests where high conservation values are threatened by management activities,</p> <p>d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</p> <p>e. Wood from management units in which genetically modified trees are planted.</p>	<p>or international laws related to:</p> <p>b. operations and harvesting, including land use conversion,</p> <ul style="list-style-type: none"> o management of areas with designated high environmental and cultural values, o protected and endangered species, including CITES species, o health and labor issues, o indigenous peoples' property, tenure and use rights, o payment of royalties and taxes. <p>c. genetically modified organisms,</p> <p>d. forest conversion, including conversion of primary forests to forest plantations.</p>	<p>b. Avoid controversial sources including Illegal Logging and Fiber Sourced from Areas that do not have Effective Social Laws pertaining to: workers' health and safety, fair labor practices, indigenous peoples' rights, anti-discrimination and anti-harassment measures, prevailing wages and workers' right to organize.</p> <p>c. Document information that includes knowledge about direct suppliers' application of the principles of sustainable forestry.</p>
<p>Accreditation/ verification</p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit every year and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). Like a certification body checks a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>	<p>All SFI certifications require independent, third-party audits and are performed by internationally accredited certification bodies.</p> <p>Accredited certification bodies are required to:</p> <ul style="list-style-type: none"> • maintain audit processes consistent with the requirements of ISO 17021:2006 conformity assessment – requirements for bodies providing audit and certification of management systems; and • conduct audits in accordance with the principles of auditing contained in the ISO 19011:2002 Guidelines for Quality and/or Environmental Management Systems Auditing.
<p>Conclusion</p>	<p>Sustainalytics views both FSC and PEFC, as well as the PEFC-affiliated scheme SFI, as being credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for</p>		

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	<p>their contribution to sustainable forest management practices⁵⁰ and both have also faced criticism from civil society actors.^{51,52} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are equal or similar to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>
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⁵⁰ FESPA, "FSC, PEFC and ISO 38200", (2018), at: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>.

⁵¹ Yale Environment 360, "Greenwashed Timber: How Sustainable Forest Certification Has Failed", (2018), at: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>.

⁵² EIA, "PEFC: A Fig Leaf for Stolen Timber", (2017), at: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>.

Appendix 3: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Banco Continental S.A.E.C.A.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 31, 2020
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|--|--|
| <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 (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

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

Please refer to Evaluation Summary above.

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Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The green and social categories eligible for the use of proceeds – (i) Energy efficiency, (ii) Green buildings, (iii) Clean transportation, (iv) Environmentally sustainable management of living natural resources and land use, (v) Sustainable water and wastewater management (vi) Renewable energy, (vii) Prevention and contamination control, (viii) Affordable basic infrastructure, (ix) Access to essential services, and (x) Employment generation – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles, respectively. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 6, 7, 8, 9, 11, 12 and 15.

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

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |

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- Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs
 Other (please specify):

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Banco Continental will establish a Sustainability Bond Committee, comprised of two board directors, the risk manager, the general manager, the environmental and social risk coordinator and a treasury representative to oversee the selection process of Eligible Projects. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Banco Continental will establish an internal tracking system to monitor and account for net proceeds. Pending allocation, net proceeds will be held temporarily in cash, cash equivalents, or other forms of available short-term funding sources. This is in line with market practice

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

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

4. REPORTING

Overall comment on section (if applicable):

Banco Continental intends to publish a Sustainability Bond Report on its website, on an annual basis and until full allocation, containing the amount of net proceeds allocate to each Eligible Project Category, and the outstanding amount of net proceeds yet to be allocated. In addition, Banco Continental is committed to reporting on relevant impact metrics where feasible. Sustainalytics views the Bank's allocation and impact reporting as aligned with market practice.

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"/> Sustainability Bond 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:

- | | |
|--|--|
| <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>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

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Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): Green building certifications; number of clean vehicles deployed; annual volume of sewage/wastewater treated, reused and avoided; number of beneficiaries, social and economic impact assessments in the community with indicators; percentage of households having access to internet/telecommunications services; area of healthcare facilities built. |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

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:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

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

- i. Second Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer’s adviser for its Sustainability 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 Principles. In particular, it can include an assessment of the issuer’s overarching objectives,

Banco Continental Sustainability Bond Framework

strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social 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 sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially 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 Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability 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.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability 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 and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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