# Banco de Comercio Exterior de Colombia S.A.

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## Introduction

In August 2017, Banco de Comercio Exterior de Colombia S.A. ("Bancóldex") issued a green bond under the Bancóldex Green Bond Framework 2017 (the "Framework").[1] Sustainalytics provided a Second-Party Opinion on the Framework in June 2017.[2,3] Bancóldex's green bond is aimed at financing projects that promote sustainable economic growth in accordance with the objectives defined in the Colombian Government's 2014-2018 National Development Plan and the Nationally Determined Contributions declared in the Paris Climate Agreement.[4] In July 2022, Bancóldex engaged Sustainalytics to review the new projects funded through the issued green bond between June 2021 and May 2022 and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Framework. This is Sustainalytics' fifth and final annual review of Bancóldex's green bond programme following the earlier reviews in 2018, 2019, 2020 and 2021.

Between August 2017 and May 2022, Bancóldex has financed 482 projects[5] with total disbursements of COP 584.6 billion (USD 149.4 million).[6] For the period June 2021 to May 2022, Bancóldex financed 140 projects, with total disbursements of approximately COP 80 billion (USD 20.4 million).[5] Newly financed projects were within the following four categories of the Framework: (i) Pollution control and efficient use of resources , (ii) Sustainable transportation, (iii) Energy efficiency and (iv) Renewable energy.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded between June 2021 and May 2022 based on whether:

1. The 140 projects outlined in Appendix 1 met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. The three representative case studies described in Appendix 3, selected by Bancóldex, reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, and Eligibility Criteria, while Table 2 lists the associated KPIs.

**Table 1: Use of Proceeds and Eligibility Criteria set out in the Bancóldex Green Bond Framework 2017**

| Use of Proceeds | Eligibility Criteria |
|---|---|
| **Pollution control and efficient use of resources** | The resources under this criterion are geared toward the construction, installation and operation of systems of control and monitoring of the productive process for the prevention and mitigation of the negative effects of business activity on the environment, including:<br>• Acquisition of equipment and adaptations for the treatment of waste water. |

[1] Bancóldex, "Green Bond Framework", (2017), at: https://www.bancoldex.com/sites/default/files/bancoldex_green_bond_framework.pdf
[2] Sustainalytics, "Bancóldex Green Bond Second-Party Opinion", (2017), at: https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/banc-ldex/banc-ldex-green-bond-second-opinion-english/bancoldex-green-bond-second-opinion-pdf
[3] In its Second-party Opinion, Sustainalytics assessed the Framework's alignment with the requirements outlined in the ICMA 2017 Green Bond Principles which have since been replaced by the 2018 and 2021 versions.
[4] Colombian Government, "National Development Plan 2014-2018", at: https://funcionpublica.gov.co/eva/gestornormativo/norma.php?i=61933
[5] Some projects may be classified in more than one of the eligible categories and therefore the total number of projects may differ from the addition of the individual projects. Sustainalytics further notes that the total number of projects financed between 2017 and 2021 was recently revised to 342 projects which differs from the total number of 322 projects which was reported within the Annual Review for the period of July 2020 to June 2021.
[6] Based on an exchange rate of USD 1 = COP 3,912.34 as of 31st May 2022

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|---|---|
| | • Control systems for the reduction of pollutants in solid, liquid and gaseous waste (for example filters for controlling atmospheric emissions).<br>• Acquisition of equipment for the use of solid, liquid or gaseous waste.<br>• Acquisition of equipment for the efficient use of resources (for example water-saving devices). |
| **Sustainable transportation** | The resources under this criterion drive the renewal, modernization and modal shift in transport systems toward ones with zero or low emissions:<br>• Acquisition of all types of hybrid or electric vehicles for public or private transportation of passengers or cargo.<br>• Electrical infrastructure for the recharging of hybrid or electric vehicles.<br>• Infrastructure for the operation of mass transport systems. |
| **Energy efficiency** | The resources under this criterion are intended for projects that optimize the consumption of electric or thermal energy, to increase productivity and improve production processes, including:<br>• Development of energy auditing.<br>• Replacement or renewal of equipment by those with higher efficiency (for example conventional LED lighting, high-efficiency motors, efficient cooling systems, etc.).<br>• Investments for the optimization of energy consumption in the production process (for example reduction of energy losses, efficient boilers, etc.).<br>• Acquisition and installation of energy-measuring and control systems.<br>• Systems for the recovery and use of residual heat.<br>• Design, construction and installation of co-generation projects only if there is a net reduction of greenhouse gas emissions.<br>• The activities required to obtain the certification of ISO 50001. |
| **Renewable energy** | The resources under this criterion finance projects for the generation of electric or thermal energy from renewable energy sources such as wind, solar, biogas derived from biomass residues, small hydroelectric plants with a capacity of less than 10 MW, and geothermal, including:<br>• Design of the power generation project.<br>• Adaptations for the construction and installation of power generation projects.<br>• Acquisition of energy generation technology.<br>• Acquisition of storage systems.<br>• Transmission and network connection systems.<br>• Measurement and information technology that allows for the integration of renewable energy into the grid.<br>• Monitoring systems according to each technology variables. |
| **Sustainable construction** | The resources under this criterion support the set of measures in design and construction of buildings that allow the achieving of improvements in the use of resources, according to Resolution 0549 of 2015 for sustainable construction issued by the Ministry of Housing, City and Territory, which establishes the minimum percentages and measures of water and energy saving to be achieved in new construction. |

Table 2: Key Performance Indicators set out in the Bancóldex Green Bond Framework 2017

| Use of Proceeds | Key Performance Indicators |
|---|---|
| Pollution control and efficient use of resources | • Reduction in waste generated (tonnes/year)<br>• Amount of waste recycled (tonnes/year)<br>• Contaminated areas recovered (tonnes of soil treated or $m^2$ of area treated/year)<br>• Reuse of water ($m^3$ or % of total/year)<br>• Annual reduction in water consumption ($m^3$/year)<br>• Annual reduction in water withdrawals ($m^3$/year)<br>• Treatment of water and effluents ($m^3$ of water or effluents treated/year) |
| Sustainable transportation | • Absolute annual GHG reduction/emissions avoided ($tCO_2e$/year)<br>• GHG reduction/emissions avoided ($tCO_2e$/km/year)<br>• Absolute annual reduction of non-GHG pollutant emissions (tonnes of pollutants/year)<br>• Reduction of non-GHG pollutant emissions (tonnes of pollutants/km/year) |
| Energy efficiency | • Annual reduction in energy consumption (MWh/GWh or GJ/TJ/kg of product/year)<br>• Annual GHG reduction/emissions avoided ($tCO_2e$/year)<br>• Absolute annual GHG emissions from the project ($tCO_2e$/year) |
| Renewable energy | • Annual generation of renewable energy (MWh/kWh/GWh of electricity or GJ/TJ of other energy forms/year)<br>• Project's generation capacity of renewable energy (MW or GW/year)<br>• Renewable energy consumption (% total energy consumption/year)<br>• Annual reduction in GHG emissions/emissions avoided ($tCO_2e$/year)<br>• Absolute annual GHG emissions from the project ($tCO_2e$/year) |
| Sustainable construction | • Annual reduction in energy consumption (MWh/GWh or GJ/TJ/kg of product/year)<br>• Annual GHG reduction/emissions avoided ($tCO_2e$/year)<br>• Absolute annual GHG emissions from the project ($tCO_2e$/year) |

## Issuing Entity's Responsibility

Bancóldex is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Bancóldex's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Bancóldex employees and review of documentation to confirm the conformance with the Bancóldex Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by Bancóldex with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Bancóldex.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

## Conclusion

Based on the limited assurance procedures conducted,[7] nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Bancóldex's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Bancóldex Green Bond Framework 2017. Bancóldex has disclosed to Sustainalytics that, as of May 2022, the balance of its green portfolio exceeds the net proceeds of its green bond, and is therefore fully allocated.

## Detailed Findings

**Table 3: Detailed Findings**

| Eligibility Criteria | Procedure Performed | Factual Findings | Error or Exceptions Identified |
|---|---|---|---|
| **Use of Proceeds Criteria** | Verification of the projects funded by the green bond issued in August 2017 between June 2021 and May 2022 to determine if the 140 projects[8] aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1. | All projects reviewed complied with the Use of Proceeds criteria. | None |
| **Reporting Criteria** | Verification of the projects funded by the green bond issued in August 2017 between June 2021 and May 2022 to determine if impact of the 140 projects[9] was reported in line with the KPIs outlined in the Bancóldex Green Bond Framework 2017 and above in Table 2. For a list of KPIs reported please refer to Appendix 2. | At least one KPI per Use of Proceeds criteria was reported and additional details were provided in three impact case studies. | None |

[7] Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.
[8] Please refer to Appendix 1 for more information on projects funded.
[9] Please refer to Appendix 2 for more information on the impact of projects funded and to Appendix 3 for case studies.

# Appendices

## Appendix 1: Projects Financed by Category

Between June 2021 to May 2022, Bancóldex financed 140 projects as follows: (i) 25 projects under pollution control and efficient use of resources, (ii) four projects under sustainable transport, (iii) 78 projects under energy efficiency and (iv) 33 projects under renewable energy. See below a summary of the types of projects financed per Framework category.

| Use of Proceeds Category | Description of project | Number of Projects financed |
|---|---|---|
| **Pollution control and efficient use of resources** | Projects related to the reduction and control of liquid waste, which may include the following:<br>• Water efficiency systems that promote reduced consumption<br>• Water collection systems<br>• Rainwater systems<br>• Water recycling systems<br>• Sewage treatment plants and clean water treatment plants<br>• Projects that reduce the use of water in the production process of raw materials | 6 |
| | Projects that aim to reduce or improve the management of atmospheric emissions. These may include:<br>• Collection systems and particulate matter control for gasses and odors<br>• Optimization of combustion processes that reduce emissions of $CO_2$, nitrogen oxide and sulfur dioxide | 4 |
| | Projects which aim to reduce or manage solid waste, which may include the following:<br>• Solid waste separation<br>• Waste treatment systems<br>• Recovery and use of solid waste<br>• Resource reuse to reduce input of raw materials | 15 |
| **Sustainable Transportation** | Projects that support sustainable transportation by utilizing technology to reduce emissions generated from fuel consumption. Projects financed were limited to hybrid and electric vehicles for public and private transport. | 4 |
| **Energy efficiency** | Projects involving LED lighting. | 32 |
| | Retrofit of air-conditioning including replacement of entire units to improve energy efficiency as well as eliminating the use of ozone-depleting refrigerants. | 20 |
| | Projects to improve energy efficiency of processing equipment to increase productivity and reduce energy consumption. | 21 |

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|---|---|---|
| | Projects focused on the substitution of furnace technologies to reduce energy consumption and GHG emissions. | 1 |
| | Projects which improve energy efficiency by replacing outdated equipment in compressed air systems. | 3 |
| | Projects focused on the design, development and certification of hardware and software to control the consumption and demand of electricity. | 1 |
| **Renewable energy** | Solar photovoltaic energy projects. | 33 |
| **Total** | | **140** |

## Appendix 2: Impact Reporting by Eligibility Criteria

Bancóldex has reported the annual impact of the projects financed through its green bond between June 2021 and May 2022. The table below provides an overview of the environmental impact per use of proceed category.

| Use of Proceeds Category | Relevant KPI | Environmental Impact |
|---|---|---|
| **Pollution control and efficient use of resources** | • Reduction in annual waste generated (tonnes/year) | 82,376.1 |
| | • Annual reduction in water consumption ($m^3$/year) | 2,215.7 |
| | • Reuse of water ($m^3$/year) | 1,440 |
| | • Treatment of water and effluents ($m^3$ of water or effluents treated/ year) | 5,904 |
| | • Absolute annual GHG reduction/emissions avoided ($tCO_2e$/year) | 220.1 |
| **Energy efficiency** | • Annual reduction in energy consumption (GWh/year) | 8.2 |
| | • Annual reduction in water consumption ($m^3$/year) | 720 |
| | • Reuse of water ($m^3$/year) | 36 |
| | • Treatment of water and effluents ($m^3$ of water or effluents treated/year) | 2,400 |
| | • Absolute annual GHG reduction/emissions avoided ($tCO_2e$/year) | 41,501.6 |
| **Renewable energy** | • Annual generation of renewable energy (GWh/year ) | 5.3 |
| | • Reuse of water ($m^3$/year) | 60 |

| | | |
|---|---|---|
| | • Absolute annual GHG reduction/emissions avoided ($tCO_2e$/year) | 1,113 |
| **Sustainable transportation** | • Absolute annual GHG reduction/emissions avoided ($tCO_2e$/year) | 65.9 |

## Appendix 3: Case Studies

Bancóldex has reported the impact of its green bond through case studies from its portfolio of financed projects between June 2021 and May 2022. See below a summary of the reported impacts for three case studies.

| Case Study | Use of Proceeds and Eligibility Criteria Category | Environmental impact reported by Eligibility Criteria[10] |
|---|---|---|
| XANTIA-XAMUELS SAS ESP | Renewable energy | • This project involved the installation of solar panels for electricity generation.<br>• This project generated 375,574.2 kWh of electricity and achieved an emissions reduction of 76.2 $tCO_2e$ per year. |
| IBARRA MARTINEZ CARLOS EFREN | Energy Efficiency | • The borrower is a brick manufacturer. This project involved the installation of new ovens which increase production of bricks, reducing energy consumed during the production process by 40%.<br>• This project achieved an annual emissions reduction of 4,704 $tCO_2e$. |
| TRUME S.A.S. | Energy Efficiency | • This project involved investment in a new automated drying system which filters organic and inorganic contaminants present in emissions from brick production. This reduced the time allocated to this process and decreased GHG emissions.<br>• This project achieved an annual emissions reduction of 220 $tCO_2e$. |

[10] Project-related exclusion criteria that apply to the financing activities under the Framework can be found within Section F of the Environmental and Social Information Form within the environmental and social management policy, at: https://www.bancoldex.com/sites/default/files/formato_de_informacion_ambiental_y_social.pdf

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