GUÍA DE BONOS VERDES

sfc

Superintendencia Financiera
de Colombia

Good Practice Guide to Green Bond Issuances

This Guide to Good Practices for the issuance of green bonds in Colombia are requirementsthatissuers can voluntarily adopt, in order to generate high standards of disclosure, transparency and reporting in such a way as to promote the market integrity of green bonds. In addition, chapter four (4) of this Guide includes boxes that refer to the instructions givenin Circular Externa 028 of 2020, relating to disclosure in the information leaflet for green bond issuances.

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EXECUTIVE SUMMARY

L a SFC makes available to the public the Guide to Good Practices for the issuance of green bonds that presents recommendations that can be adoptedvoluntarily byissuers,in order topromote the market integrity of green bonds in Colombia and generate high standardsofdisclosure, transparencia and reporting. These recommendations meet the expectations of national and international investors and/or interested in such securities and are part of the four principles of ICMA green bonds.

Lto the Financial Superintendency of Colombia (SFC),additionally, issued the Circular Externa No. 028 of 2020, which incorporates instructions concerning the minimum information to be contained in the green bond issue information leaflet, which is in addition to numeral 1.3.6.1.2.8 to Chapter II Title II of Part III of the Basic Legal Circular. The instructions of thec ircular were alsoframedin the four principles of ICMA green bonds.

The structure of this guide is defined in four chapters: the first introduces the context related to sustainability and climate change, the second makes a link between sustainability and the financial system, the third introduces the conceptual framework of green bonds and international practices in this area and the fourth and final one focuses on the implementation or use of the guide in the Colombian context. Thefourth chapter, within the framework of the four principles of ICMA green bonds, presents recommendations for good practices that can be adopted voluntarily by issuers and,in addition, are included inboxes instructions given in the 2020 Externa 028 Ircular C.

While we recognize that different thematic instruments exist on the market, this guide only covers green bonds, understood as debt securities issued by a private or public entity, in order to obtain capital market resources, with a commitment to amortize them within a specified period and at an interest rate established at the time of issuance, whose funds are intended exclusively to finance or refinance assets or activities eligible as[1]green.

These bonds are called green precisely because of the specific allocation of resources obtained from the public offering of such securities. In this regard, and taking into account that the only difference against regular bonds or domestic government bonds, as the case may be, is the allocation of resources, the authorization mechanism and other applicable rules are analogous to those for these bonds.

For the purpose of making the public offering of the bonds, authorization must be s requested before the SFC of the registration of such securities in the National Register of Securities and Issuers (RNVE) and their public offering. In addition, bonds are required to be registered on a stock exchange for the main market. [23]

The general requirements for the registration of bonds in the RNVE and the completion of the public offer in the main market are mainly provided for in Articles 5.2.1.1.3, 5.2.1.1.4, 5.2.1.1.5 of Decree 2555 of 2010 (DU), respectively. Without prejudice to compliance with the requirements of

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[1] *3*

Colombia's Taxonomy Is Being Developeda cooperation between the Colombian Financial Superintendency, the Ministry of Finance and Public Credit, the Ministry of Environment and Sustainable Development, the National Planning Department and the National Administrative Department of Statistics,, taking into account international standards and specific needs of the Colombian context.

[2] Article 6.1.1.1.1"*Definition of public offering. It is considered as a public offering of securities, one addressed to undesed persons or to a hundred or more specific persons, in order to subscribe, alienating or acquiring documents issued in series or en masse, which it providestheir headlines dcredit, participation and tradition or representative of goods.* (…)".

[3] "*Ordinary bonds to be placed by public offering must be registered on a stock exchange prior to it. Bonds that are part of a Second Market issue, the registration of which shall be voluntary in accordance with Article 5.2.3.2.1 of this Decree, shall be exempt from this obligation.*

each value, for example, that of the ordinary bonds eded in Articles 6.4.1.1.1 and below of the DU. In any event, as indicated in section 4 there is alternatively, the option to offer these securities on the second market, in accordance with the guidelines defined in that chapter.

It is for the SFC to authorize the registration of the bonds, including green bonds, in the RNVE and its public offering, after preparation of the study on compliance with all registration and offer requirements. From the point of viewof post-issuance monitoring, compliance with the disclosure of Relevant Issuer Information in the RNVE is verified, including the reports that the issuer undertakes to supply to investors and the market, through this medium and its website. All of the above, without prejudice to all obligations associated with the quality of issuer of securities that are generally applied to securities issuers, as rated in Article 5.2.4.1.5. DU.

Finally, the guide provides a benchmark for issuers that can support the process of issuing and negotiating instruments with authorities and other stakeholders as appropriate, to the extent that the recommendations reflect international best practices. Adopting them will facilitate the relationship with investors and other market participants already familiar with these principles, and provide confidence that transparency and market integrity are being protected. From the authorities' perspective, it will reduce the costs of understanding emission structures and frameworks and therefore make the process of authorization and supervision of green bonds more efficient.

1.- INTRODUCCIÓN

Thisgood practice guide for the issuance of green bonds has as its main objective to guide the development of green bonds in Colombia's capital market and promote the integrity of that segment of the market. In turn, it meets the following specific objectives:

Specific objectives

- Guide issuers on the minimum content of information related exclusively to green bonds that is desirable to be included in the information leaflet as part of best practices.
- Maintain market integrity, ensuring that market participants and stakeholders have access to the necessary and comparable information for decision-making regarding investments in such instruments in a simple and transparent manner.
- Facilitate the structuring and issuance of green bonds, minimizing reputational risks.
- Guidance to issuers on how to report the contribution of green bonds to individual goals and strategies, national or sectoral, with respect to climate change.
- Guidance to issuers on follow-up and reporting obligations that, according to standards, should be adopted once green bonds are placed on the stock market.

1.1 SUSTAINABILITY IN FINANCIAL MARKETS

The academy states that countries must adopt a sustainable development model that meets the needs of the present, without compromising the ability to meet the needs of future generations, ensuring the balance between economic, environmental and social aspects.

In this context, the financial system has a fundamental role in managing environmental, social and governance risks, as well as in the leverage of opportunities associated with mobilizing the resources required for transformation into a low-carbon economy with the least possible environmental impact. According to the International Energy Agency (IEA), to achieve the climate scenario set out in the Paris Agreement, investments in energy supply and energy efficiency of around US$53 trillion globally are needed. In turn, [4]the International Finance Corporation (IFC) estimates a $23 trillion investment opportunity in climate-related activities in emerging countries between 2016 and 2030.[5]

For this reason, a growing number of countries, jurisdictions and companies in the real and financial sector are prioritizing the sustainability agenda, incorporating environmental, social and governance (ASG) issues into their strategies, adopting voluntary declarations and initiatives, aligning themselves with frameworks and protocols promoted from the third sector and multilateral organizations and, in some cases, responding to regulatory requirements and obligations.[6]

1.2.- CLIMATE CHANGE AND SUSTAINABLE DEVELOPMENT IN COLOMBIA

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[4] International Energy Agency, World Energy Investment Outlook, 2014.

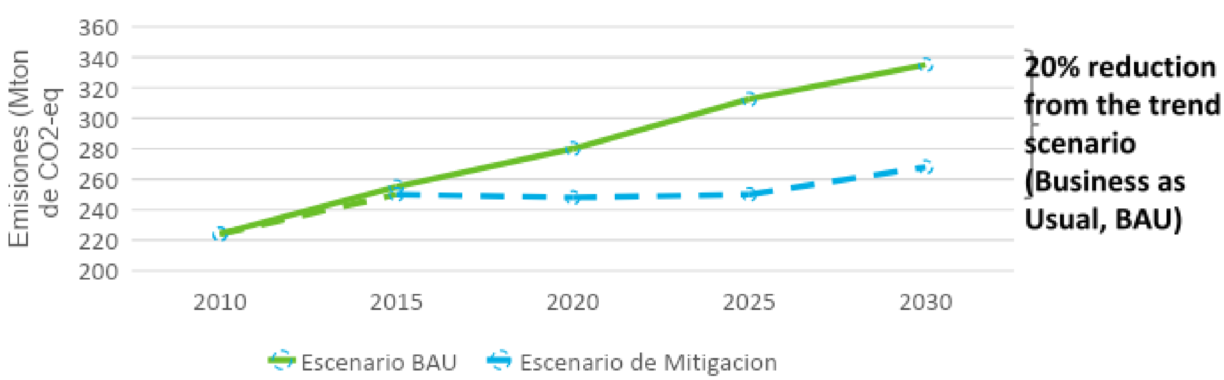
[5] See https://www.ifc.org/wps/wcm/connect/ae474cba-e0ec-42e6-8be3-d8491a05368f/IFC_G20_Climate-Input-PaperWEB+Nov+5.pdf?MOD=AJPERES&CVID=mrBC.fZ

[6] En that document we mean the weave sector as composed of organizations that are characterized byorganized and institutionalized private, or institutionally separated from the government, that do not generate profit and are self-governing and voluntary. Ethis sector of the economy is composed mainly of organizations without courage lucrthe trade unions, fundaciones andsociacions.

Colombia is a country vulnerable to climate change. According to a study conducted by the Institute of Hydrology, Meteorology and Environmental Studies (IDEAM) under the methodology developed in the Third National Communication for the United Nations Framework Convention on Climate Change(UNFCCC) in 2017, based on the scenarios set out in that study, the temperature is expected torise by 0.9oC to 2040, by 1.6oC to 2070 and by 2.4oC by the end of the century. The effect of climate change was specifically evident during 2010, when the country faced losses of about 2.2% of GDP due to the most intense La Niña phenomenon of the past decade. Additionally, the El Niño phenomenon in 2015 turned out to be the second strongest in history, according to the U.S. National Ocean and Atmosphere Administration (NOAA), generating significant effects: 3,985 wildfires affecting more than 150,000 hectares, 318 municipalities with water shortages and more than 260,000 impacted agricultural hectares leading to an increase in food prices.[7]

In order to counteract the effect of climate change, at the end of 2015, Colombia committed itself to the international community, through the signing of the Paris Agreement, to take 10 concrete adaptation measures, ranging from the delimitation and protection of the 36 moor complexes, to making 100% of the national territory have plans to adapt to climate change. This contribution goes hand in hand with the National Adaptation Plan and the National Climate Change Policy, currently in the process of adoption.

Figure1: Colombia 2015-2030 Unconditional Emission Reduction Commitments



Source: NationalLy Determined Expected Contribution (INDC), 2015.

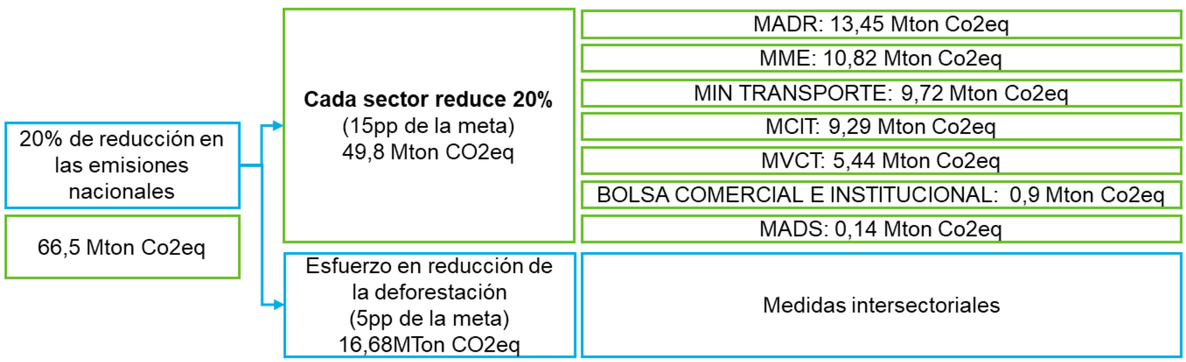
According to information generated by IDEAM under the country's First Binal Update Report and its Third National Climate Change Communication, Colombia produced estimated greenhouse gas (GHG) emissions of 224 Mton of CO2eq in 2010, representing 0.46% of that year's overall total. Although this figure is low, it is estimated that if no action is taken, emissions could increase by about 50% by 2030. Therefore, the country defined its particular national contributions (NDC) to reduce its GHG emissions (66 Mton co2eq) by 20% based*on a trend scenario (Business as Usual* - BAU) by 2030, a target that could go to 30% if international cooperation is available.[8]

[7] See https://www.minambiente.gov.co/images/cambioclimatico/pdf/colombia_hacia_la_COP21/el_acuerdo_de_paris_frente_a_cambio_climatico.pdf

[8] The benchmark for un conditioned GHG reduction commitments is the BAU scenario. This scenario was built in 2015 taking as a starting point the emissions quantified in the National Inventory of Greenhouse Gases for the year 2010.
https://www4.unfccc.int/sites/submissions/INDC/Published%20Documents/Colombia/1/INDC%20Colombia.pdf.
https://www.minambiente.gov.co/images/cambioclimatico/pdf/colombia_hacia_la_COP21/iNDC_espanol.pdf

In order to achieve compliance with the national mitigation target, the productive sectors committed themselves to reducing their emissions by 20%, in order to achieve a reduction of 49.8Mton CO2eq. The decrease in remaining emissions (16.68 8Mton CO2eq) is expected to be achieved with an effort to reduce deforestation through cross-sectoral measures. According to the National Planning Department (DNP), the estimated investment to meet the country's unilateral target in mitigation is $57.4 trillion Colombian Pesos (COP) through 2030.[9] This represents an annual cost of COP 3.1 trillion (about 0.35% of GDP), which expects to be financed by 38% by the public sector and 62% by the private sector. DPCs should be updated on a regular basis, to reflect the progress of each country. Colombia is expected to be updated in 2020.

Table1: Mitigation Goals for Colombia



Source: DNP Presentation, Climate Finance in Colombia. 2017

Since 2010 Colombia has been developing policy instruments for climate change such as document CONPES 3700, the Colombian Strategy for Low Carbon Development (ECDBC), the National Strategy for Reducing Emissions from Deforestation and Forest Degradation (ENREDD+) and the National Plan for Adaptation of Climate Change. In this regard, in 2017 the Government of Colombia published the National Climate Change Policy, which has as its main objective "to incorporate climate change management into public and private decisions to move forward on a path of climate-resilient and low-carbon development, which reduces the risks of climate change and allows to take advantage of the opportunities it generates".[10]

In addition, Colombia has been one of the first countries to include the Sustainable Development Goals (SDGs) in its National Development Plan (NDP), as well as in its territorial development plans. The 2018-2022 PND "Pact for Colombia. Pact for Equity", issued through Law 1955 of 2019, aims to lay the foundations for legality, entrepreneurship and equity to achieve equal opportunities for all Colombians, in accordance with a long-term project with which Colombia reaches the SDGs by 2030.

- **Tracer Goals:** Through document CONPES 3918 of 2018, the National Government defined 16 goals that will chart the way for meeting the 2030 Agenda.
- **Regional Goals:** Through the Departmental Development Plans, Colombia created strategies to achieve the goal by 2030.[11]

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[9] Presentation DNP, Climate Financing in Colombia. 2017.
[10] National Climate Change Policy, 2017.
https://www.minambiente.gov.co/images/cambioclimatico/pdf/Politica_Nacional_de_Cambio_Climatico_-_PNCC_/PNCC_Politicas_Publicas_LIBRO_Final_Web_01.pdf
[11] See https://www.ods.gov.co/es/departamentos

According to the DNP, Green Growth is critical for Colombia and is articulated with 65% of the Sustainable Development Goals.[12]

1.3.- COLOMBIA'S FINANCIAL SUPERINTENDENCY AND GREEN FINANCE

A material step by the Colombian supervisory authority on sustainability issues took place in 2011 when entities subject to SFC supervision and surveillance were required to include the social value or social investment made during the previous year in the management report. This effort resulted in different entities initiating the development of sustainability reports, aligning themselveswith international standards such as the GRI-Global Reporting Initiative and/or those requested by the United Nations Global Compact through its Communications of Progress.

The second major boost came in 2018, when the SFC decided to include in its strategic planning an exclusive project to the promotion of green finances. As part of this strategy, the SFC joins the Sustainable Banking Network (SBN) that same year to engage with international regulators, industry and experts in the field of sustainable finance to understand areas where supervisory authorities' intervention adds more value. Similarly, in 2019 the SFC joined the NGFS - the Network of Central Banks and Supervisors for Greening the Financial System, a group of central banks and supervisors launched in Paris as "One Planet Summit", to contribute to the analysis and management of climate-related risks in the financial sector and mobilize funding to support the transition to a low-carbon economy.

By the end of 2019 and as a result of dialogue in international networks and local authorities with financial institutions, the SFC requests entities subject to their supervision and surveillance to conduct a survey to demonstrate local practices against the risks and opportunities of climate change. Based on the results of the survey, the Superintendency developed the work plan that will enable it to achieve the objectives set out in the strategic project, which consists of four fronts: (i) guidelines on a green taxonomy; (ii) guidance on integrating ASG issues into investment decision-making; (iii) promoting transparency in the face of climate risks, and (iv) climate risk management. In May 2020, the SFC created the Internal Sustainable Finance Working Group to lead the implementation of this work plan. [13]

2.- THE DEVELOPMENT OF THE GREEN BOND MARKET

Multilateral banks and development financial institutions have played a key role in the evolution of the green bond market and overall global climate finance. The first approach to what is now known as the green bond was the instrument issued in 2007*by The European Investment Bank, labeled*climate awareness Bond, as a structured bond with resources dedicated to renewable energy and energy efficiency projects, being listed in27 domestic markets in the European Union.

Subsequently, in late 2007,*the Intergovernmental Panel for Climate Change*(IPCC) – a United Nations agency providing scientific data on climate change, its political and economic effects –

[12] CONPES 3934 of 2018 on green growth policy refers to growth as those growth trajectories that guarantee the economic and social well-being of the population in the long term, ensuring the conservation of natural capital and climate security. This growth is based on innovation as a source of sustainable growth, which in turn opens the way to new economic opportunities. Therefore, adopting a green growth model means moving the country towards a path of sustainable development.

[13] The results of the survey and the document with the work plan are published on the website of the Financial Superintendency of Colombia

published a report linking the impact of human activity on global warming. As a result of this study, a group of Swedish pension funds contacted Skandinaviska Enskilda Banken (SEB), which approached the World Bank, resulting in the issuance of the first green bond for 2.3 trillion Swedish Krona (US$291 million - in November 2008). In this broadcast, the International Climate and Environment Research Centre (CICERO), an interdisciplinary climate research centre based in Oslo, Norway, provided an external and expert opinion on the impact on the environment of funded projects. Additionally, impact reporting was added as an integral part of the bond issuance process.[14]

The World Bank's first green bond raised awareness of climate change challenges and showed investors' chances of supporting solutions to address climate change through secure investments without sacrificing financial profitability. From 2007 to 2012, the green bond market was focused on emissions from multilateral development banking. The first corporate green bond was issued in 2012, subsequently from 2013 the market accelerated its level of growth, when IFC placed a green bond for one billion US dollars, for climate-related projects in emerging markets, which had the support of major investors globally. The African Development[15]*Bank*(AfDB) was also one of the first issuers, with a greenbond for US$500 million in 2013.

Experience in these issues formed the basis of the Green Bond Principles (GBP), which promote the integrity of the green bond market, through guidelines that recommend transparency, advertising and reporting. This document was initially prepared and published in 2014 by a consortium of investment banks, and was subsequently updated[16]*by the International Capital Markets Association* (ICMA).

Figure 2. Global green bond market developments

[14] See https://www.ipcc.ch/site/assets/uploads/2018/02/ar4_syr_sp.pdfhttps://www.ipcc.ch/site/assets/uploads/2018/02/ar4_syr_sp.pdf

[15] See https://ifcextapps.ifc.org/ifcext/pressroom/ifcpressroom.nsf/0/F9E346765F24CB3085257B1200776829?OpenDocument

[16] See https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

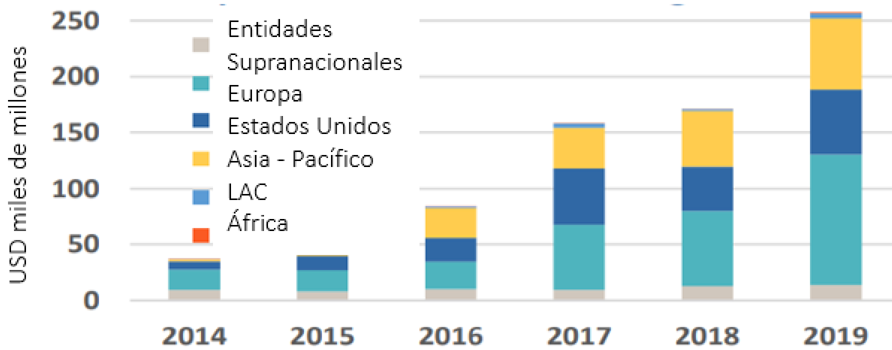
Source: WBG website, 2019[17]

Since the launch of GBP, financial markets are taking advantage of new opportunities arising from the emissions of such instruments. Evidence of this lies in the growth of green and sustainable investment fund allocations and innovation in product design in the responsible investment world. In this context, green bonds have positioned themselves as one of the most welcoming instruments in the capital market, as they allow resources to be allocated more efficiently and transparently to different projects aimed at combating climate change and other environmental objectives.[18]

Although green bonds account for only 0.6% of the global bond market, nearly US$600 billion in accumulated green bonds have been issued since 2019 in 2007. A global all-time record was achieved in 2019, issuing US$257 billion, which was used to finance energy projects (31%), green construction (30%), transportation (20%), water (9%) and other eligible projects.[19]

Figure 3. Global Green Bond Market Growth, 2014 - 2019 (Emissions in Billions of US Dollars)

[17] See https://www.bancomundial.org/es/news/immersive-story/2019/03/18/10-years-of-green-bonds-creating-the-blueprint-for-sustainability-across-capital-markets
[18] PRI, Introductory Report. 2020
[19] See https://www.climatebonds.net/files/reports/2019_annual_highlights.pdf



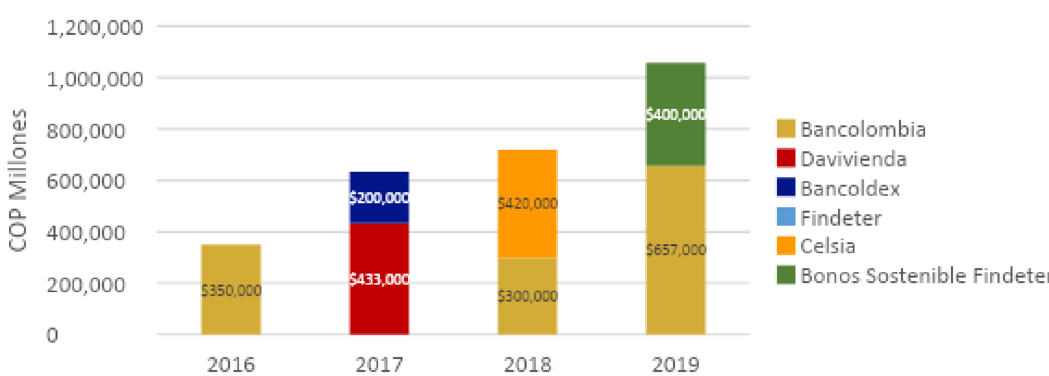
Fuente: 2019 Green Bond Market Summary. Climate Bond Initiative. Febrero, 2020.

2.1.- THE GREEN BOND MARKET IN COLOMBIA

In the case of bond placements, Colombia has been no stranger to the development of thematic financial instruments focused on addressing sustainability challenges. Among the different alternatives available in Colombia of thematic bonds (i.e. green, sustainable, social and orange), greens are currently the most developed segment due to the recognition of the investor public.

Andspecifically the greenbond market has experienced exponentialgrowth, reaching emissions of 2.36 trillion COP (COP 2.76 trillion including Findeter's sustainable bond) between 2016 and 2019, led by the banking sector, with an incremental diversity from geographies and projects.

Figure 4. Green Bond Market in Colombia (2016-2019)



Source: Financial institutions websites.

The first three such emissions were made by the financial sector. IFC supported Bancolombia in the structuring of the region's first green bond issued by a commercial bank. It raised approximately COP 350 billion, attracted new investments in clean energy and laid the groundwork for other banks to do the same. IFC acquired all of the debt, with the aim of boosting the bank's efforts to provide financing to clients seeking to develop sustainable projects that help mitigate the impact of climate change.

The country's green bond issuers have used the resources obtained through these instruments to finance projects in different sectors. Bancolombia and Davivienda focused their scope on green construction projects and renewable energy. Specifically on the issue of green construction, issuers have developed a strategy to demonstrate to the sector that it can be built sustainably, through regionally, nationally or internationally recognized standards or certifications (e.g. EDGE, LEED). Bancóldex has financed energy efficiency projects mainly, followed by projects aimed at pollution control and resource efficiency. For its part, the scope of Grupo Celsia's green bond is for renewable energy and energy efficiency. Finally, Findeter's sustainable bond was issued to finance projects that mitigate climate change and have a positive social impact.

3.- CONCEPTUAL ASPECTS OF GREEN BONDS

It is important to note that these bonds have the same financial and legal conditions as regular bonds or domestic government bonds, as the case may be. The difference is that the allocation of the resources collected must be aimed at financing or refinancing eligible green activities or projects in whole or in part, and that this condition should be detailed in the respective information leaflet.

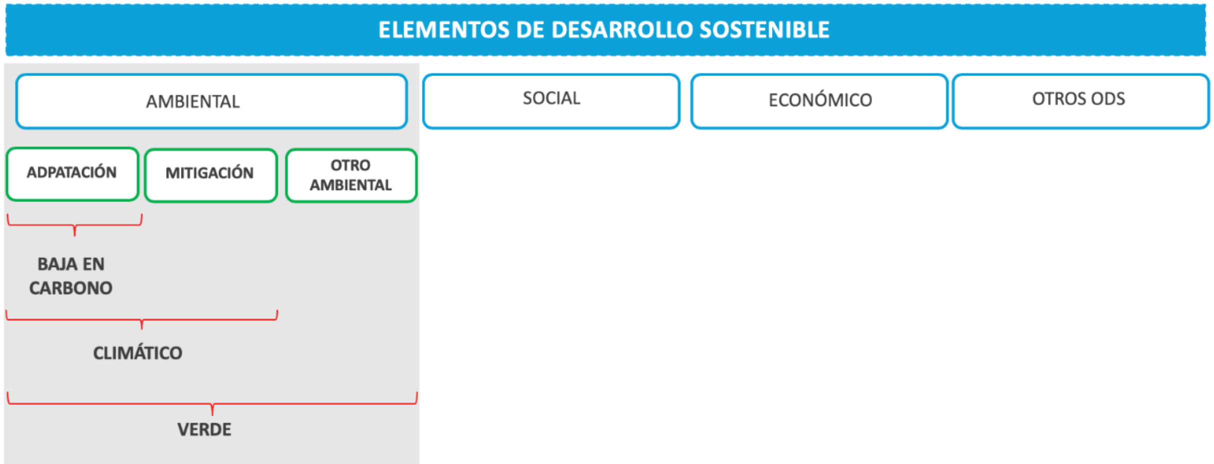
3.1.- CATEGORIES OF BONUSES AND SCOPE OF THE GUIDE

As a result of the success of green bonds and in response to the growing demand for sustainable assets, the development of thematic bond markets capable of offering different market players an attractive investment alternative has been generated, responding to the current demands of investors, without limiting their expectations against financial performance. In the global stock market, green bonds, social bonds and sustainable bonds have been structured to efficiently mobilize capital towards different projects focused on different issues/themes within the broader concept of sustainable development. Likewise, the notion of orange bond developed on the local stock market. [20]

In this sense, the different definitions of thematic bonds available in Colombia are thenrequired, although the scope of **this** best practice **guide** is concentrated in the green bond **market.**

[20] Sustainable assets are different types of assets [bonds, stocks, credits] that incorporate environmental, social and governance aspects to generate better financial yields and a positive impact on society in the long run.

Figure 5. Sustainable Development Elements



Source: Roadmap fora Sustainable Financial System. UN environment & WBG, 2017

Green bonds: Bonds where resources will be exclusively intended to finance, or refinance, in whole or in part, new or existing projects that are eligible as "green projects". The green bond denomination applies to those that are organized and documented in accordance with the Green Bond Principles (GBP). The main components of green bond documentation include describing the use of funds, selecting projects, managing funds, and publishing impact reports. The funds are intended exclusively to finance activities with environmental benefits, and may include intangible assets. These instruments provide for environmental benefits such as climate change mitigation and/or adaptation, biodiversity conservation, national resource conservation, or air, water and soil pollution control. Green bonds can also have social co-benefits. [21]

Social Bonds : Bonds whose resources will be exclusively used to finance or refinance, in whole or in part, eligible social projects, whether new or existing and aligned with the four main components of the principles ofsocial bonds (SBP). Social projects are aimed at addressing or mitigating a particular social problem and/or achieving special positive social outcomes, but not exclusively for a particular group of the population. Like the Green Bond Principles, PPPs define the use of funds, the project selection process, fund management and reporting as their main components. Emission funds go to projects with social benefits, including, but not limited to, access to infrastructure, food security and affordable housing. Social bonds can also have environmental benefits. [22]

Sustainable bonds: Bonds that finance or refinance a combination of projects that have positive documented impact on environmental and social aspects, and which are simultaneously aligned with the Green Bond Principles and the Social Bond Principles.

Orange Bonds: Bonds that fully or partially finance orange projects, understood as those that directly seek to promote the creative economy based on Latin America's talent, intellectual property, connectivity and cultural heritage. Eligible orange projects seek to promote, among others, creative industries and/or cultural economies. Likewise, eligible orange projects seek to achieve high-value results of knowledge that include, but are not limited to, conventional cultural industries (editorial, audiovisual, fonography), functional creations, new media and software (design, content software, news agencies and other information, advertising and fashion services) and/or arts and heritage

[21] See https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

[22] VéWeapon https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/

(visual arts, performing arts and shows, tourism and material and intangible cultural heritage, and artistic and cultural education).

3.2.- INTERNATIONAL PRINCIPLES AND GOOD PRACTICES

Greenbonds are used to finance eligible green projects, i.e. they help mitigate negative impacts and/or generate positive effects on the environment. The conceptual framework for green bonds, which include THE GBP developed by ICMA, comprises four main components: (i) the use of funds; (ii) the process of [23] evaluating and selecting projects; (iii) the management of funds and; (iv) the publication of annual reports on the use of funds and their respective impacts. In addition, it is recommended to use external revisions to determine alignment with the four components of GBP. This section of the guide highlights the practices developed by ICMA through GBP and in the next section (section4) are developed for the local context.

3.2.1.- Use of funds

The main differentiation of a green bond, compared to ordinary bonds, lies in the use of funds with specific destination. These resources must be allocated or used for green projects, which must be adequately described in the legal documentation of the instrument. All designated green projects will provide clear environmental benefits, which must be evaluated and, where feasible, quantified by the issuer.

THE GBP explicitly recognizes several generic categories of eligibility for green projects that contribute to environmental objectives, such as climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution control and prevention.

An alternative to the comprehensive definition of eligible green projects in the information leaflet is the use of investor-recognized reference taxonomies.

3.2.2.- Project evaluation and selection process

The issuer of a green bond should clearly communicate to investors: (i) environmental sustainability objectives; (ii) the process by which the issuer determines how projects fit within the categories of eligible green projects; (iii) related eligibility criteria, including, where applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with projects; (iv) any green standard or certification used in project selection.

GBP promotes a high degree of transparency and recommends that the process by which the issuer evaluates and selects is complemented by an external review.

3.2.3.- Fund management

Net funds obtained from the green bond, or an amount equal to these net funds, should be paid to a sub-account, transferred to a sub-portfolio or in any case channeled into eligible green projects.

[23] See annex A1

3.2.4.- Publication of Reports on the Use of Funds and Impacts

Issuers should have and maintain easily available up-to-date information on the use of funds, which will be renewed annually until their total allocation, and from time to time, as necessary, in the event of a relevant event. The annual report should include a list of projects to which green bond funds have been allocated, as well as a brief description of the projects and amounts allocated, and their respective estimated impacts.[24]

In addition to investors and capital market players, the information contained in the reports can be used by public actors to identify the size and destination of green bond resources and verify their alignment with environmental and other policy objectives.

3.2.5.- External reviews

External reviews, which are mechanisms that strengthen the credibility of the green bond label, are recommended to the extent that they strengthen transparency and provide greater certainty to investors of such instruments.

This section is based on guidelines for external reviews published by ICMA in 2018. GBP recommends that in connection with the issuance of a green bond, issuers include, [25] in the documentation to be submitted to investors, an independent external review report confirming the alignment of their bond or bond program with the four main components of GBP.

GBP accepts that an external review may be partial, covering only certain aspects of the issuer's green bond or associated Green Bond Framework, or can be complete, by evaluating alignment with the four core components of THE GBP. GBP notes that the timing of an external review may depend on the nature of the review, and that the publication of revisions may be limited by the issuer's confidentiality and obligation requirements.

Depending on the type of external revision provided, it is recommended that external revisions confirm alignment with the four main components of GBP.
Guidelines for external reviews published by ICMA indicate that they should include at least the following information:

I. Overview of the objective, scope of work, credentials and relevant experience of the external reviewer.
II. Declaration on Independence and Conflict of Interest Policy.
III. Definitions, analytical approach and/or methodologies used.
IV. Conclusions or results of the external review report, including limitations of external review.

Depending on the type of external review provided (i.e. independent opinion, verification, certification or qualification of green bonds), external reviewers should:

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[24] The respective impacts annual report will be estimated or effectively generated, depending on the type of issuer. Financial institutions usually estimate the impact based on information submitted by customers in the real sector.
[25] See https://www.icmagroup.org/green-social-and-sustainability-bonds/external-reviews/

a. Have experience in assessing the eligibility of the issuer's proposed uses for green bond funds.
b. Assess the environmental benefits and expected impact of eligible uses of green bond funds.
c. Confirm/review alignment with the four main components of GBP.
d. Assess, where relevant, potentially material environmental risks associated with the uses of green bond funds and identified as relevant to the issuer's context.

GBP recommends that external reviews be made public on the bond issuer's website and/or through any other investor-accessible communication channel.

It should be noted that ICMA's guidelines for external reviews are very general and need to be complemented by a protocol that allows comparison and aggregation of information from green bonds. Given the multitude of options for unofficial taxonomy and the different approaches used by external reviewers, investors and other market players (e.g. stock exchanges) have difficulty adding, comparing, analyzing and systematically sharing green bond documentation and their respective external reviews. In view of this global gap, IFC World Bank Group has been developing the Green Financing Review Protocol (GFRP). The GFRP, which will be available by the end of 2020, will provide comparable documentation from the green bond review and will include a taxonomy suitable for emerging markets and consistent with good international practices. The GFRP will also enable information produced by green bond issuers to be integrated into national climate finance flow measurement, reporting and verification (MRV) systems. This will document how green funding flows by private banking contribute to National Climate Change Policy objectives.

4.- IMPLEMENTATIONOF THE GUIDE IN THE COLOMBIAN CONTEXT

To date, the green bond market in Colombia has been developed in accordance with international best practices, in line with GBP (see summary of these principles in section 3 of this document).

Green bonds refer to bonds in which funds will be allocated exclusively to finance or refinance either in part or in full, new or existing projects, investment plans, research and development activities, or use of funds that may relate to actions to (i) mitigate negative impacts on the environment and climate change and/or to adapt to its effects and/or (ii) generate positive effects on the environment, such as climate change mitigation and/or adaptation, biodiversity and natural resource conservation, or control and prevention of air, water and soil pollution.

This section of the Guide presents, in numeral 4.1, the general standard for the public offering of bonds, which applies for green bonds and, in numeral 4.2, recommendationson the application of good practices,correspond to a voluntary procedure guide, which meet the expectations of international/domestic investors and/or interestedin such securities, which is part of the four principles of GBP and, it is noted or differed in boxes, the specific obligations related to the disclosure in the prospectus of information on green bond issuances issued in ircular CExterna 028 of 2020.

4.1 LOCAL REGULATORY FRAMEWORK FOR PUBLIC OFFERINGS OF SECURITIES

To make a public offer of bonds, authorization must be s requested for the registration of such securities in the RNVE and its public offer with the SFC. It is also mandatory for the main market for bonds to be registered on a stock exchange and subject to a risk rating. [26][27]

The general requirements for the registration of bonds in the RNVE and those for the making of a public offering are provided for in Articles 5.2.1.1.3, 5.2.1.1.4 and 5.2.1.1.5 of the DU. Likewise, compliance with the requirements of ordinary bonds, as set out in Articles 6.4.1.1.1 and following of the DU and green bonds, as set out in numeral 1.3.6.1.2.8 to Chapter II Title II of Part III of the Basic Legal Circular, must be met.

It should be noted that in the specific case of green bonds, in order for the authorization to register with the RNVE and the respective public offer, the issuer must additionally comply with certain obligations to be detailed in the prospectus and supplementary documents of the issue.

4.2. INFORMATION TO INCLUDE IN THE INFORMATION LEAFLET

This numeral is divided into three sections: the first focuses on the duties and recommendations that an issuer must meet to make an issue in the main market, the second focuses on the complementary recommendations for emissions in the second market and finally, the third section focuses on the recommendations for the registration of an Emissions and Placement Program , PEC, where green bonds are included within it.

4.2.1. Main Market

Recommendations for good practice for the issuance of green bonds in Colombia are part of the four main components of GBP:(i) the use of funds, (ii) the project selection and evaluation process, (iii) fund management and (iv) reporting and other disclosure of information:

4.2.1.1. **Use of funds:**

Instructions given inircular C Externa 028 of 2020, numeral 1.3.6.1.2.8.1., on the information to be incorporated related to the Use of Funds:

1.3.6.1.2.8.1.1 Policies that will govern the use of funds, providing that these will be allocated, to the financing of projects, investment plans or uses, related to the purposes provided for in numeral 1.3.6.1.2.8. Policy information on the use of funds should be updated in the event of an overcurrent and disclosed event to the market.

1.3.6.1.2.8.1.2. The classification system or taxonomy on which the projects, investment plans, or use of funds, recipients of the proceeds of the issue willbe identified.

Issuers may use nationally or internationally recognized taxonomies, in which case they must be duly explained in the information leaflet, and may in any way incorporate them by reference into it. Otherwise, the issuer shall explain in detail how the use of funds relates to the environmental sustainability objectives set out in numeral 1.3.6.1.2.8. 2.1.

[26] Article 6.1.1.1.1"*Definition of public offering. It is considered as a public offering of securities, one that is addressed to undesed persons or to a hundred or more specific persons, in order to subscribe, alienating or acquiring documents issued in series or en masse, that grant their holders credit, participation and tradition rights or representative of goods.* (…)".

[27] "*Ordinary bonds to be placed by public offering must be registered on a stock exchange prior to it. Bonds that are part of a Second Market issue, the registration of which shall be voluntary in accordance with Article 5.2.3.2.1 of this Decree, shall be exempt from this obligation.*

a. To determine the use of funds, it **is recommended** to use nationally or internationally recognized classification systems and/or taxonomies such as CBI, the European Commission and Colombia once published, as well as the Green Bond Principles (GBP) or IFC definitions for climate-related activities (see Annex 8).[28]

b. In the event that some or all of the funds are used or can be used to refinance, it is recommended that the issuer inform investors of the estimate of the proportion between those with financing objectives and those with refinancing objectives and indicate, as far as possible, which investments or project portfolio can be refinanced.

4.2.1.2. Project selection and evaluation process:

Instructions given inircular C Externa 028 of 2020, numeral 1.3.6.1.2.8.2., on the information to be incorporated related to the Project Selection and Evaluation Process:
1.3.6.1.2.8.2.1. The environmental sustainability objectives sought by the emission.
1.3.6.1.2.8.2.2. The eligibility or exclusion criteria, as the case may be, defined for the selection of projects, investment plans, or use of funds and the relationship between them and the environmental sustainability objectives set out in numeral 1.3.6.1.2.8.2.1.
1.3.6.1.2.8.2.3. Policies and procedures for identifying, assessing and monitoring the social and environmental risks of projects, investment plans, or use of funds, if applicable.
1.3.6.1.2.8.2.4. Where the following information in respect of them is derived from the denomination of green bonds, investment plans or use of funds determined at the time of issuance:
1.3.6.1.2.8.2.4.1. The list of projects, investment plans or use of funds, shortlisted and determined at the time of issuance and disclosure of their estimated amount as a percentage of the total funds to be raised with the issue.
1.3.6.1.2.8.2.4.2. An explanation of the main financial, technical and legal elements thereof, including the amounts to be invested and expected investment schedules.
1.3.6.1.2.8.2.4.3. The relationship of selected projects, plans or use of funds, with the taxonomy or classification system used and the fulfilment of the environmental sustainability objectives set out in numeral 1.3.6.1.2.8.2.1.
1.3.6.1.2.8.2.5. Mechanisms to assess and monitor projects, investment plans or use of funds that meet the environmental sustainability objectives set out in numeral 1.3.6.1.2.8.2.1., and the form and periodicity in which they will be disclosed to investors.

a. When applying for authorisation from the SFC to advance the public offering of green bonds, it **is recommended** to have a list of shortlisted projects equivalent to at least 50% of the funds to be raised through the issuance. In some cases it has been shown that issuers may have over-projects, more than 100% of the funds to be raised, to replace projects that lose the quality of green projects that are eligible or unsatisfactory to the external auditor.

b. It **is** recommended as a good practice that green bond issuers have a sustainability and/or ASG management framework and system, understood as a set of policies and procedures to identify, assess and monitor social and environmental risks. For the specific case of financial

[28] As mentioned in the introduction, Colombia's Taxonomy is the classification system that is being developed cooperation between the Colombian Financial Superintendency, the Ministry of Finance and Public Credit, the Ministry of Environment and Sustainable Development, the National Planning Department and the National Administrative Department of Statistics, What Be available to issuers and investors, taking into account international standards and specific needs of the Colombian context.

system entities, it is **recommended** that this framework and system include the identification and management of these risks at the time of making loan and/or investment decisions.[29]

c. In relation to these systems and/or frameworks, issuers are also advised to include their most relevant aspects in the information leaflet. Dand to accept this recommendation, it is **good practice** that in the concept of verification advanced by an independent third party set out in Article 1.3.6.1.2.8.4.3. EC 028 2020 with respect to the issuance process, including a pronouncement on the adequacy of the system or framework adopted by the issuer.

d. If a third party performs the selection and evaluation process for eligible projects, it is **recommended to** specify the name of that external agent along with the criteria certifying their independence and suitability.

4.2.1.3. Fund management:

Instructions given in external circular 028 of 2020, numeral 1.3.6.1.2.8.3., on the information to be incorporated related to the Policies and/or processes for the management of funds:

1.3.6.1.2.8.3.1. Transparency policies for the management of funds obtained from the green bond, which may provide for management, traceability and reporting mechanisms.

In addition, investor information mechanisms should be provided with respect to the use to be given to unssigned net balances by en enforsing at all times that there is transparency in this use.

1.3.6.1.2.8.3.2. The conditions or circumstances under which a reallocation of resources by the issuer may occur to other projects, investment plans or use of funds, which in any case must comply with the taxonomy or classification system used and the fulfillment of the environmental sustainability objectives set out in numeral 1.3.6.1.2.8.2.1.

a. Seeking to assure investors that the resources of the issue are used to finance or refinance green projects or activities (and their related expenses, such as research and development), it is **recommended** to indicate in the package leaflet the procedure, tools and strategies adopted to collect, manage and allocate resources for green projects/assets, including those for refinancing and/or to assume/cover expenses, costs and debts. It is also recommended that the transparency policy against the management of fond'os also include the temporary use of resources while they are placed in eligible projects.

b. For greater traceability of the resources obtained, it **is recommended** to assign specific accounts, or other reliable fund management mechanisms,and togive the investor n certainty about the application/use of resources in the clearing period in the operations indicated in the documents in the package leaflet.

c. As long as the bonds are on the market, i.e. before their due date, it **is** recommended that the amount allocated to eligible projects be desperated from the balance of the monitored

[29] Lthe performance standards IFC are the eight performance standards that can be applied to an marc of sostenability and serve as a reference to understand the management of a company in the face of social and environmental issues. Ver performance Standards and : https://www.ifc.org/wps/wcm/connect/30e31768-daf7-46b4-9dd8-52ed2e995a50/PS_Spanish_2012_Full-Document.pdf?MOD=AJPERES&CVID=k5LlWsu

resources, in accordance with the procedures set out in the issuance leaflet or in the investor information documents, in which such processing has been established.

d. The **estimated** maximum time to allocate funds, counted from the time of acquisition, is recommended to take into account the practice recognized by bond certificaters, such as CBI, which sets a maximum time of up to 24 months.

a. In the face of the process or policy of managingunassigned resources in the estimated maximum time, one of the options that the issuer has is to cite the non-placement of resources in the maximum estimated time as a cause of call to the assembly of bondholders in order to choose one of the following possibilities: (i) request prepayment of the issue or; (ii) continue with the credit under the conditions initially agreed upon, but without having the green bonus denomination. In any event, it **is** recommended that unassigned resourcesbe maintained in investment instruments on a temporary basis, and that theresources of these instruments should not be used to finance projects that are inconsistent with alow-carbon, climate-resilient economy and Colombia's climate change policies.

e. In any case,the prepayment conditions under this event must be previously defined by the issuer in the information leaflet, having to collect the total prepayment for investors who determine it. In the event that such consequences pose a risk to investors, they will be disclosed, as well as the ways in which investors will be informed of the loss of the denomination.

4.2.1.4. **Reports and other disclosure of information (external reviews)**:

Instructions given in external circular 028 of 2020, numeral 1.3.6.1.2.8.4., on the information to be incorporated related to the Policies for disclosure of information:

1.3.6.1.2.8.4.1. The circumstances in which the thematic reference as a green bond will be lost for consequential reasons, including those relating to non-compliance with the provisions of the package leaflet, and the contractual consequences of this fact, if any. In the event that such consequences pose a risk to investors, it must be disclosed. Likewise, the ways in which investors will be informed of the loss of the denomination.

1.3.6.1.2.8.4.2. The issuer shall designate in the package leaflet one or more independent third parties to carry out the verification functions provided for in numerals 1.3.6.1.2.8.4.3. 1.3.6.1.2.8.4.4. You may also designate additional independent third parties to evaluate, verify or concept on any other conditions related to the taxonomy or classification system used and the fulfilment of the environmental sustainability objectives set out in numeral 1.3.6.1.2.8.2.1., if applicable.

In such cases, and for the purposes of disclosure to the market, the issuer shall identify the relevant independent third parties by indicating at least their name or business name, the address and address of their main office, their rights and obligations, in accordance with the contract entered into or to be subscribed for that purpose. Experience, credentials, certifications or any other element that proves its suitability to carry out such verification must also be disclosed. The suitability covered by this numeral may be verified against the certifications granted by the Climate Bond Initiative.

1.3.6.1.2.8.4.3. The commitment to communicate to the market the realization of a concept of verification advanced by an independent third party with respect to the issuance process assessing the issuer's ability to comply with the provisions of the prospectus against the principles governing the use of funds and the criteria and/or references used for the selection of projects and/or investment plans including the taxonomy or classification system used and the fulfilment of the environmental sustainability objectives sought by the issue.

1.3.6.1.2.8.4.4. The commitment to communicate to the market a report, signed by an independent external reviewer, after the end of the period for the use of resources, where the use of the resources is evaluated and identified, as well as the current or expected results in relation to the environmental sustainability objectives sought by the broadcast.

1.3.6.1.2.8.4.5. The issuer may provide for periodic reporting mechanisms in relation to compliance and development of policies governing the use of funds set out in numeral 1.3.6.1.2.8.1.1.

1.3.6.1.2.8.4.6 The information leaflet must specify the form of disclosure to the market of the reports provided for in numerals 1.3.6.1.2.8.4.3. 1.3.6.1.2.8.4.4., as the case may be, as well as those others you voluntarily decide to perform.

b. In the event that the bonus loses the green name for over-the-coming reasons, including those related to non-compliance with the provisions of the prospectus, it **is** recommended to cite the loss of the denomination as a cause of call to the assembly of bondholders and submit the choice of the following two options: (i) the continuation of thecredit under the conditions initially agreed, but without having the name of green bond and (ii) the prepayment of the issue.

c. If the credit decides to continue under the conditions initially agreed, but without having the green bonus denomination,the issuer may improve the conditions of issuance in the event ofthe loss of green bond quality, according to the criteria that are previously defined in the information leaflet.

d. In the event that the issuer cites the loss of the denomination as a cause of call to the assembly of holders of the bond and decides on the prepayment of the emission, s and recommendsthat the prepayment conditions under this event be previously defined by the issuer in the informationleaflet, having to shelter the total prepayment for investors who determine it.

e. The concept of verification advanced by an independent third party with respect to the process of issuing funds defined in numeral 1.3.6.1.2.8.4. 3. EC 028 2020 aims to specify that the issuer is able to comply with the guidelines previously defined in its information leaflet regarding the issuance and placement of green bonds and whether it has the necessary powers to manage resources. It is clear that this document is presented only once and should not be updated during the life of green bonds and that it is recommended that it be included in the issuance prospectus document.

f. Specifically, ite **recommends** that the verification provided in numeral 1.3.6.1.2.8.4. 3. EC 028 2020, include:

- The relationship of the intended use of green bond funds with an appropriate taxonomy (e.g. Multilateral Banking Climate Financing Methodology, EU taxonomy, CBI taxonomy, etc.).

- Confirmation that the issuer has identified the impact indicators, which may come from the experience of the issuer's industry and be consistent with the available data. It is recommended that impact indicators be consistent with those recommended by the ICMA manual on harmonized impact reports.[30]

- Assessment of the issuer's capabilities to collect data for impact reports for each of the eligible uses of income.

- Recommendations on the next concrete steps the Issuer should take to align green bond issuance and reporting with the Green Bond Principles.

g. The external reviewer's report hascompleted theperiod provided forthe use of resources defined in numeral 1.3.6.1.2.8.4.4. EC 028 2020 aims to monitor resource management, allowing to validate whether they were placed in eligible green projects, according to the criteria previously defined in the information leaflet,thetaxonomy used and the environmental sustainability objectives of the issue. This report is generated for a singletime after the maximum placement period hasbeen completed (24 months as definedinthe Fund Management section) after the issuance of green bonds has been carried out.

h. Inthe update on the information of the fund use policy provided for in EC number 1.3.6.1.2.8.1.1 of THE EC 028 of 2020,it **is** recommended to include information to keep investors informed about the impact of the green bond during its term, allowing to monitor the financed and / or refinanced projects and validate whether the management of these meets the criteria defined in the information leaflet. It **is** recommended that this report be validated by an independent external party following the guidelines of the GFRPand, like the other periodic reports of the securities issuers, be published on a channel available to all investors. This document may include information related to disbursements of eligible/selected resources, projects or assets for the receipt of resources and impact of eligible projects or assets, expressed in indicators recommended by the ICMA Manual for Harmonized Impact Reporting.[31]

i. It **is** recommended that the issuer also have a concept of an independent auditor or third party verifying the policyand/or processes for the management of funds provided for in numeral 1.3.6.1.2.8.3. EC 028 2020, including the internal fund monitoring method, seeking to assure investors that the resources of the issue are used to finance or refinance green projects or activities, in compliance with the sustainability objectives and taxonomy or classification system identified in the prospectus. In any event, it **is** recommended that while the resources are allocated they should not be temporarily allocated to finance other activities or projects that are inconsistent with the green objective of the issue.

j. Se recommends specifying the location and form of publication of reports and relevant information in the terms provided by the SFC on its website.

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30 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf

31 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf

k. The information contained in the reports may be used to feed the information bases of other authorities in areas such as identifying financial flows for activities that generate positive environmental impacts, or identifying initiatives aligned with other areas of public policy.[32]

4.2.2. Second Market

a. The second market is one regulated in Chapter 1, Title 3, of Book 2 of the DU, where the negotiations of securities registered in the RNVE are carried out whose acquisition can only be made by authorized investors, i.e. those investors who are qualified as a "professional investor" under the terms of Part 7 of Book 2 of the DU.

b. Taking into account that the securities to be traded on the second market shall be deemed to be registered in the RNVE for all legal purposes and authorized for its public offering, provided that the documents provided for in Articles 5.2.3.1.8 and 5.2.3.1.12 of the DU are sent to the SFC in advance, the authorisation requirements are of lower requirement to those of the main market, so it is only recommended that the prospectus sent to the SFC refer to compliance with ICMA's principles.

c. In any case according to the regulations of the second market, disclosure of information and compliance standards *will be inter-parties* and subject to the obligations established by issuers and investors.

d. In the event that the issuer wants access to the main market, all the requirements established for this market must be met.

4.2.3. Emission and Placement Programs

Instructions given in external circular 028 2020, numeral 1.3.6.1.2.8.4.7. . , on the information to be incorporated by the Emissions and Placement Programmes (SGP):

1.3.6.1.2.8.4.7. In the event that an Issue and Placement Programme (PEC) includes green bonds as one of its associated securities, special rules for green bonds included in sub-numeral 1.3.6.1.2.8 shall be addressed. and next; resource use, the project selection and evaluation process, fund management and reporting and reporting.

In order for the SFC to authorize the registration of the PEC in the RNVE and its public offering, the review of an independent third party shall not be required at the time of submitting the documentation required for its authorization. However, at the time of placement, the issuer must publish the opinion of the independent third party on its website and by means of relevant information, prior to the publication of the public offering notice.

a. In accordance with Article 6.3.1.1.1. THE DU "*means the programme of issuance and placement of the plan by which the same entity, structure from a global quota, the*

[32] This is the case with the Climate Finance Flow Measurement, Reporting and Verification (MRV) system administered by the National Planning Department.

realization of several emissions, of one or more securities, by public offering, during an established term. PEC.

b. In this sense, the PECs are instruments available to issuers to structure their strategy for attracting resources to the stock market in which they may include the types of securities they deem relevant and issue them from the overall quota that the programme will have during the period of validity of the PEC, which must currently be three (3) years.

c. In the event that an Issuance and Placement Program (PEC) includes as one of its associated securities green bonds, it is recommended that apipelineor bank/list of shortlisted projects equivalent to at least 50% of the funds to be raised through the issuance be counted as one of its associated securities.

Annexes

A1. INTERNATIONAL STANDARDS

Following the growth of these thematic instruments, and especially green bonds, different initiatives have been developed that seek to maintain transparency and ensure the use of resources in projects with environmental benefits.

Green Bond Principles (GBP): created in 2014 by the International Capital Market Association (ICMA). These principles are procedural guides for the issuance of green bonds. The main objective of these is to promote transparency and dissemination of information, promoting integrity in the development of the green bond market. The four main principles or components on which GBP is founded are: (i) the use of funds; (ii) project evaluation and selection process; (iii) the management of funds and; (iv) the publication of reports. In addition, they recommend using external revisions to determine alignment with all four components.

In 2017 ICMA also developed the Social Bond Principles (SBP) and the Sustainability Bond Guidelines (SBG). The former adopt the same pillars around transparency as GBP, and add new categories eligible for financing. SBG, meanies, refer to eligible assets under the principles of GBP and SBP.

Green Finance Review Protocol (GFRP): This protocol is being developed by IFC World Bank Group, in cooperation with ICMA, investors, external reviewers and the Green Bond Technical Assistance Program (GB-TAP). GFRP will be available in the second half of 2020 and is geared towards the specific needs of emerging market issuers and the placement of their bonds on the international market. GFRP will enable market participants to approve, aggregate and compare green bond information from different markets and to be developed with various taxonomies such as those in the EU, CBI, China, Multilateral Banking and others. GFRP will be fully COMPATIBLE with GBP and promotes international best practices. The GFRP will also allow information produced by green bond issuers to be integrated into national Climate Finance Flow Measurement, Reporting and Verification (MRV) systems. This will document how green funding flows by private banking contribute to National Climate Change Policy objectives.

IFC Definitions and Metrics for Climate-Related Activities
IFC began tracking climate finance in 2005 and has since expanded its climate impact, partnering with stakeholders of interest ors and sharing lessons learned globally with other financial institutions. In 2011, IFC launched *the document Definitions and Metrics of Climate-Related Activities (Climate Definitions)* with the aim of providing institutional guidance to identify climate-related activities. This document describes the definitions and typology that IFC uses to identify, promote and track investment projects and advice related to climate change mitigation and adaptation.
IFC regularly updates its climate definitions to reflectmarket trends, changes in institutional strategy, and updates to commonly agreed principles for monitoring mitigation financing agreed by multilateral development banks.[33]

International Climate Bonds Standard (CBS): administered by the Climate Bonds Initiative (CBI), it refers to criteria and standards created to be used as tools for governments and investors

[33] See: https://www.worldbank.org/content/dam/Worldbank/document/Climate/common-principles-for-climate-mitigation-finance-tracking.pdf

aimed at mitigating and/or adapting to the adverse effects of climate change. These standards establish prerequisites and post-issuance of the instrument and additionally have a list of project categories. It should be noted that CBS is aligned with GBP and therefore promotes trust and transparency among investors.

A2. GLOSSARY OF TERMS

1. **AfDB**. African Development Bank.
2. **ASG**. Environmental, Social and Governance Performance Criteria.
3. **BAU**. Emissions scenario with current trajectory (*Business as Usual).*
4. **Domestic public debt bonds.** They are bonds issued by territorial entities (departments, municipalities, districts, etc.), as well as by state industrial and commercial enterprises and mixed-economy companies.
5. **Ordinary bonds.** They are those who confer on their holders the same rights, in accordance with the respective issuance contract and are guaranteed with all the goods of the issuing entity, whether present or future.
6. **CBI**. *Climate Bond Initiative.*
7. **CBJ.** Basic Legal Circular of the Financial Superintendency of Colombia - External Circular 029 of 2014.
8. **cbs.** International*Climate Bonds Standard.*
9. **CICERO**. International Climate and Environment Research Centre.
10. **UNFCCC**. United Nations Framework Convention on Climate Change.
11. **CONPES.** National Council for Economic and Social Policy.
12. **Cop.** Colombian pesos.
13. **CPACA.** Code of Administrative Procedure and Administrative Litigation.
14. **DNP.** National Planning Department.
15. **Du.** Decree 2555 of 2010 or Single Decree of the Financial System.
16. **ECDBC.** Colombian Low Carbon Development Strategy.
17. **EDGE**. Eco-construction certification.
18. **ENREDD+.** National Strategy for Reducing Emissions from Deforestation and Forest Degradation.
19. **GBP.** Green*Bond Principles.*
20. **GEI.** Greenhouse Gases
21. **GFRP.** *Green Finance Review Protocol.*
22. **Gri.** *Global Reporting*Initiative.
23. **ICMA.** *International Capital Markets Association.*
24. **IDEAM.** Institute of Hydrology, Meteorology and Environmental Studies.
25. **IEA.** International*Energy Agency.*
26. **Ifc.** International Finance*Corporation.*
27. **INDC.** Intended*Nationally Determined Contributions.*
28. **INGEI.** National Inventory of Greenhouse Gases.
29. **IPCC**. Intergovernamental Panel for Climate Change.
30. **KPI.** Key *Performance Indicator*.
31. **LEED.** Leadership in Energy and Environmental Design**.**
32. **MADR.** Ministry of Agriculture and Rural Development.
33. **Mads.** Ministry of Environment and Sustainable Development.
34. **MCIT.** Ministry of Trade, Industry and Tourism.
35. MinTransport. Ministry of Transport.
36. **Mme.** Ministry of Mines and Energy.
37. **MRV**. National Systems for Measuring, Reporting and Verifying Climate Finance Flows administered by the National Planning Department.
38. **MVCT.** Ministry of Housing, City and Territory.
39. **NDC.** Nationally Defined Contributions.

40. **NGFS.** Red para el Enverdecimiento del Sistema Financiero (*Network for the Greening of the Financial System)*.
41. **Noaa.** *National Oceanic and Atmospheric Agency.*
42. **OECD.** Organization for Economic Cooperation and Development.
43. **ods.** Sustainable Development Goals.
44. **PEC.** Issuance and Placement Program.
45. **PND.** National Development Plan.
46. **RNVE.** National Register of Securities and Issuers.
47. **SBG.** *Sustainability Bond Guidelines*.
48. **SBN.** *Sustainable Banking Network.*
49. **SBP.** *Social Bond Principles.*
50. **Sfc.** Financial Superintendency of Colombia.
51. **SIMEV.** Comprehensive Securities Market Information System of the Financial Superintendency of Securities.
52. **EU.** European Union.
53. **Usd.** American Dollars.
54. **WBG**. World*Bank Group.*

A3. EXAMPLES OF PROJECTS ELIGIBLE FOR USE OF GREEN BOND FUNDS

The following list of projects eligible for use of funds raised through green bonds is indicative only:[34]

i. Renewable energies (including production, transmission, devices and products);
ii. Energy efficiency (such as new and refurbished buildings, energy storage, district heating, smart grids, devices and products);
iii. Pollution prevention and control (including reducing atmospheric emissions, controlling greenhouse gases, decontamination of soils, prevention and reduction of waste, recycling of waste and efficient processing of waste to energy);
iv. Sustainable management of natural resources and land use (including sustainable agriculture, sustainable animal husbandry, climate smart agricultural inputs such as crop biological protection or drip irrigation, fisheries and aquaculture; sustainable forestry activity, including afforestation or reforestation and the conservation or restoration of natural landscapes);
v. Conservation of terrestrial and aquatic biodiversity (including the protection of coastal, marine and watershed environments);
vi. Clean transport (such as electric, hybrid, public, rail, non-motorized transport, multimodal transport, infrastructure for clean energy vehicles and reduction of harmful emissions);
vii. Sustainable water and wastewater management (including sustainable infrastructure for clean drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flood mitigation);
viii. Adaptation to climate change (including information support systems, such as climate observation and early warning systems);
ix. Products adapted to the ecological and/or circular economy, technologies and production processes (such as the development and introduction of environmentally friendly products, with an eco-label or environmental certification, and efficient packaging and distribution with their resources);
x. Green Construction (known as Sustainable Construction in the local market) that meets regionally, nationally or internationally recognized standards or certifications (e.g. EDGE. LEED).

[34] The full list of eligible activities and assets will be defined by The Colombi Taxonomya, which it is being developed within a framework of cooperation between the Financial Superintendency of Colombia, the Ministry of Finance and Public Credit, the Ministry of Environment and Sustainable Development, and the National Planning Directorate that will be made available to issuers and investors, taking into account international standards and specific needs of the Colombian context.

A.4. TYPES OF EXTERNAL REVIEWS DEFINED IN GBP

Independent external reviews may vary in scope and may be applied to a green bond framework, green bond program, individual issuance of green bonds, and/or underlying assets and/or procedures. They are widely grouped into the following types, with some providers offering more than one class of service, either separately or in combination:

1. **Opinion or Independent Opinion:** An institution with environmental/sustainability experience that is independent of the issuer may provide an independent opinion. The institution must be independent of the advisor used by the issuer to develop its Green Bond Framework or procedures must be implemented to prevent conflicts of interest. An opinion of a second part is usually made before the broadcast and for the only time. This view is an independent assessment of the alignment of the issuer's framework with each of the components of the GBP. In particular, it may include an assessment of the objectives, strategy, policy and/or general processes of the issuer related to environmental and/or social sustainability and an assessment of the environmental and/or social characteristics of the type of projects intended for the use of funds.
2. **Verification:** An issuer may obtain independent verification with respect to a designated set of criteria, typically related to business processes and/or environmental/sustainability criteria. Verification can focus on alignment with internal or external standards, or statements made by the issuer. In addition, the assessment of the environmental or sustainable characteristics of the underlying assets can be called verification and may refer to external criteria. The guarantee or certification with respect to the issuer's internal monitoring method for the use of funds, the allocation of funds from green, social and sustainability bond income, the environmental impact statement or the alignment of reporting with GBP, can also be called verification.
3. **Certification:**An issuer may have their green bond or associated Green Bonus Framework or use of certified funds according to a recognized standard or green/external sustainability label. A standard or label defines specific criteria, and alignment with those criteria is typically tested by qualified and accredited third parties, who can verify consistency with certification criteria.
4. **Green Bond Rating:** An issuer may have its green bond, associated Green Bonus Framework or a key feature such as the use of funds evaluated by qualified third parties, such as specialized research providers or rating agencies, in accordance with an established rating methodology. The result may include a focus on environmental performance data, the GBP process, or another benchmark, such as a 2-degree climate change scenario. This rating is different from credit ratings, which however may indirectly reflect significant environmental/sustainability risks.

A.5. LIST OF THIRD-PARTY REVIEWER SUPPLIERS

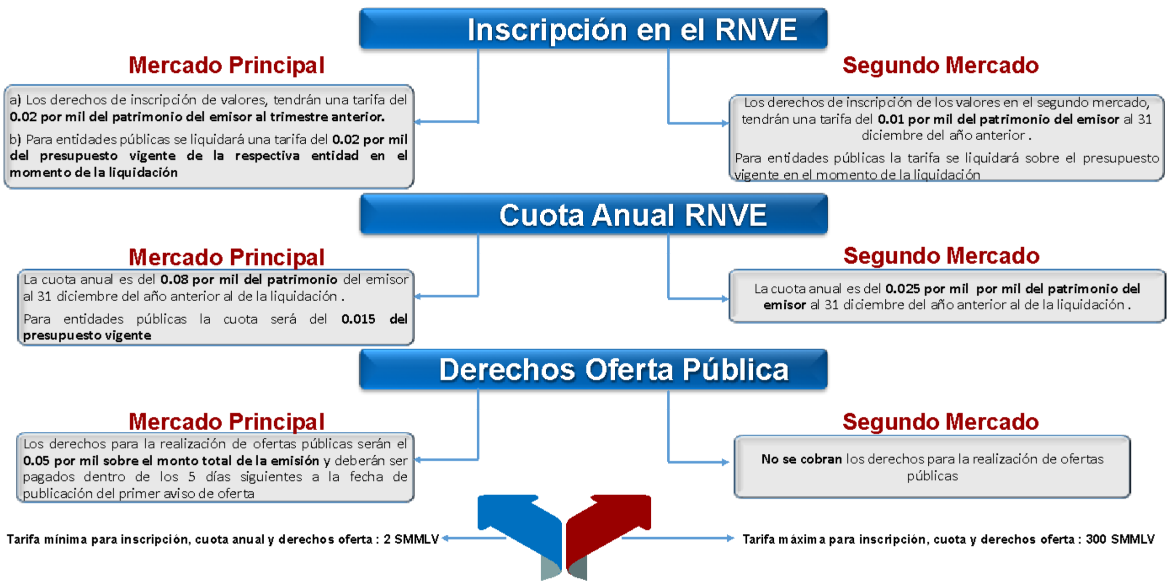
Sand suggests to the user to consult the updated list of global and region CBI verifiers at the following link:

- https://www.climatebonds.net/certification/approved-verifiers

It is also recommended to consult the list of external verifiers who have voluntarily confirmed that they are aligned with the ICMA Guide at the following link:

- https://www.icmagroup.org/green-social-and-sustainability-bonds/external-reviews/

A.6. REGISTRATION AND LISTING COSTS BY MARKET



Fuente: Resolución 1875 de 2018 expedida SFC

A.7. RECOMMENDED FORMAT FOR REPORTS AND/OR INFORMATION TO BE DISCLOSED REOCMENDED BY THIS GUIDE

The following formats are recommendations **or references** that can be used by broadcasters. We establish types of reports are associated with: use of funds and policy for project selection, fund management, and fund placement and impact report.

Recommended Format Green Bond Report **Colombia / Green Bond Principles (GBPs)**

Basic Information
External review carried out by:
[Complete number of the emtaken]
Date of preparation:
Executive summary of the external review and/or link to the full review (if applicable)

complete: - Implementation of SARAS (Environmental and Social Risk Analysis System) or sustainability policy - Environmentalobjective isaddressed by the different projects - Use the ICMA[35] format for external review reports - Expected green bonus impact

1. USE OF FUNDS AND PROJECT EVALUATION AND SELECTION PROCESS

General comments of the section :

Use of funds according to the categoriesdescribedin Annex A.3 (non-exhaustive list) and subsequently in the taxonomy of Colombia[36]:

Specify which categories are represented in the green bonds to be issued. Please note that when applying for authorization of registration and public offering, it is recommended that the issuer witha pipeline or bank/list of shortlisted projects equivalent to at least 50% of the funds to be raised through the issuance

Table 1 Initial information of theproject c artera, in case of pipeline:

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[35] See: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Resource-Centre/External%20Review%20Form_Green%20Bonds_2018%20260618.docx

[36] *The Taxonomy of Colombia is the classification system that is being developed in a framework of cooperation between the Financial Superintendency of Colombia, the Ministry of Finance and Public Credit, the Ministry of Environment and Sustainable Development, and the National Planning Department that will be made available to issuers and investors, taking into account international standards and specific needs of the Colombian context.*

project	Eligible category[37]	Project Name	Amount of total project investment (COP MM)	Amount to be financed with green bond resources (COP MM)	Description (technology, installed capacity, location, load factor, quantity of product or annual service, etc.)	Progress to date
1	**E.g. Energy renewable**	**Solar Farm xxx**	**20,000**	**16,000**	**20 MW solar farm to replace diesel generators in industrial park**	**Start of construction (Month/Year)**
2						
3						
n						

The issuer of a green bond must also clearly communicate totheionist investments the consistency of projects/assets financedwith green bond resources and the green bond framework, suchas: (i) environmental sustainability objectives; (ii) the process by which the issuer determines how projects fit within the categories of eligible green projects; (iii) related eligibility criteria, including, where applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with projects; (iv) any green standard or certification used in project selection

GBP promotes a high degree of transparency and recommends that the process by which the issuer evaluates and selects is complemented by an external review.

Specify theperson in charge of monitoring the evaluation and selection of projects:

2. GESTIORFUNDS

General comments of the section:

Tracking resource usage:

According to GBP, net funds obtained from the green bond, or an amount equal to these net funds, could be paid to a sub-account, transferred to a sub-portfolio, or in any case channeled into eligible green projects. In the framework of the implementation of theguide,transparency is sought in the face of the management of the same. Here youcan also set the maximumperiod to place the resources, counted from the moment of their acquisition. According to CBI, theperiod can be up to 24 months.

Table 2:

	Fund management process	description
	The use of green bond resources is properly tracked by the issuer	Explanation of the fund management mechanism
	Expectedbudgets of temporary investment instruments for unssigned funds	

[37]This eligible category must be consistent with Colombian Taxonomy once available.

	Other (please specify):	

Table 3. Quarterlyeruption -fund management:

project	Project Name	Amount to be financed with green bond resources (COP MM)	Disbursements year 1				Year 1	Disbursements year 2				Year 2
			T1	T2	T3	T4	Total	T1	T2	T3	T4	Total
1	Solar Farmxxx	16,000										
2												
3												
n												
	Temporary investments											

3. PUBLICATION OF FUND AND IMPACT PLACEMENT REPORTS

General comments of the section

Report/currentannualinvestment policy **ization: In** addition to the update of the investment**policy,** this report aims to monitor the placement of resources by the issuer, allowing to validate whether the management of the resources is adapted to the criteria defined in the information leaflet aswell as the impacts it generates. This act shall be made during the term of the bonus.

Report once the intended period fortheuse of resources hasbeen**completed:**this report should communicate the use of the requirementsobtained by the bond, as well as the current or expected results in relation to the environmentalsustainability objectives that the issue seeks once the period of repcisto of use is met. Likewise, this report is a recommended mechanism to explain to the market the consistency of the bond with the green bond framework and Environmental and Social Risk Management System (SARAS) or its sustainability policies.

Table 4 Annual Investment Policy Report– It is recommended that the annual update of the investment policy carried out throughout the duration of the issue include:

Check		description

	Use of funds (% placed in relation to the total amount of the bonus)	
	Itemporary investment instructions for unssigned funds (% placed in relation to the total amount of the bond)	
	Description of projects anchored with the bond issued by the issuer	
	Report of impact indicators of sanewith the ICMA guide of harmonized reports[38]	Each eligible activity should report its impacts in accordance with the ICMA guide for harmonized impact reporting and using the impact indicators recommended there.
	SaraS system implementation	
	Environmental objective addressed by the different projects	

A.8. RELEVANT SOURCES OF INFORMATION

- The ICMA Green Bond Principles (GBP, 2018).
- The GBP Green Project Mapping (2019).
- The Global Reporting Initiative.
- The Climate Bonds Initiative's Climate Bonds Taxonomy (2019).
- The European Union (EU) Taxonomy (2020).
- The IFC Definitions for Climate-Related Activities (2017).
- IFC Performance Standards
- ICMA Handbook – Harmonized Framework for Impact Reporting (2020) with industry-specific reporting templates
- ICMA Working Towards a Harmonized Framework for Impact Reporting for Social Bonds (2020) with a generic reporting template for social bonds
- World Bank Group publication: Green Bond Proceeds Management & Reporting (2018) with a condensed reporting sample and a full detailed reporting sample.

[38] Veáherself: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-220520.pdf