

Second-Party Opinion

Bancóldex Social Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Bancóldex Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Micro and small enterprise financing, Rural business financing, Women-owned business financing, Victims of armed conflict-owned business financing, and Financing for MSMEs affected by the Covid-19 pandemic to support their economic reactivation – are aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the financing provided will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1,5, 8, 9, and 10.



PROJECT EVALUATION / SELECTION Bancóldex's has created a Social Bonds Committee, comprised of representatives from the Treasury Department, the Corporate Strategic Vice-Presidency and the Commercial Vice-Presidency, and overseen by the Bank's Financial Vice-Presidency to carry out project selection. Sustainalytics considers this process to be in line with market practice.



MANAGEMENT OF PROCEEDS Bancóldex has charged its Treasury Department with the management of social bond proceeds. Pending allocation, proceeds may be held in cash or other highly liquid instruments. This is in line with market practice.



REPORTING Bancóldex intends to report annually on the allocation of proceeds, including amounts allocated as well as the number of loans granted and the average loan size. Additionally, the Bank will provide representative case studies to further illustrate the social impact of its financing. Sustainalytics views this reporting as aligned with market practice.

Evaluation date November 6, 2020

Issuer Location Bogotá, Colombia

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Introduction

Banco de Comercio Exterior de Colombia S.A. (“Bancóldex”, the “Bank” or the “Issuer”) is a state-owned development bank that provides financial solutions to support the growth of Colombian companies of all sizes and industries. Bancóldex has developed a social bond framework under which it is issuing multiple social bonds the proceeds of which are being used to finance or refinance expenditures related to micro and small enterprise financing, with the aim of promoting financial and workforce inclusion, gender equality, and local economic development.

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

1. Micro and small enterprise financing and financial inclusion
 - a. Micro and small enterprise financing
 - b. Rural business financing
 - c. Women-owned business financing
 - d. Victims of armed conflict -owned business financing
2. Financing for MSMEs affected by the Covid-19 pandemic to support their economic reactivation

This Framework builds upon the Bank’s 2018 Social Bond Framework; the first eligible category is unchanged from this previous document, while the second category has been added. Sustainalytics assessed that 2018 Social Bond Framework and published a Second-Party Opinion in April 2018.¹

Bancóldex engaged Sustainalytics to review the Bancóldex Social Bond Framework, dated November 2020, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2020 (SBP).² This Framework has been published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

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

- The Framework’s alignment with the Social Bond Principles 2020, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Bancóldex’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Bancóldex representatives have confirmed (1) they understand it is the sole responsibility of Bancóldex to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with

¹ Sustainalytics’ 2018 Second-Party Opinion is available at: https://www.sustainalytics.com/wp-content/uploads/2018/05/10854_Bancoldex_Social_Bond_Second_Opinion_ENGLISH.pdf

² The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

³ The Bancoldex Social Bond Framework will be made available on Bancoldex’s website at <https://www.bancoldex.com/>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

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

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

Sustainalytics' Opinion

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

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

- Use of Proceeds:
 - The two eligible categories – Micro and small enterprise financing and financial inclusion (which includes four sub-categories: Micro and small enterprise financing, Rural business financing, Women-owned business financing, and Victims of armed conflict-owned business financing) and Financing for MSMEs affected by the Covid-19 pandemic to support their economic reactivation – are aligned with those recognized by the SBP.
 - The Framework uses a classification of SMEs in line with that of Colombian regulation, specifically the thresholds defined by the Ministry of Trade in Decree 957 of June 2019. Sustainalytics considers this use of official definitions to be aligned with market expectations.
 - Sustainalytics considers it best practice that financing to SMEs be further targeted towards vulnerable groups in order to increase the likelihood of positive social impacts and notes, in this context, Colombia's classification as a developing economy.⁵
 - In addition to SME lending more broadly, the Framework defines specific business types, namely rural businesses, women-owned businesses, and businesses owned by victims of armed conflict⁶ as additional targets for financing with the objective of financial inclusion. Sustainalytics views positively this targeting and is of the opinion that it supports the social impacts of the financing.
 - As it relates to the category of Financing for MSMEs affected by the Covid-19 pandemic to support their economic reactivation, Sustainalytics views the provision of credit facilities for businesses impacted by the effects of the COVID-19 pandemic to deliver positive social impacts and to be in line with market expectations.
 - As with all financing provided by the Bank, the proceeds of its social bonds will not be directed to activities on the exclusion list published in Bancoldex's environmental and social risk policy, which screens for activities known to have severe environmental or social impact or to be in violations of laws and regulations.⁷ Sustainalytics views positively that the Bank excludes financing of these activities, however, notes that there are no exclusions on some sectors are known to have significant negative environmental impacts, such as fossil fuel production.
 - The Framework specifies that financing provided in response to COVID-19 shall be limited to those loans granted after March 11, 2020, which corresponds to the date in which the WHO officially declared a pandemic. Financing in other categories may include loans dating back to January 1, 2016, aligning with the lookback period of the Bank's 2018 social bond Framework,
- Project Evaluation and Selection:
 - The selection of eligible projects will be completed by the bank's Social Bonds Committee, comprised of representatives from the Treasury Department, the Corporate Strategic Vice-Presidency and the Commercial Vice-Presidency, and overseen by the Bank's Financial Vice-Presidency.
 - Based on the establishment of a defined group charged with project selection, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The management of proceeds is overseen by the Treasury Department. Bancóldex has an internal statistical tracking system in place that is connected to the Bancóldex central banking system which allows the bank to validate the information of each credit operation.
 - Pending allocation, proceeds may be temporarily held in cash or other highly liquid assets, and Bancoldex has disclosed that it intends to allocate proceeds within 24-36 months of issuance.

⁵ As defined by the UN World Economic Situation and Prospects 2019 report, https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/WESP2019_BOOK-ANNEX-en.pdf

⁶ As defined by Colombian Law 1448 of 2011, Law of Victims and Restitution of Lands, article 159.

⁷ A copy of this list is included in the Social Bond Framework

- Based on the disclosures around unallocated proceeds and the reliance on formal internal systems, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Bancóldex commits to annual disclosure indicating, for each social bond, the amount disbursed, the average loan value, and the number of beneficiaries. The allocation reporting will be externally audited and made available to investors on Bancóldex’s website, the National Registry of Securities and Issuers, as well as on the website of the Colombia Stock Exchange.
 - Bancóldex will disclose impact reporting in its “Use of Social Bond Resources” annual report, selecting up to four indicative case studies which are representative of the bond’s impacts and providing relevant quantitative indicators.
 - Based on the commitment to annual allocation reporting and the provision of impact case studies, Sustainalytics considers this process to be in line with market practice, noting that aggregate impact reporting is considered to be best practice.

Alignment with Social Bond Principles 2020

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

Section 2: Sustainability Strategy of Bancóldex

Contribution of Framework to Bancóldex’s sustainability strategy

Sustainalytics considers Bancóldex’s sustainability strategy to be strong given the following:

- The Bank’s sustainability strategy is aligned with the Colombian National Development Plan 2018–2022,⁸ subtitled the “Pact for Colombia, Pact for Equity”, which has among its pillars a focus on economic development through entrepreneurship. To fulfill this mandate, the Bank aims to promote financial inclusion, improve access to financial resources for SMEs, improve access to rural employment programs, reduce poverty, promote social equality, and stimulate economic development in Colombia;
- The Bank also participates in the Ministry of Commerce, Tourism, and Industry’s Sectorial Strategic Plan 2019-2022, and in particular supports the fulfillment of the “Productivity and Innovation” objective through its support of small businesses and its initiatives to help entrepreneurs scale their operations.
- Bancóldex has been a major actor in supporting the relationship between the National Government and the business sector to promote the financial sector, particularly microenterprises;
- The social bond aligns with the bank’s sustainability strategy which includes the following goals: (i) generating value through sustainable economy, (ii) increasing productivity and competitiveness of Colombian companies, and (iii) promoting the adoption of sustainable development standards of cities;⁹

Sustainalytics considers Bancóldex to be well positioned to issue social bonds given its alignment with the National Government’s development plan. Furthermore, Bancóldex has developed various financial products customized to address relevant socio-economic needs of the country. Overall, the issuance of social bonds aligns with the bank’s social objectives and will contribute to the realization of these long-term goals.

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

While Sustainalytics recognizes that the net proceeds from the bond(s) issued under the Framework will be directed towards financing that is anticipated to have positive social impact, Sustainalytics is aware that the range of activities undertaken may also have some associated negative environmental or outcomes. In particular, by offering financial services, banks are exposed to risks associated with controversial companies and/or projects they may finance. To reduce exposure and prevent negative impacts, banks are expected to implement social and environmental risk assessments for projects that they choose to finance.

There are two main groups of intermediaries that participate in the financing of micro and small businesses with Bancóldex. The first group includes banks, financing companies and financial cooperatives. The first

⁸ Colombia’s National Development Plan 2018 – 2022, available at: <https://english.mininterior.gov.co/node/25145>

⁹ Bancóldex Social Bond Framework

group is overseen by the Colombian Finance Superintendent. The second group includes entities such as credit unions and employee funds. The second group of entities are overseen by NGOs and other superintendents.

In all project funding cases, Bancóldex completes the following steps as an evaluation process of the entities that will be providing credits and managing the loan portfolios of the micro and small enterprises.

1. Onboarding documents from the entity and risk evaluation information is requested and assessed
2. A complete due diligence on the entity regarding complying with Anti-Money Laundering (AML) and Terrorism Financing (TF) sanction lists is performed
3. The Bancóldex Risk Department visits the entity and establishes a limit amount for loans which is approved by senior management
4. A follow up assessment of the entity is completed on a quarterly basis.

In addition to these measures, Bancóldex has implemented an Environmental and Social Risk Management System (ESMS) for second-tier banking activities. The ESMS was first implemented in 2012, with the support of the Inter-American Development Bank (IADB),¹⁰ and assesses environmental, social, labour, and other risks associated with projects, as well as ensuring that any projects financed have obtained all necessary regulatory authorizations and are being carried out in compliance with all legal requirements.

Overall, given the level of assessment required in Bancóldex's evaluation of entities providing micro and small enterprise loans, the ESMS, the exclusionary criteria (which identify activities that cannot be financed by Bancóldex due to associated risks¹¹), and the due diligence performed at project level, Sustainalytics is of the opinion that Bancóldex is well positioned to identify, manage and address environmental and social risks associated with the projects financed.

Section 3: Impact of Use of Proceeds

Micro and small enterprise financing and financial inclusion, in particular in relation to economic and social shocks such as the COVID-19 pandemic, are aligned with eligible categories recognized by the SBP. Sustainalytics has focused below on how the impact is specifically relevant in the local context.

The economic impacts of COVID-19 and the need to support recovery

Colombia has been among the countries hardest hit by the COVID-19 pandemic, and in late October became the eighth country in the world, and second in Latin America, to surpass one million confirmed cases of the disease.¹² In addition to the health effects, it has been estimated that the pandemic has triggered the country's worst recession in at least a century.¹³ In July 2020, Colombia's unemployment rate had increased by 70% from the prior year, with an even greater increase in Bogotá.¹⁴

The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) is estimating that the global pandemic will bring about the sharpest recession of Latin America and the Caribbean, where over a third of formal employment and a quarter of GDP are generated in sectors that have been heavily hit by the crisis (the auto industry, tourism, and hospitality, transportation, and commerce)^{15,16} Overall, ECLAC estimates that around 2.7 million companies are likely to close due to the global pandemic.¹⁷ While important measures to increase liquidity and access to credit for MSMEs in the region is being carried out – with different approaches applied by each country – ECLAC highlights that these measures have been “important but insufficient” and will be enough for the businesses to sustain a recovery that is projected to be slow and gradual.¹⁸ Furthermore, in a context where there are already wide inequalities, the impacts of COVID-19 have

¹⁰ Bancóldex has provided to Sustainalytics the evaluation form which is completed as part of the ESMS assessment

¹¹ Bancóldex excluded activities, defined in Bancóldex's Environmental and Social Management Policy
https://www.bancoldex.com/documentos/4603_Formato_de_información_ambiental_y_social.pdf

¹² Al Jazeera News Service, <https://www.aljazeera.com/news/2020/10/25/colombia-surpasses-1-million-covid-19-cases>

¹³ New York Times, <https://www.nytimes.com/2020/06/23/world/americas/coronavirus-brazil-mexico-peru-chile-uruguay.html>

¹⁴ El Tiempo, <https://www.eltiempo.com/economia/sectores/dane-el-pais-cerro-julio-del-2020-con-4-15-millones-de-ocupados-menos-535227>

¹⁵ ECLAC, “Sectors and businesses facing COVID-19: emergency and reactivation”, (2020), at:

https://repositorio.cepal.org/bitstream/handle/11362/45736/5/S2000437_en.pdf.

¹⁶ ECLAC, “Sectors and businesses facing COVID-19: emergency and reactivation”, (2020), at:

https://www.cepal.org/sites/default/files/presentation/files/ppt_specialreport_sectorsandbusinesses_en.pdf.

¹⁷ ECLAC, “Sectors and businesses facing COVID-19: emergency and reactivation”, (2020), at:

https://repositorio.cepal.org/bitstream/handle/11362/45736/5/S2000437_en.pdf.

¹⁸ ECLAC, “Sectors and businesses facing COVID-19: emergency and reactivation”, (2020), at:

https://repositorio.cepal.org/bitstream/handle/11362/45736/5/S2000437_en.pdf.

disproportionately affected the most vulnerable populations and individuals, including women, older persons, persons with disabilities, indigenous peoples, people of African descent, migrants and refugees.¹⁹ The UN has called for action as countries mobilize capital and calls for change on the broad structural challenges to build back better by promoting decent jobs, strengthening environmental sustainability, and reinforcing social protection mechanisms.²⁰ To this end, the World Economic Forum has identified strategies that help mitigate the disproportionate effect the global pandemic is having on women, including rebalancing the burden of unpaid care work; ensuring women are well positioned in growth sectors; and addressing violence against women.²¹

In this context, Bancóldex's efforts to provide financing to SMEs in the most highly impacted sectors is considered by Sustainalytics to be impactful, and will play an important part in supporting the financial and societal recovery of the small business economy.

Contribution towards the social inclusion of victims of armed conflict

Bancóldex recognizes the vast negative effects that were generated by the Colombian armed conflict which began in the mid-1960s and resulted in the death of hundreds of thousands and the forced displacement of millions of people. According to the Victims Registry (Registro Único de Víctimas),²² the rights of more than 8 million people were affected by the armed conflict. To address this issue, the Colombian Government outlined three action points within the National Development Plan 2014 – 2018, to support the transition to peace: ensuring security, justice, and democracy, including the reintegration, both socially and economically, of victims of armed conflict into society. Proceeds from the social bonds will finance, through targeted business loans, victims of the Colombian ongoing armed conflict in order to facilitate their reintegration into the workforce. Overall, although the financing of conflict victim-owned businesses accounts for a relatively small portion of the social bond's overall use of proceeds portfolio, Sustainalytics considers the financing of conflict victim-owned businesses as a strong and impactful use of proceeds, particularly due to the large targeted population, the support it provides in activating local economies, as well as in terms of preventing overall social exclusion.

Importance of supporting women-owned businesses in achieving peace

According to both Colombia's National Development Plan 2014 – 2018²³ and the UN Colombia Strategy Plan for Women 2017-2019²⁴, gender inequality is a structural issue, and considered a major obstacle in achieving general peace in Colombia. According to the United Nations Development Program's Gender Inequality Index²⁵, Colombia ranks 95 out of 188 countries with respect to gender equality. The general objective of the UN Colombia Strategy Plan for Women 2017-2019 is to empower women politically and economically in order to eradicate violence, support peace and security, as well as to promote female leadership and political participation. Bancóldex intends to allocate social bond proceedings to businesses owned by women in order to promote their integration and employment, reduce the gender pay gap, and support victims of gender violence, all sustainability goals which are aligned with Colombia's National Development Plan 2014 – 2018 and the UN Colombia Strategy Plan for Women 2017-2019. Sustainalytics recognizes the importance of gender parity and the link between supporting female-owned businesses and improving gender equality, and regards the projects funded through Bancóldex's social bonds as bringing significant positive social benefits to Colombian society.

¹⁹ UNODC, "Message from Secretary-General: Policy Brief on the Impact of Covid-19 on Latin America and the Caribbean", (2020), at: <https://www.unodc.org/ropan/en/policy-brief-on-the-impact-of-covid-19-on-latin-america-and-the-caribbean.html>.

²⁰ UNODC, "Message from Secretary-General: Policy Brief on the Impact of Covid-19 on Latin America and the Caribbean", (2020), at: <https://www.unodc.org/ropan/en/policy-brief-on-the-impact-of-covid-19-on-latin-america-and-the-caribbean.html>.

²¹ World Economic Forum, "The COVID-19 crisis disproportionately affects women – here's how Latin America is addressing it", (2020), at: <https://www.weforum.org/agenda/2020/07/covid-19-economic-crisis-women-latin-america-gender-parity/>.

²² Registro Único de Víctimas, available at: <https://rni.unidadvictimas.gov.co/RUV>

²³ Colombia's National Development Plan 2014 – 2018, available at:

<https://www.contraloria.gov.co/documents/463406/472376/Comentarios+al+Plan+Nacional+de+Desarrollo+2014-2018.pdf/e1781355-35fb-45da-9eea-0a12269d7778?version=1.0>

²⁴ UN Colombia Strategy Plan for Women 2017-2019, available at: <http://colombia.unwomen.org/es/como-trabajamos/estrategia-pais-2017-2019>

²⁵ Gender Inequality Index, available at: <http://hdr.undp.org/en/composite/GII>

Alignment with/contribution to SDGs

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

Use of Proceeds Category	Eligible Projects	SDG	SDG target
Micro and small enterprise financing and financial inclusion	Micro and small enterprise financing	1. No Poverty	1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters
	Rural business financing	5. Gender equality	5.1 End all forms of discrimination against all women and girls everywhere.
	Women-owned business financing	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
	Victims of armed conflict -owned business financing	9. Industry, Innovation, and Infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
Financing for MSMEs affected by the Covid-19 pandemic to support their economic reactivation		10. Reduced inequalities	10.3 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

Bancóldex has developed the Bancóldex Social Bond Framework under which it will issue social bonds and use the proceeds to finance lending to micro and small enterprises, with the specific intents of increasing financial inclusion and support economic recovery from the COVID-19 pandemic. Sustainalytics considers that the lending funded by the social bond proceeds will provide positive social impact.

The Bancóldex Social Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Bancóldex Social Bond Framework is aligned with the overall sustainability strategy of the Bank and that the social use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 1, 5, 8, 9, and 10. Additionally, Sustainalytics is of the opinion that Bancóldex has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Banco de Comercio Exterior de Colombia S.A. is well-positioned to issue social bonds and that the Bancóldex Social Bond Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2020.

Appendices

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

Section 1. Basic Information

Issuer name:	Banco de Comercio Exterior de Colombia S.A.
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Bancóldex Social Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 6, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

- | | |
|------------------------------------------------------------|----------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Micro and small enterprise financing, Rural business financing, Women-owned business financing, Victims of armed conflict-owned business financing, and Financing for MSMEs affected by the Covid-19 pandemic to support their economic reactivation – are aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the financing provided will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1,5, 8, 9, and 10.

Use of proceeds categories as per SBP:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Bancóldex's has created a Social Bonds Committee, comprised of representatives from the Treasury Department, the Corporate Strategic Vice-Presidency and the Commercial Vice-Presidency, and overseen by the Bank's Financial Vice-Presidency to carry out project selection. Sustainalytics considers this process to be in line with market practice.

Evaluation and selection

- | | |
|---------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer's social objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available Other (please specify):

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Bancóldex has charged its Treasury Department with the management of social bond proceeds. Pending allocation, proceeds may be held in cash or other highly liquid instruments. This is in line with market practice.

Tracking of proceeds:

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

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Bancóldex intends to report annually on the allocation of proceeds, including amounts allocated as well as the number of loans granted and the average loan size. Additionally, the Bank will provide representative case studies to further illustrate the social impact of its financing. Sustainalytics views this reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify):

Information reported:

- Allocated amounts
 Social Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual
 Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify): Case studies

Information reported (expected or ex-post):

- Number of beneficiaries
 Target populations
- Other ESG indicators (please specify):

Frequency:

- Annual
 Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
- Information published in ad hoc documents
 Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE
Type(s) of Review provided:

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

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP**

- i. **Second-Party Opinion:** An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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