



El emprendimiento
es de todos

Minhacienda

Colombia Sovereign Green Bond

FRAMEWORK

MINISTRY OF FINANCE

REPUBLIC OF COLOMBIA

SEPTEMBER 2021



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Colombia Sovereign Green Bond

FRAMEWORK

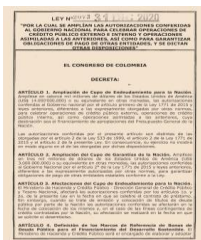
INSTITUTIONAL FRAMEWORK

- I. Context - regulatory framework
- II. Financial plan 2021
- III. Environmental Commitments



Regulatory Framework

Law 2073 of 2020



The Ministry of Finance will design and adopt through administrative acts the frameworks for the issuance of sovereign thematic bonds.

Resolution 1687 of 2021



Whereby the "Colombia Sovereign Green Bond Framework" is adopted.



Colombia Sovereign
Green Bond
Framework



First portfolio of
eligible green
expenditures



Second Party
Opinion
(SPO)



Financing Plan 2021

SOURCES	US\$	MTFF 134,068	% GDP 12.1%	USES	US\$	MTFF 134,068	% GDP 12.1%
Disbursements		91,634	8.3%	Deficit		95,749	8.6%
External	(US\$ 10.1 billion)	36,302	3.3%	of which:			
Internal		55,332	5.0%	Internal Interests		27,058	2.4%
				External Interests	(US\$ 2.5 billion)	9,712	0.9%
Green TES		2,000	0.2%	Amortizations		18,928	1.7%
				External	(US\$ 2.98 billion)	10,937	1.0%
Other Resources		9,773	0.9%	Internal		7,991	0.7%
				Contingent Liabilities (Rulings, Health, Other)		8,590	0.8%
Initial Availability		32,661	2.9%	Final Availability		10,800	1.0%

*Numbers in Billion COP

Source: Medium Term Fiscal Framework – June 2021.



Colombia's environmental and climate commitments

Paris Agreement (2015)

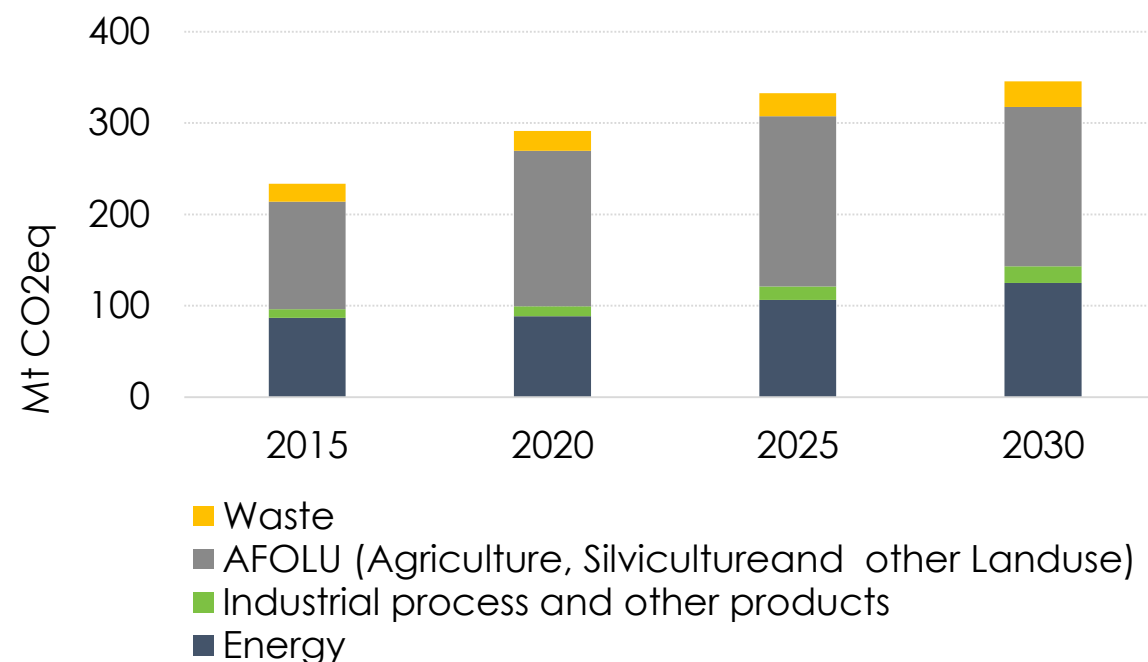
United Nations Framework Convention on Climate Change

Ratified in Colombia through Law 1844 of 2017

- **NDC 2015:**
20% reduction of Greenhouse gases by 2030
- **NDC dic 2020:**
51% reduction of Greenhouse gases by 2030
- **Goal:** carbon neutrality by 2050

Guidelines for managing climate change
Law 1931 of 2018

Greenhouse Gases (GHG) projected by sector



National Development Plan 2018-2022
Pact for Sustainability



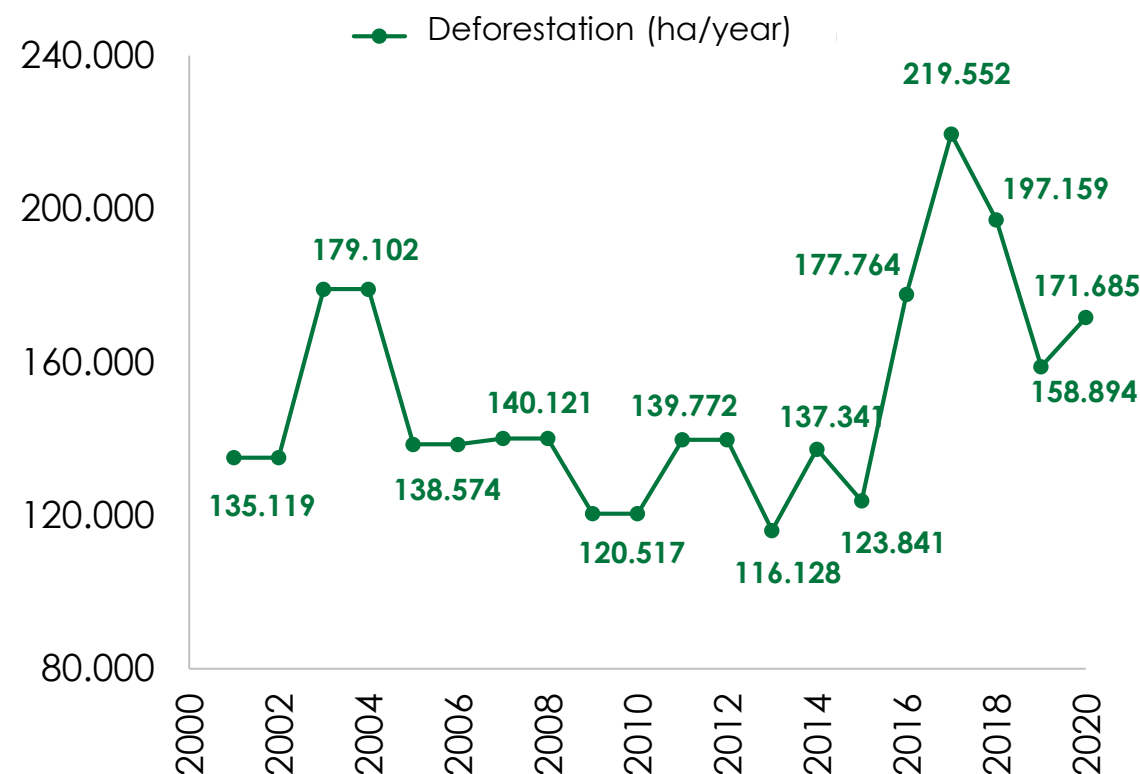
Public Policy: tackling deforestation

Strategy to tackle deforestation in 6 axes:

1. **Legislation:** Law of Environmental Crimes and Deforestation Conpes.
2. **Control of illegality:** mobile checkpoints, control of new roads.
3. **Social investment:** such as Payments for Environmental Services, with this resources more than 115,000 Ha of natural ecosystems are being protected;
4. **Fight against climate change:** 100 companies officially joined Colombia Carbon Neutrality Program.
5. **Goal of planting 180 million trees by 2022:** 66,2 million trees have been planted and the goal for this year is to reach 125 million.
6. **Forest fire monitoring.**

Source: Ministry of the Environment August 4, 2021

Total forest area in Colombia 60 million hectares (2020)



Sources: IDEAM, DNP.



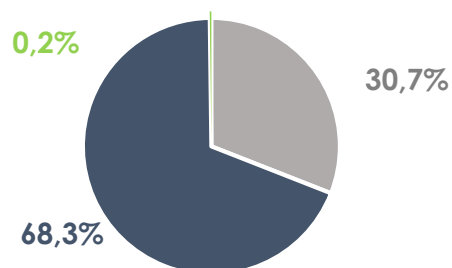
Public policy: energy transition and clean transportation

Energy Transition Law (2099 of 2021)

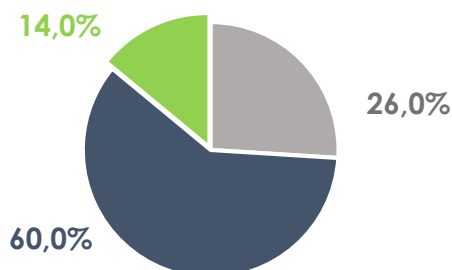
Colombian Power Generation Mix

- Coal, Liquids and Gas
- Hydroelectric plants
- Non-Conventional Renewable Energy Sources

2018



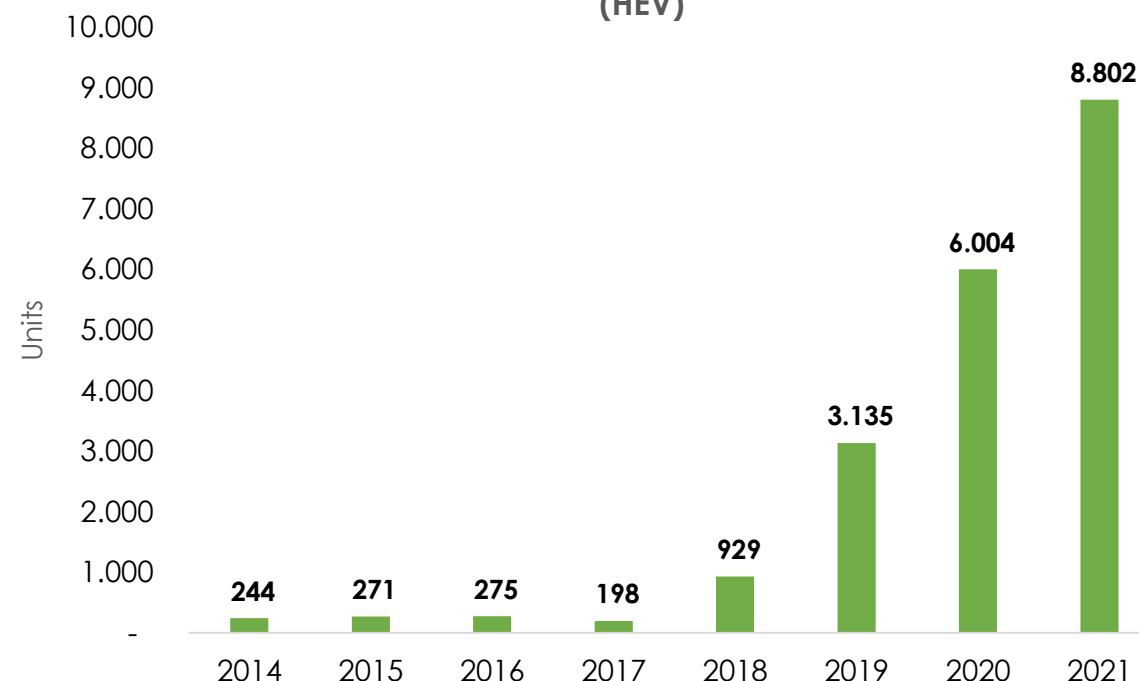
2022
Expected



Source: Ministry of Mines and Energy (2021). Energy transition: a legacy for the present and the future of Colombia.

Clean Transportation Law (1972 of 2019)

Total Electric Vehicles (EV) and Hybrid Electric Vehicles (HEV)



Source: FENALCO – ANDI (July 2021).



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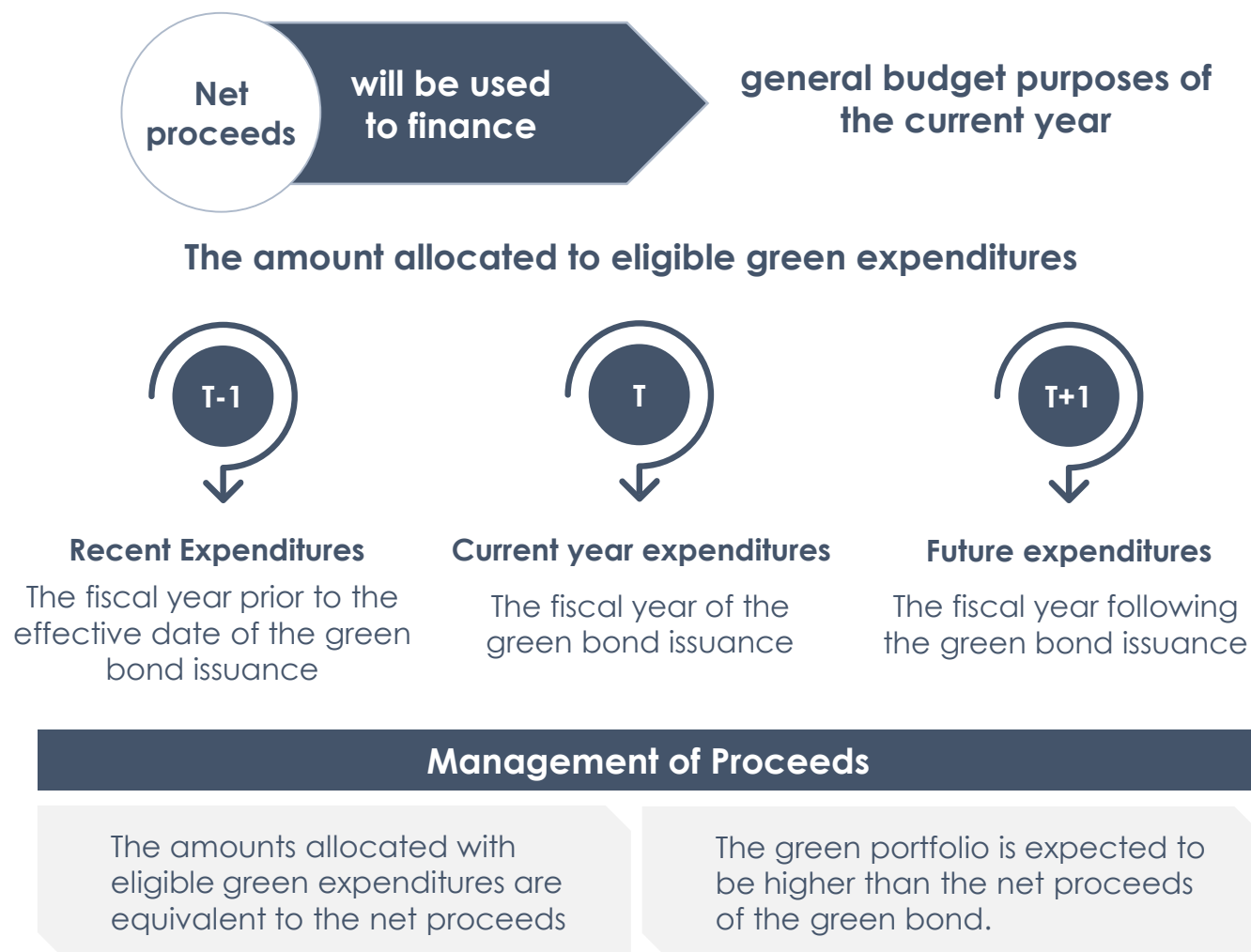
FRAMEWORK

FRAMEWORK

- I. Use and Management of proceeds
- II. Process for Project Evaluation and Selection
- III. Reporting



Use and Management of proceeds

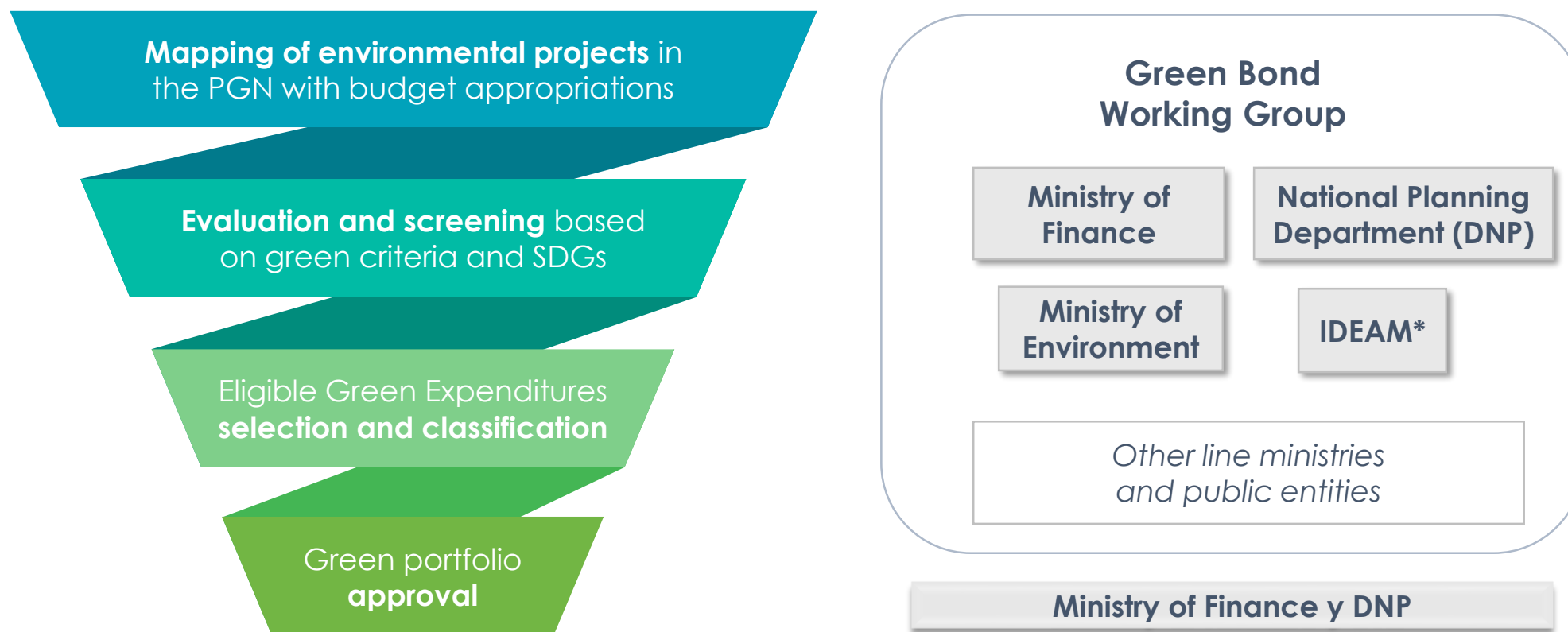


First portfolio

-  **Focused on investment expenditures**
-  It will be associated with expenditures for the period 2020 and 2021
-  Expenditures with general funding sources to avoid double counting
-  Complying with the budgetary principles of cash unit and annuity.
-  The issuance does not limit the budget execution of the projects



Process for Project Evaluation and Selection



*Institute of Hydrology, Meteorology and Environmental Studies of Colombia



A. Criteria for the Classification of Eligible Green Expenditures

Environmental objectives Green Bond Principales (GBP)



Climate change mitigation



Climate change adaptation



Natural resource conservation and management



Biodiversity Conservation



Pollution prevention and control

Sustainable Development Goals National Development Plan



Aligned with the country's environmental regulations and in the future with the



**Green Taxonomy
of Colombia:**

- Technical documents by sector
- Starting the public comment process



B. Categories of eligible green expenditures



Clean and sustainable
transport



Waste and circular
economy



Sustainable buildings
adapted to climate
change



Sustainable agricultural
production, with low
emissions and adapted to
climate change



Management of
natural disaster risks
associated with
climate change



Non-conventional
energy sources, energy
efficiency and
connectivity



Ecosystem services and
biodiversity










Sustainable water
management, use and
sanitation

Exclusion Criteria





Comparison of categories with other sovereign green bond frameworks

	CATEGORIES	<u>Colombia</u>	<u>Chile</u>	<u>Spain</u>	<u>Germany</u>	<u>UK</u>
	DATE	July 2021	May 2019	July 2021	August 2020	June 2021
	Clean transport	✓	✓	✓	✓	✓
	Land Uses and biodiversity	✓ ✓	✓	✓	✓	✓
	Waste Management	✓		✓	✓	✓
	Climate change adaptation	✓		✓	✓	✓
	Water	✓	✓	✓		
	Sustainable buildings	✓	✓			
	Energy	✓	✓	✓	✓	✓



Reporting

The Ministry of Finance will publish both reports on its website within one year after the issuance and then annually until the proceeds of the green bond have been fully allocated.



Placement and Allocation Reporting

- ✔ Description of the total amount allocated to eligible green expenditures by category;
- ✔ Alignment of eligible green expenditures with environmental goals and the SDGs;
- ✔ Amount and percentage of resources allocated to recent expenditures and current year expenditures, as well as the unallocated proceeds;
- ✔ External auditor on the use of proceeds allocation



Performance and Impact Reporting

- ✔ Qualitative performance indicators, and where feasible, quantitative performance measures of the projects' impact;
- ✔ Each project is register in the monitoring system of investment projects ([SPI](#)) and has a code (BPIN) and a factsheet (ficha EBI);
- ✔ The methodology and underlying assumptions used in the quantitative performance indicators.



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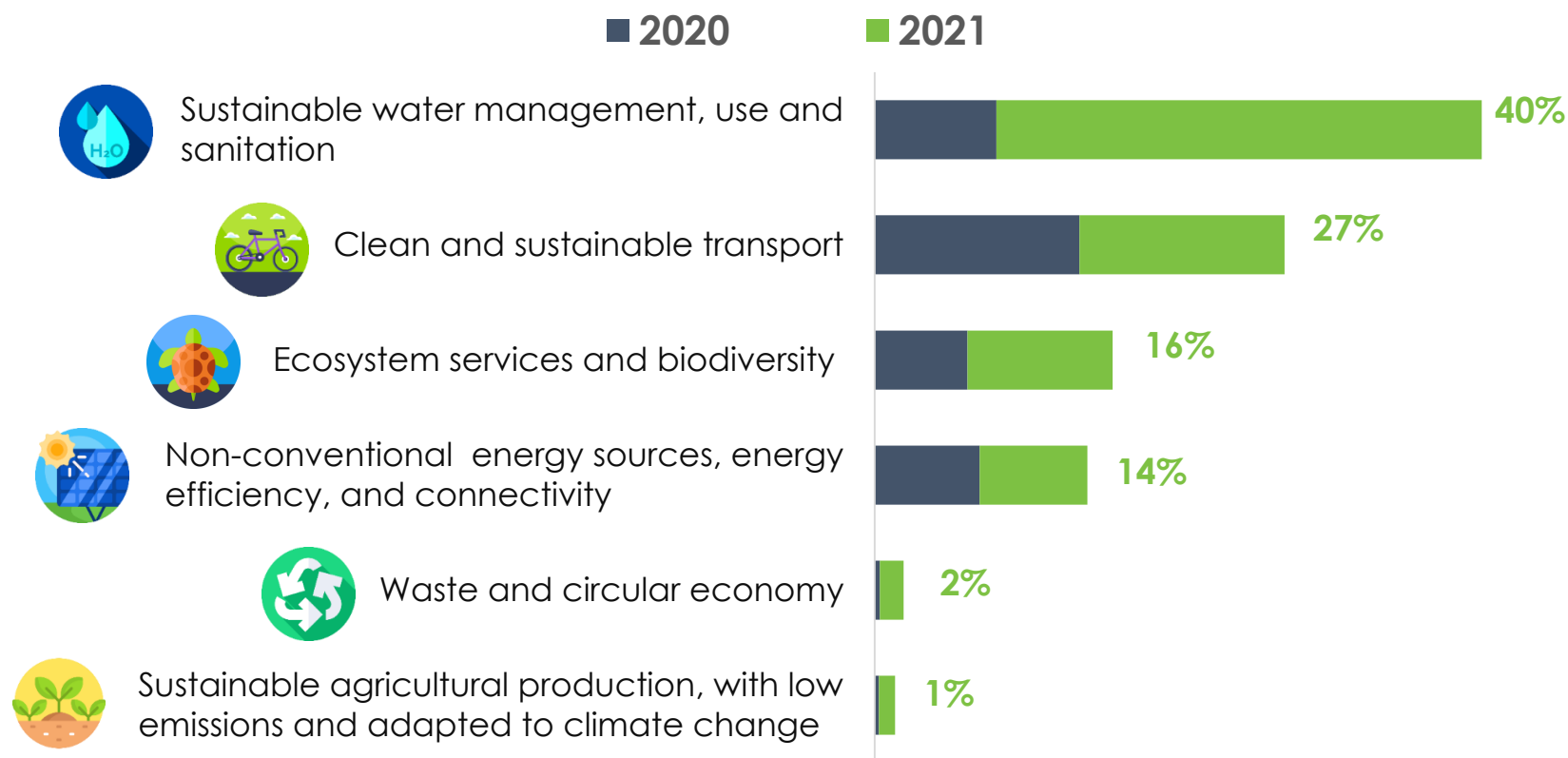
FRAMEWORK

PORTFOLIO OF PROJECTS



Categories of eligible green expenditures

The first portfolio of projects include eligible green expenditures for **COP 2 trillion**, distributed in **27 projects** and **6 categories**



Portfolio by fiscal year

35.2% 2020

64.8% 2021

* Projects may have other sources. The figures only include the Nation contribution through general sources of funding



Sustainable water management, use and sanitation

4 projects for a total of **COP 805 billion** that represent **40% of the portfolio**

Sustainable Development Goals



Environmental goals



Climate change
adaptation



Pollution prevention
and control

Examples of indicators

- Number of wastewater management projects
- Number of projects to promote efficient water use and savings
- Number of documents that provide technical guidelines for climate change management
- Number of regional institutional programs to monitor water quality and quantity
- Increase in the amount of water treated in m3

Projects

Institutional strengthening of the national policy for the integral management of water resource

Financial support to facilitate access to drinking water and wastewater management services

Sanitation of dumping in prioritized basins

Strengthening of national hydrological, meteorological and environmental knowledge management



Sanitation of dumping in prioritized basins

COP
55 bn

Optimize urban wastewater treatment in critical basins of the National territory

- Reduction of the pollutant load
- Better quality of water resources

Specific objectives

- Support technical and regulatory articulation related to wastewater management
- Improve wastewater treatment plants

Examples of indicators

- Number of Technical documents on wastewater treatment
- Number of financially supported projects

[BPIN Code: 2017011000170](#)





Clean and sustainable transport



5 projects for a total of **COP 544 billion** that represent **27% of the portfolio**

Sustainable Development Goals



Environmental goals



Climate change
mitigation



Pollution prevention
and control

Examples of indicators

- Reduction of GHG emissions compared to the baseline scenario
- Number of air quality surveillance and monitoring networks
- Kilometers or meters of urban roads built or improved for the operation of public transportation services
- Number of stations, terminals or additional construction works built or improved for the operation of public transportation systems

** These projects are co-financed by the Nation and only the contributions of the Nation are taken into account.*

Projects

Construction of section 1 of the first line of the Bogota metro

Construction of phases II and III of the extension of the Transmilenio Soacha system

Implementation of the integrated mass transportation system in Cartagena

Implementation of the integrated mass transportation system in Cali

**Implementation of the integrated mass transportation system
Envigado, Medellín, Itagüí**



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Implementation of the integrated mass transportation system Envigado, Medellín, Itagüí

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BPIN Code: 2018011000908

COP
79 bn

Improve the public transport service in the region, establishing a sustainable development model in the area of urban transport and with favorable rates for the population.

🌱 Lower GHG and particulate emissions

Specific objectives

- Implement strategic works to improve operation
- Implement specific works that allow optimal operation

Examples of indicators

- Reduction of GHG emissions compared to the baseline scenario
- Kilometers or meters of urban roads built or improved
- Number of stations, terminals or additional construction works built or improved



SISSETU.



La movilidad
es de todos

Mintransporte

SITM, Medellín
Source: Ministry of Transport



Ecosystem services and biodiversity

11 projects for a total of **COP 316 billion** that represent **16% of the portfolio**

Sustainable Development Goals



Environmental goals



Climate change
adaptation



Natural resource
conservation and
management



Biodiversity
Conservation

Examples of indicators

- Hectares reforested
- Hectares of ecosystems conserved or undergoing restoration
- Hectares declared as protected areas
- Number of research and planning documents
- Number of buildings for the administration, surveillance and control of protected areas
- Hectares of forests that have a forest management plan

Projects

Institutional strengthening of national natural parks

Scientific investigation of marine and coastal areas

Scientific research on biodiversity and ecosystem services

Consolidation of the Colombian environmental information system: [SIAC](#)

Strengthening the institutional management of National Environmental Licensing Authority (ANLA)

Research, conservation and use of the biological diversity of the Colombian Amazon

Strengthening of the evaluation and monitoring processes of environmental licenses, permits and procedures

Administration of the areas of the National Natural Parks of Colombia (PNN)

Conservation of biodiversity and eco-systemic services

Strengthening climate change management

Research on the environmental, socio-productive and cultural reality of Choco, Nariño, Valle del Cauca, Risaralda, Córdoba



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Administration of the areas of the National Natural Parks of Colombia (PNN)

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COP
116 bn

Conserve in situ the country's biological and ecosystem diversity in protected areas

🌱 Preserve biodiversity and natural resources

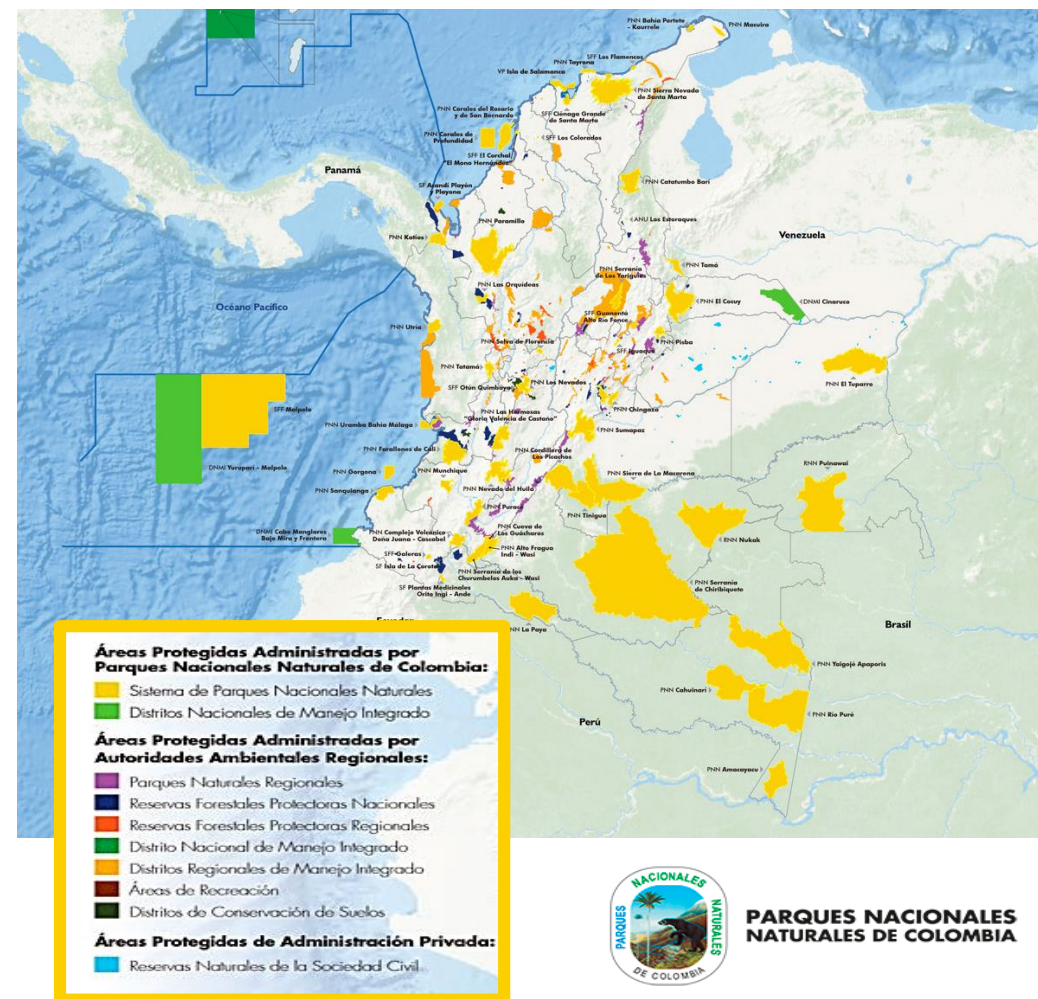
[BPIN Code: 2017011000179](#)

Specific objectives

- Reduce pressures for Use, Occupation and Tenure in protected areas that affect its conservation
- Increase society's knowledge of biodiversity in situ conservation.

Examples of indicators

- Hectares of ecosystems conserved or undergoing restoration
- Hectares declared as protected areas



PARQUES NACIONALES
NATURALES
DE COLOMBIA



Non-conventional energy sources, energy efficiency and connectivity

3 projects for a total of **COP 283 billion** that represent **14% of the portfolio**

Sustainable Development Goals



Environmental goals



Climate change
mitigation



Pollution prevention
and control

Examples of indicators

- Number of photovoltaic power generation units installed, maintained or upgraded
- Number of generation plants expanded, built or upgraded
- Reduced or avoided CO2 emissions
- Energy consumption savings in MWh/GWh
- Number of technical assistance services for structuring energy projects
- Number of installed non-hydro generation units or sources

Projects

Design and structure of technological solutions for the generation of electricity in Non-Interconnected Zones (ZNI)

Development and implementation of sustainable energy projects in Non-Interconnected Zones (ZNI)

Supply of electric power service in Non-Interconnected Zones (ZNI)



Design and structure of technological solutions for the generation of electricity in ZNI

COP
25 bn

Structuring of cleaner and more efficient technological solutions for the generation of electricity in the Non-Interconnected Zones (ZNI)

🌱 Reduction of GHG emissions

Specific objectives

- Improve the structuring of electric power generation solutions in the Non-Interconnected Zones (ZNI)
- Structuring Sustainable Rural Energization Plans, PERS

Examples of indicators

- Number of photovoltaic power generation units installed, maintained or upgraded
- Energy consumption savings in MWh/GWh



Solar park



Waste and Circular Economy

1 project for a total of **COP 38 billion** that represent **2% of the portfolio**

Sustainable Development Goals



Environmental goals



Climate change
adaptation



Climate change
mitigation



Pollution prevention
and control

Examples of indicators

- Tons of waste used, reused or recycled
- Number of companies assisted in circular economy and sustainability-related topics

Project

BPIN Code: 2017011000173

Expansion and improvement of solid waste management

**COP
39 bn**

Increase the efficiency in the integral management of solid waste at the national level.

Specific objectives

- **Technical strengthening:** promoting modernization and technological innovation in solid waste management
- **Financial support:** for the execution of comprehensive solid waste management projects



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Sustainable agricultural production, with low emissions and adapted to climate change

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3 projects for a total of **COP 28 billion** that represent **1% of the portfolio**

Sustainable Development Goals



Environmental goals



Climate change adaptation



Climate change mitigation



Biodiversity Conservation



Natural resource conservation and management

Examples of indicators

- Reduction of GHG emissions compared to the baseline scenario
- Hectares reforested
- Hectares under sustainable agroforestry systems
- Hectares of commercial forests or established protective plantations
- Technical support service for the efficient use of natural resources in strategic ecosystems

Projects

Strengthening for the national productive forest chain

Development of “climate-smart initiatives” for climate change adaptation and sustainability in prioritized agricultural production systems

Improvement of the sustainability of agricultural production to address climate change.



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Strengthening of the national productive forest chain

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FRAMEWORK

[BPIN Code: 2018011000230](#)

COP
14 bn

- GHG capture
- Erosion control
- Preservation of water resources
- Less deforestation

Specific objectives

- Improve information management of the forestry chain
- Articulate the institutions of the commercial forest chain
- Promote market conditions for the commercial forestry chain

Examples of indicators

- Hectares of commercial forests or established protective plantations
- Hectares reforested



El campo
es de todos

Minagricultura



Source: Federación Nacional de Cafeteros



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Colombia Sovereign Green Bond

FRAMEWORK

SECOND PARTY OPINION (SPO)



SECOND PARTY OPINION (SPO)



Colombia Sovereign Green Bonds Framework



PART OF
Moody's ESG Solutions

Alignment with Green Bond Principles

Colombia's Sovereign Green Bonds Framework is aligned with the four core components of the ICMA's Green Bond Principles 2021.



**Use of
Proceeds**



**Evaluation and
Selection
Process**



**Management
of Proceeds**



Reporting

Coherence

the Framework is coherent with the strategic sustainability priorities of the issuer and it contributes to the realization of its commitments and goals to mitigate climate change, social progress and sustainable development.



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SECOND PARTY OPINION (SPO)

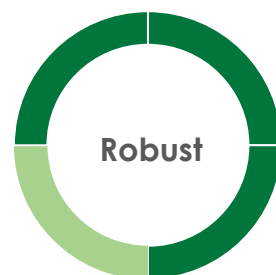


Eligible Green
Expenditures



PART OF
Moody's ESG Solutions

Contribution to
sustainability



ESG Risk Management

Expected Impacts

Weak Limited Robust Advanced



Issuer



PART OF
Moody's ESG Solutions

ESG performance as of
November 2020



Governance Responsibility

Social Responsibility

Environmental Responsibility

Weak Limited Robust Advanced





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Green TES





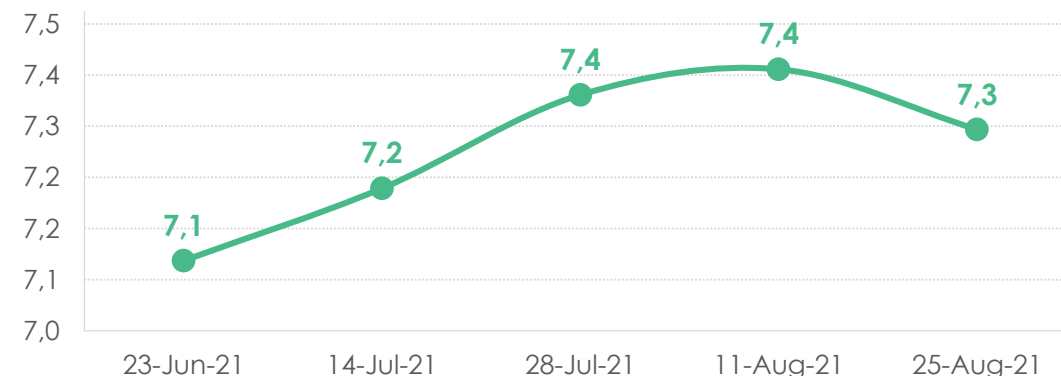
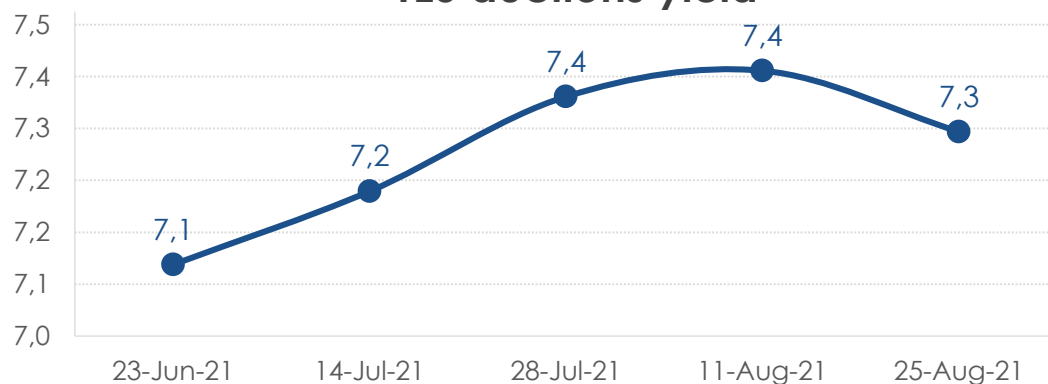
Local market – Green TES

“Twin Bonds” structure, which means that it will have the same financial terms of the conventional Colombian TES due 2031, but it will have a different identification.

TES 2031	
Issuance date:	March 26, 2021
Maturity:	March, 26, 2031
Coupon:	7.00%
Tenor:	10 Years
Mnemonic:	TFIT10260331
ISIN:	COL17CT03771

Green TES 2031	
Issuance date:	March 26, 2021
Maturity:	March, 26, 2031
Coupon:	7.00%
Tenor:	10 Years
Mnemonic:	TFVT10260331
ISIN:	COL17CT037[_ _]

TES auctions yield





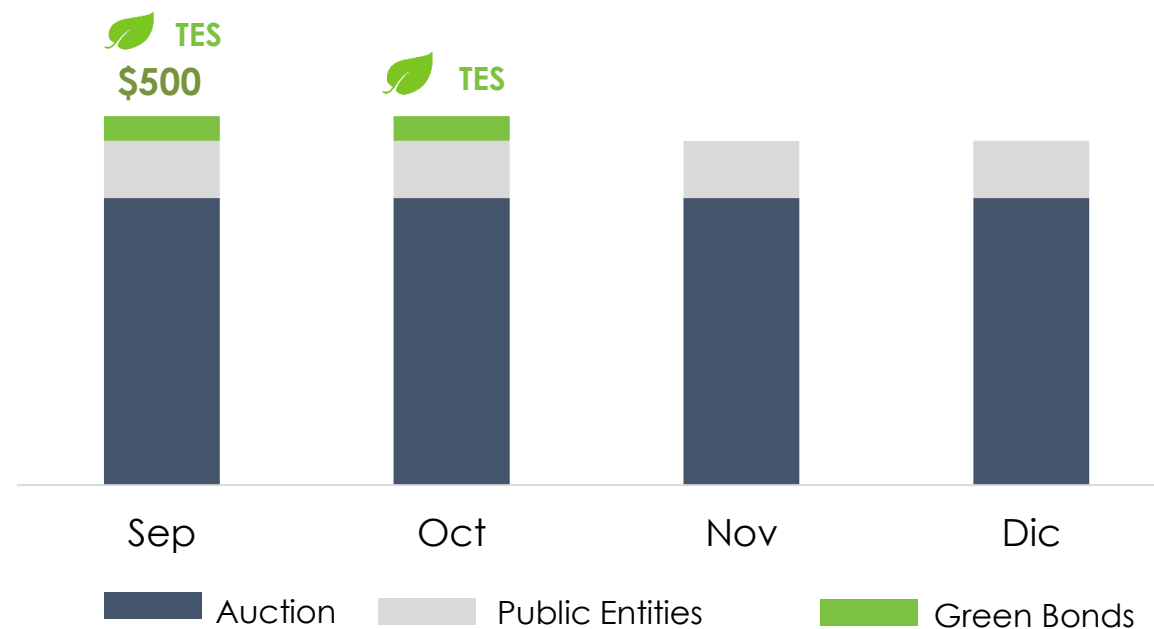
Green TES Auctions

Outstanding:	\$1.2 - \$ 1.6 trillions
Auction amount:	\$500 billions
First Auction:	September 29th

September

L	M	M	J	V	S	D
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

Green TES Auctions Schedule



*Auction's amount could be adjusted to reach authorized green bonds outstanding.



Ranking – Market Makers

1.		100		100
2.		85		95
3.		84		86
4.		41		56
5.		40		44
6.		33		41
7.		33		36
8.		25		34
9.		24		28
10.		23		27
11.		21		25
12.		20		24
13.		18		23
14.		15		18

January 2021

July 2021



Liquidity Mechanisms

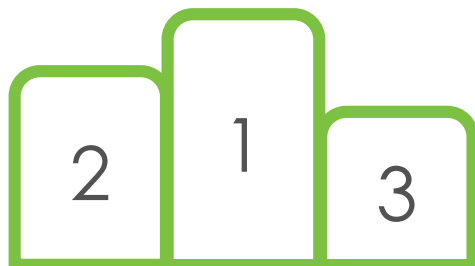
1. Lending of Last Resort (TTV) and Repo Operations.

Green TES will be allowed for purchase and sale operations, in cash or at term with the General Public Credit and National Treasury Directorate.



3. Scoring for the Market Maker Program

Green TES 2031



2. Open Market Operations - OMOs

Green bonds can be used as collateral for Open Market Operations with the Central Bank of Colombia.



Green TES

4. Eligible In the basket of mandatory quoting issues.



TES COP



TES UVR



Green TES



Main features of Green TES

1. Trading Platforms

Green bonds will be enabled in every Trading platform.



2. Placed through auctions

Green bonds will be issued through dutch auctions once a month.

**Green
TES**

- Auctions with market makers
- Specific amount
- Over-allotment (30% - 50%)
- Non - Competitive Option (t+9)

3. Separate securities

Green TES 2031 and conventional TES 2031 have different ISIN numbers, therefore they are not exchangeable.

TES 2031



Green TES 2031

4. Stock-market listed

Green bonds will be listed in the Colombian Stock Exchange (BVC).

**Green
TES**



bvc
Bolsa de Valores de Colombia



Index Share of Colombia sovereign bonds

GBI-EM Global Div*

Date	31-Jul-21	31-Aug-21
Colombia wgt.	4.48%	4.52%

JESG GBI – EM*

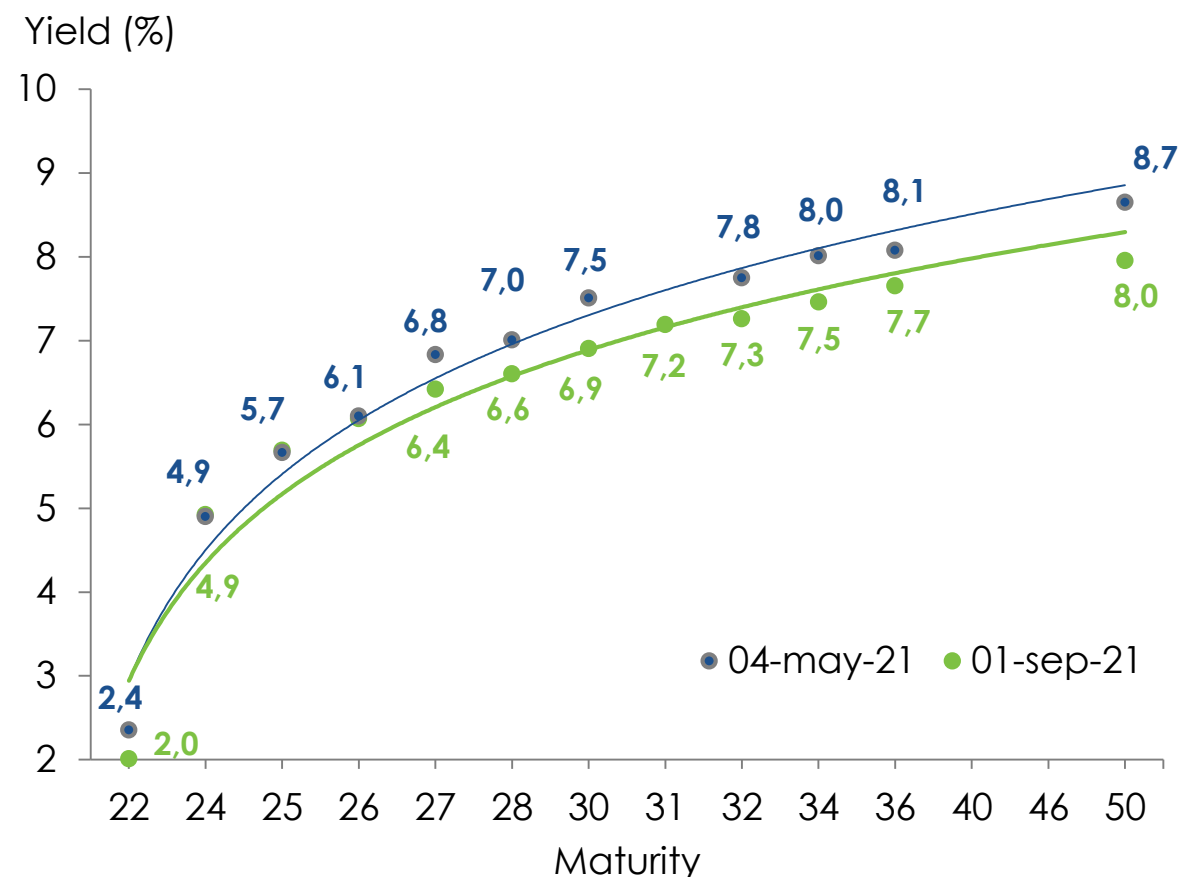
Date	17-Aug-21	31-Aug-21
Colombia wgt.	4.32%	4.33%
JESG Band*	3	3
JESG Score	44	44

*COLTES 2031 was recently added to the index.

Barclays Global Treasury

Date	28-Jul-21	31-Aug-21
Colombia Share	0.16%	0.17%
Market Value	59.40 M USD	63.58 M USD

TES COP Curve



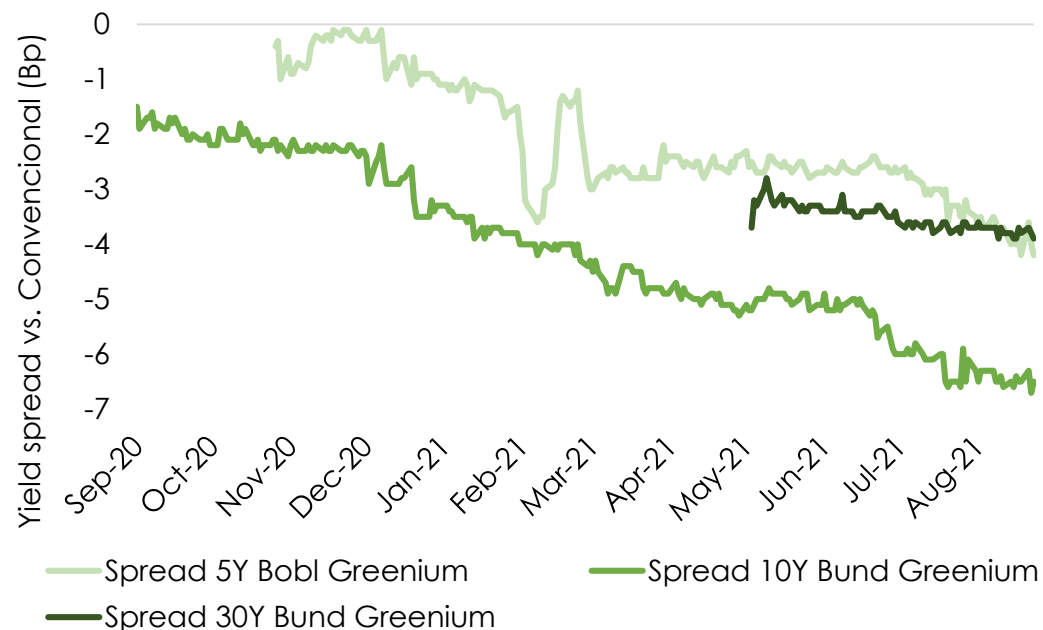
Source: Bloomberg, september 01 de 2021



Green vs. Conventional Bonds : German Experience

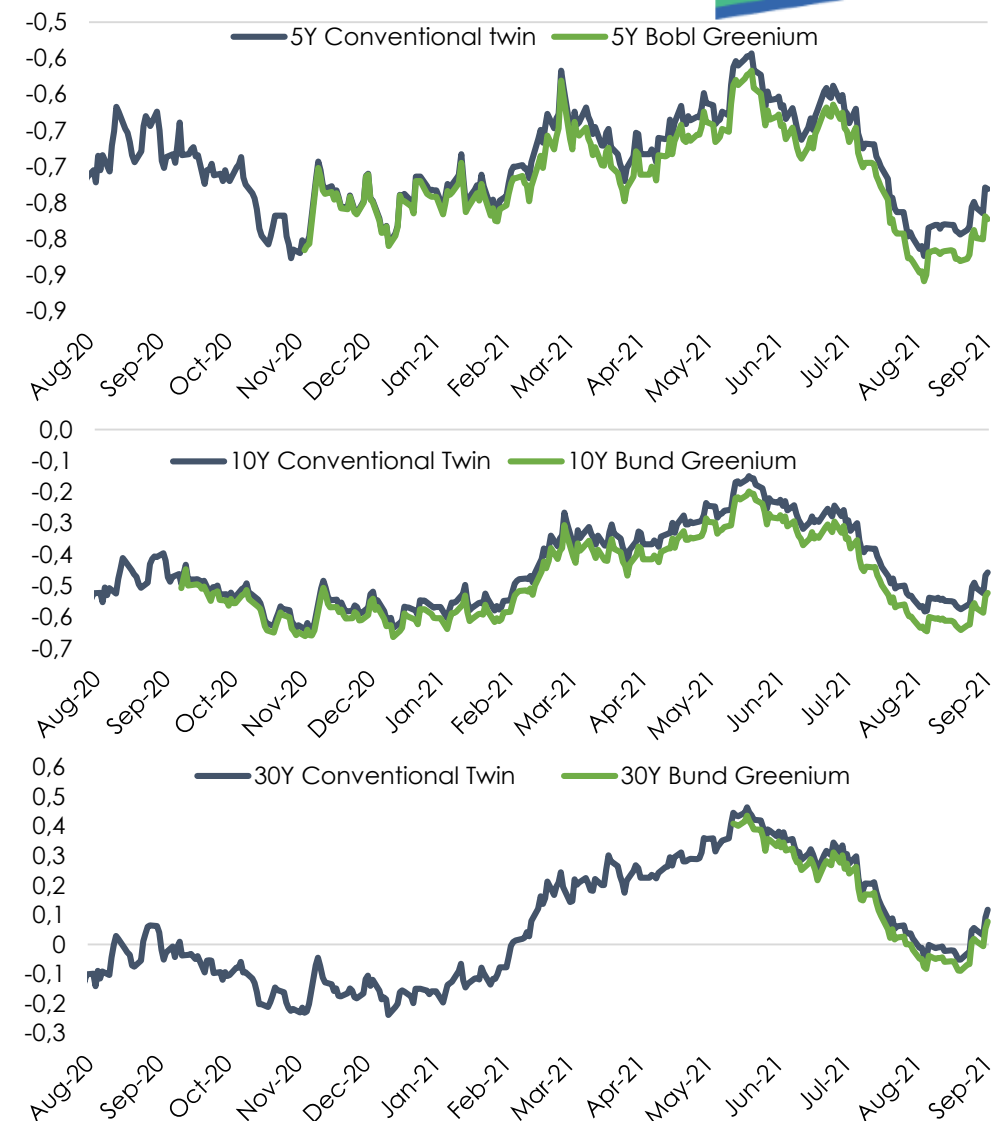
- Germany has been a permanent issuer of twin green bonds.
- German liquid green yield curve acts as a reference for the Euro Area.

Greeniums (Spread Conventional vs. Green Bund)



Source: Federal Republic of Germany Green Bond Investor Presentation, May 2021
Bloomberg, september 01 de 2021

Secondary Market





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Colombia Sovereign Green Bond

FRAMEWORK

ANNEXES



Exclusion Criteria

Any project, asset or expenditure related to the following activities will be excluded from eligible green expenditures, noting that some of these activities are open to sources of financing other than sovereign green bonds:



Exploration, production and distribution of fossil fuels, burning of fossil fuels as the unique source of power generation, or nuclear power generation;



Production or trade in any product or activity considered illegal under national or international laws or regulations, conventions and agreements Colombia is a party to;



Deforestation or forest degradation; and



Alcohol, weapons, tobacco or gambling industries.





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