

Independent Verification

Statement

*on the Report on Placement and Allocation, Performance and Impact 2021 of Sovereign Green Bonds of the Republic of Colombia prepared by the Ministry of Finance and Public Credit of the Republic of Colombia, in collaboration with the National Planning Department
November 2022*

1. Introduction

The Republic of Colombia (hereinafter, the Issuer) published in June 2021 its Sovereign Green Bond Framework (hereinafter, the Framework), which is aligned with the four components of the Green Bond Principles, issued by the International Capital Market Association (hereinafter, ICMA), version 2021. The Framework obtained a Second Party Opinion (hereinafter SPO) from Vigeo Eiris, part of Moody's ESG solutions dated June 2021.

The green categories of eligible expenditures (hereinafter, Eligible Green Expenditures) covered by the Framework are:

- Non-conventional energy sources, energy efficiency and connectivity.
- Eco-system services and biodiversity
- Sustainable agricultural production, with low emissions and adapted to climate change Clean and sustainable transport
- Sustainable water management, use and sanitation Sustainable buildings adapted to climate change Waste and circular economy

Management of natural disaster risks associated with climate change The Issuer has included in the Framework its commitment to report annually, until full allocation of proceeds from the issuance of the Green Bonds¹, on the allocation of proceeds to the Eligible Green Expenditures under the Framework.

On September 2021, the Issuer through the Ministry of Finance and Public Credit (hereinafter the Ministry or MHCP) conducted the first auction of sovereign green bonds in the local market, under the Framework, known as Green TES for an amount of \$750 billion Colombian pesos.

Subsequently, in October 2021, the second issue of sovereign green bonds was made in the local market for an amount of \$650 billion Colombian pesos. Both issues total a nominal amount of COP 1.49 trillion.

According to the Framework, the Issuer must prepare annually from the date of the first issue, a Placement, Allocation and Performance Report on Eligible Green Expenditures.

In this context, in July 2022, the World Bank Group, as part of the technical assistance it provides to the Issuer, contracted European Quality Assurance Spain S.L. (hereinafter, EQA), a Climate Bonds Initiative (hereinafter, CBI) approved verifier, as an independent third party to provide an independent verification statement, with a limited level of assurance, on the association of proceeds made in the period 2022 (expenditures contemplated in the National General Budgets corresponding to 2020 and 2021), to Eligible Green Expenditures associated to the Colombian Sovereign Green Bonds issued in 2021; information contained in chapter 4 "Association of Eligible Green Expenditures 2020-2021", of the Report on Placement and Allocation, Performance and Impact 2021 of Sovereign Green Bonds of the Republic of Colombia, document prepared by the MHCP in collaboration with the National Planning Department.



About the Issuer:

- **Issuer:** The Republic of Colombia
- **Issuer location:** Colombia

About the Verifier:

- **Verifier:** European Quality Assurance Spain S.L.
- **Contact:** calidad@eqa.es

About the Verification:

- **Type of assignment:** Limited Assurance
- **Date of issue:** 28th November 2022

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¹ As set out in the Framework, the allocated amount refers to the amount actually paid during each period, for each of the projects.

2. Scope and Limitations

In compliance with the assignment entrusted to us, we hereby provide an independent verification statement, with a limited level of assurance², on the association of proceeds, made in the period 2022 (expenditures contemplated in the General Budgets of the Nation corresponding to 2020 and 2021), to Eligible Green Expenditures associated to the Sovereign Green Bonds of Colombia (hereinafter, the Selected Information), information contained in chapter 4 "Association of Eligible Green Expenditures 2020-2021" of the Placement and Allocation Report, Performance and Impact 2021 of Sovereign Green Bonds of the Republic of Colombia (hereinafter, the Placement and Association Report), document prepared by the Ministry of Finance and Public Credit in collaboration with the National Planning Department.

EQA has verified the association of the proceeds from the issuance of Sovereign Green Bonds 2021. This association has been made to the Eligible Green Expenditures, according to the criteria set out in the Framework.

It is not part of the scope of this declaration:

- Provide assurance or opinion on the public management of the funds.
- Provide assurance or opinion on the alignment and/or compliance of Eligible Green Expenditures with the eligibility criteria set out in the Sovereign Green Bond Framework of the Republic of Colombia, dated June 2021.
- Provide assurance or opinion on the environmental impact of Eligible Green Expenditures that have been subject to allocation through funds raised from the Sovereign Green Bond issuance in 2021.
- Provide assurance or opinion on the performance of Eligible Green Expenditures that have been subject to allocation through the proceeds from the issuance of Sovereign Green Bonds in 2021.
- Provide assurance or opinion on the relevance of Eligible Green Expenditures in accordance with the climate objectives of the Republic of Colombia.
- Any other subject included in the Republic of Colombia's Sovereign Green Bond Framework, but not detailed in the scope of our engagement.

The categories of Eligible Green Expenditure detailed in the Framework are as follows:

Green category of eligible expenditure	Definition and typology of eligible green projects eligible in Colombia	SDG
Non-conventional energy sources, energy efficiency and connectivity	- Generation, improvement, and access to energy from non-conventional sources ³ (solar, wind, and others.)	SDG 7
	- Energy efficiency or connectivity	SDG 11
	- Policy, laws and research on energy transition	SDG 13
	- Energy transmission from non-conventional sources	
Ecosystem services and biodiversity	- Transmission of energy from non conventional sources	
	- Energy storage	
	- Reforestation, deforestation control and forest governance	SDG 3
	- Protection, conservation and sustainable use of biodiversity and eco-system services	SDG 6
	- Natural resource protection and conservation management	SDG 14
	- Management of ecosystems associated with the provision of water resources	SDG 15
	- Research and capacity building for the management of ecosystem services and biodiversity	

² EQA's limited assurance process includes the review of documentation related to the association of Eligible Green Expenditures, including the description of Eligible Green Expenditures and amounts provided by the Issuer. The Issuer is responsible for providing accurate information. EQA did not conduct on-site visits to the projects associated with the Eligible Green Expenditures.

³ According to the Framework, non-conventional energy sources are alternative energy sources that are available but are not used or are only marginally used and without extensive commercialization. In particular, these are renewable energies, such as hydro or wind energy, found in a dispersed way in the nature, but unlike conventional energies, cannot be concentrated, which favors their more equitable use by the population under better social and environmental conditions.

Sustainable agricultural production, with low emissions and adapted to climate change	<ul style="list-style-type: none"> - Silvo-pastoral and agroforestry systems - Other primary low emission production activities <ul style="list-style-type: none"> » Protection against climate risks » Agroclimatic information and early warning systems » Sustainable commercial reforestation or soil restoration » Sustainable agricultural production focused on protecting ecosystems, biodiversity and water resources » Sustainable or low impact agriculture 	SDG 2 SDG 6 SDG 12 SDG 13 SDG 15
Clean and sustainable transport	<ul style="list-style-type: none"> - Urban development and mass passenger transport - Non-motorized mobility - Infrastructure development and active transport <ul style="list-style-type: none"> - Infrastructure for electric transport - Reconversion of the transport fleet (Scrapping)Low carbon transport systems - Multimodal freight transport to reduce GHG emissions - Air quality monitoring networks in mass transport systems 	SDG 11 SDG 13
Sustainable water management, use and sanitation	<ul style="list-style-type: none"> - Restoration in strategic areas where basins that supply municipal aqueducts are located - Management of information for sustainable use, planning and management of water resources <ul style="list-style-type: none"> » Construction and maintenance of aqueducts and sewers, and basic and environmental sanitation » Network systems for monitoring the quality and quantity of water resources Establishment of wastewater treatment plants <ul style="list-style-type: none"> » Network systems for monitoring weather conditions and atmospheric phenomena 	SDG 2 SDG 3 SDG 6 SDG 12 SDG 14
Sustainable buildings adapted to climate change	<ul style="list-style-type: none"> - Sustainable constructions in terms of energy, waste management and water (hospitals, schools, buildings, housing, etc.) <ul style="list-style-type: none"> » Constructions with climate change adaptation approach. 	SDG 9 SDG 11 SDG 13
Waste and Circular economy	<ul style="list-style-type: none"> - Use, reuse and management of solid waste <ul style="list-style-type: none"> » Technical systems for the management of national information on waste 	SDG 6 SDG 11 SDG12
Management of natural disaster risks associated with climate change	<ul style="list-style-type: none"> - Knowledge and reduction of natural disaster risks associated with climate change - Knowledge: risk identification and characteristics (analysis, evaluation, and communication) - Monitoring systems for the identification and management of disaster risks associated with climate change - Reduction: corrective and prospective risk intervention. It also refers to financial protection from disasters' impacts 	SDG 11 SDG 13

3. Verification Procedure

EQA has conducted the review of the Selected Information in accordance with best practice as set out in the International Standard on Assurance Engagements other than Audit or Review of Historical Financial Information ISAE 3000 and the requirements of the International Standard UNE-EN ISO/IEC 17029 "Conformity assessment: General principles and requirements for validation and verification bodies", with the aim of expressing a conclusion with a limited level of assurance. These standards require us to plan and perform our work to obtain appropriate and sufficient evidence to provide a conclusion with a limited level of assurance.

The verification procedures for a limited assurance engagement are aimed at providing a certain level of assurance with respect to whether the Selected Information contains material misstatements. Given the nature of the engagement, the procedures are less thorough than reasonable assurance procedures.

EQA, bases its verification procedure on the documentation and information provided by the Ministry of Finance and Public Credit related to the association of proceeds, carried out in the period 2022 (expenditures contemplated in the National General Budgets corresponding to 2020 and 2021), to Eligible Green Expenditures associated to the Sovereign Green Bonds of the Republic of Colombia issued in 2021, information contained in chapter 4 "Association of Eligible Green Expenditures 2020-2021", of the Placement and Association Report 2021. Accordingly, EQA has assumed and relied on the accuracy and completeness, in all material respects, of the information provided by the Ministry of Finance and Public Credit.

Our limited assurance engagement on the Selected Information consisted of making inquiries, primarily of persons responsible for the preparation of the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These verification procedures include:

- Execution of virtual meetings with staff representing the Ministry of Finance and Public Credit of the Republic of Colombia.
- Analysis and evaluation of the Sovereign Green Bonds Placement and Association Report 2021, prepared and provided by the Ministry of Finance and Public Credit, in collaboration with the National Planning Department.
- Identification of the areas most likely to be subject to error or fraud, and to carry out checks on these according to limited assurance procedures.
- Identification and assessment of associated risks
- Assessment and determination of materiality.
- Design of a sampling plan, establishing the necessary criteria to define the sampling on the portfolio of Eligible Green Expenditures, financed and/or refinanced with resources from the 2021 Sovereign Green Bonds issuance.
- Understanding of the Issuer's expenditure monitoring and control systems and processes.
- Collection and assessment of appropriate, sufficient and competent evidence.
- Application of questionnaires and interviews with staff responsible for preparing the Placement and Partnership Report, and gathering the necessary information for the preparation of the same.
- Analysis of the documentation associated with the 2021 Sovereign Green Bond issue.
- Obtaining the Letter of Representation from the Colombian Ministry of Finance and Public Credit.
- Obtaining the Letter of Responsibility from the Colombian Ministry of Finance and Public Credit.

4. Responsibilities

Issuer's Responsibility

For the purposes of this independent verification statement, the Issuer, through the Colombian Ministry of Finance and Public Credit, is responsible for preparing the 2021 Allocation and Association Report, in collaboration with the National Planning Department, in which the Selected Information is included, using the necessary mechanisms and procedures to ensure that the information is free from material misstatement, whether due to fraud or error. Accordingly, the accuracy, completeness and reliability of the information provided and compiled is the responsibility of the Colombian Ministry of Finance and Public Credit.

EQA's Responsibility

EQA's responsibility is limited to providing an independent verification statement and, based on the work performed and procedures applied, expressing a conclusion, with a limited level of assurance, as to whether the Selected Information contains material misstatements.

EQA is not responsible, and will not be liable, if any of the opinions, findings, or conclusions it has set out in this statement are not correct due to incorrect or incomplete data provided by the Ministry of Finance and Public Credit.

Our conclusion, with a limited level of assurance, relates only to the Selected Information contained in the Allocation and Association Report 2021 of Sovereign Green Bonds of the Republic of Colombia, a document prepared by the Ministry of Finance and Public Credit in collaboration with the National Planning Department.

5. Independence and Quality Control

As a verification and certification body, EQA maintains a management system in place to ensure impartiality, objectivity, and technical competence both in the management of the body and in its verification activities. EQA is accredited for certification, inspection, and verification in accordance with ISO 17021-1, ISO 17065, ISO 17020, ISO 17029 and ISO 14065. In this verification process, EQA has applied the requirements described in ISO 17029.

The EQA assessment team has complied with the requirements of independence, impartiality, and other ethical requirements, basing its actions on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality, and professional behavior.

The EQA assessment team has exercised its professional judgment and maintained professional skepticism throughout the verification pursuant to ISAE 3000.

6. Conclusion

Based on the procedures applied and evidence obtained, nothing has come to our attention that causes us to believe that the Selected Information contained in chapter 4 "Association of Eligible Expenditures 2020-2021" of the Colombia Sovereign Green Bonds Placement and Association Report 2021 contains material errors or has not been prepared, in all material respects, in accordance with the undertakings set out in the Colombia Sovereign Green Bond Framework published in July 2021.



Ignacio Martínez

General Manager EQA

November 28, 2022

Annex 1: Detailed Findings

Criteria	Procedure performed	Factual findings	Errors or exceptions identified
Reports	<ul style="list-style-type: none"> ▪ Execution of virtual meetings with staff representing the Ministry of Finance and Public Credit of the Republic of Colombia. ▪ Analysis and evaluation of the Sovereign Green Bonds Placement and Association Report 2021, prepared and provided by the Ministry of Finance and Public Credit. ▪ Identification of the areas most likely to be subject to error or fraud, and to carry out checks on these according to limited assurance procedures. ▪ Identification and assessment of associated risks ▪ Assessment and determination of materiality. ▪ Design of a sampling plan, establishing the necessary criteria to define the sampling on the portfolio of Eligible Green Expenditures, financed and/or refinanced with resources from the 2021 Sovereign Green Bonds issuance. ▪ Understanding of the Issuer's expenditure monitoring and control systems and processes. ▪ Collection and assessment of appropriate, sufficient and competent evidence. ▪ Application of questionnaires and interviews with staff responsible for preparing the Placement and Association Report, and gathering the necessary information for the preparation of the same. ▪ Analysis of the documentation associated with the 2021 Sovereign Green Bond issue. ▪ Obtaining the Letter of Representation from the Colombian Ministry of Finance and Public Credit. ▪ Obtaining the Letter of Responsibility from the Colombian Ministry of Finance and Public Credit. 	<p>The Selected Information contained in chapter 4 of the Republic of Colombia Green Bonds 2021 Placement and Partnership Report is free from material misstatement.</p>	<p>None</p>

Annex 2: Summary of 2021 Allocation

The Republic of Colombia's 2021 Green Bond Allocation and Association Report discloses the allocation to Eligible Green Expenditures in 2021 from the proceeds of the 2021 Sovereign Green Bond issuance:

Green category	Eligible Green Project	Allocated expenses ⁴		
		2020	2021	Total
Sustainable agricultural production, with low emissions and adapted to climate change	Improvement of the sustainability of agricultural production in the face of climatic phenomena	451	440	891
	Reinforcement for the development of the national forestry production chain.	4,363	9,975	14,338
	Development of climate-smart initiatives for climate change adaptation and sustainability in prioritized agricultural and livestock production systems.	896	10,844	11,740
Ecosystem services and biodiversity	Reinforcement of the institutional management of ANLA	1,571	-	1,571
	Management of the areas of the NNP system and coordination of the national system of protected areas (National System of Protected Areas - SINAP).	27,575	37,751	65,326
	Institutional reinforcement of PNN at the national level.	12,453	19,175	31,628
	Scientific research towards the generation of information and knowledge of marine and coastal zones	6,362	11,362	17,723
	Scientific research towards knowledge and information for integrated management of biodiversity and ecosystem services (Alexander von Humboldt Biological Resources Research Institute).	9,807	14,807	24,614
	Research, conservation and sustainable use of the biological, socio-economic and cultural diversity of the Colombian Amazon (SINCHI Institute).	6,534	11,534	18,069
	Reinforcement of climate change management in sectoral and territorial planning	3,943	2,520	6,463
	Research, generation and dissemination of scientific knowledge on the environmental, socio-productive and cultural reality of Antioquia, Cauca, Chocó, Nariño, Valle del Cauca, Risaralda and Córdoba (Instituto de Investigaciones Ambientales del Pacífico - IIAP).	4,490	9,490	13,981
	Consolidation of the SIAC environmental information system for regional and national decision-making.	930	3,955	4,885
	Biodiversity conservation and ecosystem services at the national level	4,859	32,435	37,294
Sustainable water management, use and sanitation	Reinforcement of hydrological, meteorological and environmental knowledge management (Institute of Hydrology, Meteorology and Environmental Studies - IDEAM).	14,399	19,998	34,397
	Institutional reinforcement for the implementation of the national policy for the integrated management of water resources (PNGIRH).	3,317	3,347	6,663
	Financial support to facilitate access to drinking water and wastewater management services at the national level.	154,577	211,604	366,181
	Dumping sanitation in priority basins of the national territory (Programa Saneamiento de Vertimientos - SAVER).	-	26,645	26,645
Waste and the Circular Economy	Expansion and improvement of integrated solid waste management in the national territory.	6,999	14,639	21,638
Clean and sustainable transport	Construction of phases II and III of the extension of the NQS trunk line of the TransMilenio-Soacha system.	26,729	27,531	54,260
	Implementation of an integrated mass transport system in Envigado, Medellín and Itagüí.	30,683	45,550	76,233
	Implementation of integrated mass transit system for Cartagena	18,925	-	18,925
	Construction of section 1 of the first metro line in Bogota	153,208	150,359	303,567
	Implementation of Cali's integrated mass transit system	40,455	45,037	85,493
Non-conventional energy sources, energy efficiency and connectivity	Design and structuring of appropriate technological solutions for electricity generation in the country's non-interconnected zones (ZNI).	10,173	3,368	13,542
	Development and implementation of sustainable energy projects in the country's non-interconnected zones (ZNI).	15,532	116,412	131,944
Total associated amount 2021				1,388,011

⁴ Expenditures are expressed in billions of Colombian pesos.

Liability Exemption

Transparency in the relationship between EQA and the Issuer: EQA has not executed assignments for the Colombian Ministry of Finance and Public Credit to date, and there is no established relationship (financial or otherwise) between EQA and the Ministry.

This independent assurance statement issued by EQA provides a conclusion, with a limited level of assurance, on the Selected Information contained in chapter 4 of the Colombian Sovereign Green Bonds Allocation and Association, Performance and Impact Report 2021, a document prepared by the Colombian Ministry of Finance and Public Credit in collaboration with the National Planning Department. Accordingly, EQA has assumed and relied upon the accuracy and completeness in all material respects of the information provided or made available by the Ministry. The accuracy, completeness and reliability of the information provided and compiled is the responsibility of the Ministry, therefore, EQA in this statement does not warrant that the information presented is complete, accurate or up to date, and accepts no liability for errors or omissions.

This independent assurance statement, with a limited level of assurance, should in no way be construed as a financial or accounting audit report.

Providing this opinion does not mean that EQA certifies the tangibility, excellence or irreversibility of the projects associated with the Eligible Green Expenditures that have been allocated with resources from the 2021 Sovereign Green Bonds. Furthermore, EQA has not carried out any physical inspection of the projects associated with the Eligible Green Expenditures.

EQA provides no guarantees regarding the financial performance of the Issuer or the bonds, the environmental footprint of the bonds or the fulfilment of the commitments made by the Issuer, with the Issuer being fully responsible for certifying and ensuring compliance, implementation and monitoring of the commitments made in the Colombian Sovereign Green Bond Framework of June 2021.

This independent verification statement shall not be construed or considered to be a representation, warranty or recommendation by EQA, express or implied, as to the suitability of any investment decision or any type of business transaction. Accordingly, this statement does not constitute investment advice, financial advice or a prospectus and does not represent an assessment of the economic and/or financial performance of the Republic of Colombia. Consequently, EQA is not responsible for the consequences of third parties using this opinion for investment decisions or any type of business transaction.

EQA is not responsible for any use of this statement outside the scope of our engagement.

EQA shall not be liable for any loss incurred because of information or data provided by the Issuer.

In the event of any discrepancy between the English and Spanish versions of this statement, the Spanish version prevails.

Restriction of distribution and use of this statement: at the discretion of the Issuer.



European Quality Assurance Spain S.L. - EQA is an international environmental, social, and corporate governance (ESG) certification and verification body, whose purpose is to instill trust on the market regarding the integration of sustainability factors in the strategy and operation of organizations.

EQA is the first Spanish verifier approved by **Climate Bond Initiative - CBI**.

EQA operates globally and provides **Verification Services for Sustainable Financial Instruments, Impact Verification, and the Verification of Socially Responsible Investments**. It also provides verification services with regards to Climate Change, Corporate Social Responsibility, Compliance and R&D&I, inter alia.

EQA's policies and procedures support **excellence, quality, and independence**. It undertakes to provide its customers with high added value products and services for stakeholders because of its technical expertise and scientific research in collaboration with a great network of scientific experts, universities, and research centres across the world.

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