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Colombia Sovereign Green Bond

FRAMEWORK

MINISTRY OF FINANCE

REPUBLIC OF COLOMBIA

JUNE 2022



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Towards Sustainable Economic Growth

Colombia Sovereign Green Bond

FRAMEWORK

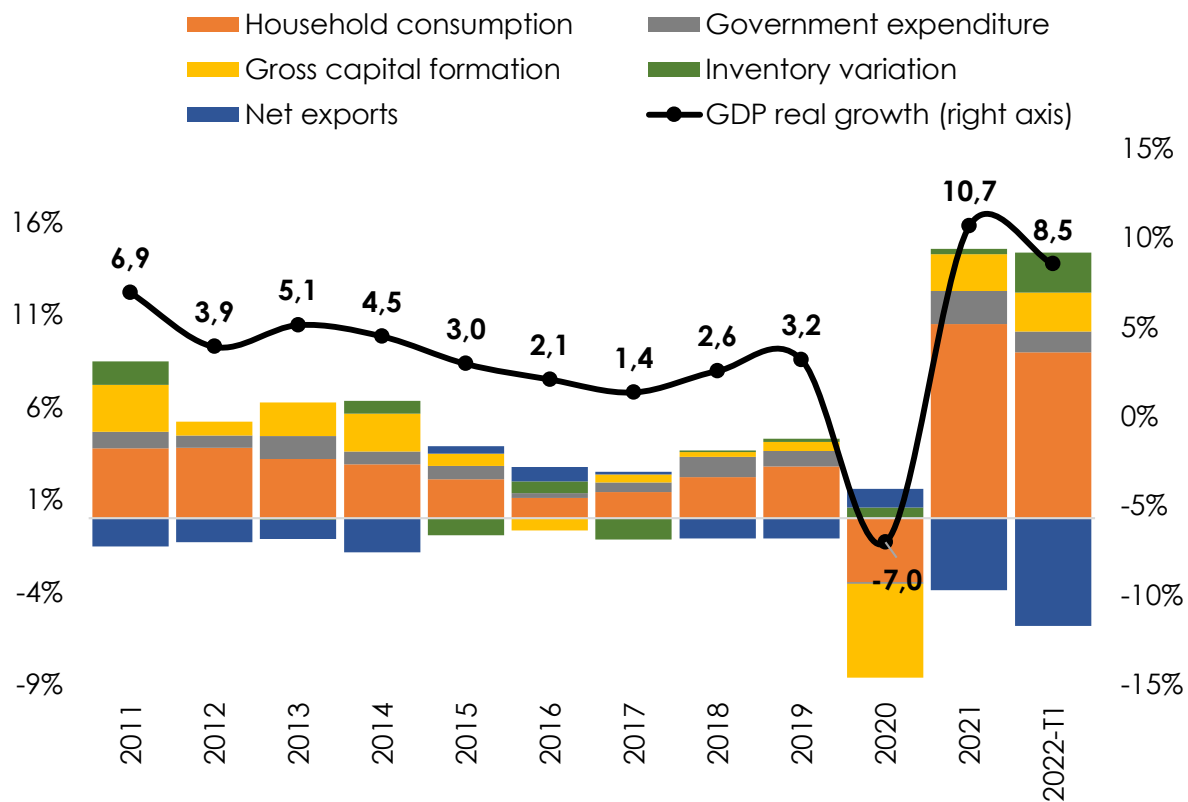
- I. Economic Growth
- II. Labor market and poverty indexes
- III. Colombia's environmental and climate commitments
- IV. Public Policy



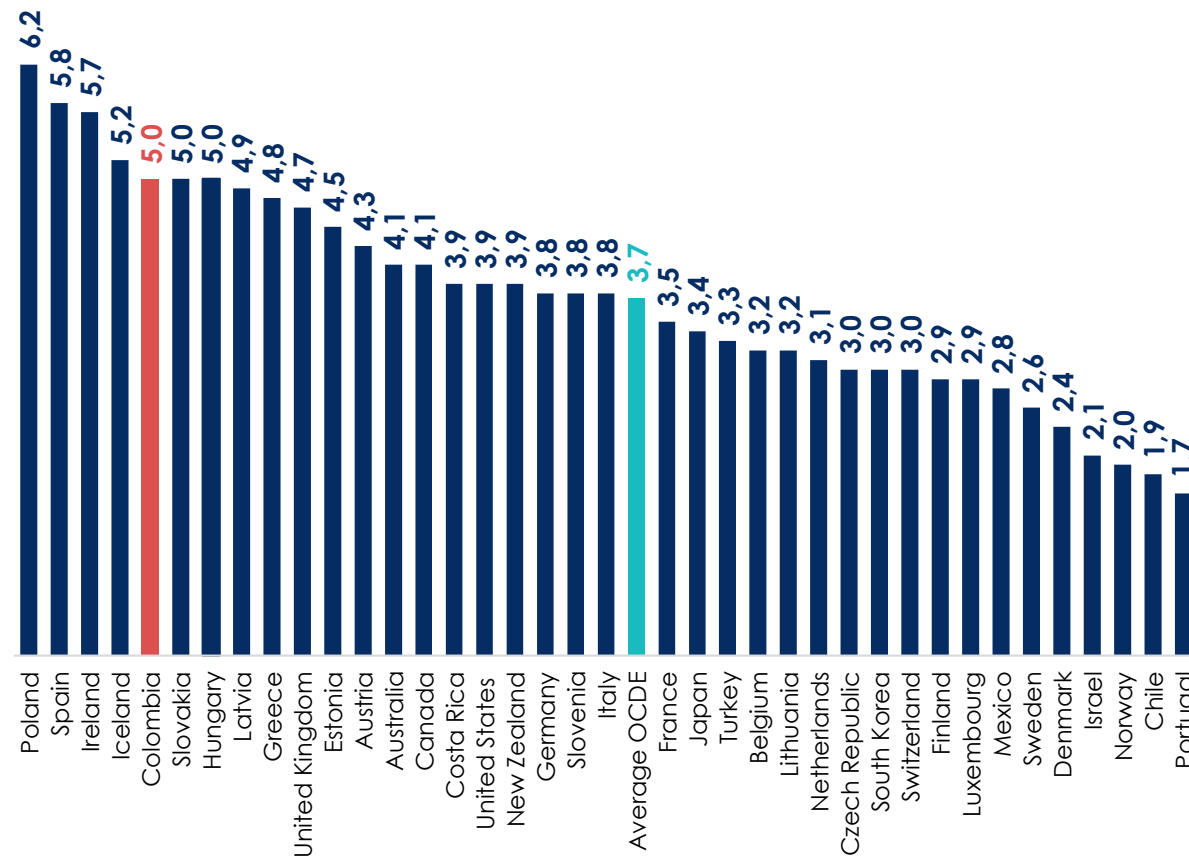
Colombia showed the fourth highest economic growth among the 38 OECD countries in 2021, reflecting one of the most dynamic recoveries in the world.

GDP has recovered faster than in previous crisis

Growth by sectors



Economic growth 2022

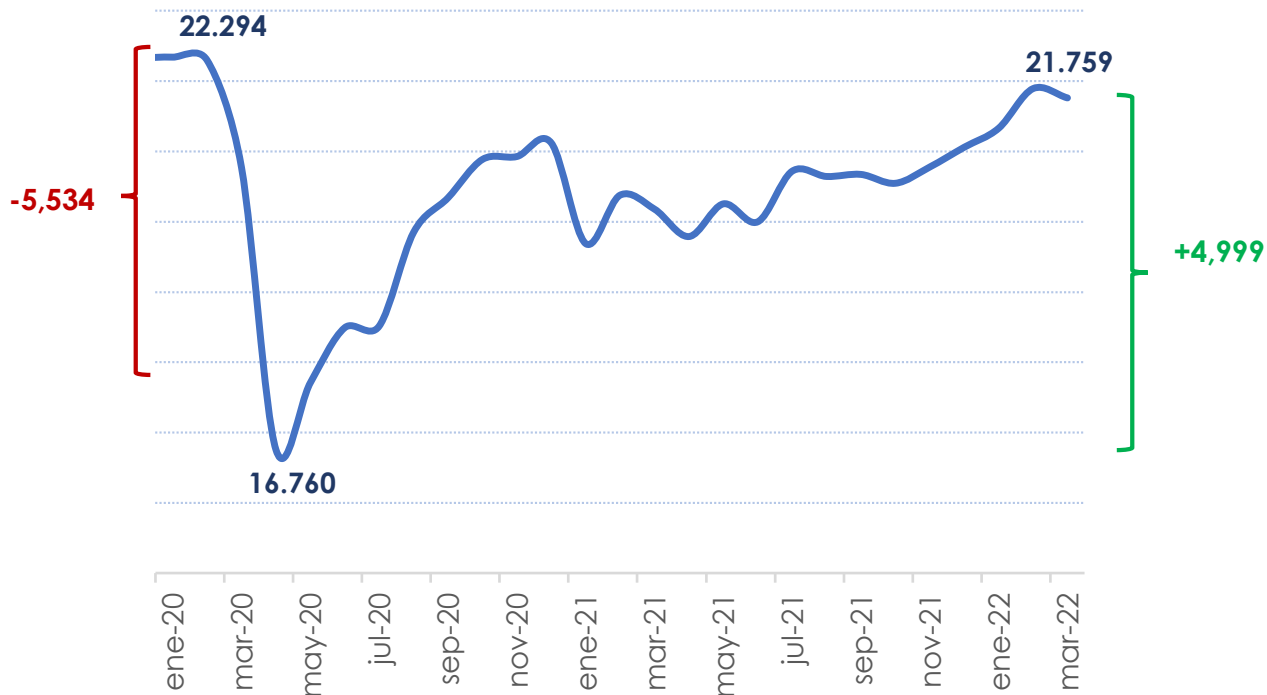




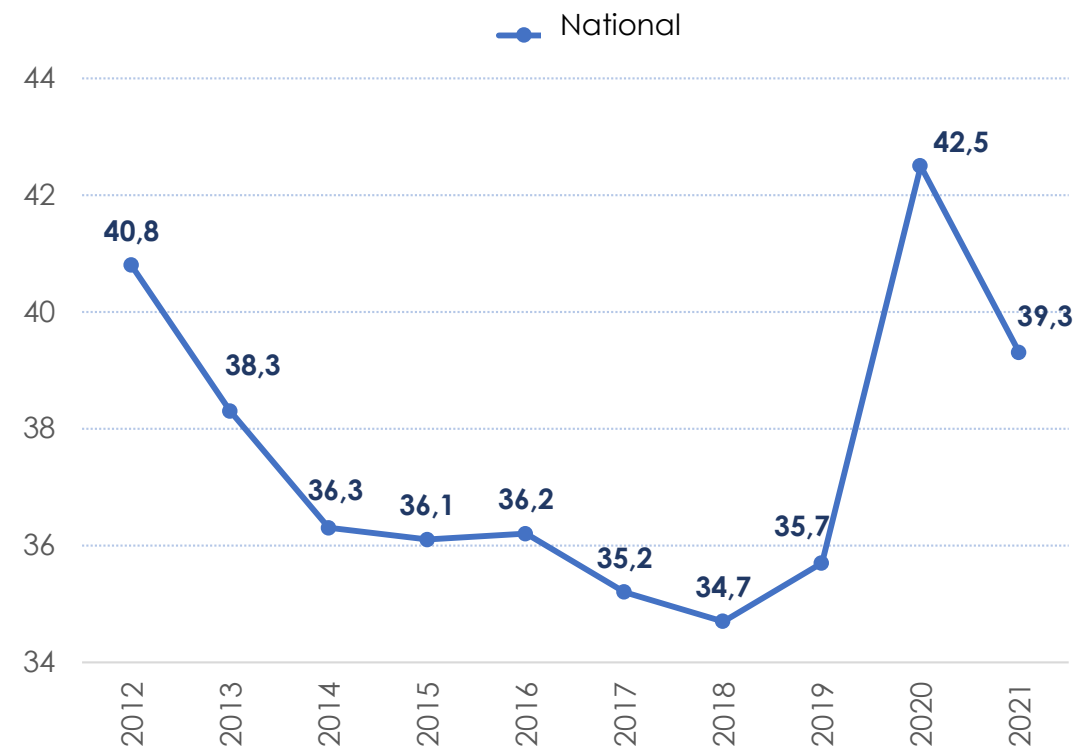
The Colombian labor market and poverty indexes have been improving over the last year as a result of sustainable economic growth and social programs.

90% of jobs lost during the pandemic were recovered by march 2022

Employed, seasonally adjusted series



Monetary poverty Index (%)





Colombia's environmental and climate commitments

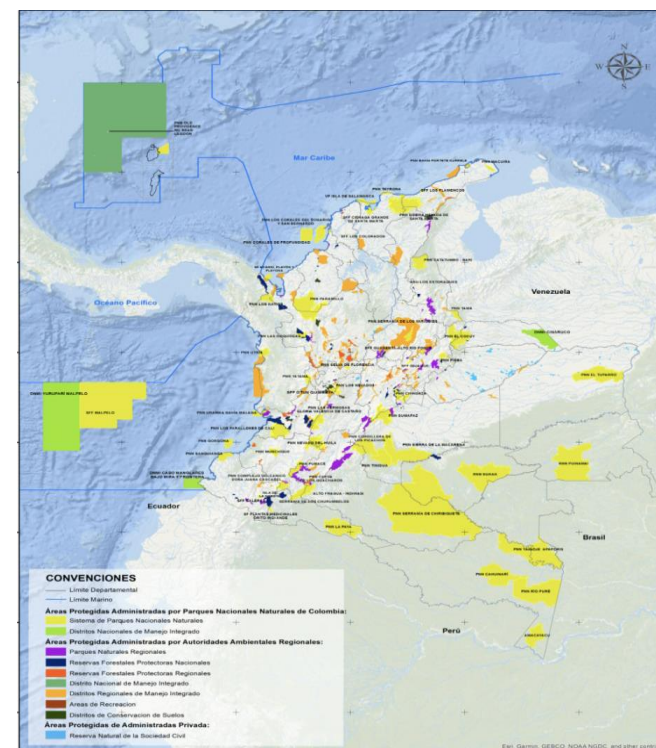
Paris Agreement (2015)

United Nations Framework Convention on Climate Change

- **NDC 2018:**
20% reduction of Greenhouse gases by 2030
- **NDC dic 2020:**
51% reduction of Greenhouse gases by 2030.
- **Goals:**
 - Carbon neutrality by 2050
 - Reduction in black carbon and other pollutants
 - Energy transition

Guidelines for managing climate change
Law 1931 of 2018

30% of National Territory protected in 2022



On November 2, 2021, the Government announced that **30% of Colombia territory (marine and terrestrial areas) will be protected by August 2022.**

This goal will be reached 8 years before expected.

Source: SINAP 2022 – Ministry of Environment.
<https://www.parquesnacionales.gov.co/porta/es/sistema-nacional-de-areas-protegidas-sinap/mapa-sinap/>



Public policy: Tackling deforestation

Total forest area in Colombia 60 million hectares (2020)



Strategy to tackle deforestation in 6 axes:

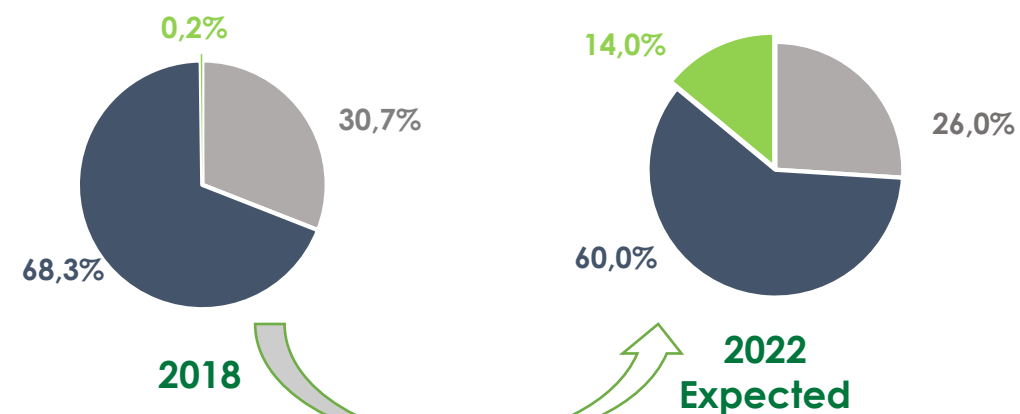
1. Law 211 of 2021 of Environmental Crimes and Deforestation and CONPES 4021 of 2020.
2. Mobile checkpoints, control of new roads.
3. Such as Payments for Environmental Services, with this resources more than 115,000 Ha of natural ecosystems are being protected;
4. 100 companies officially joined Colombia Carbon Neutrality Program.
5. 66,2 million trees have been planted and the goal for this year is to reach 125 million.
6. Forest fire monitoring.

Public policy: Energy transition

Energy Transition Law (Law 2099 of 2021)

Colombian Power Generation Mix

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



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

No. 29 of 115 countries in the WEFORUM 2021 Energy Transition Index

734 MW of non-conventional renewable energy installed in 2021, 25x more than in 2018

21 solar farms installed



Public policy: clean water and sanitation

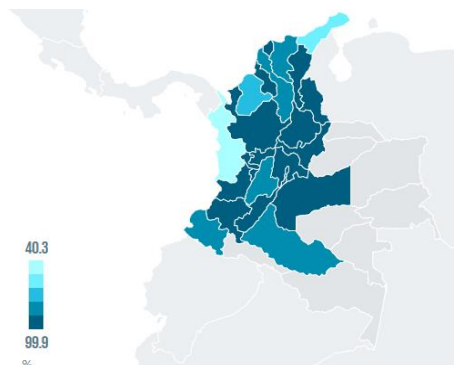
Ensuring the availability and sustainable management of water and sanitation for all

1. Drinking water solutions
2. Sewage infrastructure
3. Water and sewage infrastructure rural area

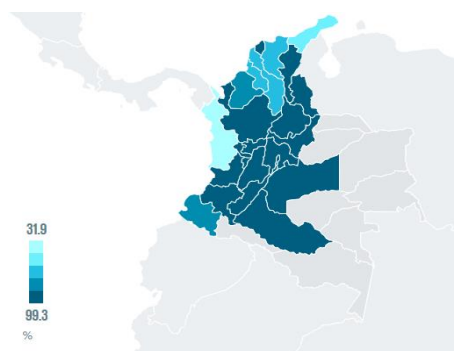
DOMESTIC WASTEWATER

Government proposed necessary actions to increase the percentage of domestic urban wastewater treated safely, from 37.3% in 2015 to 54.3% in 2022.

Access to drinking water



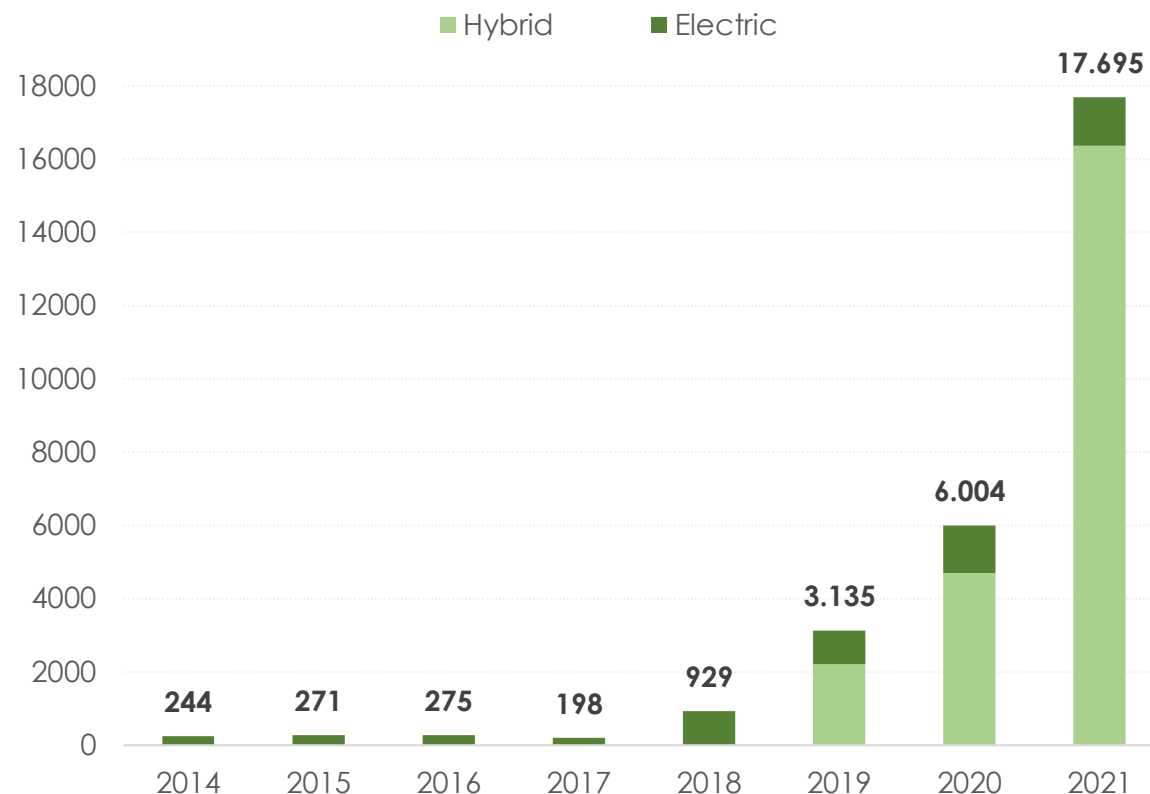
Population with access to adequate sanitation methods



Public policy: clean transportation

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

Clean Transportation Law (1972 of 2019)



Source: FENALCO – ANDI (Dec 2021).



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Colombia Sovereign Green Bond

FRAMEWORK

Sovereign Green Bonds progress to date

- I. Colombia Sovereign Green bonds
- II. First Portfolio
- III. Placement and Allocation Preliminary Report
- IV. Green Projects



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Colombia Sovereign Green bonds

Colombia Sovereign Green Bond FRAMEWORK

Colombia's environmental and climate commitments



Paris Agreement
Ratified by Law No. 1844 of 2017



National Development Plan and SDGs –Agenda 2030



Climate change Law



Law of Environmental Crimes and Deforestation



Energy transition Law



Clean Transportation Law

Institutional framework aligned with international standards

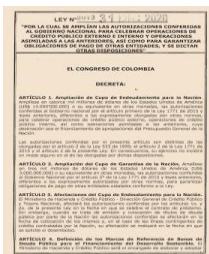
Law 2073 of 2020
Public Borrowing Law

Resolution 1687 of 2021

Colombia Sovereign Green Bond Framework

First portfolio of eligible green expenditures

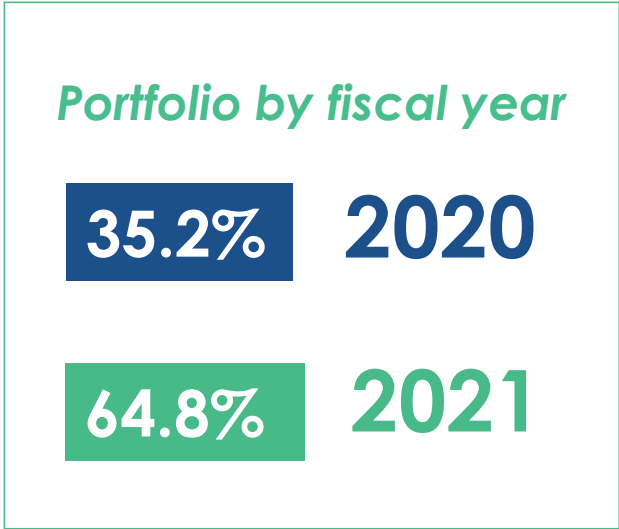
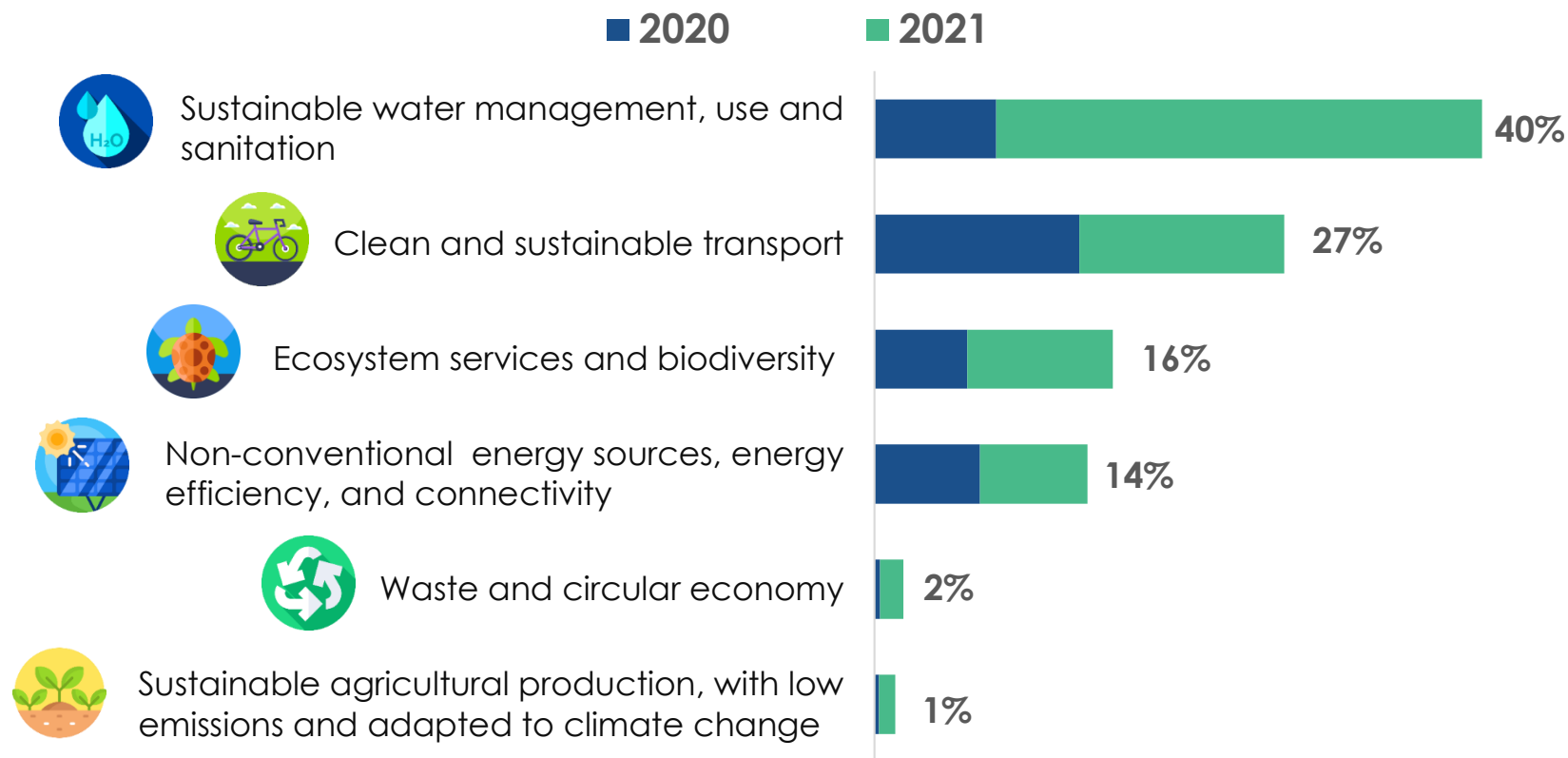
Second Party Opinion (SPO)





First Portfolio 2020 - 2021

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



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



Allocation Preliminary Report

1. Description of and total amount allocated (COP trillion)

Net proceeds of the Bonds	\$ 1,48	Total Amount Allocated	\$ 1,34
Total Amount Allocated /Net proceeds of the Bonds		90,3%	

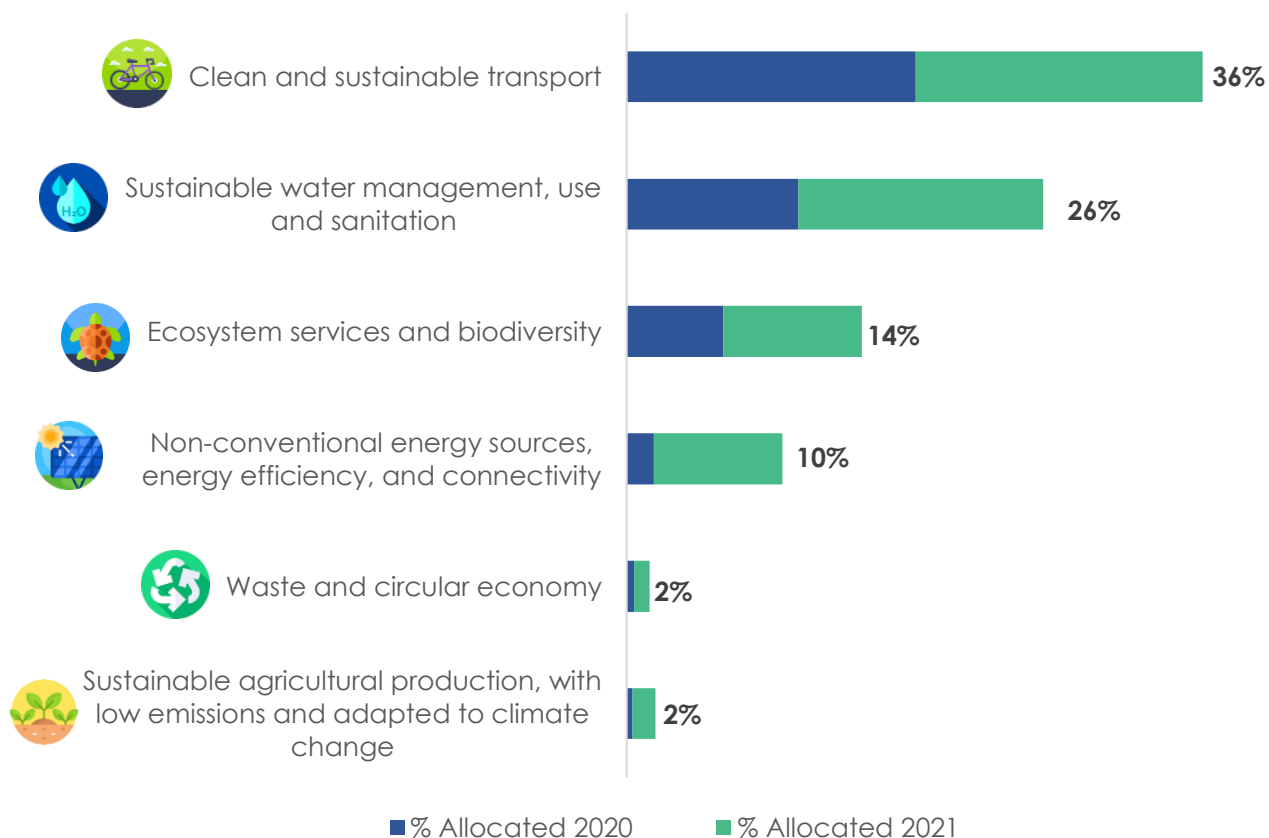
2. Alignment of eligible green expenditures with environmental goals and the SDGs



*The percentage of execution is preliminary (march 2022), subject to further review

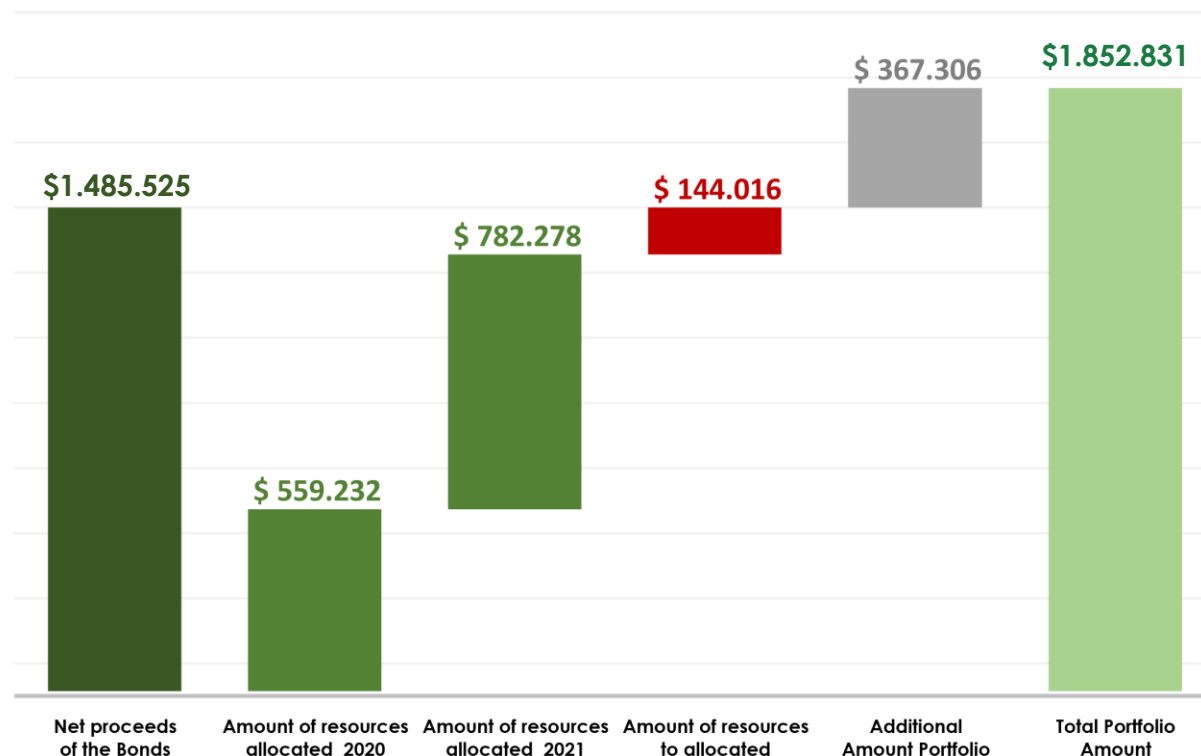
Allocation Preliminary Report

3. Percentage of resources allocated in each green category over the net proceeds of the bonds



*The percentage of execution is preliminary (march 2022), subject to further review

4. Amount and percentage of resources allocated with recent expenditures and current expenditure (COP million)



The amount of resources allocated for 2020 and 2021 include the amount executed due to budget lag. For 2021, the amount of resources reported include the budget lag as of March 2022.



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

COP 132 mm

- Implementing sustainable energy solutions (non conventional and hybrid) for the generation of electricity in the ZNI.
- Expanding coverage in the provision of public electricity services

7,4% of the portfolio

88% of the category

97% allocated resources

3 yrs Project lifetime

Performance indicators and activities (2020, 2021)

- **2 projects** of photovoltaic solar power solution came into operation in Nariño, with an installed **capacity of 296 kW**, benefiting **394 new users**.
- Supply, installation and execution of **12 Autonomous Photovoltaic Solar Systems**, to attend the Emergency in Providencia caused by Hurricane Lota in 2020.
- **Technical assistance to 7** service providers in ZNI.



Solar park



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

BPIN Code: 2017011000179

Conserve in situ the country's biological and ecosystem diversity in protected areas (PA).

- Reducing pressures for use, occupation and tenure of PA;
- Increasing society's knowledge of biodiversity in situ conservation
- Strengthening management of PA and capacity to improve connectivity between the areas of National System of Protected Areas (SINAP).

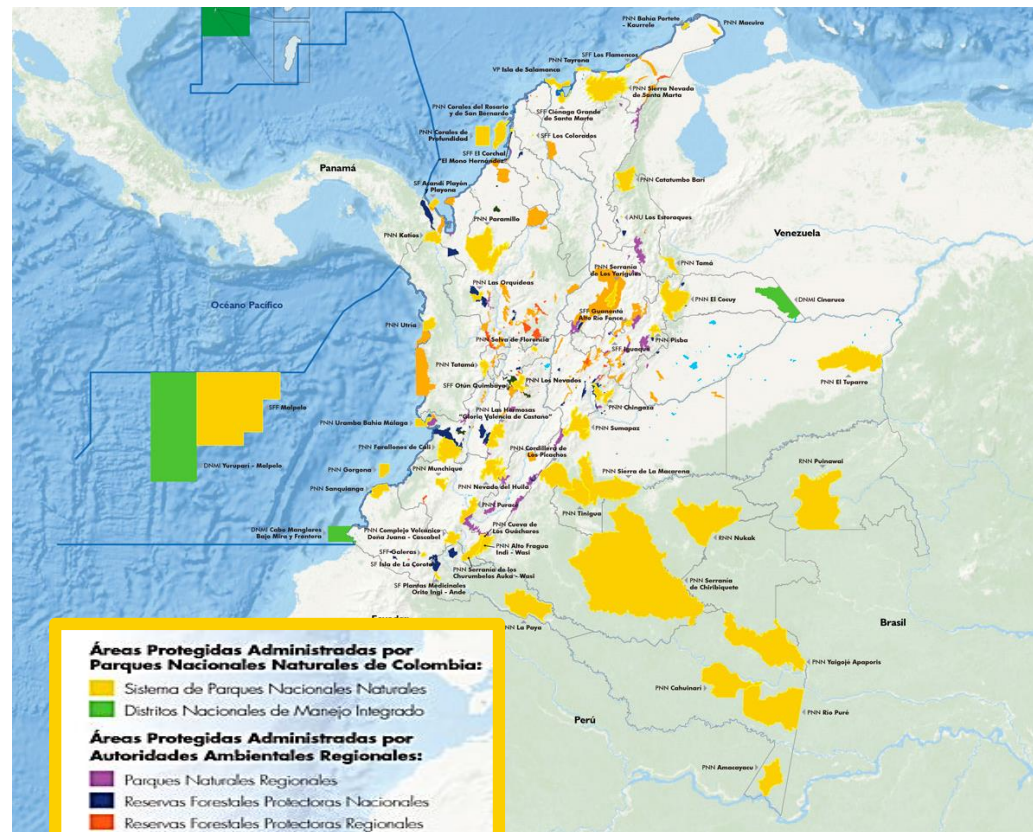
COP 65 mm

4,1% of the portfolio 37% of the category 85% Allocated resources 5 yrs Project lifetime

Performance, impact indicators and activities (2020, 2021)

- 4.384.724 covered hectares with surveillance
- 15,233 hectares of ecosystems conserved or undergoing restoration
- 29 sanitized hectares of illicit crops

PNN planted 973.296 native trees with this project and other resources



Áreas Protegidas Administradas por Parques Nacionales Naturales de Colombia:

- Sistema de Parques Nacionales Naturales
- Distritos Nacionales de Manejo Integrado

Áreas Protegidas Administradas por Autoridades Ambientales Regionales:

- Parques Naturales Regionales
- Reservas Forestales Protectoras Nacionales
- Reservas Forestales Protectoras Regionales
- Distrito Nacional de Manejo Integrado
- Distritos Regionales de Manejo Integrado
- Áreas de Recreación
- Distritos de Conservación de Suelos

Áreas Protegidas de Administración Privada:

- Reservas Naturales de la Sociedad Civil





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FRAMEWORK

Green TES Auctions in 2021

- I. Green TES Auction Results
- II. Index Share

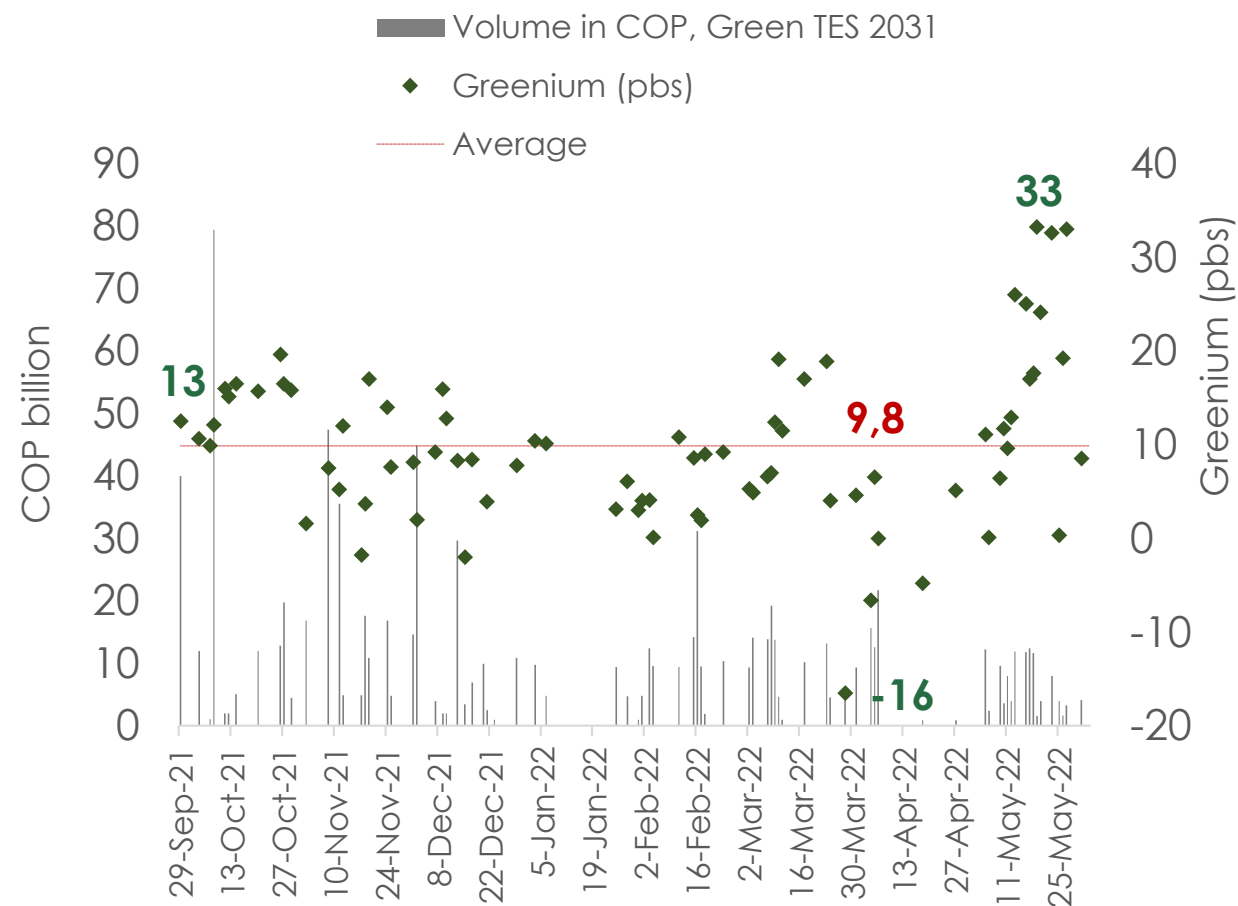


Green TES Auctions in 2021

Green TES Auctions 2021 Twin bonds

	First Auction	Second Auction
Issue Date	29-sep-21	27-oct-21
Nominal (billion)	COP 751	COP 660
Coupon	7.00%	
Maturity	March 26th, 2031	
Market Price	99.851	98.379
Yield	7.556%	7.877%
Bid to Cover	4.6	1.5
Greenium	7 pbs	15 pbs

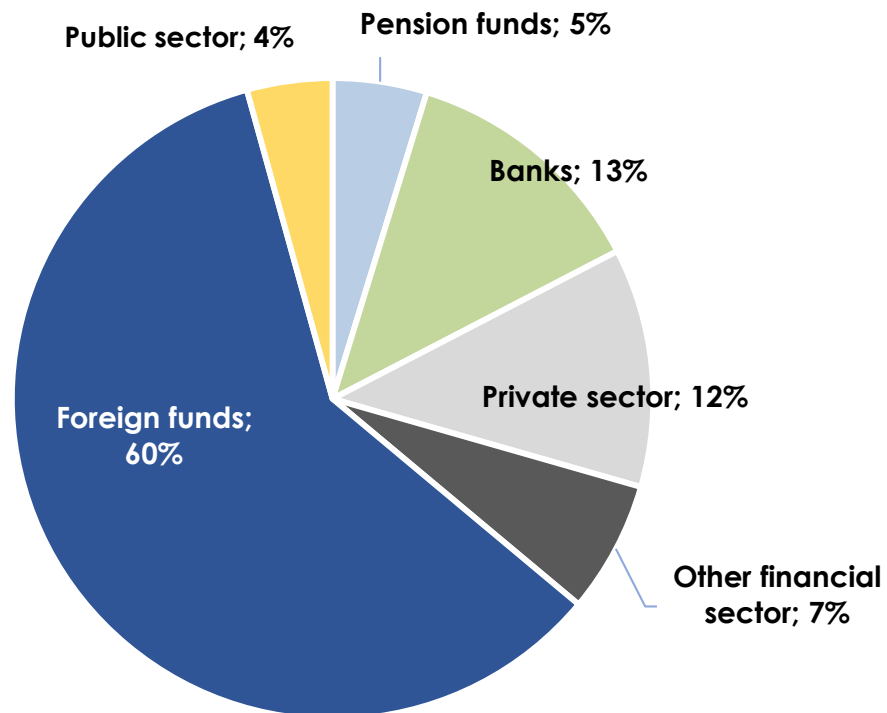
Greenium (pbs)



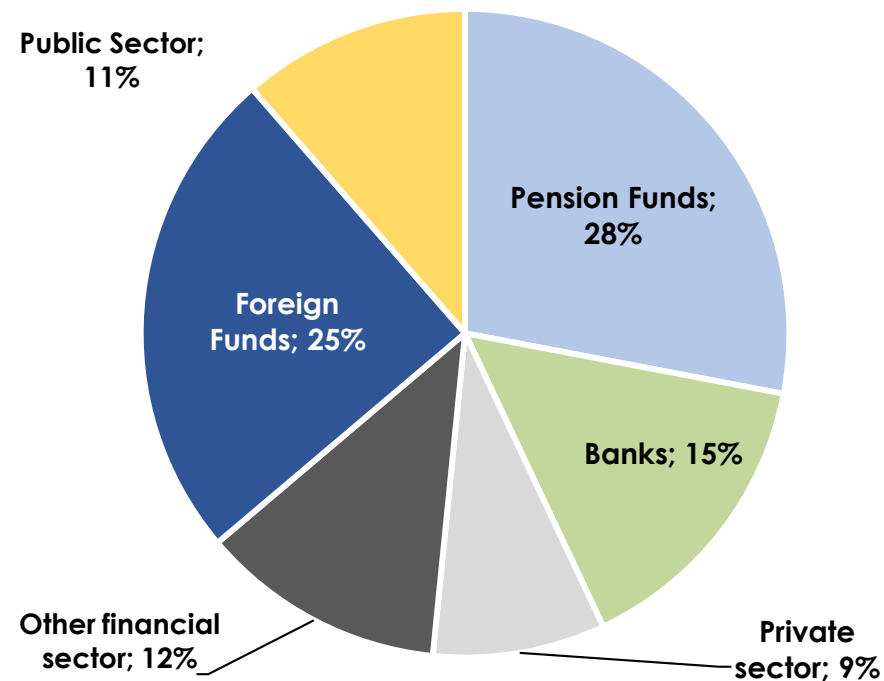


Green TES Auctions in 2021

Green TES 2031



Total portfolio of TES*



Colombia was recognized with the award “**Green bond of the year- Sovereign**” from Environmental Finance.

Source: Ministry of Finance and Public Credit as of April 30, 2022

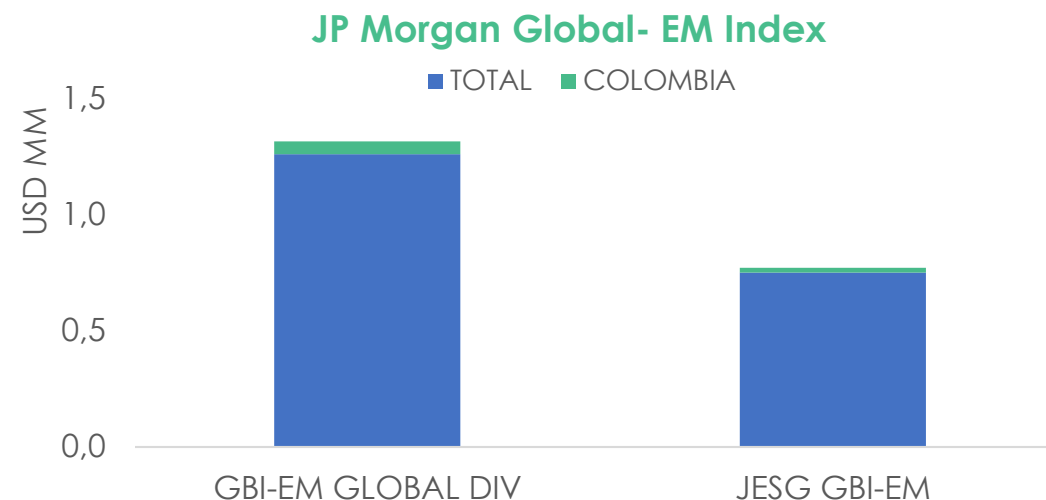
* Including Green TES 2031



Index Share

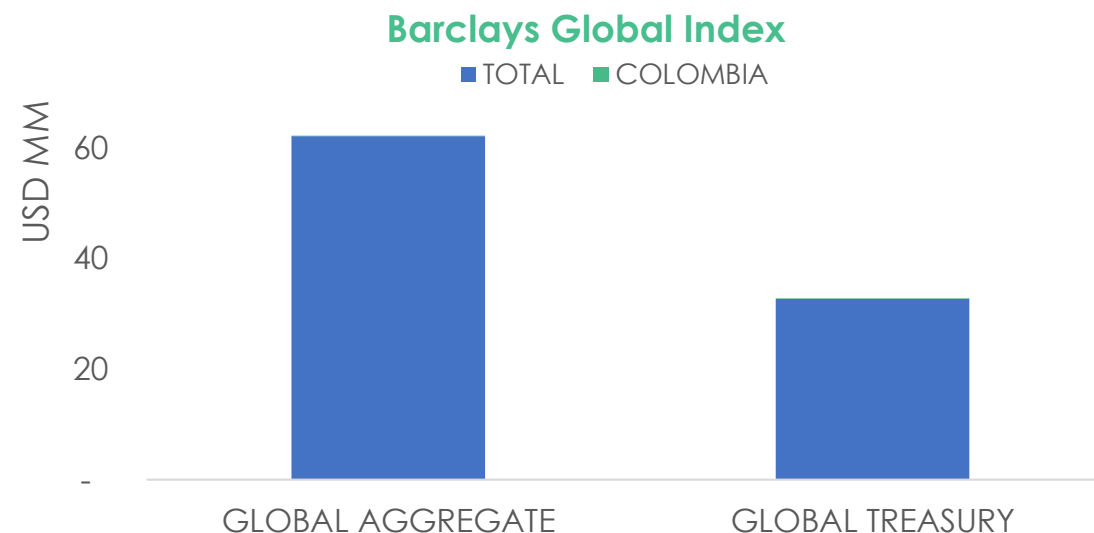
JP Morgan Global- EM Index

Index	GBI-EM Global Div	JESG GBI-EM
Total Index	\$1.259.209 (USD MM)	\$749.347 (USD MM)
Colombia	\$56.064 (USD MM)	\$21.523 (USD MM)
Share	4.45%	2.87%
Band	-	4
Ref	COLTES 2024, 2025, 2026, 2027, 2028, 2030, 2031C, 2032, 2034, 2036, 2042, 2050 TES G 2023, 2027	COLTES 2024, 2025, 2026, 2027, 2028, 2030, 2031C, 2032, 2034, 2036, 2042, 2050 TES G 2023, 2027



Barclays Global Index

Index	Global Aggregate	Global Treasury
Total Index	\$62.113 (USD MM)	\$32.696 (USD MM)
Colombia	\$63 (USD MM)	\$60 (USD MM)
Share	0.10%	0.18%
Ref	COLTES 2024, 2025, 2026, 2027, 2028, 2030, 2031C, 2031V, 2032, 2034, 2036, 2042, 2050 TES G 2027	COLTES 2024, 2025, 2026, 2027, 2028, 2030, 2031C, 2021V, 2032, 2034, 2036, 2042, 2050 TES G 2027





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Next Steps



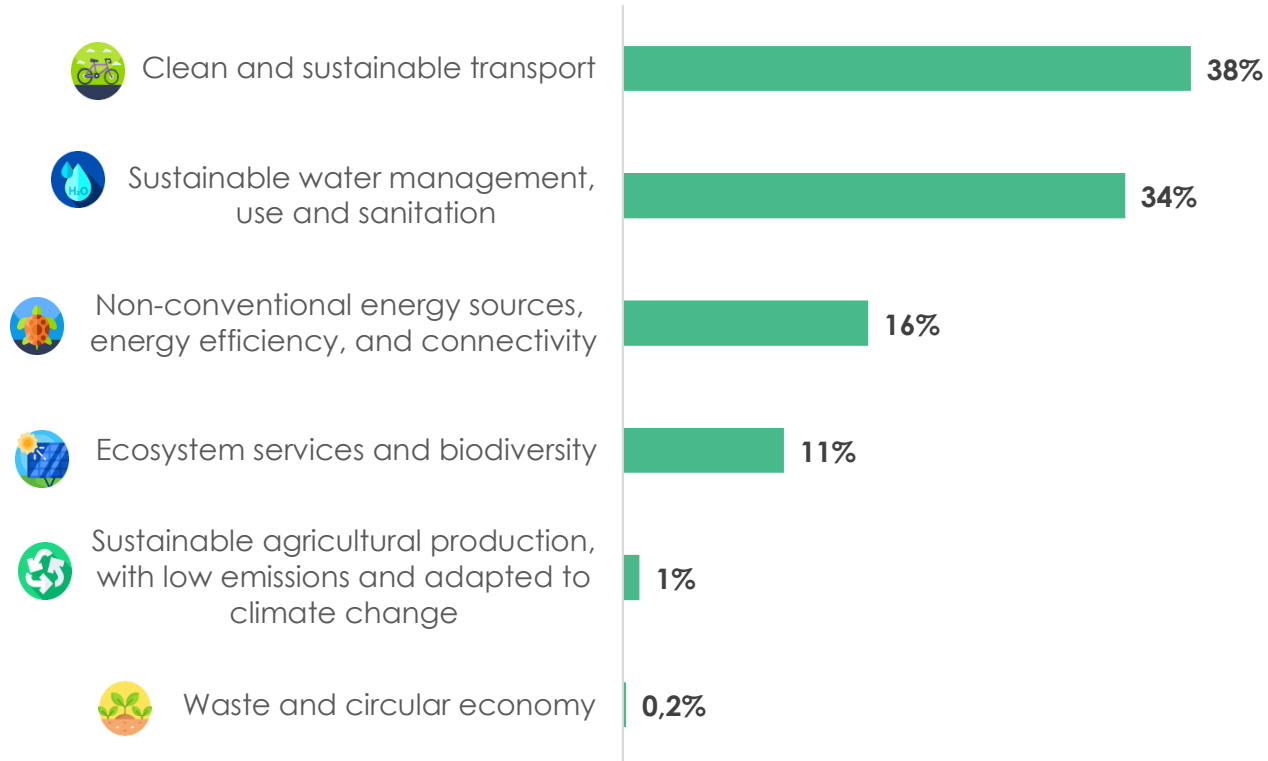
Green TES Auctions and Portfolio 2022

Outstanding:	COP 1.2 - \$ 1.5 trillion
Auction amount:	COP 500 billion
First Auction:	June 29th

June

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			

The preliminary portfolio of projects for 2022 includes *the same* eligible green expenditures for **COP 1,3 trillion**, distributed in **6 categories** and **22 projects**





Colombia Green Taxonomy: Definition and goals



Colombia Green Taxonomy is a **classification system for economic activities and assets** with substantial contributions to Colombia environmental objectives, which are aligned with the environmental commitments, strategies and policies of the country.

Alignment with environmental international commitments

- Paris Agreement and Colombia NDC
- Colombia's Long-Term Strategy E2050
- SDGs –Agenda 2030
- Convention on Biological Diversity (CBD)

Main goals and uses of the taxonomy

- 1 Mobilize private and public capital for environmental investments.
- 2 Promote transparency and standardization to avoid "**green washing**".
- 3 Foster the development of green capital markets
- 4 Support monitoring and tracking of green investments and public expenditures



Environmental objectives and economic sectors

Economic Sectors/Environmental Objectives	Land Management	Climate Change Mitigation	Climate Change Adaptation	Biodiversity Conservation	Water Management	Circular Economy	Pollution Prevention and Control
Energy		✔					
Construction		✔					
Waste Management and carbon capture		✔					
Water management and treatment		✔					
Transport		✔					
Information and Communication Technologies		✔					
Manufacturing		✔					
Livestock	✔	✔	✔	✔	✔	✔	
Agriculture	✔	✔	✔	✔	✔	✔	
Forest	✔	✔	✔	✔	✔	✔	

Assess: Co-benefit and Criteria of "Non Significant Damage"



Colombia Sovereign Sustainable Framework



The funds from sustainable bonds are used to finance a combination of eligible green and social expenditures.

Key Steps

- Colombia Sovereign Sustainable Framework.
- Eligible social expenditures portfolio.

Independent opinion from second party opinion (SPO) on the sustainable bond in accordance with his framework.

External audit to perform an independent verification on the use of proceeds for the eligible green and social expenditures.





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