

FINDEV CANADA TRANSACTION SUMMARY¹

Banco de Comercio Exterior de Colombia S.A. (Bancóldex)

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

Bancóldex is Colombia's business development and export development bank. In promoting business growth and trade, Bancóldex channels funding to the private sector through financial intermediaries and it also provides non-financial services, including advisory, technical assistance, training, project structuring and networking programs. Core to its mission, Bancóldex strives to boost Colombia's economic growth by supporting the productivity of micro, small and medium enterprises (MSMEs), promoting exports, encouraging environmental sustainability and strengthening the creative economy.

Transaction Details

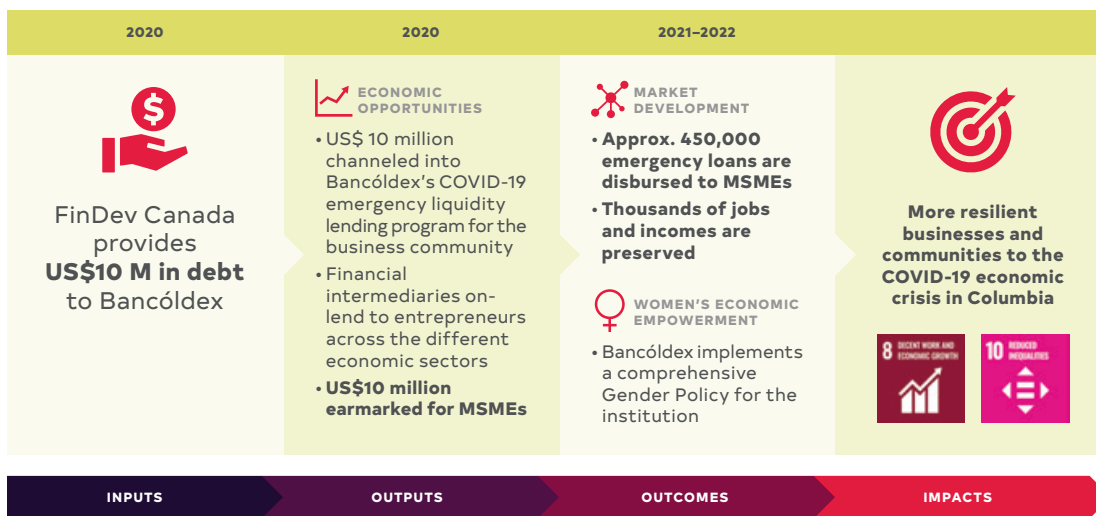
COUNTERPARTY	Bancóldex
DOMICILE OF INCORPORATION	Colombia
DOMICILE OF OPERATIONS	Colombia
TERM OF FINANCING	1 year, renewable for a second year
SECTOR	Financial Services
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category FI-3
FINANCING PRODUCT	Debt
FINDEV CANADA TRANSACTION AMOUNT	USD 10 million
DATE OF TRANSACTION DISCLOSURE	11 June 2020
DATE OF TRANSACTION SIGNING	13 November 2020
DATE OF TRANSACTION SUMMARY PUBLICATION	12 February 2021
2X CHALLENGE QUALIFYING	No

¹ This document follows key requirements spelt out in the Interim Disclosure Policy, effective on Jan. 22, 2018: https://www.findevcanada.ca/sites/default/files/2018-02/disclosure_interimpolicy_11dec2017_final.pdf

Summary of Anticipated Development Impacts

The development impact value proposition of this transaction is to provide, in collaboration with IDB Invest, emergency liquidity funding to help Colombian MSMEs survive the financial downturn that COVID-19 has inflicted on the Colombian economy. The transaction will support Bancóldex's COVID-19 emergency liquidity lending program, introduced to provide responsive financial support to MSMEs affected by the pandemic. Emergency credit lines, lower-interest loans and longer terms for re-payment will help sustain entrepreneurs and preserve thousands of jobs across the different sectors of the economy, in turn helping individuals, families and communities overcome COVID-19 shocks. Ultimately, this will strengthen the resilience of Colombia's private sector and communities as illustrated by the impact theory of change below.

This transaction is part of FinDev Canada's COVID-19 response to support liquidity for financial institutions in Latin America and the Caribbean.



MARKET DEVELOPMENT

- **Supporting MSMEs overcome the COVID-19 economic crisis:** The program will provide emergency economic relief and support to Colombian MSMEs and large companies, making available emergency credit lines, lower-interest loans and longer terms for re-payment. Through financial intermediaries, Bancóldex plans to make available approximately 450,000 loans to MSMEs by 2022, reaching micro-entrepreneurs underserved by local commercial banking. The program will help to meet the Colombian government's goal of ensuring the long-term sustainability of the MSME ecosystem in Colombia.
- **Protecting thousands of jobs and incomes:** by providing financial relief and support to Colombia's private sector, businesses across the economy will be better able to continue paying employees, suppliers, fixed costs and operating expenses. This responsive intervention will, in the medium to long term, safeguard the dynamism of the Colombian business community, not only protecting jobs and incomes, but also increasing the resilience of families and communities.



WOMEN'S ECONOMIC EMPOWERMENT

- **Enabling access to emergency financing for women entrepreneurs, particularly women micro-entrepreneurs:** as women are highly represented in micro-enterprises, by actively supporting existing and new MSME customers, Bancóldex is responding to the emergency financial needs of women micro-entrepreneurs.
- **Supporting decent employment for women:** women account for more than half of all direct employees at the bank. Moreover, Bancóldex believes that, by incorporating a gender perspective into its decision-making and implementation, its team, beneficiaries and stakeholders will understand the needs and experiences of women and men aiming to close gender gaps. Bancóldex is currently developing a comprehensive Gender Policy for the institution, scheduled for implementation in 2021.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

The risks associated with this transaction lie with the individual companies that Bancóldex will support with its COVID-19 relief funds. FinDev Canada's support will not be directed towards any project finance opportunities nor any activities listed on the IFC Exclusion List, which restricts the Bank from supporting high risk sectors and contexts. The economic sectors in which these companies operate carry limited to no environmental, social and human rights risks. These include tourism, cultural events, air transport services, retail, vehicle repair, manufacturing, and other service-related industries. The aviation sector is considered higher risk due to the impacts of greenhouse gas emissions on climate. Nevertheless, since support to the aviation sector is less than 7% of the program and will be in the form of debt and working capital, it is also considered to have minimal environmental and social impacts.

Bancóldex has suitable management capacity and systems in place should any environmental or social risks arise associated with the COVID relief programs. The organizations' Environmental and Social Management System is designed to meet or exceed host country standards and ESRM does not anticipate Bancóldex having any difficulty maintaining regulatory compliance in the markets in which it serves and functions. This review has been completed in accordance with FinDev Canada's Environmental and Social Policy.

An illustrative list of key documents reviewed (as submitted by the client) is outlined below:

- Environmental and Social Management System Presentation
- Internal Work Regulation / Reglamento Interno de Trabajo
- 2018 Annual Corporate Governance Report / Informe Anual de Gobierno Corporativo – Gestión 2018
- Public Declaration of Respect for Human Rights, dated June 2018 / Declaración pública de respeto por los Derechos Humanos
- Manual for the Attention of Rights of Petition, Complaints, Claims and Requests for Information / Manual para Atención de Derechos de Petición, Quejas, Reclamos y Solicitudes de Información

The following International Finance Corporation (IFC) Performance Standards were applied in FinDev Canada assessment in addition to host country requirements and the IFC Interpretation Note on Financial Intermediaries:

- IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- IFC Performance Standard 2: Labor and Working Conditions