

FINDEV CANADA TRANSACTION SUMMARY

Banco de Bogotá

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



Transaction Description

Founded in 1870, Banco de Bogotá is the oldest financial institution and the third largest in Colombia.

Along with IDB Invest, IFC and Finance in Motion, FinDev Canada subscribed to a sustainable bond issued by Banco de Bogotá S.A. with a contribution of US\$ 50 M for a total issuance amount of US\$ 230 M. This bond will increase the Bank's offer to underserved segments and promote sustainable infrastructure projects.

Transaction Details

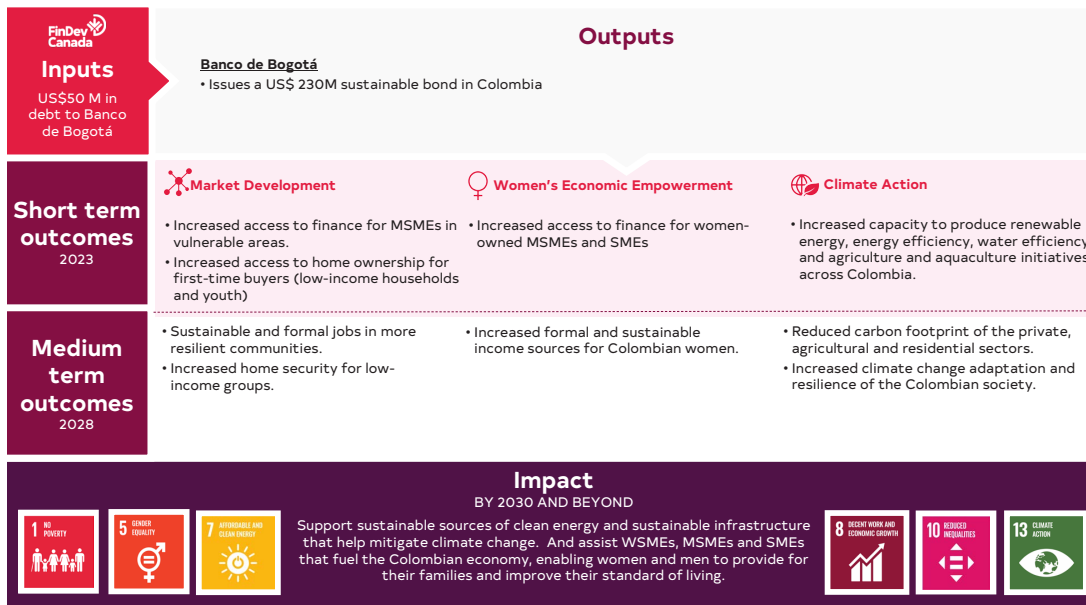
COUNTERPARTY	Banco de Bogotá S.A.
DOMICILE	Colombia
COUNTRY(IES) OF OPERATION	Colombia
TERM OF FINANCING	10 years
SECTOR	Financial Services
E&S CATEGORY	FI-2
FINANCING PRODUCT	Debt
FINDEV CANADA TRANSACTION AMOUNT	Up to US\$ 50 million
DATE OF TRANSACTION DISCLOSURE	January 30, 2023
DATE OF TRANSACTION SIGNING	March 15, 2023
DATE OF TRANSACTION SUMMARY PUBLICATION	June 15, 2023
2X CHALLENGE QUALIFYING	Yes, under direct (employment) and indirect (Financial intermediaries) criteria.

Summary of Anticipated Development Impacts

The development impact value proposition of this transaction is to further enable Colombia's transition to a low-carbon society and to increase the economic well-being of men and women in Colombia. This will be achieved by increasing access to financing for climate mitigation and adaptation projects and Colombian SMEs, including women-owned and women-led SMEs (WSMEs), thereby supporting jobs, income generation, and the economic participation of women entrepreneurs. This transaction will contribute to FinDev Canada's long-term development impact goals and the Sustainable Development Goals (SDGs), particularly SDG 5 (Gender Equality) SDG 8 (Decent Work and Economic Growth) and SDG 13 (Climate Action) as illustrated by the impact theory of change below.

Development Challenges:

- Only 40% of Colombian SMEs access commercial credit.
- In the business creation sector, 20% of micro and small enterprises and 18.8% of medium enterprises have at least a woman employee.
- During 2022 in Colombia, only 20% of all created companies have at least a woman employee, and only 6.3% have at least a woman in senior management positions.





MARKET DEVELOPMENT

- **Increased opportunities for Colombian entrepreneurs in vulnerable areas.** MSMEs in areas with over 50% multidimensional poverty will benefit from an improved access to finance their activities. This is important in a country where over 60% of the economic activity is informal¹. Financing entrepreneurs will translate into job security and better working conditions for their employees.
- **Increased access to social housing for low-income households, youth and individuals.** Government-subsidized residential mortgages will be supported by the sustainable bond through three social programs (Mi Casa Ya, Vivienda de interés social and Vivienda de interés prioritario) that will benefit first-time home buyers. This investment will enable them to make a down payment at competitive interest rates.



WOMEN'S ECONOMIC EMPOWERMENT

- **Increased opportunities for Colombian women in business.** 2 in 4 women participate in informal economic activities earning incomes below the poverty line². The issuance of the sustainable bond will allow women-led microenterprises and SMEs with over 50% women employees or over 20% women ownership to access financial opportunities to increase their market share.
- **Promoting the representation of women employees.** Women represent almost 60% of all employees at Banco de Bogotá. The Bank promotes women's high representation in its workforce and provides quality employment. The transaction qualifies for the 2X Challenge under employment and indirect criteria.



CLIMATE ACTION

- **Expanded financing of renewable energy initiatives.** Banco de Bogotá will facilitate financing of clean energy sources, such as wind-powered grid and off-grid applications for the residential, commercial, and industrial sectors, small scale hydroelectric generation projects and biodigesters.
- **Improved financing of energy efficiency initiatives.** The bond issuance will enable the upgrading or replacement of heat recovery systems and lighting, residential and commercial water heaters as well as electric motors and gas-powered freight vehicles.
- **Catalyzed growth of circular economy activities.** In line with the country's 2019 national circular economy strategy and its 2018–2022 National Development Plan, Banco de Bogotá intends to support circular economy projects to accelerate Colombia's transition to a low-carbon economy. These projects include improved collection, reuse and recycling of materials; extending products lifespan through re-manufacturing, refurbishing repairing and second-hand market initiatives; and the commercialization of services instead of products through rentals and leasing.

¹ILO [Statistics on the informal economy - ILOSTAT](#)

²Universidad Nacional de Colombia [Women have more disadvantages than men in informal work scenarios \(unal.edu.co\)](#)

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

FinDev Canada considers the transaction to be Category FI-2, which is specific to financial intermediaries, given the nature and size of eligible transactions under the Sustainable Bond Reference Framework. The exposure to environmental and social (E&S) risks in this transaction lay with Banco de Bogotá's E&S management capacity to identify, supervise, and manage any E&S risks resulting from its investment activities under the Sustainable Bond in the categories of renewable energy, land use, construction and sustainable infrastructure, and water sanitation. Risks associated with this type of transaction can be diverse and may trigger different IFC Performance Standards.

FinDev Canada has identified and outlined recommendations to enhance Banco de Bogotá's E&S management system, internal E&S capacity, and management of risks in solar energy transactions to align with IFC guidance and best practice in an Environmental and Social Action Plan ("ESAP").

FinDev Canada considers that the Bank can mitigate the E&S risks resulting from its investment activities under the Sustainable Bond, by adherence to loan covenants and successful completion of the ESAP, in a manner that aligns with the FinDev Canada Environmental and Social Policy and the IFC Performance Standards and relevant International Standards.

This review was completed in accordance with FinDev Canada's Environmental and Social Policy. An illustrative list of key documents reviewed is outlined below:

- Human Resources Policies and Procedures, Occupational Health and Safety Policy
- Environmental and Social Policy, Environmental and Social Management System (Nov 2020), and Environmental and social risk identification form (FIRAS)
- Code of Ethics, Human Rights Policy, and Equality and Diversity policy

The following IFC Performance Standards were applied in FinDev Canada's 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