S&P Global
Ratings

Powered by Shades of Green

An S&P Global Second Party Opinion (SPO) includes S&P Global Ratings' opinion on whether the documentation of a sustainable finance instrument, framework, or program, or a financing transaction aligns with certain third-party published sustainable finance principles. Certain SPOs may also provide our opinion on how the issuer's most material sustainability factors are addressed by the financing. An SPO provides a point-in-time opinion, reflecting the information provided to us at the time the SPO was created and published, and is not surveilled. We assume no obligation to update or supplement the SPO to reflect any facts or circumstances that may come to our attention in the future. An SPO is not a credit rating, and does not consider credit quality or factor into our credit ratings. See Analytical Approach: Second Party Opinions.

Second Party Opinion

Banco Davivienda S.A.'s Biodiversity Financing Framework

Apr. 29, 2025

Primary contact

Victor Laudisio
São Paulo
+55 11 97311-6065
victor.laudisio
@spglobal.com

Location: Colombia **Sector:** Banks

Alignment With Principles

Aligned = ✓ Conceptually aligned = O Not aligned = ✗

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

See Alignment Assessment for more detail.

Medium green

Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Strengths

Land conversion safeguards for sustainable agriculture are robust. Banco Davivienda S.A.'s (Davivienda's) sustainable agriculture criteria do not allow for financing agricultural practices on land that has been converted. The cut-off year is 2010, much earlier than the EU Deforestation Regulation (EUDR) cut-off date, which could help ensure that eligible arable land is not linked to land use change, leading to safeguards on biodiversity loss and climate emissions.

All eligible projects follow local guidelines such as Colombia's Green Taxonomy. Davivienda has also used the International Finance Corp.'s (IFC's) Biodiversity Guideline and Asobancaria's Bioeconomy Guide for the selection of eligible projects. These guidelines help clarify the environmental benefits, and in some instances include detailed eligibility criteria, including quantitative thresholds, while also providing additional certainty around risk mitigation for factors beyond climate mitigation.

Weaknesses

No weaknesses to report.

Areas to watch

Broad eligibility criteria and limited quantitative thresholds may lead to selecting projects with uneven impact. The Framework references thresholds for certain project categories, but not consistently across categories. We consider the biodiversity category would benefit from greater clarity. While common for frameworks with extensive lists of projects, this limits insights on benefits.

Davivienda will finance livestock-related projects. Livestock farming entails environmental risks such as biodiversity risks or an increase in associated climate emissions from digestion and manure. However, Davivienda's policies and exclusion list include relevant safeguards to mitigate some of those risks for its financing.

While all projects receive a green shade, funding or investments may indirectly support carbon-intensive or transition activities. For example, waste reduction projects can serve the plastics industry.

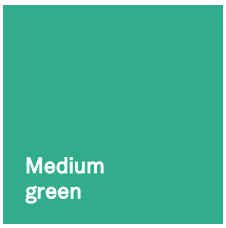
Eligible Green Projects Assessment Summary

There is not an estimated amount that will be allocated to each project category. The issuer does not have an estimated breakdown of proceeds to be allocated to refinancing projects versus newly financed projects, nor does it define a lookback period for the projects.

Overall Shades of Green assessment

Based on the project category shades of green detailed below, and consideration of environmental ambitions reflected in Davivienda's Biodiversity framework, we assess the framework Medium Green.

Eligible projects under issuer's biodiversity finance framework are assessed based on their environmental benefits and risks, using Shades of Green methodology.



Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Sustainable Construction and Infrastructure	Medium green
Climate resilience projects (other than aqueducts and lighting systems) that demonstrate a reduction in vulnerability to climate-related situations (such as floods, droughts, storms, and landslides) and support biodiversity conservation.	
Projects for sustainable cities that generate environmental benefits associated with the objectives of climate change mitigation and adaptation and biodiversity.	

Sustainable Production and Circular Economy	Medium to Light green
Treatment of wastewater sludge	
Separate collection and transportation of non-hazardous waste in the source-separated fraction	
Composting of organic waste	
Recovery of non-hazardous waste materials	
Sustainable and ecological design programs, including sustainable packaging design (recyclable-reusable)	
Savings in plastic usage through process efficiencies, waste reduction, and reuse of recovered and/or recycled materials	
Support for research and development aimed at recycling single-use plastics as part of larger plastic recycling efforts	
Use of recycled materials not intended for single-use products in manufacturing.	
Substitution of virgin and polluting raw materials with those that have organic, recyclable characteristics and generally lower hazard characteristics	

Sustainable water management	**Medium green**
New drinking water aqueduct systems that do not adversely affect biodiverse ecosystems or deplete natural water resources, or that make an improvement over existing ones, that reduce their specific energy consumption; mainly through the reduction of water losses.	
Investments for the efficient use of water that have a savings threshold of 20%.	
Sanitary and combined sewage systems.	
Wastewater treatment systems.	

Sustainable energy	**Medium green**
Generation of electricity from ocean energy that does not have an adverse impact on marine species and their habitat.	
Generation of electricity from biomass, biofuels and biogas from sustainably sourced organic waste.	
Manufacturing of biomass, biofuel, and biogas from sustainably sourced organic waste.	
Cogeneration of heat/cold and energy from biomass, biofuels and biogas from sustainably sourced organic waste	
Green hydrogen production.	

Sustainable Agriculture and Forestry	**Medium to Light green**
Use of sustainable agricultural practices/varieties/technology or infrastructure that increase crop yield/quality on existing lands without increasing the environmental footprint.	
Transitioning from monoculture to diversified cropping systems	
Cultivation of native or naturalized species that can adapt more easily to variations in production cycles, water quality/quantity, and temperatures.	
Efficient irrigation	
Agricultural and grazing practices	
Sustainable agriculture certifications	
Basic, intermediate, and advanced practices, investments, and technologies for sustainable cattle farming	
Sustainable livestock certifications (including associative and integrative models)	
Livestock bio-inputs that comply with the regulations of the Colombian Agricultural Institute (ICA)	
Basic, intermediate, and advanced practices for restoring degraded soils	
Basic, intermediate, and advanced practices for the conservation, management, and sustainable use of natural forests	

Basic, intermediate, and advanced practices for commercial reforestation.	
Collection, post-harvest management, processing, or commercialization of non-timber forest products	
Certifications and implementation of sustainable forestry practices.	

Conservation and sustainable use of biodiversity	**Medium to Light green**
Bioeconomy	
Biodiversity management such as, terrestrial areas conservation and restoration and sustainable production practices that avoid or reduce a negative footprint on biodiversity.	
Blue economy, such as aquatic, marine, and coastal areas conservation and restoration and sustainable production practices that avoid or reduce a negative footprint on aquatic or marine biodiversity.	

See Analysis Of Eligible Projects for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

Davivienda is a Colombia-based financial institution that was established in 1972. It is a subsidiary of Grupo Bolívar S.A. and operates in six countries, Colombia, Panamá, Costa Rica, Honduras, El Salvador and United States. The bank offers a wide range of products and services to cater to the financial needs of its customers, including banking services, loan products, investment services, and insurance products. Davivienda is the second largest bank in Colombia by assets, loans and deposits, and ranks first in mortgage loans with a market share above 25%. The bank is actively involved in funding projects related to social interest mortgages, sustainable infrastructure, renewable energy, and energy efficiency. It aims for self-labelled sustainable lending to account for around 30% of its loan portfolio by 2030, compared with around 12.6% in 2023.

Material Sustainability Factors

Climate transition risk

Banks are highly exposed to climate transition risk through the economic activities they finance, which affect the environment. Banks' direct environmental impact is small compared with financed emissions and stems mainly from power consumption (e.g., data centers). Policies and rules to reduce emissions could raise credit, legal, and reputational risks for banks with large exposures to high-emitting sectors, such as oil and gas, metals and mining, real estate, or transportation. These medium- to long-term risks are significant and will be proportional to the impact of climate change on the economy. Positively, financing the climate transition offers a growth avenue for banks through lending, debt structuring, and other capital markets activities.

Biodiversity and resource use

Banks contribute to significant resource use and biodiversity impact through the activities they fund or invest in. For example, the construction sector—which is a major recipient of bank financing—is a large consumer of raw materials such as steel and

cement. Similarly, bank-financed agricultural activities can have material biodiversity impacts. Environmental risks around agriculture remain an important consideration for banks as they present potential disruption to natural ecosystems. Such projects should be carefully assessed to determine if biodiversity risks have been properly managed and negative impacts mitigated.

Physical Climate Risk

Physical climate risks will affect many economic activities as climate change will increase the frequency and severity of extreme weather events. Banks finance a wide array of business sectors that are exposed to physical climate risks, exposing banks to through their financing activities. However, while climate change is a global issue, weather-related events are typically localized, so the magnitude of banks' exposure is linked to the geographical location of the activities and assets they finance. Banks may contribute to mitigate the effects of physical climate risks by financing adaptation projects and climate-resilient infrastructure, as well as by investing in solutions that support business continuity in exposed geographies.

Access And Affordability

Banks' large impact on society and the economy stems from their role in enabling access to financial services to individuals and businesses, and in ensuring the correct functioning of payments systems, which are cornerstones of economic development and stability. In most countries, unbanked and underserved population segments are still meaningful, although the access gap is most acute in emerging economies. Market imperfections such as low competition, incomplete information, and lack of financial literacy, often result in costly alternatives for small businesses and low-income people, so ensuring affordable access to financial services, especially to the most vulnerable population, remains a challenge for the banking industry. New technologies will, however, increasingly enable banks to close this gap through cost efficiencies and product innovation. While structural issues such as poverty, informality, and lack of financial literacy partly limit access to financial services, banks have large opportunities to support economic development through financial inclusion.

Issuer And Context Analysis

All project categories included in Davivienda's Framework address the bank's exposure to material environmental factors, particularly biodiversity and resource use risks. The bank plans on financing sustainable (renewable) energy, sustainable infrastructure and construction, and sustainable production and circular economy projects, aiming to contribute to climate change mitigation and adaptation efforts of its commercial clients. Furthermore, sustainable agriculture and biodiversity conservation projects are targeted to addressing issues related to biodiversity and resource use. Sustainable water and wastewater treatment projects aim to help conserve existing groundwater sources by improving water use efficiency and reduce pollution risks by financing new wastewater treatment systems in uncovered areas. By investing in these projects, Davivienda is advancing its sustainability strategy and working toward its goal of allocating approximately 30% of its loan portfolio to ESG lending by 2030. Overall, all project categories of the Framework were selected to generate measurable positive results in terms of environmental and climate impacts, with the aim of promoting macroeconomic and environmental sustainability. This is relevant in Davivienda's main market, Colombia, given its high natural capital level and economic dependence on ecosystem services, but relatively low levels of physical capital compared with those of advanced economies.

Davivienda has advanced greenhouse gas emissions (GHG) reporting and expects to set science-based targets soon. The bank is well ahead in its financed emissions accounting compared to other Latin American banks. It has reported financed emissions exposure, which accounts for 99% of the bank's total GHG inventory, using the Partnership for Carbon Accounting Financials (PCAF) methodology. The data quality is rated at 3.7 out of five, according to PCAF's quality score, and it is very detailed, covering various sectors including agribusiness, which is uncommon for banks. The data is verified by an external third party. As of 2023, Davivienda has been able to calculate financed emissions for 78% of its commercial portfolio. Most financed emissions come from corporate loans, followed by project finance loans, and bonds. Currently there is a sector-wide limitation in terms of making substantial progress in reducing financed

emissions. Only banks in more advanced economies are disclosing financed emissions reduction. Davivienda reported an increase in its financed emissions in 2023, given the expansion of the scope of its accounting. In 2022, Davivienda only accounted financed emissions from corporate loans, while it reported corporate loans, project finance and bonds financed emissions in 2023. Despite this challenge, it is worth noting that the loans granted under Davivienda's Framework could broaden bank's efforts in reducing its financed emissions. In terms of Scope 1 and 2 (location-based) emissions, the bank has reduced emissions by 20% between 2019 and 2023 through energy efficiency projects and the increased use of renewable energy.

In its financing practices, Davivienda has strong biodiversity loss risk mitigation measures. The Bank has the SARAS Environmental and Social Risk Management System, which applies the IFC's performance standards as a credit evaluation methodology, especially for risks associated with biodiversity in sectors such as agriculture, industry, civil engineering, among others. It is also in the process of strengthening the approach to biodiversity risks with tools such as ENCORE tool. Furthermore, Davivienda verifies that projects or activities are not located in areas related to habitat conversion, deforestation, protected areas, Alliance for Zero Extinction (AZE) zones, UNESCO World Heritage sites, and ensures that projects or activities do not violate current environmental regulations. Additionally, during regular monitoring established for corporate, businesses and projects, verifications are conducted to ensure that these conditions continue to be met throughout the credit period. The bank also has biodiversity initiatives for its consumer loan and insurance portfolio. For example, with each insurance for individuals issued, the individual has the option of contributing to the restoration of mangrove or other ecosystems depending on the location of the insurance. When developing the required criteria for project selection for its biodiversity framework, Davivienda used the Colombia's Green Taxonomy (TVC), Bioeconomy Project Implementation Guide for the Colombian Financial System (Asobancaria, Fondo Acción y Biointropic, 2022), and the Biodiversity Finance Reference Guide (IFC, 2023).

Davivienda has well-established practices for considering physical risks in its financing activities. The bank gathers background information on climate events and the location of projects or activities prior to engaging in corporate and business financing. The bank determines the significance of climate threats for these activities and categorizes the associated risks, engaging with corporate clients on the development and monitoring of adaptation plans. The bank then utilizes various climate stress scenarios, including RCP 2.6, 4.5, 7.0, and 8.5 (all by 2100) to assess the exposure of the commercial portfolio to future climate events. Through the Framework, the bank expects to finance climate adaptation projects focused on nature-based solutions and technologies that can contain climate events for low GHG emitting sectors.

As the Framework solely focuses on biodiversity projects, the financing provided under the Framework won't specifically address the bank's exposure to access and affordability risks. However, the bank has a social strategy in place, for example, it has set targets for 2030 to enhance housing access in the countries where it operates. Davivienda is the leading housing lender in Colombia, with a market share of approximately 26.4% as of 2023. Moreover, in 2023, 32% of the bank's mortgages consisted of affordable housing financing. Regarding other social risks, we believe that the bank's Environmental and Social Risk Management System (SARAS) has well-established social risk mitigation measures. That said, under SARAS the bank assesses impacts on the health or safety of the communities where the projects or activities are carried out and acquisition of land and involuntary resettlement. This is positive as some of the financed environmental projects could introduce these social risk.

Alignment Assessment

This section provides an analysis of the framework's alignment to the Green Bond principles.

Alignment With Principles

Aligned = ✓ Conceptually aligned = O Not aligned = ✗

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

✓ Use of proceeds

All the Framework's green project categories have been assigned a Green Shade, and the issuer commits to allocating the net proceeds issued under the Framework exclusively to eligible green projects. Please refer to the Analysis Of Eligible Projects section for more information on our analysis of the environmental benefits of the expected use of proceeds.

✓ Process for project evaluation and selection

The Framework provides a step-by-step process for selecting and evaluating eligible projects. The commercial and credit departments analyze customers' profiles and credit usage and submit applications for approval by the credit committee. The Environmental and Social Risk Management System team then reviews qualitative and quantitative information from all eligible projects to determine if they meet the established criteria.

In addition to incorporating environmental and social (E&S) clauses into loan contracts, Davivienda requires all projects to undergo a thorough assessment by SARAS. This ensures that there are no significant potentially adverse environmental and social impacts and that appropriate action plans are in place when necessary. The bank also conducts ongoing monitoring of E&S commitments and action plans outlined in loan contracts. Furthermore, the Framework includes a list of eligible certifications for project categories and clearly defines exclusion criteria.

✓ Management of proceeds

Davivienda's treasury department will be responsible for monitoring the management and supervision of proceeds. Unallocated proceeds will be kept in the bank's treasury account in high-quality liquid instruments. Moreover, the issuer commits to replacing projects that no longer comply with the eligibility criteria with new eligible projects. The expected timeline for matching allocations will depend on the submission and approval of required information from new eligible projects but will not exceed the instrument's maturity.

✓ Reporting

Davivienda commits to publicly disclosing information related to sustainable instruments issued under the Framework. The initial report will be released in the year following the issuance, and annually afterward until the instrument reaches its final maturity. The report will include the allocation of net proceeds, a brief description of financed projects, and the remaining balance of unallocated proceeds.

In addition, the bank commits to disclosing the environmental impacts of financed projects within the scope of externally verified strategic indicators in its annual report. We view favorably that the impact reporting will include details on the calculation of key indicators and selected outcome indicators, in line with stronger market practices.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the Shades of Green methodology.

Green project categories

Sustainable Construction and Infrastructure

Assessment	Description
Medium green	Climate resilience projects (other than aqueducts and lighting systems) that demonstrate a reduction in vulnerability to climate-related situations (such as floods, droughts, storms, and landslides) and support biodiversity conservation. Projects for Sustainable Cities that generate environmental benefits associated with the objectives of climate change mitigation and adaptation and biodiversity.

Analytical considerations

- Climate scientists have been clear that some level of climate change will take place, even in the most-optimistic scenarios, making it crucial to plan for, and mitigate, the potential risks to reduce the financial and environmental impact of such events. Implementing adaptation solutions can also reduce resources and emissions linked to rebuilding damaged assets. Financed projects will be mostly located in Colombia, where is particularly vulnerable to extreme heat and heatwaves (throughout the country), landslides in the Andes range, as well as droughts and river and coastal floodings stemming from El Niño and La Niña phenomenon. The Medium Green Shade for the project category reflects the nature of the eligible projects and differentiated environmental benefits.

Climate Resilience Projects

- Davivienda affirms it uses of the TVC eligibility criteria for all financed climate resilience projects. However, we note that under the TVC, the 'Construction' economic sector is not part of the climate adaptation objective. That said, the Framework states that large infrastructure (e.g. roads, bridges, etc.) won't be financed. Rather, financed climate resilience projects will focus on nature-based solutions. Within the project category, the issuer refers to the IFC's Biodiversity guide, which lists several eligible natural or ecological infrastructure that support climate resilience. For example, conservation or rehabilitation of mangroves to reduce flooding and soil erosion. Nature-based Solutions (NbS) are most impactful due to their biodiversity co-benefits and are assigned a Dark Green Shade. They avoid carbon emissions, unlike projects that may require large-scale construction, which can generate significant amounts of emissions.

Sustainable Cities Projects

- According to the Framework, sustainable cities resilience projects entail infrastructure, mobility solutions, natural reserves (considered in each local government approved territorial planning and/or development and greening plans), and waste management (not including landfills or waste-to-energy projects). The broad range of potential projects financed limits our view of the environmental benefit and climate risk exposure of the subcategory. However, we consider that projects represent short-term transition to more climate resilient activities given Davivienda's requirement for every financed project, the project is followed by studies that demonstrate the climate vulnerability reduction. Furthermore, the projects are subject to the bank's SARAS which includes a climate change risk assessment to help prioritize the financed adaptation and resilience projects.
- Furthermore, it is important to identify and manage the potential risk of maladaptation—that is, shifting vulnerability to other parties of climate-related events, and eligible projects' impacts on local biodiversity. We view positively that Davivienda will only finance climate resilience and sustainable cities projects that do no harm to local biodiversity. The bank guarantees it will do so by committing that financed projects under the Framework are subject to its biodiversity screening finance policies and the Framework's exclusion list.

Sustainable Production and Circular Economy

Assessment	Description
Medium to Light green	**Non-hazardous waste** • Separate collection and transportation of non-hazardous waste in the source-separated fraction. • Recovery of non-hazardous waste materials. **Other sources of waste** • Treatment of wastewater sludge. • Composting of organic waste. • Sustainable and ecological design programs, including sustainable packaging design (recyclable-reusable). • Savings in plastic usage through process efficiencies, waste reduction, and reuse of recovered and/or recycled materials. • Support for research and development aimed at recycling single-use plastics as part of larger plastic recycling efforts. • Use of recycled materials not intended for single-use products in manufacturing. • Substitution of virgin and polluting raw materials with those that have organic, recyclable characteristics and generally lower hazard characteristics.

Analytical considerations

- Circular economy services are a key part of a low-carbon, carbon-resilient (LCCR) future, as they can help reduce resource use and waste, for example, by extending products' lifetime though re-use or repair. The sourcing of materials and energy use related to the production of goods, and their final disposal are estimated to account for two-thirds of global GHG emissions, in addition to having other adverse environmental impacts, such as land and water pollution. Goods produced in energy-efficient ways that also seek to limit resource use, including through long lasting design, maintenance and repair, reuse, remanufacturing and refurbishment, and recycling can contribute to significant emissions savings. According to data from DANE, Colombia had a recycling rate of 13.46% for solid and residual waste in 2021, and it has set guidance and strategies to further increase recycling through public-private investments. We think the eligible projects can contribute to this goal.
- Eligible projects help reduce and reuse waste, which is compatible with a circular economy. All projects are listed under the Colombian Taxonomy's 'Waste' economic sector. In the TVC--and therefore the Framework's eligibility criteria--there are environmental considerations for potential risks such as GHG emissions from the recycling or wastewater treatment process. All projects are subject to Davivienda's SARAS and are therefore subject to physical risk analysis. However, the Framework does not explain how this applies to the value chain of circular economy projects (whether underlying activities exposure are analyzed). Furthermore, no lifecycle GHG emissions analysis for financed circular economy projects are conducted, which we view as a limitation.

Non-hazardous waste

- Projects under the non-hazardous waste subcategory only relate to waste sorting and collection to improve recycling rates. We view such projects as Medium Green Shade, given that these relate to municipal, industrial, demolition, and construction waste that would otherwise be landfilled. Therefore, the projects entail significant GHG and environmental risk reduction. The TVC requires that at least 50% (in weight terms) of the non-hazardous waste must become secondary feedstock. The fossil fuel industry is excluded as an end-market for the recycled materials.

Other sources of waste

- Despite their circular benefit, projects under other sources of waste entail high climate and environmental risks within their value chain and are shaded as Light Green. For example, even though eligible sludge treatment projects must have methane emissions management plans, the biogas generated as a byproduct can be used in different end-markets, including being injected into the natural gas network or transformed into bio-LNG for vehicles. The limited use of green hydrogen end electric

vehicle availability in Colombia supports the addition of biogas recovery projects, in our view. Other projects that entail high environmental and climate risks are plastic production waste reduction initiatives and organic waste composting, which can include animal protein waste. However, the limited recycling rate in Colombia, combined with the inclusion of organic waste composting in the TVC, requiring issuers to have emissions, odor, and water use management plans, supports our view of The Light Green Shade for such projects.

Sustainable water management

Assessment	Description
Medium green	Potable water management - Investments required for the purification and efficient use of water resources, including collection, adduction, treatment, storage, conduction and distribution. • New drinking water aqueduct systems that do not adversely affect biodiverse ecosystems or deplete natural water resources, or that make an improvement over existing ones, that reduce their specific energy consumption, mainly through the reduction of water losses. • Investments for the efficient use of water with a savings threshold of 20%. Wastewater management - Investments required for wastewater treatment, including collection, adduction, treatment, storage, conduction, and discharge, including all investments that allow the volume of treated water to be increased. • Sanitary and combined sewer systems. • Wastewater treatment systems.

Analytical considerations

- As a form of natural capital, water is necessary for economic activity, thriving ecosystems, and public health. Therefore, water supply systems projects are important to secure a future where all stakeholders have reliable access to sufficient water of adequate quality. Water efficiency measures help reduce demand on natural capital and reduce GHG emissions associated with water treatment and conveyance. As a result, they could help achieve a LCCR future. That said, water systems are energy intensive and can generate significant waste, exacerbate water stress for other stakeholders, and pose disruptions to hydrology and aquatic ecosystems, if not sufficiently mitigated.
- Wastewater systems reduce pollution, enable resource recovery, enhance ecosystem and public health. As a result, they are a key component of a LCCR future. The primary benefits include improvement in water quality and have important cumulative effects in a watershed; they can help relieve water stress and be a source of nutrient and energy recovery depending on the system. That said, these systems are energy intensive, and can produce significant solid waste and methane emissions, if they are not sufficiently managed.
- Davivienda's sustainable water and wastewater management projects receive a Medium Green Shade. Projects have environmental benefits such as reducing demand on current water systems via water-loss reduction measures. Other benefits include reducing river pollution by financing new wastewater treatment systems. Davivienda uses the TVC eligibility criteria for all financed sustainable water and wastewater projects, which is the Framework's strength given its robust environmental considerations. The use of the TVC for this project category supports the Medium Green Shade.
- New drinking water systems must align with Colombia's Water and Basic Sanitation Regulation, ensuring that water leaks are limited and that appropriate maintenance measures are implemented. The average carbon intensity of the energy of these systems should be equal to or less than 100 gCO2/kWh over the lifetime of the infrastructure. Moreover, for existing systems, the project must meet any of the following criteria: reduce the average energy consumption of the system by at least 20%; achieve at least 20% saving between the losses of the water supply system and water leaks; or increase the coverage of existing systems that already comply with the water leakage target values established in the Colombian Resolution CRA 688 of 2014.
- The Colombian taxonomy's wastewater treatment criteria include requirements such as a reduction in inflow and infiltration of untreated wastewater and system design with environmental co-benefits like emission reduction from methane emissions and the use of renewables to power the systems.

- After providing the loans, the bank's sustainable finance department verifies the compliance of the projects with the TVC criteria, which broaden the positive impact of the financed projects. Nevertheless, Davivienda could finance projects outside Colombia, which could limit its capability to address specific technical considerations of the TVC. That said, the issuer also commits to following the Climate Bond Initiatives (CBI) criteria for sustainable water and wastewater financing, although we note that the Framework does not explicitly detail all the mitigation and adaptation and resilience criteria set by CBI. We expect most financing to occur in Colombia, and we believe that the bank's SARAS, which carries out an assessment of exposure to environmental, social, and physical climate risks, contributes to the screening of sustainable water and wastewater projects. The jurisdictional exposure, SARAS and CBI considerations apply to all project categories of the Framework.
- The issuer has confirmed that no water-related infrastructure expenditure will exclusively support emission-intensive sectors, which strengths the overall environmental benefit of the project category, which is reflected in the Medium Green Shade.

Sustainable energy

Assessment	Description
Medium green	Projects for the generation or cogeneration of energy from renewable sources • Generation of electricity from ocean energy that does not have an adverse impact on marine species and their habitat. • Generation of electricity from biomass, biofuels and biogas from sustainably sourced organic waste. • Manufacture of biomass, biofuel and biogas from sustainably sourced organic waste. • Cogeneration of heat/cold and energy from biomass, biofuels and biogas from sustainably sourced organic waste. • Green Hydrogen production

Analytical considerations

- Bioenergy derived from sustainably produced feedstocks can provide a lower emissions alternative to fossil fuels and a decarbonization pathway where electrification is not possible. At the same time, land use change and biodiversity risks related to feedstock production, transportation, and processing emissions, and local pollution at combustion can undermine the climate and environmental benefits of bioenergy.
- Green hydrogen is important for the transition to a LCCR future due to its low emissions and potential applications in otherwise difficult to decarbonize industrial processes and transportation. However, since green hydrogen relies on electrolysis, water consumption needs to be carefully managed, while other environmental risks include potential end-uses that are polluting and impacts of leaked hydrogen on the atmosphere. As it is a nascent technology, such risks are not yet fully understood.
- We consider this project category to be a Medium Green Shade, given the diversity of projects included in Davivienda's Framework, including bioenergy projects which entail high environmental risks from feedstock sourcing, even if sourced from residues or waste. Power generation projects will serve the local grid and not be directly connected to emission-intensive activities. Davivienda has strong physical climate risk considerations for these projects through SARAS and climate-risk mitigation policies.

Ocean Energy

- Our assessment of power generation from ocean energy is Medium Green Shade. Davivienda utilizes the TVC criteria for ocean energy projects, which requires projects to meet an emission threshold of 100 gCO2e/kWh. In Colombia, ocean energy pilots have focused on salinity gradient, which can be energy intensive. However, there are other forms of available ocean energy in Colombia and other countries where Davivienda operates, such as tidal and current and ocean thermal energy, which have minimal direct emissions. While the emissions threshold supports our view of the Medium Green Shade assessment of the project, it's important to note that the indicator will not be calculated on a lifecycle emission basis. Also, while Davivienda ensures compliance with existing environmental regulations for projects and activities, the issuer fails to provide explicit details on the measures taken to protect marine biodiversity. This limits the project from being fully aligned to a LCCR future.

Agricultural residue-based biofuels and manufacture of biomass

- We assign a Medium Green Shade for Davivienda's agricultural residue-based biofuels and biomass production financing. Eligible biofuel production excludes first-generation feedstock, only allowing for agricultural residues from food-grown crops and excludes fuel-grown crops. Second generation biofuels (production of biofuels from agricultural residue) can have climate-mitigation benefits, although it still has indirect land use change emissions exposure, and the climate-transition risk of the

activity depends on the efficiency of the crushing and fermentation/distillation process in terms of emissions and the asset's fuel efficiency when using the biofuel. The bank will only finance biofuel production plants and biomass production that complies with the TVC do-no-significant-harm requirements. Sugarcane (or other crops such as corn) crushers must demonstrate a complete traceability of the supply of agricultural residue through the corresponding chain of custody management system and demonstrate compliance with the specific compliance requirements of the TVC for the initial crop farming through proper verification systems. Meanwhile, agricultural residue biomass producers must adhere to the requirements defined in Colombia's national regulations for biomass and biofuels. The issuer also commits to following CBI's biofuel criteria, which also has robust direct and indirect land use change GHG emission considerations as well as adaptation considerations. However, we note that the Framework does not explicitly detail the additional requirements set by CBI. Furthermore, all agriculture related financed projects are subject to Davivienda's robust climate and biodiversity risk mitigation screening policies (see Issuer Sustainability Context for the full description).

Generation of electricity from biomass

- We assign a Medium Green Shade for Davivienda's biomass-based electricity generation and heat co-generation project financing. Bioenergy can have climate-mitigation benefits and contribute to the circular economy, but its climate risks and impacts depend on multiple factors such as feedstock, fugitive emissions, and transportation distances and modes. It is important to highlight that biomass combustion can generate pollution. In the case of Davivienda, it is worth noting that specific safeguards beyond local regulatory requirements to mitigate this particular risk are not explicitly specified, except for the requirement that transformers and generators must not contain electrical fluid based on polychlorinated biphenyls (PCBs). To mitigate emissions risks, Davivienda has established that bioenergy facilities (for electricity and heat co-generation) must only use residues from agricultural land that have undergone the bank's screening policies. Also, emissions from electricity generated by the facilities must be lower than 100 gCO2/kWh, on a life cycle basis (considering land-use change emissions from the underlying agriculture activity), in line with the CBI screening criteria. As a result, bioenergy facilities can't use agricultural residue from areas that have been subject to legal land conversion, because the feedstock source would exceed the limit of 100 gCO2/kWh. The bank expects that power will serve the local grid and not be directly connected to emission intensive activities.

Green Hydrogen

- We assign a Medium Green Shade for Davivienda's green hydrogen financing. Davivienda follows the TVC criteria, requiring production to have direct CO2 emissions equal or below 3 tCO2e per ton of hydrogen. As with other projects, Davivienda commits to use the CBI criteria, but does not specify CBI's green hydrogen criteria in the Framework. Moreover, Davivienda defines green hydrogen in line with Article 5 of Colombia's Energy Transition Law 2099 of 2021, which states that hydrogen must be produced from non-conventional renewable energy sources, such as biomass, small hydroelectric power plants, wind, geothermal heat, solar, tidal, among others.
- The end use of green hydrogen is not specified beyond stated exclusions and could be emission-intensive (e.g., used to produce green ammonia for fertilizers, which could generate substantial on-field emissions). However, the Framework states that funding for green hydrogen intended for the exploration and production, and refining process in hydrocarbon production is excluded. Davivienda expects that projects will follow Colombia's Ministry of Mines and Energy hydrogen roadmap that includes clear short-, medium-, and long-term objectives to increase hydrogen production, distribution, and use. The demand from the transportation sector is estimated to start in 2026, primarily in heavy-duty road transport (buses and trucks), potentially reaching light-duty vehicles by the end of the decade. By the same time, the roadmap projects the use of green hydrogen in the production of fertilizers (via ammonia). Given such expected end uses, assessing and mitigating potential rebound, and lock-in risks are important to ensure climate benefits.

Sustainable Agriculture and Forestry

Assessment	Description
Medium to Light green	**Crop Farming** • Use of sustainable agricultural practices/varieties/technology or infrastructure that increase crop yield/quality on existing lands without increasing the environmental footprint. • Transitioning from monoculture to diversified cropping systems.

- Cultivation of native or naturalized species that can adapt more easily to variations in production cycles, water quality/quantity, and temperatures.
- Efficient irrigation
- Sustainable agriculture certifications
- Basic, intermediate, and advanced practices for restoring degraded soils

Livestock Farming

- Agricultural and grazing practices
- Basic, intermediate, and advanced practices, investments, and technologies for sustainable cattle farming
- Sustainable livestock certifications (including associative and integrative models)
- Livestock bio-inputs that comply with the regulations of the Colombian Agricultural Institute (ICA)

Forestry

- Basic, intermediate, and advanced practices for the conservation, management, and sustainable use of natural forests
- Basic, intermediate, and advanced practices for commercial reforestation.
- Collection, post-harvest management, processing, or commercialization of non-timber forest products
- Certifications and implementation of sustainable forestry practices.

Analytical considerations

- Agricultural practices that reduce climate emissions from crop and livestock farming and enhance soil health, water quality, and ecosystem integrity are crucial for a LCCR future. Sustainable inputs and farming practices as well as shifting to more plant-based and lower emissions protein sources contribute to a green transition for this sector. In Colombia, approximately 50 million hectares or 44% of its territory was used for some type of agricultural activity, with livestock farming accounting for nearly 39 million hectares or 78% of the total area used by agriculture.
- Forests can contribute to carbon sequestration, support biodiversity habitat, and provide ecosystem services such as water regulation and soil stabilization that improve climate resilience. Implementing sustainable forestry management practices, avoiding harmful land-use change, and managing physical climate risks including wildfires and pests are key to achieving these benefits.
- The Medium to Light Green Shade for the project category reflects the nature of the eligible projects and various environmental and climate benefits and risks.

Crop Farming

- Davivienda uses of the Colombian Green Taxonomy (TVC) eligibility criteria for all crop farming projects. Some projects are also included in the IFC's and Asobancaria biodiversity guides. The Framework states that no fossil-fueled machinery or infrastructure can be financed under crop farming projects. The TVC defines several "ecological agriculture" crop farming practices that can be financed for coffee (the largest planted crop in Colombia with almost 850,000 hectares of planted area), rice, cacao, and other crops to mitigate climate change and meet TVC's other objectives. Davivienda's Framework lists such practices and commits to meeting the TVC's soil management, water management, and biodiversity and ecosystem preservation requirements. For example, the latter includes a requirement for the issuer to financing farms that follow techniques for minimal soil disturbance (reduction or elimination of tillage), use techniques to improve the structure and porosity of the soil, and species of deep roots, among other many considerations. We believe that the listed farming practices and inputs, together with the considerations from the TVC and Davivienda's climate and biodiversity risk mitigation screening policies (see Issuer Sustainability Context for the full description) support a Medium Green to Light Green Shade assessment for this project category. Similar to other categories, the issuer commits to following CBI's agriculture criteria. However, we note that the

Framework does not explicitly detail all the mitigation and adaptation and resilience criteria set by CBI. Therefore, projects are shaded as Light Green.

Livestock Farming

- Lower-carbon ruminant livestock practices are assigned a Light Green Shade given the very high GHG intensity starting point for such protein source. Furthermore, ruminant livestock farming requires a lot of land and water and can be connected to land conversion for pastureland or soil degradation. In Colombia, the average productivity of traditional cattle farming is at 0.6 to 0.7 heads per hectare, indicating extensive and unproductive land use. Davivienda uses of the TVC eligibility criteria for livestock projects. The projects aim to support the transition from conventional to lower-carbon livestock by financing projects such as new feed for diet changes that entail methane reduction, manure management, and soil restoration, among others. The bank ensures that the financing won't increase cattle head or incentivize extensive livestock practices. The bank, through due diligence processes, will analyze that the farms to be financed guarantee the implementation of sustainable livestock practices framed in the TVC and the Finance Reference Guide for Biodiversity.

Forestry

- More than half of Colombia's terrestrial area is covered by native forests, with 63% of the territory collectively owned by indigenous, Afro-Colombian, and other local communities. Seventeen million hectares of forest land currently have restoration potential (TVC, 2023). Based on the TVC eligibility criteria, Davivienda will finance forestry projects that follow guideline for sustainable forest management according either to the government decree 690/2021, certifications such as the Forest Stewardship Council (FSC), or practices or inputs listed in the TVC. For example, the latter entails financing remote sensing systems to control wildfires and deforestation and the development of nurseries that preserve plant material of the forest, among others. We view positively that the bank's financing practices require the verification, as part of the environmental risk assessment of the project, that the area has not been subjected to habitat conversion, deforestation, or is a protected and biodiversity-sensitive area. However, there are no details for how Davivienda expects to finance projects where the carbon sequestration service of the forest or tree species diversity or biodiversity grows over time. Therefore, the subcategory is shaded as Light Green.

Conservation and sustainable use of biodiversity

Assessment	Description
Medium to Light green	Bioeconomy - Financing of projects and initiatives that promote businesses based on the wealth of natural capital with the use of science, technology, innovation, and that value and protect ecosystem services. • Extraction of natural ingredients, bioactive compounds and development of bioproducts from biodiversity. • Concessions and tourism operations within marine and terrestrial conservation areas that generate opportunities or incentives for enhanced biodiversity protection or reduction of threats to biodiversity. Tourism operations must comply with recognized ecotourism standards. • Biotechnology, including red biotechnology projects (production of medicines and medical procedures), green biotechnology (biopesticides and biofertilizers, genetic modification), white biotechnology (design of efficient products and processes), gray biotechnology (applications for the protection of biodiversity through microorganisms and plants), blue biotechnology (use of marine resources), golden biotechnology (bioinformatics, computational biology), yellow biotechnology (biotechnology in food production), violet biotechnology. Bioeconomy in the health sector, considering phytotherapeutic projects, phytomedicines or biological medicines (biopharmaceuticals, vaccines and antibiotics, pharmacogenetics). • Biomass and green chemistry, including projects such as biorefineries, biomaterials, green chemicals, natural cosmetics.

Biodiversity Management - Projects or initiatives that promote the restoration and conservation (direct and indirect) of terrestrial areas, as well as the financing of sustainable production practices that avoid or reduce a negative footprint on biodiversity.

- Investments that generate co-benefits for biodiversity.
- Investments for the conservation and restoration of biodiversity.
- Nature-based solutions for the conservation and restoration of biodiversity and ecosystems.

Blue Economy - Projects or initiatives that promote the restoration and conservation (direct and indirect) of aquatic, marine and coastal ecosystems, as well as the financing of sustainable production practices for the use of these ecosystems that avoid or reduce a negative footprint on biodiversity.

- Implementation of water and waste management and reduction measures in cargo ships, shipyards and ports.
- Conservation/restoration of marine areas (such as seagrass meadows, corals, and mangroves) that protect important species, enhance habitats, and provide important ecological services or functions. In some cases, these interventions can be designed to offer carbon and biodiversity credits (marine habitat bank).
- Conservation/restoration of wetlands to provide and maintain ecosystem services.
- Watershed management activities (linked to improved land management, agricultural practices and sanitation) to improve water quality and reduce sedimentation in downstream ecosystems (e.g. reefs).
- Measures that achieve conservation, greater efficiency and sustainable use of water, including at least a 20% reduction in water use in agricultural production, manufacturing and processing, construction and building and infrastructure development.
- Prevention of stormwater and wastewater runoff into water bodies, including investment in nature-based solutions for wastewater treatment, such as wetlands built to support the removal of organic pollutants from wastewater.
- Upgrade wastewater treatment plants (at the agricultural, industrial, commercial, residential, or municipal level) to remove all pollutants harmful to biodiversity.

Analytical considerations

- Bioproducts can provide lower value-chain emission substitutes to fossil fuel-intensive materials such as petrochemicals or plastics. Sustainable input sourcing can help avoid upstream risks such as land-use change and ecosystem degradation from poor cultivation practices, while management of energy, water, pollution, and waste in production strengthens green benefits. Terrestrial and marine biodiversity conservation practices can contribute to carbon sequestration, support habitat, and provide ecosystem services such as water regulation, soil stabilization and help avoid ocean acidification, all which improve the economy's climate resilience. Implementing sustainable forestry management practices, avoiding harmful land-use change, and managing physical climate risks including wildfires and pests are key to achieving these benefits.

- Our assessment of the project category is Medium to Light green shade, given the broad range of environmental and climate benefits depending on the type of project, safeguards, and feedstocks. Davivienda seeks alignment with a diverse set of guidelines for each of the projects under its Framework. Particularly, project selection was based on the Asobancaria, Fondo Acción y Biointropic and the Biodiversity Finance Reference Guide. We note that although these are valid guidelines to select eligible use of proceeds projects that can qualify for biodiversity finance, these do not guarantee the implementation of policies to limit potential climate and environmental risks from these projects. For example, there is no visibility as to how these bioproducts will replace synthetic materials currently used in the healthcare, technology, and agriculture sectors. The latter activity can carry high environmental risks. That said, both Asobancaria and the IFC's Biodiversity guides require issuers to conduct a thorough analysis of their customer database, identifying clients who are already involved in businesses or activities

related to the bioeconomy. In addition, they guide issuers to form alliances with institutions focused on the bioeconomy, such as research institutions, government agencies, industry associations. Finally, both sets of guidance recommend the use of evaluations to determine if expected results are being achieved. Davivienda commits to following such guidance. Still, we view as a limitation that some of the projects under this category lack detailed criteria to ensure full alignment to our view of a LCCR future.

- The project category includes a diverse set of projects. We consider that the climate and biodiversity loss risks deriving from these projects are mitigated through the application of the bank's SARAS, which screens projects that carry high environmental, social, and climate risks, but does not consider the end market for bioeconomy products. Additionally, Davivienda's biodiversity screening policy serves as a safeguard to avoid investments in activities that would have a negative impact on local biodiversity. For example, the category includes the extraction of natural resources, which could entail biodiversity-loss risks from the excessive use of endangered plant species. The Framework excludes the production or commercialization of products regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora. Furthermore, other ecosystem degradation mitigation policies are the exclusion of logging operations in primary tropical rainforests, the production and trade of timber or other forest products that are not from legally managed forests. We believe the implementation of SARAS, along with the Framework's exclusion list, provides sufficient safeguards to mitigate the biodiversity loss, land-use change, and ecosystem degradation from Davivienda's biodiversity financing.

Bioeconomy

- In the bioeconomy subcategory, the issuer aims to allocate proceeds to concessions and tourism operations within marine and terrestrial conservation areas. We assign these projects a Light Green shade, given that tourism generates emissions derived from air travel, the use of fossil fuels, and small infrastructure development in sensitive areas. However, we consider appropriate that projects need to meet certain certification standards, such as the Global Sustainable Tourism Council Destinations certification and that the issuer won't finance any major infrastructure tourism project. We view positively that these projects aim to improve protection and reduce threats.
- Davivienda expects to finance many forms of natural products listed on Asobancaria’s Bioeconomy guide for the Colombian economy. We assign the subcategory a Light Green shade. Bioproducts have the potential to replace synthetic products that entail high climate and environmental risks. Nevertheless, we view material sustainability issues of bio-input sourcing, such as emissions and air pollution depending on the energy use, water-intensive processes, and waste in processing. Issues are also present downstream (e.g., impacts from traditional agricultural practices). We believe Davivienda's implementation of SARAS mitigates biodiversity risks from the financing of natural resource extraction, as well as ensures the projects have environmental benefits. Despite this, it is still difficult for biofuel procurers to be certain that no land use change risks, particular indirect risks, remain in supply chains. Additionally, there is no visibility of strong climate or biodiversity additionality as the issuer is uncertain of the specific projects it will finance, which limits our assessment of the contribution to an LCCR future.
- Davivienda aims to provide financing for various types of biotechnology projects. We classify biotechnology projects as falling within the Light category, although they offer a range of environmental benefits, we note some limitations on their positive impact. We acknowledge that, similar to other projects within the framework, biotechnology projects have environmental and social risk mitigation measures through SARAS. That said, biotechnology projects focused on biodiversity conservation, such as gold biotechnology, are considered Dark Green. Biotechnology projects that yield environmental benefits, such as reduced carbon footprint, are classified as Light Green. Meanwhile, research and development projects and genetic modification of food crops, excluding livestock, are also classified as Light Green. Davivienda has exclusions that provide certainty that the financing won’t be linked to emission-intensive sectors. For example, grey biotechnology excludes projects or initiatives developed along the hydrocarbon production chain. Meanwhile yellow and violet biotechnology exclude cattle livestock financing. Although genetic modification can promote the resilience of food crops and can lower food waste, we note that there are high social risks embedded and cross-pollination biodiversity risks remain.
- We assess the financing of agricultural waste processing and green chemistry, including biorefineries, as Light Green. Recycled fuels and feedstocks for biorefineries provide CO2 emissions reductions by avoiding using virgin materials in production. That said, there are still high climate risks related to biorefineries. Davivienda commits to only refine biorefineries that have strong energy efficiency practices, a decarbonization plan around the reduction of fossil fuel use and a better GHG emissions baseline than traditional refineries. However, there are no GHG emissions thresholds around potential biorefineries to be financed. Moreover, there is low visibility around the end of life for the products of these bio-based chemicals, which limits our assessment.

Biodiversity management

- In this subcategory, the issuer aims to allocate projects that are listed under the IFC's Biodiversity Finance Reference Guide, Sections I to III. We consider terrestrial biodiversity conservation and restoration projects as Dark Green Shade, even though the issuer did not specify the potential location of such projects.
- There is limited visibility of the potential nature-based solutions financed under the subcategory. That said, the implementation of the bank's SARAS and the exclusion list provide sufficient safeguards to mitigate climate, land-use change, and ecosystem degradation risks, in our view, but the potential environmental benefit is not entirely clear. For example, Davivienda ensures that the project or activity is not located in areas of the AZE Zones or located in areas related to deforestation or where natural habitats have been affected in the last five years. Therefore, we consider sustainable production practice for the biodiversity management category as Light Green Shade.

Blue economy

- Davivienda's blue economy subcategory project selection derives from the IFC's Biodiversity guide. We consider aquatic and marine biodiversity conservation and restoration projects as Dark Green Shade, even though the issuer did not specify the potential location of such projects. Still, the issuer details what they entail, such as reef restoration to improve climate resilience. For cases where the project can be designed to offer carbon and biodiversity credits (marine habitat bank), we note the relevance of the appropriate project implementation, assurance of additionality, and on-site risk mitigation. Moreover, we believe there might be risks from ecosystem conversion elsewhere by potential lenders.
- The sustainable practices management projects lack several specifications regarding the eligibility criteria or end-markets. For example, wastewater treatment plants do not have details about sludge treatment methods or methane emissions thresholds. Still, we view such projects as Light Green Shade, given the quantified reduction in water use, their focus on water quality, and relatively low climate risk. Our opinion is constrained, given the value chain risks from the probable industries it will serve. We note that water efficiency project proceeds will only be allocated toward the efficient water use, and not for agricultural production, manufacturing and processing, construction, and infrastructure development. There is a 20% minimum threshold for improvements relative to business-as-usual practices, which we view as aligned with industry practices. Agriculture accounts for around half of Colombia's water use. Therefore, despite not directed at water efficiency measures for sustainable or regenerative agriculture, we believe the 20% water use improvements is an adequate short-term solution to reduce pressure on the water systems.

S&P Global Ratings' Shades of Green

Assessments	Dark green	Medium green	Light green	Yellow	Orange	Red
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

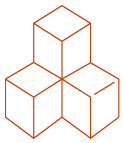
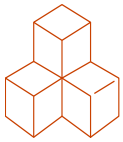
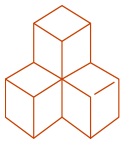
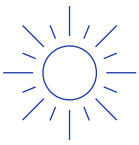
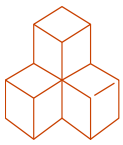
Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

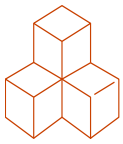
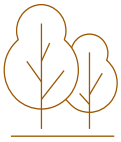
LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Mapping To The U.N.'s Sustainable Development Goals

Where the Financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the Financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not impact our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs		
Sustainable infrastructure and construction	 **8. Decent work and economic growth**	 **9. Industry, innovation and infrastructure**	 **11. Sustainable cities and communities**
Sustainable production and circular economy	 **8. Decent work and economic growth***	 **9. Industry, innovation and infrastructure**	 **12. Responsible consumption and production***
Sustainable water management	 **6. Clean water and sanitation***	 **9. Industry, innovation and infrastructure**	
Sustainable energy	 **7. Affordable and clean energy***	 **9. Industry, innovation and infrastructure***	 **13. Climate action**

Sustainable agricultural development	 **2. Zero hunger***	 **13. Climate action**	 **15. Life on land***		
Conservation and sustainable use of biodiversity	 **8. Decent work and economic growth**	 **9. Industry, innovation and infrastructure**	 **12. Responsible consumption and production**	 **13. Climate action**	 **15. Life on land***

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- Analytical Approach: Second Party Opinions: Use Of Proceeds, July 27, 2023
- Analytical Approach: Shades Of Green Assessments, July 27, 2023
- FAQ: Applying Our Integrated Analytical Approach For Use-Of-Proceeds Second Party Opinions, July 27, 2023
- S&P Global Ratings ESG Materiality Maps, July 20, 2022
- IFC Biodiversity Finance Reference Guide, May 2023
- Colombia's Green Taxonomy, March 2022
- Bioeconomy Project Implementation Guide for the Colombian Financial System, 2023
- Tipping Points Shrink The Sustainable Growth Playing Field | S&P Global (spglobal.com)

Analytical Contacts

Primary contact

Victor Laudisio
São Paulo
+55 11 97311-6065
victor.laudisio
@spglobal.com

Secondary contacts

Azul Ornelas
Mexico City
azul.ornelas
@spglobal.com

Deborah Siqueira
São Paulo
deborah.siqueira
@spglobal.com

Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P) receives compensation for the provision of the Second Party Opinions product and the European Green Bond External Review product (separately and collectively, Product).

S&P may also receive compensation for rating the transactions covered by the Product or for rating the issuer of the transactions covered by the Product.

The purchaser of the Product may be the issuer.

The Product is not a credit rating, and does not consider credit quality or factor into our credit ratings. The Product does not consider, state or imply the likelihood of completion of any projects covered by a given financing, or the completion of a proposed financing. The Product is a statement of opinion and is neither a verification nor a certification. The Product is a point in time evaluation reflecting the information provided to us at the time that the Product was created and published, and is not surveilled. The Product is not a research report and is not intended as such. S&P's credit ratings, opinions, analyses, rating acknowledgment decisions, any views reflected in the Product and the output of the Product are not investment advice, recommendations regarding credit decisions, recommendations to purchase, hold, or sell any securities or to make any investment decisions, an offer to buy or sell or the solicitation of an offer to buy or sell any security, endorsements of the suitability of any security, endorsements of the accuracy of any data or conclusions provided in the Product, or independent verification of any information relied upon in the credit rating process. The Product and any associated presentations do not take into account any user's financial objectives, financial situation, needs or means, and should not be relied upon by users for making any investment decisions. The output of the Product is not a substitute for a user's independent judgment and expertise. The output of the Product is not professional financial, tax or legal advice, and users should obtain independent, professional advice as it is determined necessary by users.

While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P and any third-party providers, as well as their directors, officers, shareholders, employees, or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness, or availability of the Product. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for reliance of use of information in the Product, or for the security or maintenance of any information transmitted via the Internet, or for the accuracy of the information in the Product. The Product is provided on an "AS IS" basis. S&P PARTIES MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDED BUT NOT LIMITED TO, THE ACCURACY, RESULTS, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE PRODUCT, OR FOR THE SECURITY OF THE WEBSITE FROM WHICH THE PRODUCT IS ACCESSED. S&P Parties have no responsibility to maintain or update the Product or to supply any corrections, updates, or releases in connection therewith. S&P Parties have no liability for the accuracy, timeliness, reliability, performance, continued availability, completeness or delays, omissions, or interruptions in the delivery of the Product.

To the extent permitted by law, in no event shall the S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence, loss of data, cost of substitute materials, cost of capital, or claims of any third party) in connection with any use of the Product even if advised of the possibility of such damages.

Some of the Product may have been created with the assistance of an artificial intelligence (AI) tool. Published Products created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

S&P maintains a separation between commercial and analytic activities. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

For PRC only: Any "Second Party Opinions " or "assessment" assigned by S&P Global Ratings: (a) does not constitute a credit rating, rating, sustainable financing framework verification, assessment, certification or evaluation as required under any relevant PRC laws or regulations, and (b) cannot be included in any offering memorandum, circular, prospectus, registration documents or any other document submitted to PRC authorities or to otherwise satisfy any PRC regulatory purposes; and (c) is not intended for use within the PRC for any purpose which is not permitted under relevant PRC laws or regulations. For the purpose of this section, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

For India only: Any "Second Party Opinions" or "assessments" assigned by S&P Global Ratings to issuers or securities listed in the Indian securities market are not intended to be and shall not be relied upon or used by any users located in India.

Australia: S&P Global Ratings Australia Pty Ltd provides Second Party Opinions in Australia subject to the conditions of the ASIC SPO Class No Action Letter dated June 14, 2024. Accordingly, this Second Party Opinion and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).