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Second Party Opinion


Organización Terpel S.A.'s Sustainability-Linked Bond Framework

May 13, 2025

Editor's note: This SPO report is based on S&P Global Ratings' "[Analytical Approach: Second Party Opinions And Transaction Evaluations](#)" dated Dec. 7, 2022, which was partly superseded by S&P Global Ratings' "[Analytical Approach: Second Party Opinions: Use of Proceeds](#)," dated July 27, 2023, following the launch of our integrated use-of-proceeds SPOs.

Organización Terpel S.A. (Terpel) operates 2,400 fuel service stations, 500 convenience stores, and around 50 electric charging stations in Colombia, Panama, Ecuador, Peru, and the Dominican Republic. The company engages in the purchase, distribution, and supply of hydrocarbons and their derivatives (90% of its revenues), as well as the refining, supply, storage, and transportation of natural gas and liquefied petroleum gas. It also manufactures lubricants; constructs, refurbishes, and maintains ports; and engages in related activities (7.5% of its revenues). Terpel was incorporated in 2001 and is based in Bogotá, Colombia. It is a subsidiary of Compañía de Petróleos de Chile Copec S.A.

In our view, Terpel's sustainability-linked bond framework, published in October, is aligned with:

-  Sustainability-Linked Bond Principles, ICMA, 2024

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Issuer's Sustainability Objectives

Terpel has made a commitment to achieve carbon neutrality by 2050 for Scope 1 and 2 emissions. To fulfill this commitment, Terpel has established interim targets and aims to reduce these emissions by 50% from a 2019 baseline by 2030. Key decarbonization initiatives include energy efficiency projects, utilization of renewable energy (such as solar panels), and participation in carbon credit generation. In its materiality assessment conducted in 2023, Terpel identified alternative energies and climate-based opportunities as a doubly material issue, standing out for their high level of impact and the mitigation of identified long-term risks. As of 2023, Terpel directly operated 24 photovoltaic power generation stations dedicated to meet the energy needs of the organization and its subsidiaries.


Selected Key Performance Indicators (KPIs) And Sustainability Performance Targets (SPTs)

KPI	SPT	Baseline	2023 performance
Energy generated from nonconventional renewable sources (GWh/year)	Reach 5.1 GWh/year of renewable energy by 2027	1.06 GWh/year (2022)	2.3 GWh/year

Second Party Opinion Summary

Selection of key performance indicators (KPIs)

Alignment

 Terpel’s sustainability-linked bond framework is aligned with this component of the Principles.

KPI 1

Energy generated from nonconventional renewable sources (GWh/year).

Not aligned


Aligned

Strong

Advanced

Calibration of sustainability performance targets (SPTs)

Alignment

 Terpel’s sustainability-linked bond framework is aligned with this component of the Principles.

SPT 1

Reach 5.1 GWh/year of renewable energy by 2027.

Not aligned


Aligned

Strong

Advanced

Instrument characteristics


Alignment

 Terpel’s sustainability-linked bond framework is aligned with this component of the Principles.

The sustainability-linked instruments issued under the framework will be subject to potential changes in their financial characteristics if they fail to meet the stated SPTs by the target observation date or if the issuer fails to comply with reporting and verification obligations in a timely manner. Variations in their financial characteristics will be in the form of an upward adjustment (step up). Specific verification dates will be specified in the transaction documentation.

Reporting

Alignment

 Terpel’s sustainability-linked bond framework is aligned with this component of the Principles.

Score

Not aligned

Aligned


Strong

Advanced

Terpel’s commits to disclose, on an annual basis, an update on the KPIs and any information relevant to monitoring the SPT progress in its Integrated Report on its website. The company will also publish information on the impacts of the SPT performance on the instrument’s economic characteristics on an annual basis.

Post-issuance review

Alignment

 Terpel’s sustainability-linked bond framework is aligned with this component of the Principles.

Terpel’s sustainability-linked bond framework is aligned with this component of the Principles.

Framework Assessment

Selection of key performance indicators (KPIs)

The Principles make optional recommendations for stronger structuring practices, which inform our relevancy opinion as aligned, strong, or advanced. For each KPI, we consider how relevant the KPI is for sustainability by exploring the clarity and characteristics of the defined KPI; its significance for the issuer’s sustainability disclosures; and how material it is to the issuer’s industry and strategy.

 Terpel’s sustainability-linked bond framework is aligned with this component of the Principles.

KPI 1	Energy generated from nonconventional renewable sources (GWh/year).	Not aligned	Aligned	Strong	Advanced
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We assess the KPI selected as aligned given that it is directly aligned with Terpel's sustainability strategy and contributes to the global effort toward energy transition and mitigating climate change. In addition, we consider the implementation of renewable energy in the operations as relevant to the oil and gas sales and distribution sector. The KPI's objective and applicable scope are clearly articulated in the framework. The definition of the indicator includes direct operation of Terpel and subsidiaries.

To calculate the KPI renewable energy generation, Terpel will sum the amount of energy in KWh generated during a calendar year (KWh/year). It will only consider energy generated from nonconventional sources of renewable energy projects (namely, onsite solar photovoltaic panels) operated by Terpel. In our view, developing renewable energy generation facilities is among the strongest approaches to electricity emissions abatement, given that it ensures additionality to the country’s renewable energy supply. The KPI is used under the IFRS accounting standards and GRI, which allows for external benchmarking. Terpel has also been measuring, reporting, and verifying the amount of renewable energy generated since 2021, providing a historical track record.

That said, the KPI only addresses the company’s Scope 2 emissions, and the company currently estimates that Scope 2 emissions represent around 9% of total greenhouse gas emissions. By excluding Scopes 1 and 3 emissions, the KPI excludes most of Terpel's overall carbon footprint, which limits our assessment. In addition, the company has yet to complete accounting for “use of sold products” among its Scope 3 emissions (category 11), which is among the most relevant sources of emissions for the sector. We understand that efforts to improve this reporting are ongoing.

While not an immediate part of the company’s transition plan, the KPI may represent a long-term step toward reducing Terpel's Scope 3 emissions because the installation of renewable energy onsite would enable the company to power electric vehicle (EV) charging stations in the future. In that sense, Terpel has aligned its sustainability strategy and corporate commitment to promote the energy transition and decarbonization of transportation, but it still needs to translate it into tangible investments.

Transportation is the largest contributor (41%) to energy-related greenhouse gas emissions in Colombia. According to data from Colombia's National Association for Sustainable Mobility, by 2022, EVs accounted for 0.12% of vehicles in Colombia. Colombian authorities and municipalities have implemented measures to improve infrastructure to benefit and promote use of EVs, such as the electric vehicle law that aims to have at least five charging stations in all municipalities (except for Buenaventura and Tumaco). According to data from Electromaps, so far, the country has 218 charging stations, mostly in bigger cities like Bogotá (45 stations) and Medellín (30). Lack of infrastructure can limit the effects of efforts to promote EV use.

Calibration of sustainability performance targets (SPTs)

Second Party Opinion

The Principles make optional recommendations for stronger structuring practices, which inform our ambition opinion as aligned, strong, or advanced. We consider the level of ambition for each target by assessing its clarity and characteristics, how the issuer defines the target with reference either to its past performance, or to external or competitor benchmarks, and how it explains what factors could influence future performance.

✓ Terpel’s sustainability-linked bond framework is aligned with this component of the Principles.

SPT 1

Reach 5.1 GWh/year of renewable energy by 2027.

Not aligned

Aligned

Strong

Advanced

We believe the ambition, clarity, and characteristics of the SPT are aligned with the Principles. Terpel aims to generate 5.1 GWh annually of renewable electricity by 2027. It includes electricity generated on site through solar panels.

Terpel will increase 2.8 MWh from 2023 to 2027 (on average, 0.7 MWh/year), in contrast to a 1.9 MWh increase from 2021 to 2023 (0.95 MWh/year), which we believe is an ambitious rate of growth. Although the annual percentage increase of the KPI appears to decline, this can be attributed to the fact that the baseline is close to zero. As a result, the initial years may experience higher growth, while subsequent years tend to stabilize. Terpel's proposed rate aims to achieve compound annual growth of 36% between 2024 and 2027. In contrast, based on the 2023 United Nations Sustainable Development Goal monitoring report there was a compound annual growth rate of 9.6% for renewable energy in developing countries from 2016 to 2021, and 8.6% for 2010-2015. We view favorably the company's focus on producing its own renewable energy to reduce reported Scope 2 emissions, rather than relying on the purchase of carbon credits.

The framework provides some information on the strategy by which the target will be reached by the target observation date (Dec. 31, 2027). For the fulfillment of this objective, Terpel and its subsidiaries are identifying optimal locations within their network of plants, operational centers, and Terpel’s-owned or affiliated service stations to assess the feasibility of installing new power generation facilities. Moreover, the issuer identifies factors beyond its direct control that could affect the achievement of the SPT. These include climate variability, exposure to public order issues in the areas where the plants are located, the concentration of operations at the Cartagena lubricant plant (around 25% of the energy generated in 2023), and prolonged power outages from the interconnected system.

Despite Terpel's efforts to use external references and definitions to facilitate the assessment of the SPT’s level of ambition, peer benchmarking is challenging given that most of sustainability targets available in the market are at the upstream level (exploration and production of oil and gas).

Baseline	Reach 5.1 GWh/year of renewable energy by 2027			
2022	2024	2025	2026	2027
1.06 GWh/year	2.9 GWh/year	3.5 GWh/year	4.0 GWh/year	5.1 GWh/year
	Equivalent to 26% annual growth versus previous year.	Equivalent to 21% annual growth versus previous year.	Equivalent to 14% annual growth versus previous year.	Equivalent to 28% annual growth versus previous year.

Instrument characteristics

The Principles require disclosure of the type of financial and structural impact involving trigger events, as well as the potential variation of the instrument’s financial and structural characteristics.


Second Party Opinion

 Terpel’s sustainability-linked bond framework is aligned with this component of the Principles.

Terpel confirms that instruments under the framework will be subject to modification in financial characteristics triggered by the observed performance against the SPTs. This will include an upward adjustment (step-up) in the coupon rate of 25 basis points for noncompliance with the target on the verification date, and the adjustment will be applied until the maturity of the bond. Characteristics will be further defined in the relevant bond issuance documents. The framework also includes a fallback mechanism by which the financial characteristics of the instrument will change if the issuer fail to comply with the annual reporting and verification obligations stated in the framework.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 Terpel’s sustainability-linked bond framework is aligned with this component of the Principles.

Disclosure score

Not aligned

Aligned

Strong

Advanced

We consider Terpel’s overall reporting practices to be strong.

Terpel commits to annually disclose the performance of the SPT for the selected KPI within its integrated report available through its website. The issuer also commits to disclose sufficient information to allow investors to monitor the progress of the SPT, and provide any other relevant information enabling lenders or investors to monitor the ambition and progress of the SPT, including relevant updates to its sustainability strategy. Finally, the issuer commits to illustrate the positive sustainability impacts of the KPI through sector comparison analysis when feasible. Which we view as a strong characteristic because it goes beyond the core requirements from the Principles.

Post-issuance review

The Principles require post-issuance review commitments, including the type of post-issuance third-party verification, periodicity, and how this will be made available to key stakeholders. Our opinion describes whether the documentation is aligned or not aligned with these requirements. Please note, our second party opinion is not itself a post-issuance review.

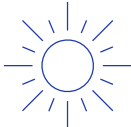

 Terpel’s sustainability-linked bond framework is aligned with this component of the Principles.

Terpel commits to obtain independent and external post-signing/issuance verification of the issuer’s performance level against each SPT for the selected KPI annually, until maturity. Terpel commits to publicly disclosing the verification of KPI performance, along with the external auditor’s verification report, on its website.

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

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

Organización Terpel Sustainability-Linked Bond Framework intends to contribute to the following SDGs:

KPI	SDGs		
KPI 1 – Energy generated from nonconventional renewable sources			<div>Choose a building block.</div> <div>Choose a building block.</div> <div>Choose a building block.</div>
	7. Affordable and clean energy	13. Climate action§	

§The KPI is likely to contribute to the SDGs.

Second Party Opinion

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