October 2019

Country Progress Report

Colombia
1. Country progress summary – Colombia

**SBN Member:**
- ASOBANCARIA Colombia (member since 2012)
- Financial Superintendence of Colombia (SFC) (member since 2018)

**SBN Working Group:** Measurement Working Group, Green Bond Working Group

**Key policy documents:**
- Green Protocol (Asobancaria, 2012)
- General Guidelines for the implementation of E&S risk analysis (Asobancaria, 2016)
- Roadmap of actions to launch a Green Bond market in Colombia (E3 and Metrix Finanzas, 2017)

**Key milestones since 2018 SBN Report:**
- SFC joined SBN in 2018 and has been planning to develop guidelines and clear definitions on sustainable finance in order to support FIs in advancing on their sustainable finance journey.
- The country’s Green Protocol expanded its scope in 2018 to include other financial sector associations, such as the Federation of Colombian Insurers (Fasecolda), and the Colombian Association of Microfinance Institutions (Asomicrofinanzas).
- In addition, a “Responsible Investment Taskforce” was very recently created, to foster dialogue between public and private actors of the financial sector.

**Ambitions for next phase:** The country has committed to further develop its sustainable finance system to fulfill its commitment to a 20-30 percent reduction in greenhouse gas emissions by 2030, compared to business as usual, based on its Sustainable Colombia Initiative (covering 2015-2030).

**SBN and IFC role:** IFC, in partnership with Canada and SECO, has been providing technical support and advisory services to both Asobancaria and SFC to support their initiatives. Through SBN, Asobancaria has shared its experience with other SBN members and benefited from the collective SBN knowledge base.
Figure 1: SBN Progression Matrix with Assessment Results
Assessment based on progress up to and as of June 2019

Note:
1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.
2. Overview of policy coverage by indicators

1. Alignment with global E&S standards and best market practices
2. Alignment to NDCs and with national/regional climate change targets
3. Multi-stakeholder collaboration
4. Defining sustainable assets and financial products
5. Green finance product guidelines
6. Tracking and disclosure of climate & green finance
7. Calculation of environmental benefits
8. Climate risk exposure assessment
9. Financial and non-financial incentives
10. Role of governing bodies on E&S
11. Organization
12. E&S policy
13. Risk assessment
14. E&S covenants
15. Project supervision & portfolio review
16. Training
17. External communication mechanism
18. E&S reporting
19. Enforcement
3. Policy coverage developed

**Pillar I: Strategic Alignment**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Policy requirement</th>
<th>Reference</th>
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<tbody>
<tr>
<td><strong>Alignment with global E&amp;S standards and best market practices</strong></td>
<td>The General Guidelines contain several recommendations to follow international standards, such as the IFC Performance Standards, the Equator Principles, or the UN Global Compact self-assessment tool. The Green Protocol also refers to Green Financial Products and Services (UNEP FI) and the UN-supported Principles for Responsible Investment (PRI).</td>
<td>Green Protocol (Asobancaria, 2012) - General Features - Reference standards</td>
</tr>
<tr>
<td><strong>Alignment to NDCs and with national/regional climate change targets</strong></td>
<td>The current framework states its alignment with national strategies linked to the Paris Agreement.</td>
<td>General Guidelines for the implementation of E&amp;S risk analysis (Asobancaria, 2016) – Nacionales</td>
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<td><strong>Multi-stakeholder collaboration</strong></td>
<td>The framework involves inter-agency collaboration between financial supervisors/regulators, industry association, and FIs. This collaboration also includes other public agencies (environmental agencies, ministries).</td>
<td>Green Protocol (Asobancaria, 2012) - Agreement &amp; General Features - Reference standards</td>
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## Pillar II: Climate and Green Finance

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<tr>
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<tr>
<td><strong>Products and services</strong></td>
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<tr>
<td><strong>Indicator 4, 5</strong></td>
<td><strong>Defining sustainable assets and financial products</strong>&lt;br&gt;The Roadmap sets out long-term ambitions and near-term objectives for the creation of a green bond sector. It provides definitions of green assets&lt;br&gt;&lt;br&gt;<strong>Green finance product guidelines</strong>&lt;br&gt;More broadly, the Protocol and Guidelines both encourage banks to develop new products and services offering E&amp;S benefits.&lt;br&gt;&lt;br&gt;The framework provides guidelines for green bonds.&lt;br&gt;&lt;br&gt;The framework refers to existing standards.</td>
<td>Roadmap of actions to launch a Green Bond market in Colombia (E3 and Metrix Finanzas, 2017) - 5.2.2 Segundo Objetivo: Definir inversión verde en Colombia con sus categorías y subcategorías&lt;br&gt;Green Protocol (Asobancaria, 2012) - Strategy 1&lt;br&gt;Green Protocol (Asobancaria, 2012) - Strategy 1 - A) &amp; B); Roadmap of actions to launch a Green Bond market in Colombia (E3 and Metrix Finanzas, 2017)&lt;br&gt;Roadmap of actions to launch a Green Bond market in Colombia (E3 and Metrix Finanzas, 2017) - 5.2.2 Segundo Objetivo: Definir inversión verde en Colombia con sus categorías y subcategorías.</td>
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| **Climate and green investment reporting** | | |
| **Indicator 6** | - | - |

| **Measurement** | | |
| **Indicator 7, 8** | **Calculation of environmental benefits**<br>The Roadmap set out an objective for FIs to review and report on environmental impacts of green investments and states the need to define standards. FIs are asked to calculate environmental benefits of their investments. | Roadmap of actions to launch a Green Bond market in Colombia (E3 and Metrix Finanzas, 2017) - 5.2.7 Séptimo Objetivo: Estandarizar el seguimiento y monitoreo del impacto de las inversiones para verificadores e inversionistas |

| **Incentives** | | |
| **Indicator 9** | - | - |
## Pillar III: ESG Integration

<table>
<thead>
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<tbody>
<tr>
<td>Governance of E&amp;S</td>
<td><strong>Role of governing bodies</strong></td>
<td>The General Guidelines highlight the role of FI governing bodies and top management in the implementation of E&amp;S policies. It requires at least one of the FIs' governing bodies to approve an E&amp;S strategy and for management to report on the E&amp;S strategy implementation to the governing bodies.</td>
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<td><strong>Organization</strong></td>
<td></td>
<td>The Protocol requires banks to develop and maintain the ability to manage E&amp;S risks. This includes developing training and tools.</td>
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<tr>
<td>E&amp;S risk management</td>
<td><strong>E&amp;S policy</strong></td>
<td>The Protocol and General Guidelines require banks to establish a formal E&amp;S policy, including details of the policy's scope. They also ask banks to set out clear E&amp;S performance standards, examples, and tools. FIs are encouraged to go beyond local E&amp;S laws &amp; regulations.</td>
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<td><strong>Risk assessment</strong></td>
<td></td>
<td>The Protocol expects banks to monitor E&amp;S factors, to categorize projects on this basis, and to manage risks accordingly, including during supervision. FIs are required to carry out appropriate E&amp;S due diligence at both transaction level and at client level.</td>
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<td><strong>E&amp;S covenants</strong></td>
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<td>The framework asks FIs to incorporate E&amp;S covenants and investment conditions into legal agreements with clients. The Guidelines contain examples of E&amp;S covenants for legal agreements.</td>
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<td><strong>Project supervision &amp; portfolio review</strong></td>
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<td>The framework asks FIs to develop processes to manage E&amp;S risks during supervision.</td>
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<td><strong>Training</strong></td>
<td></td>
<td>The framework asks FIs to develop and maintain E&amp;S capacity through regular training. It highlights the training of (i) front officers, (ii) second lines of defense (risk officers and/or compliance officers), and (iii) E&amp;S experts</td>
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<td><strong>E&amp;S reporting</strong></td>
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<td>The Protocol requires banks to report periodically on their implementation progress, using their chosen metrics – such as the amount of loans that have been analyzed from an E&amp;S perspective.</td>
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**Enforcement**

**Indicator 19** | - | - | - |
## 4. Policy coverage to be developed

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<th>Sub Pillar</th>
<th>Gaps</th>
<th>Areas for improvement</th>
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</table>
| Alignment with global E&S standards and best market practices | 60% | ➢ Reference to international E&S targets  
➢ Requirement to seek external verification for E&S policies, practices, and results |
| Alignment to NDCs and with national/regional climate change targets | 33% | ➢ Defined main climate risks for local financial sector |
| Multi-stakeholder collaboration | 25% | ➢ Collaboration with representatives of civil society |

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| Products & services | 60% | ➢ Comprehensive taxonomy for green assets  
➢ Definition/examples for social/sustainable assets  
➢ Guidelines for green financial assets (excluding green bond)  
➢ Recommendation of external party verification |
| Climate & green investment reporting | 100% | ➢ Requirement to report on climate/green finance flows  
➢ Requirement to report on climate risk exposure at portfolio level  
➢ Encouragement for FIs to report publicly on green finance activities |
| Measurement | 75% | ➢ Taxonomy of potential environmental impacts  
➢ Methodologies, tools, and/or templates to measure and report environmental impacts  
➢ Requirement for FIs to monitor climate risk exposure at portfolio level  
➢ Reference to specific climate risk exposure methodologies  
➢ Encouragement of mitigation steps |
| Incentives | 100% | ➢ Incentives for green financial products/services  
➢ Financial incentives on green products/services |

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| Governance of E&S | 50% | ➢ Requirement of FI operational bodies to report to the governing bodies on implementation of the E&S strategy  
➢ Highlight the roles of front officers and second lines of defense  
➢ Requirement to define competencies for each role |
| E&S risk management | 32% | ➢ Requirement for FIs to set E&S or ESG objectives and targets  
➢ Requirement to publicly disclose their E&S policy and its governance  
➢ Encouragement of site visits for high-risk transactions  
➢ Invitation to engage with clients to implement mitigation measures in case of negative impacts  
➢ Encouragement of a periodic review of E&S risks at aggregate portfolio level  
➢ Requirement of FIs to establish and maintain any inquiry/complaints/grievance mechanism in relation to E&S or ESG practices  
➢ Requirement of E&S or ESG reporting and disclosure to be more consistent across financial institutions through introducing principles, guidelines, or templates |
| Enforcement | 100% | ➢ Implementation of the framework regularly verified or information regularly collected from FIs  
➢ Financial and non-financial incentives for establishing ESRM systems  
➢ Sanctions/penalties/warnings in case of noncompliance with the framework |
Access the SBN Global Progress Report and Country Reports at:
www.ifc.org/SBN2019Report