

A Sustainable Banking Network (SBN)
Flagship Report
Addendum to SBN Global Progress Report

October 2019

Country Progress Report

Colombia



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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:

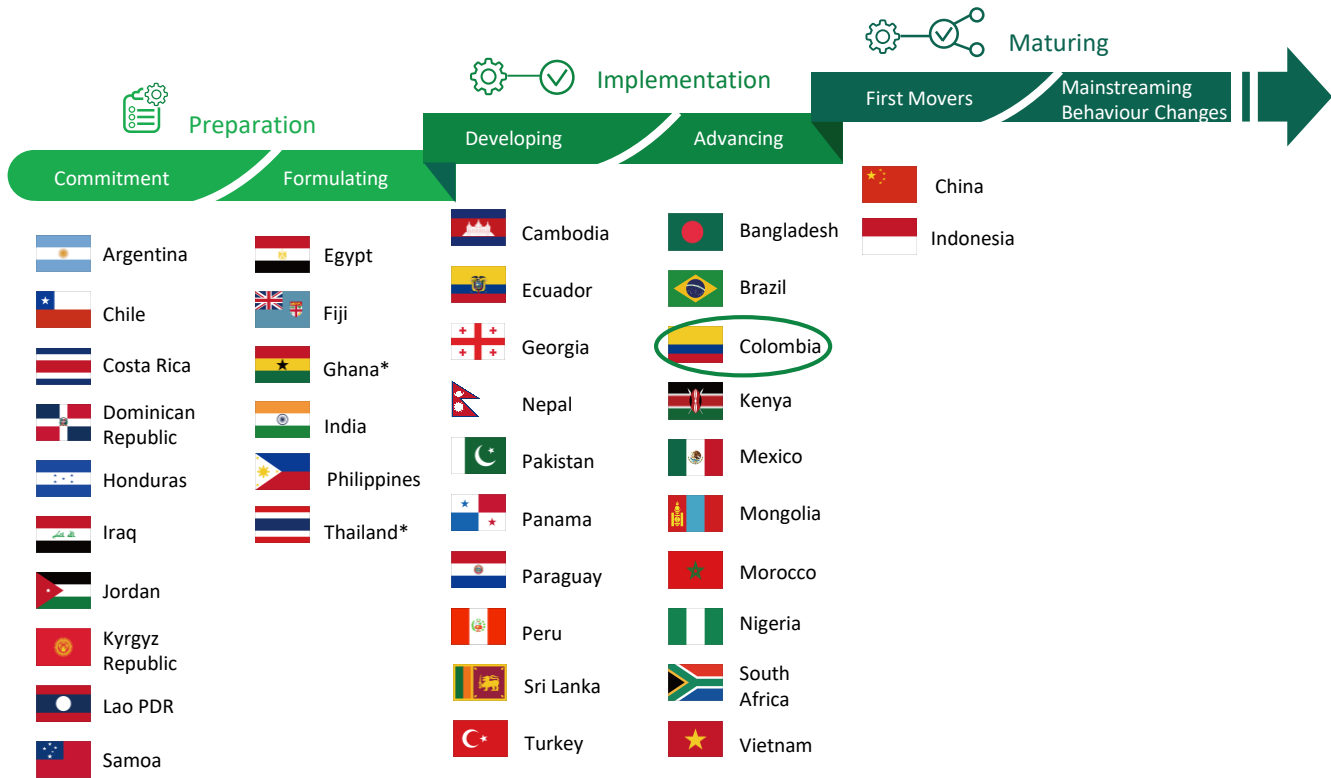
- ❑ SFC joined SBN in 2018 and has been planning to develop guidelines and clear definitions on sustainable finance in order to support FIs in advancing on their sustainable finance journey.
- ❑ The country's Green Protocol expanded its scope in 2018 to include other financial sector associations, such 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 Results¹

Assessment based on progress up to and as of June 2019²

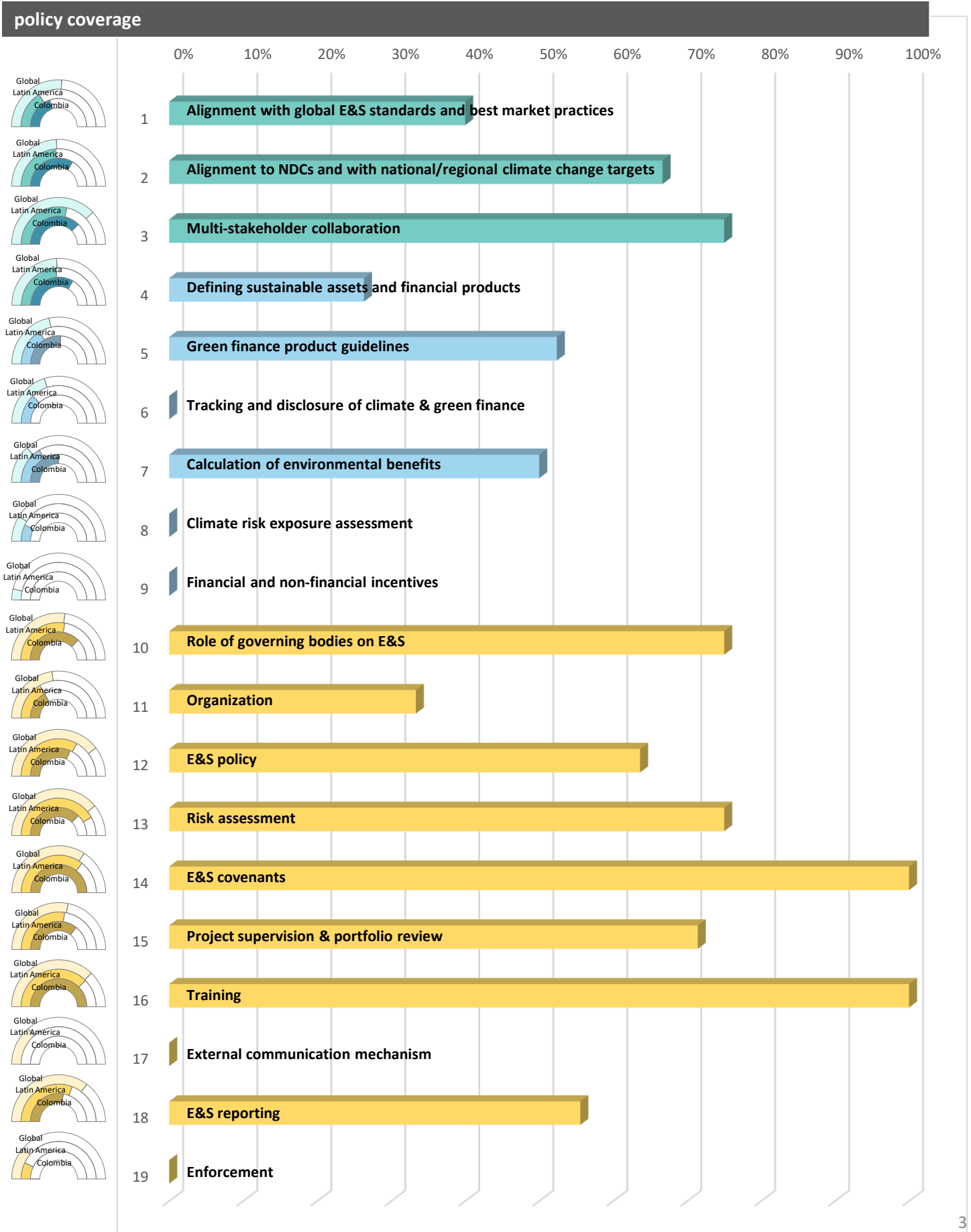


Note:

1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.

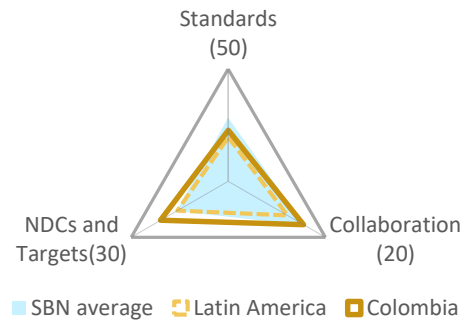
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

2. Overview of policy coverage by indicators



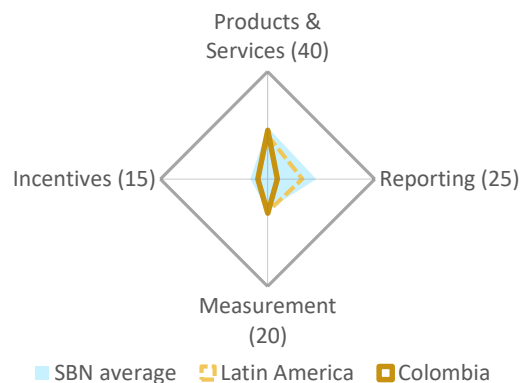
3. Policy coverage developed

Pillar I: Strategic Alignment



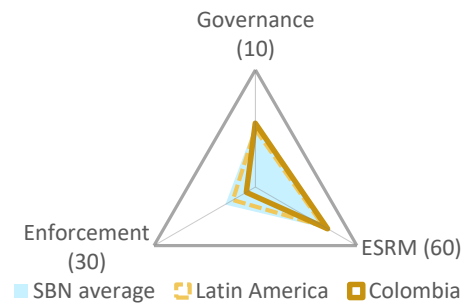
Indicator	Policy requirement	Reference
Alignment with global E&S standards and best market practices		
Indicator 1	The General Guidelines contain several recommendations to follow international standards, such as the IFC Performance Standards, the Equator Principles, or the UN Global Compact self-assessment tool. The Green Protocol also refers to Green Financial Products and Services (UNEP FI) and the UN-supported Principles for Responsible Investment (PRI).	Green Protocol (Asobancaria, 2012) - General Features - Reference standards
Alignment to NDCs and with national/regional climate change targets		
Indicator 2	The current framework states its alignment with national strategies linked to the Paris Agreement.	General Guidelines for the implementation of E&S risk analysis (Asobancaria, 2016) – Nacionales
Multi-stakeholder collaboration		
Indicator 3	The framework involves inter-agency collaboration between financial supervisors/regulators, industry association, and FIs. This collaboration also includes other public agencies (environmental agencies, ministries).	Green Protocol (Asobancaria, 2012) - Agreement & General Features - Reference standards

Pillar II: Climate and Green Finance



Indicator	Policy requirement	Reference
Products and services		
Indicator 4, 5	<p><u>Defining sustainable assets and financial products</u> 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</p> <p><u>Green finance product guidelines</u> More broadly, the Protocol and Guidelines both encourage banks to develop new products and services offering E&S benefits.</p> <p>The framework provides guidelines for green bonds.</p> <p>The framework refers to existing standards.</p>	<p>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</p> <p>Green Protocol (Asobancaria, 2012) - Strategy 1</p> <p>Green Protocol (Asobancaria, 2012) - Strategy 1 - A) & B); Roadmap of actions to launch a Green Bond market in Colombia (E3 and Metrix Finanzas, 2017)</p> <p>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.</p>
Climate and green investment reporting		
Indicator 6	-	-
Measurement		
Indicator 7, 8	<p><u>Calculation of environmental benefits</u> 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.</p>	<p>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</p>
Incentives		
Indicator 9	-	-

Pillar III: ESG Integration



Indicator	Policy requirement	Reference	
Governance of E&S			
Indicator 10, 11	<p><u>Role of governing bodies</u></p> <p>The General Guidelines highlight the role of FI governing bodies and top management in the implementation of E&S policies. It requires at least one of the FIs' governing bodies to approve an E&S strategy and for management to report on the E&S strategy implementation to the governing bodies.</p>	<p>General Guidelines for the implementation of E&S risk analysis (Asobancaria, 2016) - Consideraciones de politica y gobierno corporativo</p>	
	<p><u>Organization</u></p> <p>The Protocol requires banks to develop and maintain the ability to manage E&S risks. This includes developing training and tools.</p>	<p>General Guidelines for the implementation of E&S risk analysis (Asobancaria, 2016) - Estructura Requerida</p>	
E&S risk management			
Indicator 12 - 18	<p><u>E&S policy</u></p> <p>The Protocol and General Guidelines require banks to establish a formal E&S policy, including details of the policy's scope. They also ask banks to set out clear E&S performance standards, examples, and tools. FIs are encouraged to go beyond local E&S laws & regulations.</p>	<p>Green Protocol (Asobancaria, 2012) - Strategy n°3 - A)</p> <p>General Guidelines for the implementation of E&S risk analysis (Asobancaria, 2016) - ESTÁNDARES E INICIATIVAS NACIONALES E INTERNACIONALES</p>	
	<p><u>Risk assessment</u></p> <p>The Protocol expects banks to monitor E&S factors, to categorize projects on this basis, and to manage risks accordingly, including during supervision. FIs are required to carry out appropriate E&S due diligence at both transaction level and at client level.</p>	<p>Green Protocol (Asobancaria, 2012) - Strategy n°3 - A) & B); General Guidelines for the implementation of E&S risk analysis (Asobancaria, 2016) – Implementacion, monitoreo y seguimiento & Anexo 3</p>	
	<p><u>E&S covenants</u></p> <p>The framework asks FIs to incorporate E&S covenants and investment conditions into legal agreements with clients. The Guidelines contain examples of E&S covenants for legal agreements.</p>	<p>General Guidelines for the implementation of E&S risk analysis (Asobancaria, 2016) – Anexo 3</p>	
	<p><u>Project supervision & portfolio review</u></p> <p>The framework asks FIs to develop processes to manage E&S risks during supervision.</p>	<p>Green Protocol (Asobancaria, 2012) - Strategy n°3 - B)</p>	
	<p><u>Training</u></p> <p>The framework asks FIs to develop and maintain E&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&S experts</p>	<p>Green Protocol (Asobancaria, 2012) - Strategy n°3 - A); General Guidelines for the implementation of E&S risk analysis (Asobancaria, 2016) - Plan de formacion y capacitacion</p>	
	<p><u>E&S reporting</u></p> <p>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&S perspective.</p>	<p>Green Protocol (Asobancaria, 2012) - Dynamization - D)</p>	
	Enforcement		
	Indicator 19	-	-

4. Policy coverage to be developed

Pillar	Sub Pillar	Gaps	Areas for improvement
Pillar I: Strategic Alignment	Alignment with global E&S standards and best market practices	60%	<ul style="list-style-type: none"> ➤ 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%	<ul style="list-style-type: none"> ➤ Defined main climate risks for local financial sector
	Multi-stakeholder collaboration	25%	<ul style="list-style-type: none"> ➤ Collaboration with representatives of civil society
Pillar II: Climate and Green Finance	Products & services	60%	<ul style="list-style-type: none"> ➤ 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%	<ul style="list-style-type: none"> ➤ 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%	<ul style="list-style-type: none"> ➤ 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%	<ul style="list-style-type: none"> ➤ Incentives for green financial products/services ➤ Financial incentives on green products/services
Pillar III: ESG Integration	Governance of E&S	50%	<ul style="list-style-type: none"> ➤ 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%	<ul style="list-style-type: none"> ➤ 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%	<ul style="list-style-type: none"> ➤ 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

