

SECOND PARTY OPINION

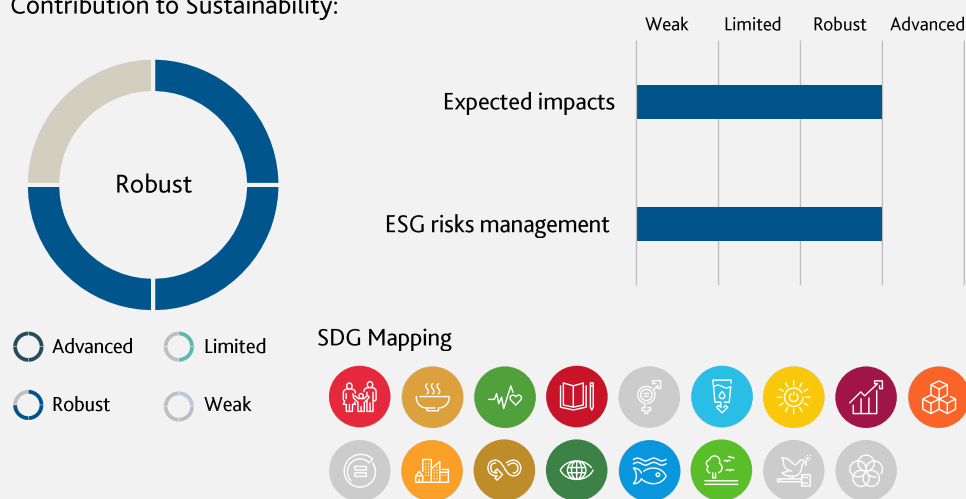
on the sustainability of the District of Barranquilla's Sustainable Financing Framework

Moody's ESG Solutions considers that the District of Barranquilla's Framework is aligned with the four core components of the ICMA's Green Bond Principles 2021 ("GBP"), Social Bond Principles 2021 ("SBP"), LMA, APLMA, and LSTA Green Loan Principles 2021 ("GLP") and Social Loan Principles 2021 ("SLP").



Framework

Contribution to Sustainability:



Characteristics of the Framework

Project Categories	⇒ Four Social Categories ⇒ Seven Green Categories
Project Locations	District of Barranquilla
Target population	Identified vulnerable population in Barranquilla
Existence of Framework	Yes
Share of Refinancing	To be communicated before each issuance
Look-back Period	24 months

Issuer

ESG Controversies

Number of Controversies	None
Frequency	N/A
Severity	N/A
Responsiveness	N/A

Coherence

Coherent
Partially coherent
Not coherent

Moody's ESG Solutions considers that the contemplated Framework is coherent with the District of Barranquilla's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Key findings

Moody's ESG Solutions considers that the District of Barranquilla's Framework is aligned with the four core components of the GBP, SBP, GLP and SLP.

Use of Proceeds – aligned with the GBP, SBP, GLP and SLP and best practices identified by Moody's ESG Solutions.

- The Eligible Categories are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of Eligible Projects for all categories as well as the target population for Social Categories.
- The Environmental and Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined by international standards for all Eligible Categories.
- The Expected Environmental and Social Benefits are considered clear, relevant, and measurable, and will be quantified by the Issuer in the post-issuance reports.
- The Issuer has committed to transparently communicate publicly the estimated share of refinancing prior to each bond issuance. The look-back period for refinancing Eligible Categories will be equal to or less than 24 months from the issuance date, in line with good market practices.

Evaluation and Selection - aligned with the GBP, SBP, GLP and SLP and best practices identified by Moody's ESG Solutions.

- The Process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer. The process is well-structured in all the evaluation and selection steps (including the proposal, selection, validation and monitoring of Eligible Projects). The roles and responsibilities are clear and include relevant internal expertise. The process is publicly disclosed in the Framework.
- Eligibility criteria for project selection have been clearly defined by the Issuer, including relevant exclusion criteria for all Eligible Categories.
- The process applied to identify and manage potentially material ESG risks associated with Eligible Projects is publicly disclosed in this SPO. The process is considered robust: it combines monitoring, identification and corrective measures, for all Eligible Projects (see detailed analysis on pages 26 - 28).

Management of Proceeds - aligned with the GBP, SBP, GLP, SLP and best practices identified by Moody's ESG Solutions.

- The Process for the Management and Allocation of Proceeds is clearly defined, detailed and is publicly available in the Framework.
- The allocation period will be 24 months or less.
- The net proceeds of the Instrument will be placed in the General Treasury and tracked by the Issuer in an appropriate manner and attested to in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- For as long as the Instruments are outstanding, the Issuer has committed to periodically adjust the balance of tracked net proceeds to match allocations to Eligible Projects.
- The Issuer has provided information on the procedure that will be applied in case of project/asset divestment or postponement and has committed to reallocate divested proceeds to projects that comply with the Framework.

Reporting - aligned with the GBP, SBP, GLP and SLP.

- The Issuer has committed to report on the Use of Proceeds on an annual basis, until full allocation and on a timely basis in case of material developments. The report will be publicly available on the Issuer's website.
- The Issuer has committed to include in the reports relevant information related to the allocation of Bond proceeds and the expected sustainable benefits of the Eligible Categories. The Issuer has also committed to report on material developments and controversies related to the Eligible Projects.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds and the reporting on the environmental and social benefits to Eligible Categories until full allocation.

Contact

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SCOPE

Moody's ESG Solutions was commissioned to provide an independent Second Party Opinion ("SPO") on the sustainability credentials and management of the Sustainable Financing Instruments¹ (the "Instruments") to be issued by the District of Barranquilla, Colombia (the "Issuer") in compliance with the Sustainable Financing Framework (the "Framework") created to govern their issuance(s).

Our opinion is established according to Moody's ESG Solutions' Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA's Green Bond Principles ("GBP") - edited in June 2021 - and Social Bond Principles ("SBP") - edited in June 2021 (referred together as the "GBP & SBP") and LMA, APLMA, and LSTA Green Loan Principles ("GLP") – edited in February 2021 and Social Loan Principles ("SLP") – Edited in April 2021.

Our opinion is built on the review of the following components:

- Framework: we assessed the Framework, including the coherence between the Framework and the Issuer's environmental and social commitments, the Instruments' potential contribution to sustainability and its alignment with the four core components of the GBP & SBP, GLP and SLP 2021.
- Issuer²: we assessed the Issuer's involvement in controversial activities³.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from our exclusive ESG rating database, and (iii) information provided from the Issuer through documents and interviews conducted with the Issuer's managers and stakeholders involved in the Instrument issuance, held via a telecommunications system.

Our opinion and work has been carried out in good faith. Moody's ESG solutions has not performed any audit, site visit, inspection, nor other tests to establish the accuracy of the information provided by the Issuer. The Issuer is solely responsible for the correctness of the information it has provided and its compliance with, and implementation of, its commitments.

We carried out our due diligence assessment from April 20th to July 1st, 2022. We consider that we were provided access to all documents and interviewees we solicited. For this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input checked="" type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ The "Sustainable Financing Instruments" are to be considered as the green, social, sustainable bonds and/or loans to be potentially issued, subject to the discretion of the Issuer. The name "Sustainable Financing Instruments" has been decided by the Issuer: it does not imply any opinion from Moody's ESG Solutions.

² The Issuer is not part of our ESG performance rating universe.

³ The 17 controversial activities screened by us are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

We consider that the contemplated Framework is coherent with the District of Barranquilla's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

According to the United Nations Department of Social and Economic Affairs (UN DESA) 2018 Revision of the World Urbanization report, 68% of the world's population is projected to live in an urban settlement by 2050.⁴ Consequently, city governments, as promoters of local socioeconomic development, play a salient role in advancing the Sustainable Development Goals (SDGs). As it is the case of national and federal governments, cities must mobilize to help address the 17 SDGs that were defined to be met by the year 2030.

At an individual SDG level, the United Nations General Assembly agreed to adopt SDG 11 that seeks to make cities and urban settlements more inclusive, safe, resilient, and sustainable.⁵ Cities are better equipped to advance SDG 11 given its local authority to provide public services to meet the needs of a rapidly growing urban population and are able to mobilize the necessary key actors like non-governmental organizations (NGOs), private for profit and non-profit organizations, and higher-education institutions to achieve its sustainability goals.

The District of Barranquilla is the fourth largest metropolitan area in the Republic of Colombia with 1.3 million inhabitants. Despite having a high human development index score⁶, Barranquilla still faces a number of environmental and social challenges to be addressed. Social inequality in Colombia is prevalent; it is the OECD country with the highest inequality rate and the second highest in Latin America.⁷ The District of Barranquilla is not exempt from this phenomenon and is recognized by the city-district within its development plan. Furthermore, the city-district also suffers from a number of environmental issues with the contamination of water bodies being one of the most prevalent problems⁸ along with poor wastewater management, noise pollution, and the deterioration of natural landscape.⁹ The District of Barranquilla, within its 2020-2023 Development Plan 'Soy Barranquilla' "the Plan", outlines a series of goals to be met by the city-district in order to advance on its sustainability commitments and address some of its most pressing issues. Amongst the highlighted objectives are,¹⁰

- **Fair City:** Achieved by supporting the processes of improving the living conditions and urban equity of the city's population through the development of urban infrastructure, social equipment and community development activities.
- **Strategic Ecosystems:** Achieved by supporting the process of recovery and conservation of highly biodiverse urban-regional ecosystems through the development of studies and projects that recover and integrate strategic ecological areas into the urban public space network.
- **Green Corridors:** Achieved by supporting the prioritization of sustainable and safe mobility in Barranquilla through the generation of green corridors that accommodate low- or zero-emission public transport, cycling and pedestrians, and that apply demand management measures.
- **Sustainable Urban Drainage:** Achieved by supporting the process of increasing resilience to the risk of flooding and the recovery of the water system of the Magdalena River Delta in Barranquilla.

'Soy Barranquilla' was created in line with national and departmental objectives namely through the Colombian National Development Plan 2018-2022, Atlántico's Departmental Development Plan 2020-2023, and is further underpinned by elements of the Sustainable Development Goals 2030. The Plan also incorporates citizen participation through a series of roundtables within localities and neighbourhoods to identify and prioritize the most immediate infrastructure and social program needs. All of the Eligible Projects to be financed under this Framework are part of the 'Soy Barranquilla' Development Plan.

⁴ <https://www.un.org/development/desa/en/news/population/2018-revision-of-world-urbanization-prospects.html>

⁵ <https://www.local2030.org/library/232/ICLEI-Briefing-Sheets-02-Cities-and-the-Sustainable-Development-Goals.pdf>

⁶ <https://www.dnp.gov.co/Paginas/Bogota-ocupa-el-primer-lugar-en-el-indice-de-ciudades-modernas-del-DNP.aspx>

⁷ <https://www.oxfam.org/en/what-we-do/countries/colombia#:~:text=Colombia%20ranks%202nd%20in%20Latin,between%20urban%20and%20rural%20zones.>

⁸ <https://www.acodal.org.co/contaminacion-hidrica-lo-que-mas-impacta-el-medio-ambiente-en-la-ciudad/>

⁹ <https://www.eltiempo.com/archivo/documento/MAM-469716>

¹⁰ Programa de Biodiversidad y Equidad Urbana en Barranquilla – Alcaldía de Barranquilla

FRAMEWORK

The District of Barranquilla has described the main characteristics of the Instruments within a formalized Framework that covers the four core components of the GBP & SBP and GLP & SLP 2021 (the last updated version was provided to Moody's ESG Solutions on June 30th, 2022). The Issuer has committed to make this document publicly accessible on the Issuer's website, in line with good market practices.

Alignment with the GBP & SBP and GLP & SLP

Use of Proceeds



The net proceeds of the Instruments will exclusively finance or refinance, in part or in full, Eligible Projects falling under four Social Project Categories and seven Green Project Categories ("Eligible Categories"), as indicated in Table 1.

- The Eligible Categories are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of Eligible Projects for all categories as well as the target population for Social Categories.
- The Environmental and Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined by international standards for all Eligible Categories.
- The Expected Environmental and Social Benefits are considered clear, relevant, and measurable, and will be quantified by the Issuer in the post-issuance reports.
- The Issuer has committed to transparently communicate publicly the estimated share of refinancing prior to each bond issuance. The look-back period for refinancing Eligible Categories will be equal to or less than 24 months from the issuance date, in line with good market practices.

Target Population for social categories

The District of Barranquilla has conducted a multi-variable analysis to target the at most-need populations with the main objective of reducing the socioeconomic gaps within the city's jurisdiction. For this, the city considered poverty levels, qualitative housing deficits, sector stratus, and the number of individuals registered in the SISBEN program in order to determine zones and areas of investment priorities that reduce inequalities in accessing city-offered services, safe and efficient mobility, a better urban environment that enhances housing, reduces feelings of insecurity, among others, access to green areas to promote healthy lifestyles, and better housing conditions that prevent diseases and infections. The city considered the following socioeconomic variables to define the Target Population:

- Poverty Levels
- Housing Deficits
- Stratus
- SISBEN enrollment

After considering the variables along with their determining factors, the District of Barranquilla identified the following neighborhoods for investment prioritization: Southwest, Metropolitan Southeast, Sectors of *La Loma* and those adjacent to the *Ciénaga de Mallorquin*, *Barrio Las Flores*, and the *Corregimiento de La Playa*.

BEST PRACTICES
⇒ Relevant environmental and social benefits are identified and measurable for all project categories.
⇒ The Issuer has committed to transparently communicate publicly the estimated share of refinancing prior to each bond issuance.
⇒ The look-back period for refinanced assets is equal or less than 24 months, in line with good market practices.

Table 1. Our analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer Framework

- Nature of expenditures: Capex, Opex, R&D and (only for social categories) subsidies.
- Location of Eligible Projects: District of Barranquilla

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
Affordable Basic Infrastructure	<p>Disbursements and subsidies that enhance access to public, not-for-profit, free, or subsidized essential services, including the construction, development, operation, renovation and/or upgrade of essential community services or infrastructure, such as clean drinking water, sewers, emergency services, roads, sidewalks, bike lanes and/or public libraries. Projects include</p> <ul style="list-style-type: none"> - Mejoramiento de Vivienda - Barrios a la obra - Malla vial - Acueducto regional del norte <p>Home improvement and/or maintenance disbursements to target population.</p>	<p><u>Access to essential Services</u></p> <p>Increase access to water services, connectivity and education</p> <p>Enhance housing conditions</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the target population, eligibility criteria and location of the Eligible Projects.</p> <p>The Social Objective is clearly defined, relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Social Benefits are clear, relevant and measurable for the majority of the projects and will be quantified for the Eligible Category in the reporting.</p> <p>With regards to the roads construction and operational expenditures, the Issuer has disclosed to Moody's ESG Solutions the exhaustive list of eligible projects which include:</p> <ul style="list-style-type: none"> - The <i>Barrios a la Obra</i> Project, for which the Issuer has already identified and quantified the expected benefits. The project aims to build 35 kilometers of roads to increase the connectivity of residents in the city's Strata 1 & 2 neighborhoods, benefiting approximately 355,082 inhabitants across 68 neighborhoods. - The <i>Malla Vial</i> Project intends to finance road improvements and covers a broad category of investments such as pedestrian and bicycle mobility and the expansion of existing roads, among others.
Access to Essential Services - Health	<p>Disbursements to programs that provide Healthcare and Health services to target populations. Projects include:</p> <ul style="list-style-type: none"> - Health Insurance coverage to individuals in SISBEN (category A or category B) who are also in low strata (1 and 2) or medium strata (3 and 4) - Modernization of the District's public hospital network, equipment and infrastructure - Construction, acquisition, refurbishment and maintenance of senior citizen centers 	<p><u>Access to the Healthcare System</u></p> <p>Increase access to the healthcare system for the vulnerable population</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the target population, eligibility criteria and location of the Eligible Projects.</p> <p>The Social Objective is clearly defined, relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Social Benefits are clear, relevant and measurable and will be quantified for the Eligible Category in the reporting.</p>

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
<p>Access to Essential Services - Education</p>	<p>Disbursements that enhance access to public, not-for-profit, free or subsidized educational services. Projects include:</p> <ul style="list-style-type: none"> - Scholarships for primary, secondary and higher-education to target population - Grants to primary and secondary education schools to expand the number of classrooms available in order to broaden access to school system - Grants to Universidad Distrital to expand the number of higher Education courses available to alumni - Subsidies for Student Transportation under Accord 003 of 2014 which grant fares that are 40% cheaper for target population - Disbursements to programs that contribute to the access and permanence of school children and adolescents in pursuit of primary and or secondary education, who are registered in the official enrollment of the District, through food subsidies 	<p><u>Access to Education</u> Increase access to primary, secondary and higher education for the vulnerable population</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the target population, eligibility criteria and location of the Eligible Projects.</p> <p>The Social Objective is clearly defined, relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Social Benefits are clear, relevant and measurable and will be quantified for the Eligible Category in the reporting.</p>
<p>Socioeconomic advancement and empowerment</p>	<p>Financing for micro-entrepreneurs or small and medium-sized business owners</p> <p>Subsidies to families under <i>Programa Nacional Familias en Accion</i></p> <ul style="list-style-type: none"> - Eligibility and disbursement amount based on number of individuals of family category A and/ or category B of SISBEN <p>Subsidies to elderly individuals in target population who are part of SISBEN (category A and B) in low strata (1 and 2) and medium strata (3 and 4)</p> <p>Construction, acquisition, refurbishment, and maintenance of public markets to improve the working conditions and strengthen the socioeconomic conditions of small and medium-sized business owners (SME's)</p> <p>Investments and expenditures that help enhanced access to financial products and services which support the financial well-being of the Target Population including:</p> <ul style="list-style-type: none"> - Financial literacy education programs - Financial planning tools and products - Digital finance tools and products 	<p><u>Socioeconomic Development</u> Promote job creation in areas with relatively high unemployment rates</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the target population, eligibility criteria and location of the Eligible Projects.</p> <ul style="list-style-type: none"> - Small and Medium-sized Enterprises (SME): According to the latest regulation in Colombia, which is the National Decree 957 of 2019. - To be a beneficiary of <i>Programa Nacional Familias en Accion</i>, one must be classified in the SISBEN IV subgroups: A1 to A5 and B1 to B4, within groups A and B. <p>The Social Objective is clearly defined and relevant for the Eligible Category. This is set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Social Benefits are clear, relevant and measurable and will be quantified for the Eligible Category in the reporting.</p>

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
<p>Renewable Energy</p>	<p>Generation</p> <p>Expenditures that help supply energy from renewable and low-carbon sources which include the following:</p> <p>Wind: (onshore and offshore):</p> <ul style="list-style-type: none"> - Construction of new wind energy facilities - Development, expansion, production, maintenance, refurbishment and/or repowering of existing wind energy facilities <p>Solar: (photovoltaic and CSP)</p> <ul style="list-style-type: none"> - Construction of new solar energy facilities - Development, expansion, production, maintenance, refurbishment and/or repowering of existing solar energy facilities <p>Geothermal:</p> <ul style="list-style-type: none"> - Construction of new Geothermal energy facilities - Development, expansion, production, maintenance, refurbishment and/or repowering of existing geothermal energy facilities - Geothermal projects shall only be eligible if their direct emissions will be less than 100g CO₂/kWh <p>Hydroelectric:</p> <ul style="list-style-type: none"> - Construction of new run-of-river and other hydroelectricity facilities - Refurbishment, modernization and/or maintenance of existing hydroelectricity facilities with the purpose of increasing generation efficiency, operational life span and/or renewable energy output while maintaining or improving the level of operational safety <p>A hydropower facility in operation before 2020 is eligible if it has either:</p> <ul style="list-style-type: none"> - A power density > 5W/m²; OR - GHG emissions intensity < 100g CO₂e/kWh <p>A hydropower facility commencing operation in 2020 or after is eligible if it has either:</p> <ul style="list-style-type: none"> - A power density > 10W/m²; OR - GHG emissions intensity < 50g CO₂e/kWh. 	<p><u>Climate Change Mitigation</u></p> <p>Reduction of GHG emissions Increase renewable energy production</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of the Eligible Projects.</p> <ul style="list-style-type: none"> - To be eligible, CSP (concentrated solar power) plants must generate at least 85% of electricity from solar sources - To determine if the construction of new hydroelectricity facilities constitutes as an Eligible Investment, Barranquilla will assess the size, location, carbon intensity scoring, risk (including environmental and social risks) and the criteria set forth for the construction of facilities post 2020, committing that projects will align with international best practices, such as the IHA Hydropower Sustainability Standards. - To be eligible, the transmission lines would be either dedicated exclusively to renewable energy power plants or would carry at least 90% renewable energy. - For the construction of transmission in the grid, transmission lines must be located on a system with a grid factor at or below 100g CO₂/kWh and is located on a system for which at least 67% of its added generation capacity in the last 5 years falls below the low carbon power threshold (100g CO₂/kWh). <p>The Environmental Objective is clearly defined and relevant for the Eligible Category. This is set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefit is clear, relevant and measurable and will be quantified for the Eligible Category in the reporting.</p>

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
	<p>Purchase</p> <p>The purchase of renewable energy from wind and solar power facilities, pursuant to long-term (≥ 5 years) power purchase agreements (PPAs), including those entered into prior to the issuance of our Sustainable Financing Instrument as well as later extensions</p> <p>Transmission</p> <p>Investments in the installation of electricity transmission lines that facilitate increased development and connection of renewable electricity generation sources, including:</p> <ul style="list-style-type: none"> - Capital investments into integrating the grid through interconnections across Barranquilla to: <ul style="list-style-type: none"> o Improve transmission of low-carbon and renewable energy sources into the grid, specifically solar, wind, hydro and geothermal o Reduce the curtailment of existing renewable electricity generation capacity o Facilitate the development of new renewable energy generation through better connecting regions with high renewable generation potential and low demand with areas of high demand and low potential. 		
Energy Efficiency	<p>Expenditures related to projects that would result in at least a 20% energy efficiency improvement.</p> <p>Eligible Projects include:</p> <ul style="list-style-type: none"> - Financing of electric powered machinery or incorporation of energy saving technologies, including LED lighting technology - Energy storage systems and smart grids - Energy efficient heating, ventilation, air conditioning (HVAC), refrigeration, and electrical equipment - Investments for optimization of energy consumption and reducing energy loss and such as energy management systems for POPs and automated metering - Investments in energy consumption measurement and control systems, including industrial thermometers. 	<p><u>Climate Change Mitigation</u></p> <p>Reduction in GHG emissions</p> <p><u>Energy Efficiency</u></p> <p>Energy savings enhancements</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of the Eligible Projects.</p> <ul style="list-style-type: none"> - Battery storage will only be applicable to those generated by renewable energy. - HVAC / refrigeration and other equipment powered by fossil fuel will be excluded from eligibility. <p>The Environmental Objectives are clearly defined and relevant for the Eligible Category. This is set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefits are clear, relevant and measurable and will be quantified for the Eligible Category in the reporting.</p>

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
<p>Clean Transportation & Infrastructure</p>	<p>Expenditures related to the acquisition, modernization, and maintenance of Barranquilla's public transportation fleet, including transportation with zero direct emissions (i.e. electric vehicles) and low GHG emissions (i.e hybrid vehicles)</p> <ul style="list-style-type: none"> - Eligible projects include: <ul style="list-style-type: none"> o Electric passenger and freight vehicles o Rolling stock and vehicles for electrified public transport, such as electrified rail, trams, trolleybuses, and cable cars o Buses (fully electric) <p>Expenditures related to the installation, acquisition, modernization and maintenance of infrastructure projects associated with electric vehicles, including charging stations.</p> <p>Expenditures related to the modernization, construction and maintenance of bicycle roads/paths/networks in Barranquilla which promote of bicycle traffic.</p>	<p><u>Climate Change Mitigation</u> Reduction of GHG emissions</p> <p><u>Pollution prevention</u> Improvement in air quality</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of the Eligible Projects.</p> <ul style="list-style-type: none"> - To be eligible, hybrid passenger vehicles must meet threshold of 50gCO2/km and hybrid freight vehicles (such as heavy trucks) must meet threshold of 25gCO2/km. Tailpipe emissions intensity of max 50g CO2/km until 2025, and from 2026 onwards, vehicles with emissions intensity of 0g CO2/km. <p>The Environmental Objectives are clearly defined, relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefits are clear, relevant and measurable and will be quantified for the Eligible Category in the reporting.</p>
<p>Green Buildings</p>	<p>Expenditures related to the acquisition, financing, construction or retrofiting of the Municipality's buildings in line with Green Building Standards (planning and design, energy efficiency, green roofs, water efficiency and conservation, material conservation and resource efficiency, environmental quality).</p> <ul style="list-style-type: none"> - Building is eligible when at least one of the following criteria is met: <ul style="list-style-type: none"> o 30% or more emissions/energy performance improvements over baseline such as ASHRAE 90.1 2010 or equivalent o The level of energy performance of the building belongs to the top 15% of the national stock (based on Primary Energy Demand and or Carbon Emissions Intensity) o The building receives/targets a Design, Post-Construction or In-Use environmental certification. Eligible Certification standards include: LEED Gold certified or higher, BREEAM Excellent or higher, HQE Excellent or higher 	<p><u>Climate Change Mitigation</u> Reduction in GHG emissions</p> <p><u>Energy Efficiency</u> Energy savings enhancements</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of the Eligible Projects.</p> <p>The Environmental Objectives are clearly defined and relevant for the Eligible Category. This is set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefits are clear, relevant and measurable and will be quantified for the Eligible Category in the reporting.</p>



ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
Pollution Prevention Control and Waste Management	<p>The financing and refinancing of expenditures related to:</p> <ul style="list-style-type: none"> - Reducing air pollutants such as particulate matter (PM), sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs) - Design, construction, operation, and maintenance of facilities for the collection, classification, sorting and disposal of non-hazardous waste with the aim of preparing for reuse and/or recycling - Purchase, operation and maintenance of waste collection vehicles (provided that they satisfy the criteria for Clean Transport as defined by this Sustainable Finance Framework) - Facilities processing food and/or green/garden/yard waste to produce compost for agricultural, municipal or consumer applications with zero measurable methane emissions 	<p><u>Circular Economy</u> Promotion of reuse and recycling of waste, including composting</p> <p><u>Climate Change Mitigation</u> Reduction in GHG emissions</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of the Eligible Projects.</p> <p>The Environmental Objectives are clearly defined, relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefits are clear, relevant and measurable and will be quantified for the Eligible Category in the reporting.</p>
Sustainable Water and Wastewater Management	<p>The financing and refinancing of expenditures related to the design, construction, operation, maintenance, enlargement and adaptation for the efficient and sustainable management of water and urban wastewater and to ensure reliable supply of water, including¹¹:</p> <ul style="list-style-type: none"> - Infrastructure and systems that improve the efficient and sustainable management of and urban wastewater, excluding any wastewater related to fossil fuel activities (i.e., fracking) - Wastewater management: installation or improvement of wastewater infrastructure, including transport (provided that they satisfy the criteria for Clean Transport as defined by this Sustainable Finance Framework), treatment and disposal systems - Conservation of water resources: including protection of water catchments and prevention of pollution affecting water supplies - Defense systems against river floods accompanied by supporting vulnerability assessment and adaptation plan, including the construction of reservoirs to control water flows 	<p><u>Water Quality</u> Enhancement of the water quality</p> <p><u>Pollution Prevention</u> Prevention and mitigation of pollution in water</p> <p><u>Climate Change Adaptation</u> Increase the resilience of the water system</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of the Eligible Projects.</p> <p>The Environmental Objectives are clearly defined, relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefits are clear, relevant and measurable and will be quantified for the Eligible Category in the reporting.</p>

¹¹ Drinking water projects are excluded from this category.

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
	<ul style="list-style-type: none"> - Monitoring systems, including: smart networks, early warning systems for droughts and floods, and water quality monitoring systems (e.g., remote water quality/ quantity monitoring systems, stormwater warning systems, floodwater warning systems, dam failure warning systems) 		
<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p>	<p>The financing and refinancing of expenditures related to sustainable management, care, protection and restoration of natural resources, biodiversity and marine protected areas. Eligible expenditures include:</p> <ul style="list-style-type: none"> - Programs for conservation and restoration of native and exotic forests - Afforestation and sustainable forest management that substantially avoids or reduces carbon loss/increases carbon sequestration (planting of new forest areas and/or replanting of degraded areas, the use of drought / flood / temperature resistant species). - Management and maintenance of Parks and Conservation Areas of Barranquilla Project include: <ul style="list-style-type: none"> • <i>Siembra Barranquilla Program</i> • <i>Recovery of the Ciénega de Mallorquín</i> • <i>Todos al Parque</i> • <i>Bosque Miramar</i> - Protection and restoration of terrestrial and inland freshwater ecosystems, biodiversity, habitats and soil and their services. - Protection and oversight for protected marine areas (including research). 	<p><u>Conservation of Terrestrial and Marine Ecosystems</u></p> <p>Promote the protection of terrestrial and marine ecosystems, and the preservation of biodiversity</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of the Eligible Projects.</p> <ul style="list-style-type: none"> - 'Programs for conservation and restoration of native and exotic forests' and 'Management and maintenance of Parks and Conservation Areas of Barranquilla' must be demonstrated by a Sustainable Management Plan or via FSC or PEFC certification. <p>The Environmental Objective is clearly defined, relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefits are clear, relevant and measurable and will be quantified for the Eligible Category in the reporting.</p>

SDG Contribution

The Eligible Categories are likely to contribute to 12 of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Affordable Basic Infrastructure Socioeconomic Advancement and Empowerment	 1 No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance Indicators
Access to Essential Services - Education	 2 Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.
Affordable Basic Infrastructure Access to Essential Services - Health Pollution Prevention Control and Waste Management	 3 Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Access to Essential Services - Education	 4 Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university 4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations
Affordable Basic Infrastructure Sustainable Water and Wastewater Management Environmentally Sustainable Management of Living Natural Resources and Land Use	 6 Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally 6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes
Renewable Energy Energy Efficiency Clean Transportation & Infrastructure	 7 Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency
Socioeconomic Advancement and Empowerment	 8 Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-,small- and medium-sized enterprises, including through access to financial services 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Clean Transportation & Infrastructure	 9 Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
Green Buildings		9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Affordable Basic Infrastructure	 11 Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Clean Transportation & Infrastructure		11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Green Buildings		11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Pollution Prevention Control and Waste Management		11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities
Environmentally Sustainable Management of Living Natural Resources and Land Use	 12 Responsible Production and Consumption	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Pollution Prevention Control and Waste Management		UN SDG 13 consists of adopting urgent measures to combat climate change and its effects.
Renewable Energy	 13 Climate Action	UN SDG 13 consists of adopting urgent measures to combat climate change and its effects.
Energy Efficiency		
Clean Transportation & Infrastructure		
Green Buildings		
Environmentally Sustainable Management of Living Natural Resources and Land Use	 14 Life Below Water	14.2 Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience and take action for their restoration in order to achieve healthy and productive oceans
Environmentally Sustainable Management of Living Natural Resources and Land Use	 15 Life on Land	15.1 Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements 15.2 Promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

Evaluation and Selection of Eligible Projects



- The Process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer. The process is well-structured in all the evaluation and selection steps (including the proposal, selection, validation and monitoring of Eligible Projects). The roles and responsibilities are clear and include relevant internal expertise. The process is publicly disclosed in the Framework.
- Eligibility criteria for project selection have been clearly defined by the Issuer, including relevant exclusion criteria for all Eligible Categories.
- The process applied to identify and manage potentially material ESG risks associated with Eligible Projects is publicly disclosed in this SPO. The process is considered robust: it combines monitoring, identification and corrective measures, for all Eligible Projects (see detailed analysis on pages 26 - 28).

Process for Project Evaluation and Selection

All the projects to be financed are part of the Development Plan of Barranquilla. The creation of the plan was a collaborative process in which it was possible to compile, analyze and synthesize the positive and negative conditions that affect the development of the region. Citizen involvement in the construction of the plan was carried out from 3 different approaches: territorial, population-based and sectoral. The Development Plan is composed of i) a territorial diagnosis, ii) a strategic component and 3) the investment plan. It is underpinned by elements of the international agenda of the Sustainable Development Goals 2030, the National Development Plan 2018-2022 for Colombia, the Departmental Development Plan 2020-2023 for Atlántico, technical documents of the National Planning Department, citizen participation roundtables with experts and citizen participation roundtables within localities and neighbourhoods.

The plan was approved by means of Agreement 001 of 2020 during the month of May, after being approved in first debate by the First Committee of Planning, Infrastructure and Assets, the Second Committee of Budget and Fiscal Affairs, and the Third Administrative Committee of General Affairs of the Council of Barranquilla.

The Issuer's *Secretaria de Planeacion del Distrito*, or the Planning Secretary Department (the "Department") will be responsible for the evaluation and selection of all Eligible Green and Social Projects.

The Department is composed of the following members:

- Habitat Office
- Planning Office of Socioeconomic and Investments
- Office of Territorial Planning
- Office of the *Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales* (SISBEN)

The project selection and evaluation steps are divided as follows:

- The Department has sole responsibility to select and evaluate Eligible Green and Social Projects. Eligible Projects must first be included in Barranquilla's 2020-2023 Development Plan and meet the Eligibility Criteria as presented in the Framework to be considered eligible. Additionally, Eligible Projects must comply with the relevant policies of the Issuer.
- After Eligible Projects are identified, the Department will enrol projects into the *Sistema Unificado de Inversiones y Finanzas Públicas* (SUIFP) system, an online platform managed by the *Departamento Nacional de Planeación* (DNP). The SUIFP tracks the public investment cycle of each Eligible Project and associates the Eligible Projects with the relevant government program and public policy¹². The platform applies the Adjusted General Methodology which is a tool that allows national and territorial entities to identify, manage, prepare and evaluate public investment projects.

¹² <https://www.dnp.gov.co/programas/inversiones-y-finanzas-publicas/Sistemas-de-Informacion>

- Upon registration of Eligible Projects on the SUIFP system, the Department will also assign the use of proceeds as providing either green, social or sustainable benefits. The Department will also ensure that no Eligible Project is allocated to more than one category.
- Finally, the Department will approve Eligible Projects after meeting the relevant criteria and process as discussed above.

The traceability and verification of the selection and evaluation of the Eligible Projects are ensured throughout the process;

- District's Planning Secretary will meet at least 1 time per year to review project evaluation and selection against the Eligibility and Exclusion Criteria through the life of the Instruments. In the event of non-compliance with the Eligibility Criteria, the District's Planning Secretary will reallocate funds from the ineligible project to other Eligible Green and or Eligible Social Projects.
- Eligible Projects are supervised by the relevant municipal department that has authority over the project. The relevant department head will provide technical, administrative, financial and legal supervision of projects. Additionally, a project auditor ("*interventoría*") is also contracted to provide additional monitoring of the compliance of projects to the contract. Should ESG controversies occur during project execution, the relevant department head will be notified who will then escalate to the contracted Project Auditor for resolution, and finally to the relevant environmental authorities if necessary. The Inter-Institutional Committee is in charge of reviewing annually potential controversies to allocated projects.
- Traceability is ensured through the enrolment of Eligible Projects to the SUIFP platform which allows for transparency and tracking of projects in its public investment cycle.

Eligibility Criteria

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental and social objectives defined for the Eligible Categories.

- The selection criteria are based on the definitions in the Eligible Categories defined Table 1 in the Use of Proceeds section.
- The exclusion criteria include projects involved in exploration, production or transportation of fossil fuels (e.g. coal, oil and gas), consumption of fossil fuels for the purpose of power generation and heating, alcohol, tobacco, weapons and arms trade, gambling or activities involving exploitation of human rights, modern slavery (e.g.) forced labor or human trafficking) or child labor.

BEST PRACTICES

- ⇒ The Issuer reports that it will monitor compliance of selected and financed Projects with eligibility criteria specified in the Framework throughout the life of the instrument and has provided details on the procedure adopted in case of non-compliance.
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the financed Projects throughout the life of the instrument and has provided details on the procedure in case a controversy is found.

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined, detailed and is publicly available in the Framework.
- The allocation period will be 24 months or less.
- The net proceeds of the Instrument will be placed in the General Treasury and tracked by the Issuer in an appropriate manner and attested to in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- For as long as the Instruments are outstanding, the Issuer has committed to periodically adjust the balance of tracked net proceeds to match allocations to Eligible Projects.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and has committed to reallocate divested proceeds to projects that comply with the Framework.

Management Process

- Puerta de Oro Empresa de Desarrollo Caribe SAS¹³ (Puerta de Oro), is a joint-stock company with direct control by the Issuer, its main shareholder. Puerta de Oro conducts the technical pre-feasibility, legal and budget analysis of each Eligible Project. Puerta de Oro is responsible to prepare a draft budget for each project based on inputs obtained from its market analysis.
- The draft budget, and proposed allocation of resources will then be presented to the Inter-Institutional Committee (the "Committee") for review.
- Following the budget recommendation approval from the Committee, the budget is then presented to the Council of the District of Barranquilla for final budget approval.
- Once approved, the Council will issue a Budget Availability Certificate and a Budget Registration specific to each project. The Budget Registration is assigned a unique code to identify approved resources for the relevant project.
- The Committee will be responsible to match the allocation of funds to Eligible Projects with the net proceeds from the Issuance.
- The net proceeds of the Issuance will be credited to the Issuer's General Accounts. The funds will then be credited to the specific project budget code when it is available and approved by the District Council.
- The unallocated funds would be held in cash, cash equivalents and/or other liquid instruments in accordance with District of Barranquilla's Investment Policy. Funds can also be used for the payment of outstanding indebtedness or used for other capital management activities. The Issuer excludes investments of net proceeds in any controversial or high emitting GHG emission sectors.
- In case of project postponement, cancellation and divestment, the Issuer has committed to reallocate proceeds to projects that meet the eligibility criteria.

BEST PRACTICES

- ⇒ The allocation period is 24 months or less.
- ⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities.
- ⇒ The Issuer has provided information on the procedure that will be applied in case of project/asset divestment or postponement and it has committed to reallocate divested proceeds to projects that comply with the Framework.

¹³ Puerta de Oro's main corporate purpose is the promotion, preparation, evaluation, structuring, management, consolidation, supervision, financing and/or execution of investment projects, consulting and provision of support services for the management of public and private entities and actively participating in any of the stages of their development cycle

Reporting



- The Issuer has committed to report on the Use of Proceeds on an annual basis, until full allocation and on a timely basis in case of material developments. The report will be publicly available on the Issuer's website.
- The Issuer has committed to include in the reports relevant information related to the allocation of Bond proceeds and the expected sustainable benefits of the Eligible Categories. The Issuer has also committed to report on material developments and controversies related to the Eligible Projects.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds and the reporting on the environmental and social benefits of Eligible Categories until full allocation.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds cover all relevant information.

REPORTING INDICATORS
⇒ The amount of net proceeds allocated to Eligible Green and/or Eligible Social Projects, by category
⇒ The share of proceeds used for financing versus refinancing
⇒ A selection of brief project descriptions
⇒ The outstanding amount of net proceeds to be allocated to Eligible Green and/or to Eligible Social Projects at the end of the reporting period

- Environmental and social benefits: The list of indicators defined by the Issuer to report on the environmental and social benefits of the Eligible Categories are clear, relevant and exhaustive.

ELIGIBLE CATEGORIES	SOCIAL BENEFITS INDICATORS
Affordable Basic Infrastructure	<ul style="list-style-type: none"> • Number of Individuals/families benefiting from housing improvement program • Km of roads built • Km of bicycle lane roads built • Number of libraries built (#) • Number of people with access to improved sanitation facilities under the project • Number of people and/or enterprises (e.g. companies or farms) benefitting from measures to mitigate the consequences of floods and droughts
Access to Essential Services – Health	<ul style="list-style-type: none"> • Patients reached • Number of hospitals and other healthcare facilities built/upgrade • Number of residents benefitting from healthcare • % population with inability to access medical care

ELIGIBLE CATEGORIES	SOCIAL BENEFITS INDICATORS
Access to Essential Services – Education	<ul style="list-style-type: none"> • Number of Students Reached • Number of vulnerable students • Number of education facilities and/or initiatives • Number of Teachers trained • School enrolment rate • Change in rate of early school leavers /School dropout rate • Teacher-student ratio • Number of lunches served
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> • Adult Patients reached • Number of renovated public markets • Number of individuals benefited • number of subsidies delivered in the year • Number of women and people of the population LGBTI attended, advised and oriented • People benefited from the artistic and cultural training service • Older adult creators and managers benefited from social security • Users of public libraries in the year

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Renewable Energy	<ul style="list-style-type: none"> • Annual renewable energy generation (MWh for electricity and GJ for other energy) • Capacity of renewable energy plant(s) to be served by transmission systems (MW) 	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided (tCO₂e)
Energy Efficiency	<ul style="list-style-type: none"> • LED or SSL lighting fixtures (# with Lm/W) 	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided (tCO₂e) • Annual energy savings (MWh/GWh for electricity and GJ/TJ for other energy savings)
Clean Transportation & Infrastructure	<ul style="list-style-type: none"> • Clean vehicles deployed (#) 	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided (tCO₂e) • Reduction of air pollutants: particulate matter (PM), sulphur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO) and non-methane volatile organic compounds (NMVOCs) • Estimated reduction in car/truck use (km driven or % of total transport ridership) • Estimated reduction in fuel consumption.

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Green Buildings	<ul style="list-style-type: none"> • LEED, BREEAM, HQE or equivalent environmental certification scores • kWh/m² of GBA p.a.; and % of energy use reduced/avoided vs local baseline/building code; and, if relevant % of renewable energy (RE) generated on site (specifying the relevant RE form) • If relevant, renewable energy (RE) generated on-site, specifying the relevant RE form (%) • kgCO₂/m² of GBA • Waste removed (tonnes) 	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided vs local baseline/baseline certification level (tCO₂e) • Annual energy savings (MWh for electricity and GJ for other energy savings) • % of carbon emissions reduced/avoided vs local baseline/baseline certification level
Pollution Prevention Control and Waste Management	<ul style="list-style-type: none"> • Energy recovered from waste, minus any support fuel (MWh/GWh/KJ of net energy generated) • Waste that is separated and/or collected, and treated, including composted, or disposed of (% of total waste and/or tonnes for absolute amount) • For certain waste management projects that reduce the amount of waste disposed of, it may also be possible to capture GHG emissions from waste management before and after the project in tCO₂ 	<ul style="list-style-type: none"> • Waste that is prevented, minimized, reused or recycled before and after the project (% of total waste and/or tonnes for absolute amount) • GHG emissions from waste management before and after the project (tCO₂e) • Reduction of air pollutants: particulate matter (PM), sulfur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO) and non-methane volatile organic compounds (NMVOCs)
Sustainable Water and Wastewater Management		<ul style="list-style-type: none"> • Wastewater treated to appropriate standards or raw/untreated wastewater discharges avoided • Wastewater avoided, reused or minimized at source • Reduction in water consumption of economic activities (e.g. industrial processes, agricultural activities including irrigation, buildings, etc.) • Water re-use and/or water use avoided by waterless solutions and equipment, (e.g. for sanitation, cooling systems for power plants, industrial processes, etc.) • Annual absolute (gross) water use before and after the project in m³/a, reduction in water use in %

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> Maintenance/safeguarding/increase of natural landscape area, including forest (km² and % for increase) Maintenance/safeguarding/increase of natural landscape area in urban areas (km² and % for increase) Maintenance/safeguarding/increase of protected area or other effective area-based conservation measure (OECM) in km² and % for increase 	<ul style="list-style-type: none"> Increase of area under certified land management in buffer zones of protected areas (km² or m² and %) Absolute number of indigenous species, flora or fauna restored through the project Annual GHG emissions reduced (tCO₂e) Absolute number of predefined target organisms and species per km² (bigger fauna) or m² (smaller fauna and flora) before and after the project

BEST PRACTICES
<ul style="list-style-type: none"> ⇒ The issuer report will be publicly available ⇒ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the Categories. The Issuer has also committed to report on material development related to the projects, including ESG controversies. ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Categories ⇒ The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories will be disclosed publicly ⇒ Environmental & Social benefits and impacts will be externally verified, until full allocation.

CONTRIBUTION TO SUSTAINABILITY

Expected Impacts

The potential positive Impact of the Eligible Projects on environmental and social objectives is considered to be robust.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Affordable Basic Infrastructure	ROBUST	<p>Infrastructure projects in Colombia, particularly those relating to transportation, are insufficient. Over the years, said projects have been subject to poor civil engineering, natural disasters, corruption, politicization and sabotage perpetrated by guerrilla and paramilitary organizations.¹⁴ As a result, Colombia is lacking an adequate transportation network which is hampering its socioeconomic development.</p> <p>The Eligible Projects are relevant for improving the livelihoods of the target populations to a limited extent due to the overall state of the infrastructure situation in the country, including access to water services, connectivity, libraries and the enhancement of housing in the vulnerable areas identified by the Issuer.</p>
Access to Essential Services - Health	ADVANCED	<p>Facilitating access to health care services, especially amongst the identified target population, is relevant for addressing Colombia's sustainability challenges. Amongst 37 OECD countries, Colombia ranked in 33rd place in having a satisfied population with the availability of quality health care in the area where they live, with just 47% of the population being satisfied with the quality of the available healthcare.¹⁵</p> <p>Eligible Expenditures under this category are focused on promoting the coverage expansion of healthcare services in particular for those populations not covered by any of the existing healthcare mechanisms. Eligible Expenditures also include public infrastructure that promote public health, healthcare professionals and infrastructure improvement to public healthcare facilities, among others.</p>
Access to Essential Services - Education	ADVANCED	<p>According to the OECD, higher education is one of the drivers of inclusive growth. It is estimated that increasing access to good quality higher education has the potential to bring important social benefits to countries such as the increase in social awareness, the strengthening of democratic participation, reduction of inequalities and criminality and raise productivity and innovation. As reported by the OECD, stronger investment is needed to improve access to and quality of early childhood education and care across Colombia: the system faces low enrolment rates for 3-5 years-olds, low levels of expenditure, and the highest ratio of children per teacher among OECD countries¹⁶.</p> <p>The Eligible Expenditures under this category are mainly directed to promote access to education (primary, secondary and higher education) through scholarships and grants, as well as other economic support to students and improving the education infrastructure. The Issuer will apply the geospatial criterion to this category, meaning that it will target priority areas in Barranquilla.</p>
Socioeconomic Advancement and Empowerment	ADVANCED	<p>Small and Medium Enterprises (SMEs) play a major role in most economies, particularly in developing countries. SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development¹⁷. It is estimated that two out of three SMEs are informal in Colombia and on average in the three largest</p>

¹⁴ <https://gsdrc.org/publications/infrastructure-project-failures-in-colombia/>

¹⁵ https://www.oecd-ilibrary.org/sites/ae3016b9-en/1/3/5/1/index.html?itemId=/content/publication/ae3016b9-en&_csp_=ca413da5d44587bc56446341952c275e&itemIGO=oecd&itemContentType=book

¹⁶ https://www.oecd.org/education/education-at-a-glance/EAG2019_CN_COL.pdf

¹⁷ <https://www.worldbank.org/en/topic/sme/finance>

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
		<p>sectors, 40% of SMEs companies requested credit to the financial system¹⁸.</p> <p>This Eligible Category aims to support to SMEs and provide support through financial literacy and enhancement of public markets. Additionally, the category includes the support toward the elderly and vulnerable population identified through economic support to complement their income.</p>
Renewable Energy	ADVANCED	<p>The projects are relevant to mitigating climate change. The projects are consistent with Colombia's Energy Plan 2050¹⁹, which aims to diversify the country's energy resources and ensure a reliable energy supply by including renewable energy in the country's electric mix. The expansion of renewable energy sources (wind, solar, geothermal) through generation projects increases Barranquilla's resilience to unfavourable hydrology scenarios and low rainfall events. In addition to generation projects, the District also plans to enter into long-term (≥ 5 years) PPA contracts to augment its renewable energy supplies in the grid. Although this Eligible Category has an overall advanced expected impact, Moody's ESG Solutions notes that PPA energy supplies have a minor impact relative to generation projects in advancing the District's shift to clean energy. Nevertheless, both projects will help reduce the District's reliance on fossil fuel resources over time.</p> <p>Additionally, the projects will benefit all stakeholders as projects serve to reduce the country's energy carbon footprint. Local stakeholders will benefit from access to energy from renewable sources through the proposed installation of transmission lines that will support grid interconnection from regions with high renewable potential and low demand to areas of high demand and low potential in Barranquilla. Lastly, the projects meet relevant international standards requirements.</p>
Energy Efficiency	ROBUST	<p>According to the EIA, energy efficiency is the 'first fuel' as it still represents the cleanest and, in most cases, the cheapest way to meet energy needs. There is no plausible pathway to net zero emissions without using energy resources much more efficiently²⁰.</p> <p>Eligible Projects are required to achieve at least 20% energy efficiency improvement to mitigate climate change, which is relevant but not aligned with the most stringent standards available. Projects include energy efficient heating, ventilation, renewable powered air conditioning systems and electrical equipment, among others. Investments will also include energy efficient public street lighting and sensor equipment that will be in compliance with RETILAP²¹ requirements.</p>
Clean Transportation & Infrastructure	ADVANCED	<p>Transportation is the leading carbon producing sector in Colombia. Transitioning to zero to low carbon vehicles such as electric vehicles (EVs) offer the best technology at present to efficiently decarbonize the sector. The Colombian government has introduced an EV target of 600,000 vehicles by 2030 as well as a variety of regulatory incentives to spur the consumption of EVs. As of October 2021, Colombia had less than 1% of EVs on the road²².</p> <p>As a municipal authority, Barranquilla plays an important role to support the broader country objectives through its clean public transportation projects. Projects include investments in electric public transportation systems such as buses, electric passenger vehicles, rails, trams, trolley buses and cable cars as well as electric freight vehicles managed by the city. Finally, the technology is also automatically eligible under the 1.5C decarbonization trajectory based on international standards and are expected to benefit all stakeholders.</p>

¹⁸ <https://www.oecd-ilibrary.org/sites/2960938f-en/index.html?itemId=/content/component/2960938f-en>

¹⁹ https://www1.upme.gov.co/Documents/PEN_IdearioEnergetico2050.pdf

²⁰ <https://www.iea.org/news/global-energy-efficiency-progress-is-recovering-but-not-quickly-enough-to-meet-international-climate-goals>

²¹ <https://www.minenergia.gov.co/web/ingles/retilap-english>

²² <https://climateactiontracker.org/blog/decarbonising-colombias-transport-sector/#:~:text=In%20Colombia%2C%20EV%20sales%20are,are%20slightly%20higher%20at%2050000>

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
		For hybrid technology, the Issuer has included a limit year to invest in, according to international standards.
Green Buildings	ADVANCED	Buildings account for 7% of total carbon emissions in Colombia. Eligible Projects must meet the highest level of internationally recognized green building certifications including LEED Gold certified or higher, BREEAM Excellent or higher, and HQE Excellent or higher. The Issuer confirms that projects will only include city owned municipal buildings. As projects are expected to reduce carbon emissions over time, the projects will positively impact all stakeholders.
Pollution Prevention Control and Waste Management	ADVANCED	An estimated 90% of Colombia's municipal waste was sent to landfills in 2018. ²³ Additionally, a 2014 OECD report found that landfills in several large cities, including Barranquilla, had reached maximum capacity. ²⁴ As one of the key responsibilities of municipalities, investments in waste management are highly relevant for the Issuer. The type of projects to be finance will fall under recognized international standards in terms of waste management.
Sustainable Water and Wastewater Management	ROBUST	Water and wastewater management fall under the authority of municipalities. If wastewater is not properly treated, then the environment and human health can be negatively impacted. These impacts can include harm to fish and wildlife populations, oxygen depletion, beach closures and other restrictions on recreational water use, restrictions on fish and shellfish harvesting and contamination of drinking water ²⁵ . In addition, adaptation for climate change is high on the Colombian agenda at the moment. The government recently launched the Climate Change National Adaptation Plan which addresses the flood and drought risks in the country ²⁶ . Projects of this nature can benefit local stakeholders through the improvement in municipal infrastructure, to global stakeholders through improvements in overall efficiency and enhancing the water quality. In addition, this category includes projects aiming to the monitoring of water systems and climate change resilience
Environmentally Sustainable Management of Living Natural Resources and Land Use	LIMITED	Colombia is listed as one of the world's "megadiverse" countries, hosting close to 10% of the planet's biodiversity. Worldwide, it ranks first in bird and orchid species diversity and second in plants, butterflies, freshwater fishes and amphibians. Colombia possesses a rich complexity of ecological, climatic, biological and ecosystem components ²⁷ . Also, urban ecosystems are increasingly recognized as essential to sustainable development. The UN's Decade on Ecosystem Restoration ²⁸ , FAO ²⁹ and the World Economic Forum's BiodiverCities ³⁰ initiatives highlight the many benefits that can be realized through the proper integration of greenery into urban areas. Eligible projects will aim to finance initiatives to protect the biodiversity in the influence area of the municipality and promoting international recognized certifications. However, Moody's ESG Solutions has a limited visibility on the alignment of the enhancement of Barranquilla's parks with recognized standards in terms of 'green cities'.

²³ <https://stats.oecd.org/#>

²⁴ https://read.oecd-ilibrary.org/environment/oecd-environmental-performance-reviews-colombia-2014_9789264208292-en#page1

²⁵ <https://www.usgs.gov/special-topics/water-science-school/science/wastewater-treatment-water-use#:~:text=If%20wastewater%20is%20not%20properly%20treated%2C%20then%20the,and%20shellfish%20harvesting%20and%20contamination%20of%20drinking%20water.>

²⁶ <https://www.un-ihe.org/stories/climate-change-adaptation-colombia-tipping-point-analysis#:~:text=Adaptation%20for%20climate%20change%20is%20high%20on%20the,by%20a%20large%20flooding%20in%202010%20and%202011.>

²⁷ <https://www.cbd.int/countries/profile/?country=co>

²⁸ <https://www.decadeonrestoration.org/types-ecosystem-restoration/urban-areas>

²⁹ <https://www.fao.org/green-cities-initiative/en/>

³⁰ https://www3.weforum.org/docs/WEF_BiodiverCities_by_2030_2022.pdf

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
OVERALL ASSESSMENT	ROBUST	

ESG Risks Identification and Management Systems in Place at Project Level

The identification and management of the environmental, social, and governance risks associated with the Eligible Projects are considered robust.

Environmental Risks Control and Monitoring

Eligible Projects must comply with the national environmental regulations as well as laws and regulations at the local level as it pertains to the protection and conservation of the environment.

Colombia's key environmental legislation is established through the National Climate Change (SISCLIMA) policy. The policy aims to "coordinate, articulate, formulate, monitor and evaluate policies, rules, strategies, plans, programs, projects, actions and measures related to the adaptation to climate change and mitigation of greenhouse gases" through collaboration between public, private and non-profit entities³¹. The Ministry of Environment and Sustainable Development has the federal authority to set the environmental standards, criteria, and guidelines that regional and local authorities must abide within their areas of jurisdictions. This includes regulations on the submission of environmental studies for projects to ensure its environmental viability as well as adherence to environmental guidance for public infrastructure projects.

The District of Barranquilla has delegated Barranquilla Verde, a Public Environmental Establishment, with the responsibilities to monitor environmental management systems and environmental impact assessments for all Eligible Projects implemented in the District. Combined, Barranquilla Verde and the District's Risk Control Office (RCO) ensure the sustainable environmental management and risk mitigation of Eligible Projects on issues such as resource efficiency and pollution prevention, biodiversity protection, waste management, and prevention of environmental and industrial accidents, among others. For pollution prevention in particular, the Ministry of Environment has outlined a robust set of standardized abiotic and biotic environmental impact categories to guide the environmental studies for Eligible Projects.

The RCO is responsible to recommend risk mitigation and control measures to project executors. As a monitoring measure, the RCO carries out technical inspection visits to identify potential threats and vulnerabilities in projects in order to safeguard the environmental integrity and sustainability of the area. During construction, the District's General Secretary will also perform periodic monitoring of the environmental plans and procedures of each project to ensure adherence to the relevant environmental regulations.

Additionally, executors of each Eligible Project are required to conduct and submit an environmental impact study. Before construction, Eligible Projects must obtain relevant construction permits, environmental licensing and must comply with national regulations³² as it relates to construction and waste management. The National Environmental Licensing Authority ("the Authority") has primary oversight on the environmental licensing and permitting process and conducts annual reviews of all valid licenses to ensure compliance with environmental regulations. The Authority also conducts environmental monitoring during the construction, operation, and decommissioning stages of the project. In the event of non-compliance of projects with urban or environmental regulations, the RCO will issue a technical report and informs the relevant authorities to perform further inspection and to recommend environmental sanctions, if needed. Environmental sanctioning includes fines, suspension of activities, closure of establishments, revocation of environmental license, among others to non-compliant project executors. The robust oversight shared between authorities at the district and national level provides a strong environmental risk mitigation strategy for Eligible Projects.

Social Risks

There are several regulatory frameworks in place at the national level to manage and mitigate social risks that may arise throughout the development of these projects. Compliance with contractual obligations is verified by a supervisor or auditor who will be appointed to the contract in accordance with the provisions of the Barranquilla District Contracting Manual. When specialized knowledge is required, or there is a degree of complexity, the District of Barranquilla will hire the necessary person to monitor performance. Otherwise, this role will be filled by public employees of the same entity with relevant academic profiles and technical expertise. The Issuer has provided the main frameworks to address the following social risks:

³¹<https://climate-laws.org/geographies/colombia/policies/national-climate-change-decree-sisclima>

³²Resolutions 0472 and 1482 of 2017 as well as Resolution 1076 of 2015

- Human Rights: The Political Constitution of 1991³³ and the Substantive Labour Code³⁴ regulate labour standards, and govern the relationship between employers and employees in Colombia. These legal frameworks comprehensively address labour issues including discrimination, working hours, wages, compulsory labour, minimum working age, conditions of employment termination and the right to collective bargaining. Colombia has also been a member of the ILO since 1919 and has ratified the eight "fundamental" Conventions. The project supervisor will ensure compliance with labour obligations, and will periodically require the contractor to present labour contracts and receipts for the payment of salaries and social benefits, as well as affiliation and payment forms to the social security system.
- Health and Safety: Occupational risks are similarly regulated by national frameworks. The Substantive Labour Code, mentioned above, also sets forth requirements for health and safety under Articles 348-352. Additionally, Law 1562 of 2012³⁵ and Decree 1072 of 2015 issue provisions on occupational health and safety, and control the implementation of management systems. The project supervisor will make visits to the worksite to verify compliance with obligations including those related to industrial hygiene and safety standards. If departures are identified, improvement plans will be recorded in acts with established implementation deadlines and the criteria and methods for their follow-up. The contractor will also be required to ensure that all personnel under its responsibility are affiliated to the General Social Security System, in accordance with the provisions of the law.
- Dialogue with Communities: Dialogue with local stakeholders will be promoted according to Colombian laws, decrees, articles and directives. Decree 1320 of 1998, establishes guidelines for the prior consultation with indigenous and black communities for projects implemented by third parties within their territories. These communities must be given the opportunity to actively and effectively participate in the studies prepared to analyse the environmental and social impact of such natural resource exploitation. Similar guidelines are included under Article 330 of the Political Constitution of 1991, which declares that any exploitation of natural resources in indigenous territories must be done without detriment to the integrity of indigenous communities. When applicable, the project supervisor will verify that the contractor meets the proportion of local labour and vulnerable populations to be hired as indicated in the bidding documents.

An area for improvement identified is to establish that the projects financed by the Instruments require a prior consultation and/or an agreement with the communities to operate (not limited to indigenous). In addition, establish sanctions in the event of non-compliance with the expected impact mitigation plans established.

Responsible Relations with Suppliers

The contractual clauses of the work contract signed there are commitments for contractors related to environmental cares, such as: (i) submit monthly a certificate of disposal of construction and demolition waste, (ii) submit an Environmental Management Plan, which includes compliance with the environmental regulations applicable to the construction process, (iii) the contractor is obliged to comply with environmental regulations in force and the execution of works that respect the natural and social environmental of the area of influence of the project.

The Issuer has legal instruments to ensure the compliance with the ESG obligations of the contractors. Within such instruments, the issuer request guarantees to the contractor, imposition of fines, declaration of default to enforce the penalty clause, among other. The Issuer has stated that its Contracting Manual outlines objective environmental and social parameters to ensure that its contracted suppliers, products and services comply with the standards.

Ethics Risks

The district of Barranquilla implements internal guidelines against money laundering and financing terrorism. These actions are evidenced with the Internal Control Policy which includes the element of the Internal Control Standard Model (MECI), risk assessment, control, training, communication and monitoring activities. Working groups are held to review and/or update the operational or management, corruption and information security risk maps, led by the District Planning Secretary, with the support of the Internal Management Control Office.

In addition, at the beginning of the year, the Anticorruption and Citizen Service Plan are prepared and implemented, strengthening ethical supervision and the Management of Conflict of Interest. The monitoring of compliance of the Anticorruption and Citizen Service Plan is performed within the risk Management component in accordance with the administrative structure of the district defined in the regulatory framework.

³³ http://www.secretariasenado.gov.co/senado/basedoc/constitucion_politica_1991.html

³⁴ http://www.secretariasenado.gov.co/senado/basedoc/codigo_sustantivo_trabajo.html

³⁵ http://www.secretariasenado.gov.co/senado/basedoc/ley_1562_2012.html

Additionally, the District Mayor's Office of Barranquilla within the Contractual Management process is in compliance with the procedures established in the Contracting Handbook, which states the prevention of Money Laundering and Prevention of Terrorism with suppliers.

Responsible relations with beneficiaries (Social Categories)

Transparent information to beneficiaries (risks and benefits)

The programs of the District Secretary of Social Services follow the implementation of information and communication, through the review and updating of the information published in the webpage and social networks, in accordance with the institution's publication guidelines. Regarding the associated risks, there is a risk matrix, listing controls and monitoring activities on a quarterly basis, in order to mitigate the following risks: (i) Receiving economic benefits to facilitate or prioritize a procedure or service, (ii) Non-compliance with legal and regulatory requirements, processes, products and services and (iii) Lack of follow-up and evaluation of citizen satisfaction.

Procedures in case of complaints

The Issuer has a system in place ('PQRS') for citizens or others involved in the execution of projects to submit petitions, complaints, requests, suggestions or complaints. These will be processed, in accordance with the regulations and procedures in effect, by the Office of Citizen Relations which is attached to the General Secretary. There is also a telephone line and e-mail address where the Issuer follow up on the concerns and inconvenience presented by the beneficiaries.

ISSUER

Management of ESG Controversies

As of June 2022, the review conducted by Moody's ESG Solutions did not reveal any ESG controversy against the District of Barranquilla over the last four years.

METHODOLOGY

In our view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, we provide an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by Moody's ESG Solutions according to the ICMA's Green Bond Principles - June 2021 ("GBP"), the Social Bond Principles - June 2021 ("SBP"), the LMA/APLMA/LSTA's Green Loan Principles - February 2021 ("GLP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. Moody's ESG Solutions evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by Moody's ESG Solutions on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by Moody's ESG Solutions on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by Moody's ESG Solutions on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

Our assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental/social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental/social objectives

The expected positive impact of activities on environmental/social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental/social objective for the sector of the activity;³⁶
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the Issuer, its value chain, local and global stakeholders);
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental/social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) for environmental objectives only: the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of Moody's ESG Solutions' ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of Stakeholder Related ESG Controversies

Moody's ESG Solutions defines a controversy as public information or contradictory opinions from reliable sources that incriminate or make allegations against an Issuer regarding how it handles ESG issues as defined in Moody's ESG Solutions' ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

We reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

We provide an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, our controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

³⁶ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

OUR ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of ESG risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green and/or Social Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of ESG risk management or an advanced expected impact combined with a limited level of assurance of ESG risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green and/or Social Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of ESG risk management; or a robust expected impact combined with a limited to weak level of assurance of ESG risk management; or an advance expected impact combined with a weak level of assurance of ESG risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green and/or Social Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of ESG risk management or a limited expected impact with a weak level of assurance of ESG risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green and/or Social Loan Principles.

STATEMENT ON MOODY'S ESG SOLUTIONS' INDEPENDENCE AND CONFLICT-OF-INTEREST POLICY

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This opinion aims at providing an independent opinion on the sustainability credentials and management of the Instrument(s), based on the information which has been made available to MOODY'S ESG. MOODY'S ESG has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other tests to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by MOODY'S ESG neither focuses on the financial performance of the Instrument(s), nor on the effective allocation of its proceeds. MOODY'S ESG is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of MOODY'S ESG. MOODY'S ESG grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned issuance. The Issuer acknowledges and agrees that MOODY'S ESG reserves the right to publish the final version of the Second Party Opinion on MOODY'S ESG's website and on MOODY'S ESG's internal and external communication supporting documents.

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