

**Relevant Documentation for Review**

**Background**

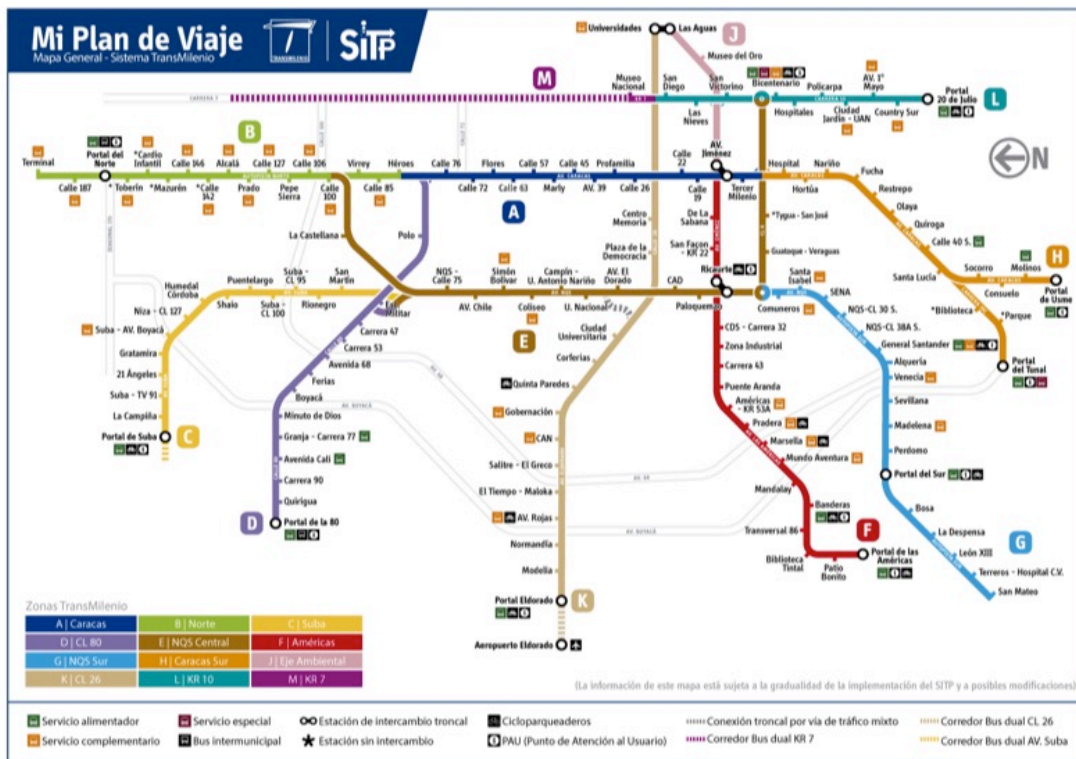
**1. Transmilenio's System**

*Empresa de Transporte del Tercer Milenio – TransMilenio S.A.* (“TransMilenio”) is the institution responsible for the management of the Public Transportation Integrated System of Bogota (Colombia), which is in charge of the coordination between the different participating entities, the design and implementation of the structural planning of the system, and the definition of the technical regime that regulates the operation, the management, the control and the supervision of the BRT system in the city. This management model for the system operation is focused on the efficient use of the fleet, an effective public transportation service that looks to ensure a high-quality service within predefined standards, and security for its users.

The system is structured in a hierarchical network of routes, consisting of Main Routes (“Troncales”), and Zonal Routes. The Main Routes are considered as the central axis of the system, by serving high demand corridors and long-distance trips, and they operate on exclusive corridors where no other vehicles are allowed to transit.

In **Figure 1**, Main Routes are presented including details of the stations and portals.

Figure 1 – TransMilenio's System Map



Source: TransMilenio. ([https://www.sitp.gov.co/Publicaciones/el\\_sistema/Mapas/mapas\\_transmilenio](https://www.sitp.gov.co/Publicaciones/el_sistema/Mapas/mapas_transmilenio)).

The defined Main Routes include about 114 km of dedicated lanes, 12 corridors (routes), 139 stations and 9 portals or operating yards. Currently, TransMilenio is the largest Bus Rapid Transit (BRT) system in the world, having a fleet of 2.054 Buses (articulated and bi-articulated), moving around 700 million passengers in 2018<sup>1</sup>.

## 2. Description of the Provision Contracts

Public Tender Processes TMSA-LP-01-2018 and TMSA-SAM-20-2018 had the objective to award twelve (12) concession contracts in order to renew, expand and improve the public transportation service.

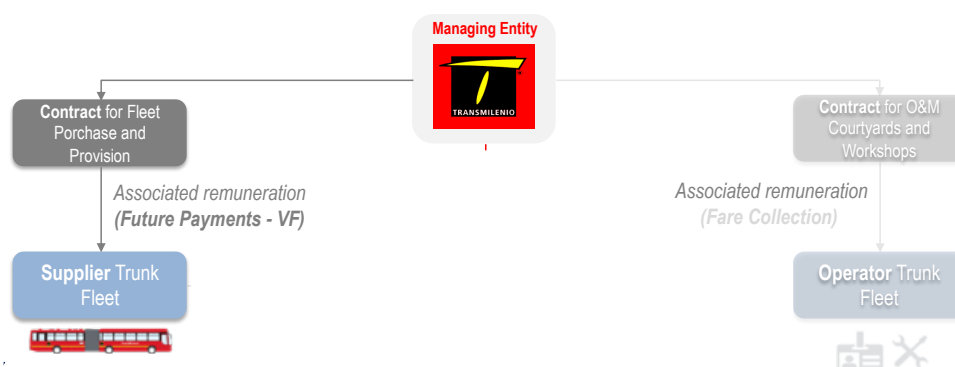
Those contracts were divided into two types of fully independent categories: Six (6) provision contracts with the objective of acquiring the fleet, and six (6) operation and maintenance contracts. The Provision Concession Contracts, which are the ones that are going to be financed through the securitization program, will have a retribution established as a monthly availability payment or fee ("TMVT") per delivered Bus, that will be backed by Future Budget Allocation (*Vigencias Futuras*) of TransMilenio.

In general, the Provision Concessionaires are in charge of acquiring the fleet and delivering it to TransMilenio in accordance to the contracted specifications. Once delivered and approved by TransMilenio, the fleet will be assigned to the corresponding O&M Concessionaires, and the Provision Concessionaires will start receiving the contracted availability payments from TransMilenio as a monthly retribution ("TMVT") during the life of each contract (10 years counted from the first delivery of Buses).

The Securitization program described in this document will focus in 4 of the 6 Provision Concession Contracts: TMAS 1: *Calle 80 and Norte*, TMAS 2: *Américas and Suba*.

**Figure 2** illustrates the legal and operative independence between the Provision Concession Contract and the O&M Concession Contract set by TransMilenio in the new contractual framework.

Figure 2 - Provision Concession Contract vs O&M Concession Contract



Source: TransMilenio.

<sup>1</sup> <https://www.transmilenio.gov.co/loader.php?lServicio=Tools2&lTipo=descargas&lFuncion=descargar&idFile=4146>  
<https://www.transmilenio.gov.co/publicaciones/151162/estadisticas-de-oferta-y-demanda-bimensual-del-sistema-integrado-de-transporte-publico-sitp-diciembre-2018/>

### 3. Main Environmental and Social Considerations

The Institute for Transportation and Development Policy has ranked the TransMilenio system and its corridors, according to an assessment based on the relevant variables considered in their criteria. The ranking for the corridors that are part of the bidding process described before, is shown in the table below:

Corridor	Total Score	Classification	BRT Basics	Busway alignment	Dedicated right-of-way	Off-board fare collection	Intersection treatments	Platform-level boarding
Américas	88.0	Gold	32	7.0	7.0	7.0	5.0	6.0
Calle 80	86.0	Gold	33	7.0	7.0	7.0	6.0	6.0
Norte	83.0	Silver	32	7.0	7.0	7.0	5.0	6.0
Suba	89.0	Gold	33	7.0	7.0	7.0	6.0	6.0
Tunal – Sur II	83.0	Silver	32	7.0	7.0	7.0	5.0	6.0
Usme	89.0	Gold	33	7.0	7.0	7.0	6.0	6.0

Source: BRT Rankings – Institute for Transportation & Development Policy <sup>2</sup>

It is expected that this fleet renewal project will contribute to generate important environmental and social benefits. The Provision Contracts seek to replace more than 1.100 existing buses (that were complying with the Euro III standards), with a fleet of 1.441 buses that will comply with the Euro V and Euro VI standards. This Securitization will focus in 741 Buses that comply with the Euro VI standard.

The new fleet with its higher environmental standards will ensure a reduction in healthcare expenses related to diseases produced by pollution and high levels of air contamination, as a consequence of the reduction in the emissions of CO<sub>2</sub> and other pollutants that will positively impact the population of the city of Bogotá.

In addition, considering the specific characteristics of the fleet and the main corridor's stations, people with disabilities or people with reduced mobility, will be also beneficiaries of the execution of the project. In fact, the renewal or acquisition of the buses must be aligned with the goals stated in the statutory law 1683 of 2013, in the Decree 324 of 2014, in the Constitutional Court ruling T-192 of 2014 and in the internal memorandum 2013IE4137 of TransMilenio, in such a way that the program implementation will be considered as an improvement and amelioration on the access conditions to the Public Transport System for this population.

In line with the points stated above, Buses will be equipped and designed with technology such as auditive aid systems in buses and stations, electronic systems, wheelchair areas, and priority seats for pregnant women, senior citizens, infant-in-arms passengers, children under 7 years old, or passengers with disabilities or reduced mobility.

However, not all social benefits are related to the bus technology equipment or interior design. Bogotá's District have especial subsidies in the tariffs for senior population, people with disabilities, and people belonging to the *Sisbén* (socially and/or economically population considered as vulnerable or with a low level of income), so even though the retribution for the provision concessionaries will not be affected (as it is a fixed fee per delivered bus), these sectors will continue to benefit from the improvement of the service.

<sup>2</sup> <https://www.itdp.org/library/standards-and-guides/the-bus-rapid-transit-standard/best-practices-2013/>

In conclusion, the capital expenditures related to this project will generate environmental benefits, due to the technology upgrade of the fleet, and social benefits due to the inclusion of vulnerable population into the transportation system, that will not only take place in an specific moment of time but that will last and probably increase during the whole time of the concessions.

Therefore, this project is aligned with the Sustainability Development Goals, in particular Goal number 11 – Sustainable cities and communities:

- SBP: Affordable Basic infrastructure.
- SBP: Clean Transport.
- GBP: Pollution prevention and control.

## Bond Framework

### 1. Use of Proceeds

In the context described before, BONUS Gestión de Activos S.A.S. in alliance with the Financiera de Desarrollo Nacional S.A. ("FDN"), are launching a Securitization of the retribution of four (4) of the six (6) Provision Contracts awarded by TransMilenio, in order to finance the acquisition of the fleet for the corresponding corridors, as follows:

Corridor	Number of Buses	Technology	BRT Classification
Américas	260	Euro VI (CNG)	Gold
Calle 80	112	Euro VI (CNG)	Gold
Norte	239	Euro VI (CNG)	Silver
Suba	130	Euro VI (CNG)	Gold
<b>Total</b>	<b>741</b>	-	-

### 2. Project Evaluation

The net proceeds raised by the securitization will be used exclusively to finance the acquisition of the fleet for the four corridors of the TransMilenio's system described above, achieving the Social and Environmental objectives since the beginning of the execution of the project (delivery of the Buses). Therefore, no eligibility criteria would apply since the funds are going to be dedicated specifically to the accomplishment of these contracts.

#### **Eligible criteria to identify and manage potentially material social and environmental risks associated with the projects:**

All type of risks related to the performance of the Provision Concession Contracts, were taken into account through the establishment of a global risk matrix, that assigned them on a case by case analysis depending on the parties respective capabilities to evaluate, control, or manage the probability of occurrence and/or the impact of their materialization.

It is of particular relevance to point out that the environmental and social objectives previously stated will not have any type of exposure or uncertainty in the sense that its compliance is either mandatory by law or included in TransMilenio's operational manual regarding the Provision Contracts.

### 3. Management of Proceeds

All net proceeds of this securitization will be exclusively dedicated for the financing of the purchase of the fleet. Due to the fact that all the resources will be managed through a specific purpose Trust account, it will be granted that their usage and destination will be exclusively directed to the fulfillment of the objective of the Provision Contract (acquisition and delivery of the fleet). Moreover, in the structuration process a figure of an authorized and independent fiduciary agent was implemented, whose main objective and reach is the supervision of the transfer of resources, giving the investors the total capacity to track their investments.

Since this process is associated with the specific objective previously stated (the acquisition and delivery of the fleet of Buses), there will not be a need of rebalancing the portfolio or to reallocate the invested resources.

#### **4. Reporting**

The issuer shall annually disclose the use of the proceeds from the securitization, indicating the average value of the financing to each participating Provision Concessionaire, through the annual report on "The Use of the Sustainable Bond Resources". The objectives and key indicators presented on this report, should present to the investors the level of accomplishment on the defined commitments towards the defined sustainable goals.

##### **Environmental objectives:**

- Reduction of CO<sub>2</sub> emissions explained by the technological upgrade and improvement:
  - **Key Environmental performance Indicator 1:** number of Euro VI buses acquired with the Securitization resources.
- Reduction in pollution levels as a result of the increase in the use of mass public transport:
  - **Key Environmental performance Indicator 2:** PM<sub>10</sub> Air Quality Index for Bogotá D.C.

##### **Social objectives:**

- Use and/or access to TransMilenio mass public transport system, by people with disabilities, people with reduced mobility, or vulnerable population:
  - **Key Social performance Indicator 1:** number of passengers with *Sisbén* subsidies transported in the corridors.
  - **Key Social performance Indicator 2:** number of passengers with disabilities / reduced mobility / seniors transported in the corridors.

The use of the Green Bond proceeds is to be audited by Sustainalytics, an external party. Such annual report will review the projects for which the bond proceeds were allocated and ensure compliance with the eligibility criteria, inform investors and stakeholders that the bond continues to comply with the pre-established criteria and the framework. This assessment will be carried out annually around the anniversary of the bond issue date. The report will be published in Sustainalytics' website.

#### **5. Sustainability information on the issuers**

As previously discussed in Section 1 and 2 of this document, the execution of the concession contracts for the provision of the fleet will be completely aligned to the accomplishment of the environmental and social goals. The issuers are two SPVs created with the only purpose of being the issuing entities of two independent tranches for the financing of the four provision concession contracts previously mentioned. As stated before, these concession contracts must comply with the environmental and social legal framework.