

Second-Party Opinion

Bogota’s Sustainable Mass Transit Securitization (TMAS) Sustainability Bond

Evaluation Summary

Sustainalytics is of the opinion that Bogota’s Sustainable Mass Transit Securitization (TMAS) Sustainability Bond Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds, clean transportation and affordable basic infrastructure, are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers the procurement of buses for bus rapid transit lines to have positive environmental and social impacts and to advance UN Sustainable Development Goal 11: Sustainable Cities and Communities.



PROJECT EVALUATION / SELECTION The net proceeds of the bond will be used exclusively to finance the acquisition of buses for four specified BRT corridors in Bogota. Sustainalytics considers this disclosure to be in line with market practice.



MANAGEMENT OF PROCEEDS The net proceeds of the bond will be deposited into a trust fund, under the terms that they be used exclusively for the acquisition of buses; an authorized agent will monitor the allocation. Sustainalytics considers this to be in line with market practice.



REPORTING Annual allocation and impact reporting will be provided, including the average amount allocated per contract and relevant quantitative environmental and social indicators. An annual external review will be carried out by a third party. Sustainalytics considers this to be in line with market practice.

Evaluation date	March 28, 2019
Issuer Location	Bogota, Colombia

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	8

For inquires, contact the Sustainable Finance Solutions project team:

Ankita Shukla (New York)
 Project Manager
 ankita.shukla@sustainalytics.com
 (+1) 617 603 3329

Zach Margolis (Toronto)
 Project Support
 zach.margolis@sustainalytics.com
 (+1) 647 695 4341

Paramjot Kaur (New York)
 Client Relations
 susfinance.americas@sustainalytics.com
 (+1) 646 518 0184

Introduction

BONUS Gestión de Activos S.A.S. (BONUS), a financial advisory firm which provides structuring and financial products for companies, governments, and investors and Financiera de Desarrollo Nacional S.A. (FDN), a development bank that specializes in infrastructure project finance and structuring, have established two Special Purpose Vehicles (the "SPVs") to finance the acquisition of buses for four concession contracts awarded by the Empresa de Transporte del Tercer Milenio – TransMilenio S.A. (TransMilenio) for Bogota's BRT system.

BONUS and FDN have developed Bogota's Sustainable Mass Transit (TMAS) Securitization Sustainability Bond Framework (the "Framework") under which the SPVs intend to issue two tranches of a sustainability bond securitized by the monthly payments from TransMilenio to four fleet acquisition concessionaires. The proceeds from the bond will be used by the concessionaires to purchase up to 741 compressed natural gas (CNG) buses for operation on up to four corridors of TransMilenio's BRT system. The vehicles will be compliant with EURO VI emissions standards. A detailed break-down of buses by corridors, BTR Standard and technology is provided in Appendix 1.

BONUS Gestión de Activos S.A.S. engaged Sustainalytics to review Bogota's Sustainable Mass Transit Securitization (TMAS) Sustainability Bond Framework, dated March 15, 2019, and provide a second-party opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with representatives of BONUS Gestión de Activos S.A.S. and Financiera de Desarrollo Nacional S.A. to understand the sustainability impact of the SPV's planned use of proceeds, as well as management of proceeds and reporting aspects of Bogota's Sustainable Mass Transit Securitization (TMAS) Sustainability Bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of Bogota's Sustainable Mass Transit Securitization (TMAS) Sustainability Bond Framework and should be read in conjunction with that Framework.

¹ Sustainability Bonds are aligned with the four core components of both the Green Bond Principles and Social Bond Principles, with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects. ICMA's Sustainability Bond Guidelines 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² Available at the Fiduciary's website: <https://www.alianza.com.co>, on the subsite of the SPV "Titularización Transporte Masivo Sostenible de Bogotá".

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on Bogota's Sustainable Mass Transit Securitization (TMAS) Sustainability Bond Framework

Summary

Sustainalytics is of the opinion that Bogota's Sustainable Mass Transit Securitization (TMAS) Sustainability Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. Sustainalytics highlights the following elements of the Sustainability Bond Framework:

- Use of Proceeds:
 - The use of proceeds is recognized as impactful by Green Bond Principles 2018, under the category of clean transportation and pollution prevention and control, and the Social Bond Principles 2018, under the category of affordable basic infrastructure.
 - Sustainalytics recognizes that the buses acquired will be powered by fossil fuels, namely compressed natural gas (CNG). The Framework states that the CNG buses will meet Euro VI emissions standards³. Based on these high standards, as well as the recognition that an efficient high-capacity public transit system delivers significant environmental benefits even when powered by fossil fuels, Sustainalytics considers the purchase of the specified buses to have positive impacts.
 - The four bus rapid transit (BRT) routes to which the purchased buses will be dedicated have received Gold- or Silver-level certification as part of the Institute for Transportation & Development Policy's Bus Rapid Transit Standard. This Standard assesses BRT systems on a number of metrics which have been established to demonstrate international best practice⁴, and is recognized by the Climate Bonds Initiative as part of the Low-Carbon Transport Criteria⁵. Sustainalytics views this certification favourably and is of the opinion that acquiring buses for use on certified BRT corridors will have positive environmental and social impacts. Refer to Section 3 for further discussion of the impacts, and Appendix 2 for an assessment of the BRT Standard.
- Project Evaluation and Selection:
 - The net proceeds of the bond will be used exclusively to finance the acquisition of buses for the four specified BRT corridors. Sustainalytics considers this disclosure to be in line with market practice.
 - The four acquisition concessionaires were selected by TransMilenio as part of a public procurement process, in line with the applicable rules and regulations governing that entity.
- Management of Proceeds:
 - The net proceeds of the bond will be deposited into a specific trust fund, under the terms that they be used exclusively for the acquisition of buses as specified in the Provision Contracts between the concessionaires and TransMilenio.⁶ An authorized fiduciary agent will be charged to monitor the process of allocation. Sustainalytics considers this to be in line with market practice.
- Reporting:
 - Annual allocation reporting will be provided, including the average value of financing provided to each of the four acquisition concessionaires.
 - The Framework specifies key environmental and social impact indicators which will be reported upon annually. These KPIs include the number of buses purchases, a measure of local air quality, the number of passengers from disadvantaged groups using the four BRT corridors.
 - The Issuers have committed to having an annual external review of its allocation to ensure ongoing compliance with the criteria of the Framework.

³ <https://www.dieselnet.com/standards/eu/hd.php>

⁴ <https://www.itdp.org/library/standards-and-guides/the-bus-rapid-transit-standard/>

⁵ <https://www.climatebonds.net/files/files/Bus%20Rapid%20Transit%20Criteria%20and%20Guidelines.pdf>

⁶ *The four concession contracts have been provided to Sustainalytics for review.*

Bogota's Sustainable Mass Transit Securitization Sustainability Bond

- Based on the commitment to annual allocation and impact reporting, as well as annual reviews, Sustainalytics considers the reporting process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that Bogota's Sustainable Mass Transit Securitization (TMAS) Sustainability Bond Framework aligns with the Sustainability Bond Guidelines 2018 and to the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. For detailed information please refer to Appendix 3: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of the Issuers

Contribution of Framework to TransMilenio's sustainability strategy

The issuers of the securitized bond are two special purpose vehicles (SPV), with no formal sustainability strategy, targets, or mandate. Furthermore, the four Concessionaires are small private companies without public commitments. However, the buses purchased with the proceeds of the bond will be operated as part of the public transit system serving the City of Bogota – TransMilenio – and it is therefore relevant to consider this entity's sustainability approach.

TransMilenio has adopted an institutional plan for environmental management (*Spanish: Plan institucional de Gestión Ambiental or "PIGA"*),⁷ which calls for both environmental sustainability within the organization and in its contracting and procurement. For the year 2017, TransMilenio set targets in five environmental management domains: water consumption, energy use, waste management, contract management, and urban mobility, and achieved all but one of these targets. Most notably in the context of the sustainability bond, TransMilenio included environmental standards in all operations and procurements contracts. In 2017, TransMilenio staff conducted emissions testing of buses, finding that 75% of trunk line buses and 67% of zonal buses achieved the targeted levels. Building upon these results, TransMilenio participated in a cooperative process with operators, regulators, and labour unions to improve environmental performance. Furthermore, TransMilenio monitors the overall fuel efficiency of its fleet on an ongoing basis and has calculated that the transit system's operations resulted in over 38 thousand tonnes of avoided carbon dioxide emissions.⁸

In addition to its environmental strategies, TransMilenio has also adopted a Social Responsibility Program. Highlights of this initiative include training, which in 2017 was delivered to 88% of all staff, about accommodation for people with disabilities as well other marginalized populations including LGBT communities, ethnic minorities, and women, progress towards the adoption of an equity policy, and the offering of subsidized fares to underprivileged individuals who qualify under the government SISBEN program.⁹

Based on the setting of quantitative targets, the ongoing monitoring of environmental performance, and the concrete actions taken to achieve improvements, Sustainalytics views positively TransMilenio's sustainability strategy. As the buses acquired will support TransMilenio's operations, Sustainalytics considers the SPVs well-positioned to issue the securitized sustainability bond.

Well positioned to address common environmental and social risks associated with the projects

While public transit projects typically provide net-positive impacts, they may still be associated with environmental and social risks, including but not limited to local air pollution, public safety, worker health and safety, and community support. TransMilenio's risk management approach¹⁰ supports the mitigation of these risks, including:

- An Integrated Management System at the corporate level, which includes a risk map to identify potential enterprise risks, a corrective actions matrix documenting potential areas of improvement, and an institutional action plan which reviews annually the progress towards risk management

⁷ https://www.transmilenio.gov.co/publicaciones/146123/gestion_ambiental_del_sistema/

⁸ https://www.transmilenio.gov.co/publicaciones/146136/gestion_ambiental_en_cifras/

⁹ http://www.sitp.gov.co/publicaciones/beneficios_de_transporte_para_personas_sisbenizadas

¹⁰ *Informe de Gestión 2017, Empresas de Transporte del Tercer Milenio*

Bogota's Sustainable Mass Transit Securitization Sustainability Bond

commitments. In addition, a management and compliance plan is prepared for each major investment project.

- A Social Management strategy which lays out how TransMilenio will engage with community stakeholders in order to ensure effective communication and obtain feedback.
- An Ombudsman who is charged with reviewing safety incidents, in particular vehicle accidents involving TransMilenio.
- A program of monthly environmental audits of contracted bus operators.

In addition to the aforementioned corporate strategies, the contractual terms of the agreements between TransMilenio and the acquisition Concessionaires include clauses which will support the mitigation of risks¹¹. Specifically, the environmental performance of the buses is mandated within the contract and the Concessionaire must guarantee that all of its employees, suppliers, and contractors must possess sufficient training to carry out their jobs and act in accordance with applicable labour standards.

Based on TransMilenio's risk management approach, which is relevant as the buses will operate as part of the TransMilenio BRT system, as well as the contractual terms of the procurement, Sustainalytics considers that the various entities involved are well-positioned to mitigate potential environmental and social risks.

Section 3: Impact of Use of Proceeds

The use of proceeds categories are recognized as impactful by both the Green Bond Principles and the Social Bond Principles. Sustainalytics has focused below on the environmental and social benefits in the local context.

The importance of public transit for greenhouse gas mitigation

Globally, 20% of carbon dioxide emissions are the result of road transport.¹² In Colombia specifically, approximately 18% of greenhouse gas emissions are the result of transportation, driven primarily by population growth and increasing levels of private vehicle ownership; the size of the vehicle fleet increased by 69% from 2010 to 2012.¹³ In this context, public transit can play a key role in emissions mitigation; in 2017 it was estimated that TransMilenio's BRT system resulted in 38,815 tonnes of avoided CO₂e, based on a conservative calculation methodology.¹⁰

The proceeds of the sustainability bond will finance the purchase of compressed natural gas vehicles, which emit greenhouse gases. While TransMilenio considered the possibility of electric buses during the tender process, the final decision was that a more proven technology was preferable, and that better service quality and load factors could be provided by diesel and CNG vehicles.¹⁴ While zero emissions vehicles are an important long-term step towards the decarbonization of transportation, the expansion of public transit using efficient conventional vehicles still provides positive impact. The Climate Bonds Initiative proposes a methodology by which the emissions of a transit vehicle are compared to the passenger load factor to determine if the technology qualifies as "clean";¹⁵ while the formal calculation was not performed for this bond, based on the very high passenger loads on Bogota's BRT system, estimated at 1,600 passengers per day per bus,¹⁶ it is expected that the threshold was easily surpassed. Furthermore, TransMilenio's trunk routes are certified to the International for Transportation & Development Policy's Bus Rapid Transit Standard, which evaluates environmental, safety, and operational factors.

While, depending on local conditions, fossil fuel buses may not always be sufficiently green to support effective climate action, due to Bogota's well-developed BRT network, high passenger volumes, significant congestion concerns, and economic constraints, in this case it can be concluded that the benefits outweigh the negative effects. Overall, Sustainalytics considers the impact of the purchase CNG buses for TransMilenio's BRT system to provide net-positive impacts.

¹¹ *The four concession contracts have been provided to Sustainalytics for review.*

¹² <https://www.sciencedirect.com/science/article/pii/S0967070X17304262>

¹³ https://www.climatelinks.org/sites/default/files/asset/document/2017_USAID_GHG%20Emissions%20Factsheet_Colombia.pdf

¹⁴ <https://dialogochino.net/bogota-rejects-chinese-electric-busses/>

¹⁵ <https://www.climatebonds.net/files/files/Low%20Carbon%20Transport%20Background%20Paper%20Feb%202017.pdf>

¹⁶ https://www.c40.org/case_studies/brt-system-reduced-traveling-time-32-reduced-gas-emissions-40-and-reduced-accidents-90

Bogota's Sustainable Mass Transit Securitization Sustainability Bond

Localized air pollution and human health impacts

In addition to climate impacts, fossil fuel combustion from road vehicles has significant localized environmental and human health impacts. Engine emissions such as carbon monoxide, nitrogen oxides, particulate matter, and volatile organic carbons have been shown to increase mortality and morbidity risks, and contribute to an increased risk of cancer, cardiovascular disease, and respiratory conditions; these vehicle pollutants are often the predominant driver of air pollution in areas near roadways.¹⁷ As of 2010, over 3.3 million deaths were the result of particulate matter and ozone ambient air pollution worldwide.¹⁸ The World Health Organization estimates that 1 in 20 deaths in urban Colombia are caused by outdoor air pollution.¹⁹ Bogota in particular is known to have poor air quality, having been named one of the most polluted urban centers in Latin America, and having particulate matter concentrations above national standards.²⁰ In 2014, it is estimated that air pollution cost the economy in Bogota almost USD 1 billion in health costs and lost productivity.²¹

The acquisition of buses, financed by the sustainability bond, will have a two-fold impact in decreasing local air pollution. By supporting the expansion of TransMilenio's BRT system, the public transit system will support a shift in mode share away from private vehicle trips; it is estimated that TransMilenio has contributed to 9% of car owners shifting to public transit.²² Secondly, the specific vehicles which will be acquired will comply with stringent emissions standards, EURO VI, replacing older diesel buses which are primarily aligned with EURO II or EURO III standards which are one of the primary contributors of fine particulate matter emissions in Bogota.²³ These more modern standards, of which EURO VI is the most recent and most stringent,²⁴ limit particulate matter emissions to 0.01-0.02 g/kWh (compared to 0.25 for EURO II-compliant engines and 0.1 for EURO III) and nitrous oxide emissions to 0.4-2 g/kWh (compared to 5-7 g/kWh). Together, these two factors will contribute to cleaner ambient air and improved public health in Bogota.

The role of TransMilenio's BRT system in providing social mobility

While the environmental and public health benefits of Bogota's public transit system are well established, the social factors should also be considered. The World Health Organization notes that "transport is a driving force shaping cities and communities", and that if transport options are not accessible to some segments of the population that "poverty and inequalities may be exacerbated".²⁵ When compared to the preceding system of decentralized and fragmented bus operations, TransMilenio provides numerous benefits, most notably, decreased travel times for those reliant on public transportation. Furthermore, studies estimate that greater mobility has contributed to establishing 1,500 new low-skill jobs and improved links to low-income areas which were poorly served by the older system, in particular in off-peak hours. Nevertheless, challenges remain for Bogota's BRT, notably that fares may remain unaffordable for low-income segments of the population.²⁶ Despite of the high ridership levels, with 2.2 million daily trips, 80% of residents displayed some level of dissatisfaction with TransMilenio, related in particular to crime, overcrowding, and wait times, as well as accessibility issues for disabled passengers.²⁷

TransMilenio has taken steps to improve upon several of the challenges mentioned above, including better integration of feeder systems to improve service to low income areas²⁸ as well as increased plainclothes police on board the buses.²⁹ Additionally, the City of Bogota is in the process of planning a rail transportation system, the Metro de Bogota, to supplement the existing bus network.³⁰ To specifically address the issue of fare affordability, TransMilenio operates a discounted fare programme for individuals who qualify based on the government's System of Identification of Social Program Beneficiaries (SISBEN) program, which provides a score to determine the level of social disadvantage.³¹ Perhaps most relevant in the context of the

¹⁷ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4243514/>

¹⁸ <https://dx.doi.org/10.1787/9789264210448-en>

¹⁹ <https://www.copenhagenconsensus.com/publication/colombia-perspective-air-pollution>

²⁰ https://www.researchgate.net/publication/311327866_Urban_Air_Pollution_in_Bogota_Colombia_an_Environmental_Justice_Perspective

²¹ <https://www.nearshoreamericas.com/study-air-pollution-bogota-millions/>

²² http://ccap.org/assets/CCAP-Booklet_Colombia.pdf

²³ <https://www.witpress.com/Secure/elibrary/papers/AIR16/AIR16015FU1.pdf>

²⁴ https://www.theicct.org/sites/default/files/publications/ICCT_Euro6-VI_briefing_jun2016.pdf

²⁵ <https://www.who.int/heli/risks/urban/transportpolicybrief2010.pdf>

²⁶ <https://www.ids.ac.uk/files/dmfile/LHcasesstudy05-BogotaBRT.pdf>

²⁷ https://www2.deloitte.com/content/dam/insights/us/articles/4331_Deloitte-City-Mobility-Index/Bogota_GlobalCityMobility_WEB.pdf

²⁸ <https://link.springer.com/article/10.1186/s40410-017-0071-3>

²⁹ <https://thecitypaperbogota.com/bogota/crime-numbers-down-in-bogota-reveals-study/14224>

³⁰ <https://www.worldbank.org/en/news/press-release/2018/07/31/el-metro-de-bogota-avanza-con-el-apoyo-del-banco-mundial>

³¹ <http://webcache.googleusercontent.com/search?q=cache:8JHDDTd2qgkJ:www.social-protection.org/gimi/RessourcePDF.action%3Fressource.ressourceId%3D51857+&cd=9&hl=en&ct=clnk&gl=ca>

Bogota's Sustainable Mass Transit Securitization Sustainability Bond

sustainability bond, the new buses will comply with accessibility requirements, replacing older buses which may not have met these standards.

Overall, while noting the importance of continued focus on accessibility to marginalized groups and improved safety conditions, Sustainalytics views positively the social impact of financing the acquisition of new buses for TransMilenio's public transit system.

Alignment with and contribution to the Sustainable Development Goals

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Public Transit	11. Sustainable Cities and Communities	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

Conclusion

BONUS Gestión de Activos S.A.S. and Financiera de Desarrollo Nacional S.A. have developed Bogota's Sustainable Mass Transit Securitization (TMAS) Sustainability Bond Framework, under which two tranches of a sustainability bond will be issued. The sustainability bond will securitize the contractual payments from Empresa de Transporte del Tercer Milenio – TransMilenio S.A. to four fleet acquisition concessionaires. The proceeds of the bond will be used to acquire up to 741 CNG buses for operation on TransMilenio's bus rapid transit network.

The use of proceeds categories specified in the Use of Proceeds Document are aligned with the Sustainability Bond Guidelines 2018, and the four core components of the Green Bond Principles 2018, and the Social Bond Principles 2018; the Framework describes a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation of an amount equal to the net proceeds. Furthermore, Sustainalytics believes that the investments funded by the green bonds will contribute to the advancement of the UN Sustainable Development Goals, in particular Goal 11: Sustainable Cities and Communities.

Based on the above, Sustainalytics views positively the sustainability performance of TransMilenio and considers that the Bogota's Sustainable Mass Transit Securitization (TMAS) Sustainability Bond Framework is robust, transparent, and in alignment with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018 and the Social Bond Principles 2018.

Appendices

Appendix 1: Bus Fleet Acquisitions by Corridor

Corridor	Number of Buses	BRT Classification	Fuel	Engine Technology
Américas	260	Gold	CNG	Euro VI
Calle 80	112	Gold	CNG	Euro VI
Norte	239	Silver	CNG	Euro VI
Suba	130	Gold	CNG	Euro VI
Total	741			

Appendix 2: Sustainalytics' assessment of ITDP's Bus Rapid Transit Standard

Overview	<p>The BRT Standard is a certification scheme under which bus rapid transit projects are evaluated against international best practice. First implemented in 2014, and later updated in 2016, the Standard strives to promote BRT systems that uniformly deliver world-class passenger experience.</p> <p>Administered by the Institute for Transportation & Development Policy (ITDP), a global non-profit which works to provide technical expertise in the areas of sustainable transport and urban development, the BRT Standard is further supported by a technical committee with representatives from organizations including the World Resources Institute, the World Bank, the Asian Development Bank, and the University of Washington. The Technical Committee provides advice to project proponents as well as issuing certifications.</p>
Levels of Certification	<ul style="list-style-type: none"> • Basic BRT • Bronze (55-69.9 points) • Silver (70-84.9 points) • Gold (>85 points) 
Areas Assessed	<ul style="list-style-type: none"> • BRT Basics • Service Planning • Infrastructure • Stations • Communications • Access and Integrations • Operations Deductions
Requirements & Scoring	<ul style="list-style-type: none"> • Minimum prerequisites in Basics category in order to be eligible for certification • Points accumulated over six categories, with operational deductions subtracted to give final score
Qualitative Considerations	<p>The BRT Standard is internationally recognized and has as a stated goal the expansion of transportation best practices. Certification to the standard helps guarantee the projects are "true" BRT and not simply enhanced bus operations.</p>
Sustainalytics' Opinion	<p>Sustainalytics views positively the areas assessed and considers that they lead to better-performing systems. The certification process is also considered to be rigorous and transparent. Silver and Gold-level certifications are viewed as best practice, while Basics and Bronze-level projects should be assessed on a case-by-case basis with consideration for local conditions.</p>

Bogota's Sustainable Mass Transit Securitization Sustainability Bond

Appendix 3: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name(s):	Patrimonio Autónomo Titularización TMAS 1, and Patrimonio Autónomo Titularización TMAS 2.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Bogota's Sustainable Mass Transit Securitization (TMAS) Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 22, 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Bogota's Sustainable Mass Transit Securitization Sustainability Bond

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds is aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers the procurement of buses for bus rapid transit lines to have positive environmental and social impacts and to advance UN Sustainable Development Goal 11: Sustainable Cities and Communities.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |

Bogota's Sustainable Mass Transit Securitization Sustainability Bond

- Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs
 Other (please specify):

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The net proceeds of the bond will be used exclusively to finance the acquisition of buses for the six specified BRT corridors. Sustainalytics considers this disclosure to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The net proceeds of the bond will be deposited into a trust fund, under the terms that they be used exclusively for the acquisition of buses; an authorized fiduciary agent will monitor the allocation. Sustainalytics considers this to be in line with market practice.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Bogota’s Sustainable Mass Transit Securitization Sustainability Bond

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

Annual allocation and impact reporting will be provided, including the average amount allocated per contract and relevant quantitative environmental and social indicators. An annual external review will be carried out by a third party. Sustainalytics considers this to be in line with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|---|
| <input type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Bogota's Sustainable Mass Transit Securitization Sustainability Bond

Information reported (expected or ex-post):

- | | |
|--|--|
| <input type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): local air quality |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. **Verification:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. **Rating:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the "Opinion") are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings, nor publicly released without the "Green Bond Framework" in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided "as is" and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world’s leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics “Best SRI or Green Bond Research or Ratings Firm” and in 2018 and 2019, named Sustainalytics the “Most Impressive Second Party Opinion Provider. The firm was recognized as the “Largest External Reviewer” by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the “Largest Approved Verifier for Certified Climate Bonds” by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

