

## SECOND PARTY OPINION (SPO)

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Verification of the Sustainability Quality of the Issuer and Sustainability Bond Framework

GMASIVO 10 S.A.S. GMASIVO 16 S.A.S. and GRAN AMÉRICAS USME PROVISIÓN S.A.S.

5 February 2021

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Sustainability Bonds</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Issuer's Sustainability Bond Framework (as of February 2021)</li><li>• Issuer's Green Bond asset pool (as of January 2021)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• As long as no new assets or project categories are added to the framework</li></ul>

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## SCOPE OF WORK

GMASIVO 10 S.A.S. GMASIVO 16 S.A.S. and GRAN AMÉRICAS USME PROVISIÓN S.A.S. (together the “Concessionaires”) commissioned ISS ESG to assist with its Sustainability Bond Framework by assessing three core elements to determine the sustainability quality of the framework:

1. The Concessionaires’ Sustainability Bond Framework – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.
2. The eligible categories – whether the projects contribute positively to the UN SDGs.
3. TransMilenio’s indicative ESG performance<sup>1</sup>, based on and considering ISS ESG Research methodology.

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>2</sup>
<b>Part 1:</b>  <b>Alignment with the GBPs, SBPs and SBGs</b>	The issuer has defined a formal concept for its Sustainability Bond Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs, SBPs and SBGs.	<b>Positive</b>
<b>Part 2:</b>  <b>Sustainability quality of the eligible categories</b>	Under the Sustainability Bond Framework, the issuer will (re-) finance clean public buses in the city of Bogota, Colombia.  Those use of proceed categories have a positive contribution to SDG 10 ‘Reduced inequalities’, SDG 11 ‘Sustainable cities and communities’ and SDG 13 ‘Climate Action’.	<b>Positive</b>
<b>Part 3</b>  <b>Indicative issuer sustainability performance</b>	Transmilenio is the public managing entity of the Integrated Public Transport System of Bogotá, which is being financed through the bond issued by the Concessionaires. From a social perspective, its whole operation is aimed at providing basic services. From an environmental perspective, efforts still have to be made as a large share of its operation is based on carbon-intensive road transport which does not contribute to sustainable development and the objective of fighting climate change.	<b>Moderate indicative ESG performance</b>

<sup>1</sup> TransMilenio is the entity in charge of organizing and managing the Bogotá Integrated Public Transport System, which is being financed through the bond issued by the Concessionaires. Please note that TransMilenio is not part of the ISS ESG Corporate Rating Universe. Thus, the sustainability profile is an assessment by the analyst in charge of the transports and logistics sector based on publicly available information exclusively. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research’s methodology.

<sup>2</sup> ISS ESG’s evaluation is based on the Concessionaires’ Sustainability Bond Framework (February 2021 version), Sustainability Bond asset pool and on the ISS ESG Indicative Corporate Assessment applicable at the SPO delivery date.

## ISS ESG SPO ASSESSMENT

### PART I: ALIGNMENT WITH THE GBP, SBP AND SBG

#### Rationale for issuance

TransMilenio is a public entity in charge of organizing and managing the Bogotá Integrated Public Transport System (Sistema Integrado de Transporte Público de Bogotá, "SITP" or the "System") in Colombia.

In a city that experienced rapid population growth in the 1990s, with a public transport system that was in decline and unable to efficiently support the increased demand for transportation, coupled with a significant growth in private car ownership and the presence of 50,000 taxis, TransMilenio gave itself the following objectives:

- Improve public transport system by improving accessibility, efficiency, safety, and convenience.
- Transform Bogotá's public transport system to improve its citizens' quality of life with better air quality and increased productivity.
- Reduce air pollution and greenhouse gas emissions.
- Update system with necessary resources to provide transport facilities to more than 80% of the city's population.

As part of the continuous improvement, TransMilenio has launched a new phase, to renew part of its bus fleet in the Suba Centro, Fontibón, Perdomo and Usme Zonal Line areas through a competitive bid process.

This phase aims at increasing the Zonal lines efficiency, reliability, comfort, overall security, and economic, social environmental sustainability with a clear objective to improve the city's air quality and lower CO<sub>2</sub> emissions while diversifying the SITP energy matrix, in a region where the topography has prevented so far the development of other forms of transportation.

The four goals of this phase are to:

- Offer greater road safety, public safety, service reliability and comfort
- Improve air quality and mitigate climate change by implementing zero or low emission technologies in mass transport (min Euro VI)
- Improve efficiency and diversify of the SITP for passengers
- Contribute to the environmental and economic sustainability of the system

Within the effort to support the TransMilenio network development, the Concessionaires have created the Sustainability Bond Framework.

**Opinion:** ISS ESG considers the description of the Rationale for Issuance provided by the Concessionaires as aligned with best market practices. The issuance of green bonds falls within the issuer's strategy to reinforce environmental and social aspects of its operations, and its ultimate goal to improve and make Bogotá's public transport system more energy efficient.

## 1. Use of Proceeds

An amount equal to the net proceeds of any Sustainability Bonds issued under its Framework shall be allocated to finance and/or refinance, in whole or in part, planned projects, assets or investments which meet the eligibility criteria below to qualify as Eligible Assets.

GBP AND SBP ELIGIBLE CATEGORIES	SUSTAINABILITY OBJECTIVES	ELIGIBILITY CRITERIA
<b>Low-carbon Transport</b>	<ul style="list-style-type: none"> <li>Climate Change Mitigation</li> <li>Pollution and prevention control</li> </ul>	<ul style="list-style-type: none"> <li>Newly Zero emission, or low-emission, public transport buses with a fleet average emissions intensity of 50 gCO<sub>2</sub> per passenger-km or less.</li> </ul>
<b>Affordable Basic Infrastructure</b>	<ul style="list-style-type: none"> <li>Use and/or access to mass public transport by people with disabilities, people with reduced mobility, or vulnerable population</li> </ul>	

**Opinion:** ISS ESG finds that the Use of Proceeds description provided by the Concessionaires aligns with the GBPs, SBPs and SBGs.

From a social perspective, the project aims to benefit the wider public target population, comprising people from different socio-economic backgrounds, students and the city's workforce, among others.

A detailed analysis of the eligible projects is available in Part 2.

## 2. Process for Project Evaluation and Selection

Projects or assets to which the proceeds of the Sustainability Bonds are intended to be allocated, are evaluated and selected based on compliance with the eligibility criteria set out in the Use of Proceeds section above. Public transportation buses currently contemplated and selected are in line with the criteria set out above and have been validated in accordance with Section 2.5 of the Climate Bonds Standard Verification. This means that the working group will ensure that the proceeds are only allocated to eligible projects.

**Opinion:** ISS ESG finds that the description of the Process for Evaluation and Project Selection provided by the Concessionaires aligns with the GBPs, SBPs and SBGs. A dedicated Working Group is responsible for the project evaluation and selection process reflecting best market practices.

## 3. Management of Proceeds

In an appropriate manner, the Concessionaires will track the use of the net proceeds and will monitor the allocation to the Eligible Assets to maintain integrity and transparency. Pending a full

allocation of the proceeds as described in the Use of Proceeds section above, the bonds shall be subject to delay draws which will be accessible only after certification of satisfactory conditions precedent. Funds will be disbursed only after full delivery and acceptance of the buses, including validation and verification of all environmental specifications.

The Concessionaires intend to allocate the full amount of proceeds within 12 months following the issuance of the Sustainability Bonds. The Concessionaires commit to review any Sustainability Bond within 12 months from issuance, with a Limited Assurance Review by an approved verifier to reaffirm conformance with the Climate Bond Standard (see External Review). Given the nature of the assets, there will be no periodic ongoing certification over the life of the Sustainability Bond, however ongoing impact reporting will be provided.

**Opinion:** *ISS ESG finds that the Management of Proceeds description provided by the Concessionaires aligns with the GBPs, SBPs and SBGs. Earmarking of proceeds is ensured through a dedicated account, while allocation mechanism and timeframe are also described.*

#### 4. Reporting

Within 12 months of issuance of any Sustainability Bonds, the issuer will strive to provide an update to bond investors and/or the Climate Bonds Standards Boards on information regarding the underlying assets financed by any Sustainability Bond including:

##### **Allocation Reporting** (until full allocation)

- Amount disbursed by type and number of buses

##### **Environmental Impact Reporting**

- Estimated emissions intensity of the fleet over the period (gCO<sub>2</sub>/passenger-km)
- Estimated annual GHG emissions reduced/avoided compared to the prior fleet (tCO<sub>2</sub>e)
- Estimated other air emissions such as: NO<sub>x</sub>, PM, black carbon
- Estimated annual reduction in other air emissions compared to the prior fleet

##### **Social Impact Reporting**

Use and/or access to TransMilenio mass public transport system, by people with disabilities, people with reduced mobility, or vulnerable population:

- Number of passengers with Sisbén subsidies transported
- Number of passengers with disabilities / reduced mobility / seniors transported in the corridors.

**Opinion:** *ISS ESG finds that the Reporting description of the Concessionaires is aligned with the GBPs, SBPs and SBGs. The reporting is provided on both allocation and impact, and the frequency is in line with best market practices. The issuer also provides a list of impact indicators that provides qualitative information about the project, going beyond the usual reporting metrics used; an example is the granular breakdown of air emission particles.*

## **External review**

This Sustainability Framework has been reviewed by ISS ESG to independently assess the alignment of the Framework with the Green Bond Principles (“GBP”), Social Bond Principles (“SBP”) and Sustainability Bond Guidelines (“SBG”) published by the International Capital Market Association.

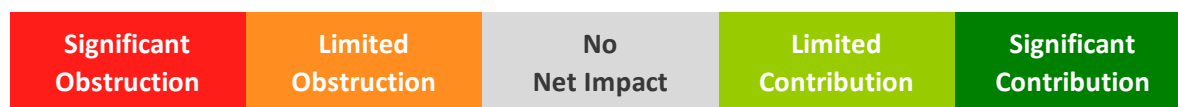
In addition, for each Sustainability Bond issued under the Framework, ISS ESG has been appointed as a qualified verifier (i.e. approved by the Climate Bonds Standard) to perform the pre-issuance and post-issuance verification processes against all applicable criteria under the Climate Bonds Standard V.3.0.

## PART II: CONTRIBUTION OF THE ELIGIBLE CATEGORIES TO THE UN SDGs




### A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the green eligible projects and using a proprietary methodology, ISS ESG assessed the contribution of the Concessionaires Sustainability Bond Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 1 for methodology):



Each of the Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Clean Public Transport	<b>Significant Contribution</b>	 
	<b>Limited Contribution<sup>3</sup></b>	

<sup>3</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs.

The insight on the project level in the scope of the current SPO allows to take into account more granular information on the project level, in particular with regard to EU Taxonomy Technical Annex (March 2020) for the activity 6.3. Public Transport. As the projects to be financed under the Use of Proceeds category "Clean Public Transport" have been found to comply with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a limited contribution to climate change mitigation by the projects is attested.



## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE GREEN BOND ASSET POOL

### Clean Public Transport

As a Use of Proceeds category, Clean Public Transport have a significant contribution to the SDG 10 “Reduced Inequalities”, SDG 11 “Sustainable cities and communities” and a limited contribution to SDG 13 “Climate Action”. The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs.

#### ASSESSMENT AGAINST ISS ESG KPI

##### Production standards

- ✓ All assets provide for a comprehensive environmental management system at the manufacturing sites of buses (ISO 14001).
- ✓ All assets provide for high labour and health and safety standards at the manufacturing sites of buses.

##### Environmental aspects of buses

- No information is available on the life-cycle-assessments (ISO 14040) of the bus models.
- ✓ Energy efficiency during operation is optimized. The buses have a fleet average emissions intensity of 50 gCO<sub>2</sub> per passenger-km or less.

##### Social aspects of buses

- ✓ All assets provide for adequate health and safety for both passengers and operators (e.g. vigilance control, accessibility for handicap passengers).

##### Controversy assessment

Several accidents involving TransMilenio buses have occurred in the last years, however there is no precise controversial activity or practice that can be linked to the financed projects.

## PART III: INDICATIVE ASSESSMENT OF TRANSMILENIO'S ESG PERFORMANCE

**Methodological note:** Transmilenio is the public managing entity of the Integrated Public Transport System of Bogotá, which is being financed through the bond issued by the Concessionaires. Please note that TransMilenio is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment by the analyst in charge of the financials/mortgage and public finance sector based on publicly available information exclusively. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

### Industry classification

#### Transport & Logistics

### Key Issues of the industry:

- Pollution prevention
- Climate prevention
- Transport safety
- Biodiversity protection
- Customer and stakeholder responsibility

### Indicative ESG risk and performance assessment

Transmilenio S.A. is the public managing entity of the Integrated Public Transport System of Bogotá, Colombia and responsible for the city's bus transit system and a cable car line. In regard to safety, Transmilenio does not seem to have established a comprehensive management system for its road operations and no incident rate regarding passengers seems to be available. However, single measures have been implemented to manage relevant safety issues of road transport (e.g., passenger aggression, hijacking or terrorism hazard) such as guidelines and trainings. Further, the company offers some services such as boarding and deboarding assistance for passengers with special needs (e.g., persons with reduced mobility).

TransMilenio's fleet suppliers such as Scania have established an environmental management system and will report through the Concessionaires on a growing fleet with alternative propulsion systems as well as vehicles in accordance with EURO V and VI standards. However, alternative drives do not yet account for a significant share of the fleet. Until now, Transmilenio does not seem to provide any performance data with regard to relevant fleet emissions (e.g., fuel intensity and GHG, NOx, SOx and PM emissions). Further relevant topics (e.g., targets regarding climate change, passenger load factor and consideration of environmental aspects in buildings) are not addressed. Some efforts have been made to promote intermodal transport services including bicycle parks in Bogota and the option to take folding bicycles on selected buses.

*Indicative Product portfolio assessment:*

**Social impact of the product portfolio:** The company offers local public transportation services in the city of Bogota through bus and cable car services, thereby providing basic services. These business activities were estimated to account for all of the company's net sales.

**Environmental impact of the product portfolio:** A major share of the company's business is based on carbon-intensive road transport which does not contribute to sustainable development and the objective of fighting climate change. Efforts have been made to promote the use of renewable/alternative vehicles and propulsion systems, but related activities account for an insignificant revenue share.

*Controversy risk assessment:*

Based on a review of controversies from 1 January 2019, the greatest risk reported against companies operating in the Transport & Logistics industry relate to activities that may have adverse impacts on labour and consumers' rights. This is closely followed by incidents of business malpractice. The top three issues that have been reported against companies within the industry are as follows: alleged failure to respect the right to just and favourable conditions of work, failure to respect the right to safe and healthy working conditions and failure to prevent bribery. This is closely followed by the alleged failure to respect the right to life, anti-competitive behaviour and failure to respect union rights.

The above-mentioned controversies are applicable to the industry as whole and there is no indication of TransMilenio being involved in any of these.

## DISCLAIMER

1. Validity of the SPO: This SPO is valid as long as no new assets or project categories are added to the framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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## ANNEX 1: Methodology

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which the Concessionaires' Sustainability Bond Framework contributes to related SDGs.

## ANNEX 2: Quality management processes

### SCOPE

The Concessionaires commissioned ISS ESG to compile a Sustainability Bond Framework SPO. The Second Party Opinion process includes verifying whether the Sustainability Bond Framework aligns with the ICMA's Green Bond Principles, the sustainability quality of the eligible green projects, and to assess the sustainability strategy of the issuer.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs, SBPs and SGBs

### ISSUER'S RESPONSIBILITY

The Concessionaires' responsibility was to provide information and documentation on the concept of its framework, eligibility criteria applied to the selection and evaluation of eligible projects (re)financed under the framework.

### ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability Bond Framework to be issued by the Concessionaires based on ISS ESG methodology and in line with the ICMA GBPs, SBPs and SGBs.

The engagement with the Concessionaires took place in January 2021.

### ISS ESG's BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, contact:

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