

Bogotá, 26 de abril de 2022

ESG: **Market development and disclosure standards in Colombia**

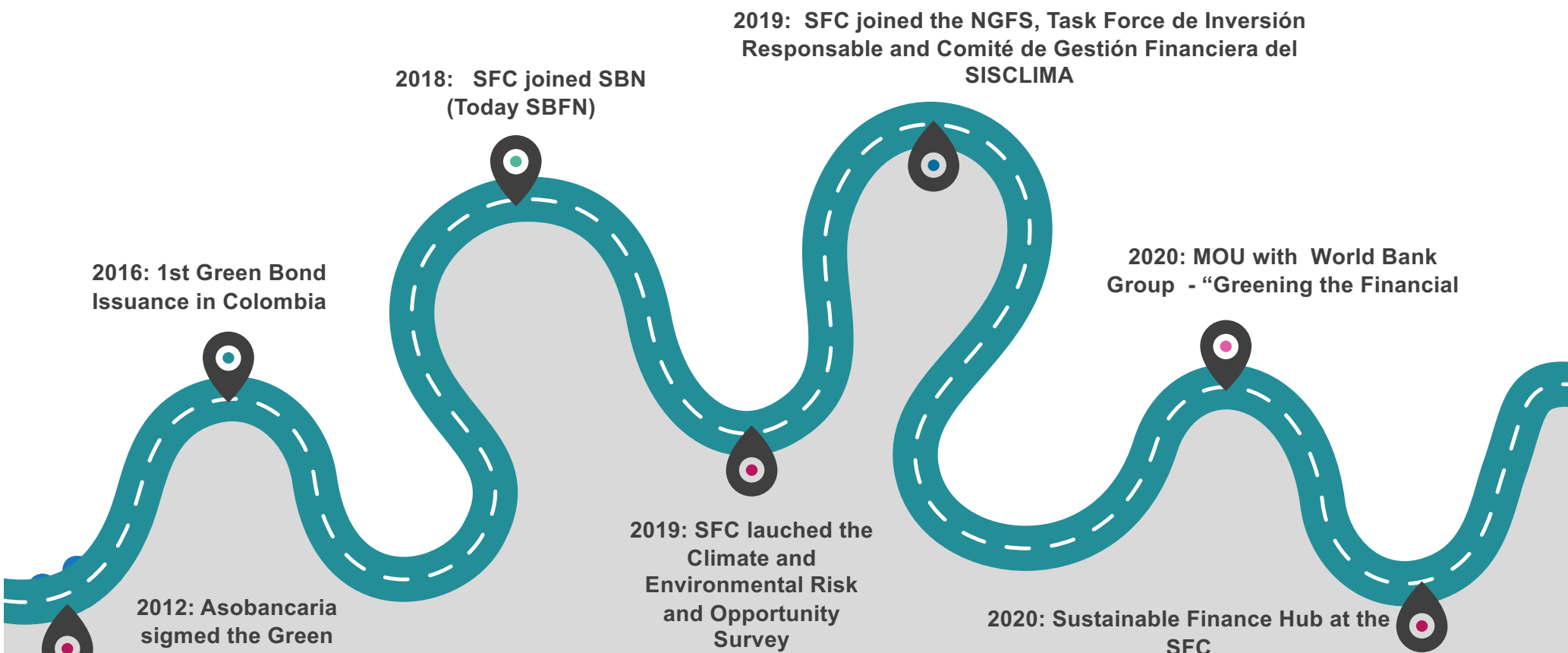
Mariana Escobar Uribe
Sustainable Finance Hub Head

CMF+NGFS



For financial regulators and supervisors, sustainability has gone from being a philanthropic cause to a strategic priority for the sector.

For the Superintendence, the prioritization of sustainability and climate change in its strategy was driven by the growth in the issuance of green bonds.



Colombia is transforming the Financial System to achieve the goals of the Paris Agreement. The SFC is ensuring that financial risks and opportunities from climate and environmental factors are integrated into mainstream financial decision making ...

Promote a more resilient financial system that incorporates in its DNA climate change and nature related risks and opportunities

Facilitate capital mobilization towards green growth objectives and and facilitate a country's transition to a low-carbon, climate-resilient economy.

Enhance financial systems ability to identify and manage climate-related and environmental risks.

Taxonomy

Thematic
bonds
regulation

Other
innovative
financial
products

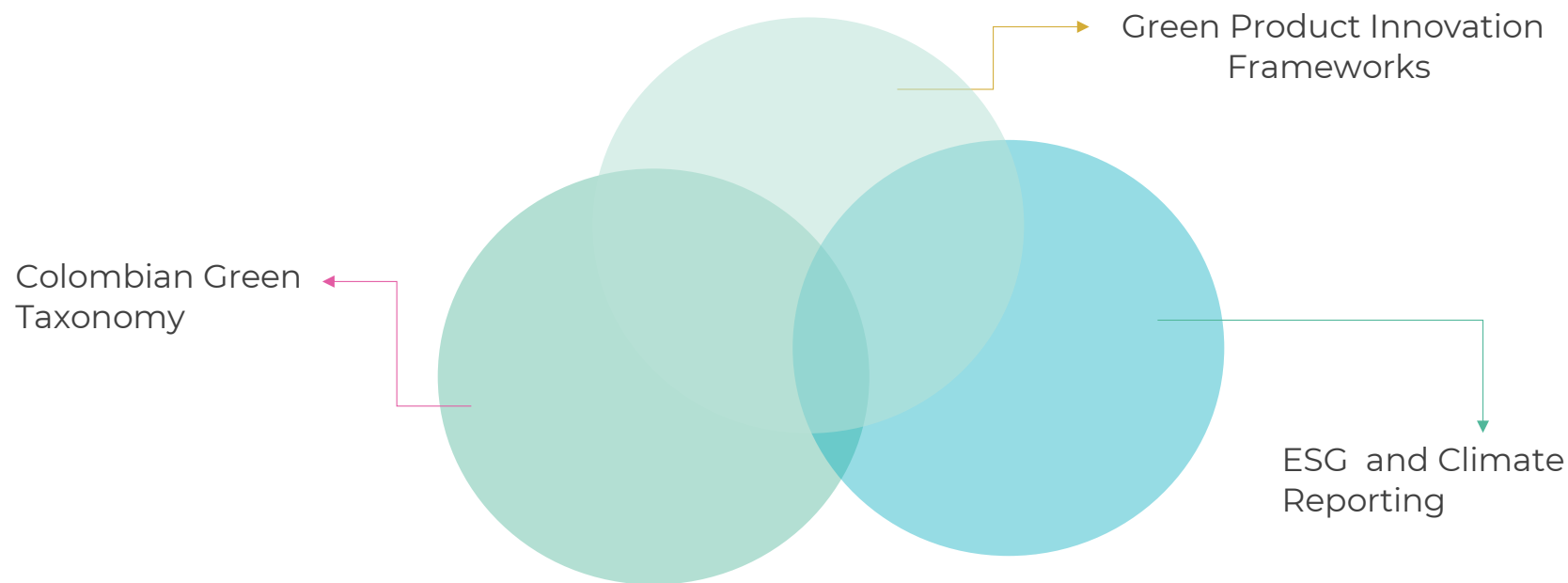
ESG
disclosure

ESG
integration

Vulnerability
and
Scenario
Analysis

....and where **transparency** is one of its main building blocks.

TRANSPARENCY “ECOSYSTEM”





Green Taxonomy

Environmental Objectives and defined Screening Criteria

The **Colombian Green Taxonomy** is classification of environmentally sustainable economic activities and assets that will serve as guideline for green financing and will help align the private sector with the national objectives and international environmental commitments.

7 ENVIRONMENTAL OBJECTIVES

Climate Change Mitigation	Climate Change Adaptation	Protection of ecosystems and biodiversity
Uso/Gestión del suelo	Pollution prevention and control	Sustainable Use and protection of water and marine resources
	Transition to a circular economy	

ELIGIBLE ACTIVITIES

FILTERS

Economic activities and assets that substantially contribute to one or more environmental objectives

TECHNICAL SCREENING CRITERIA

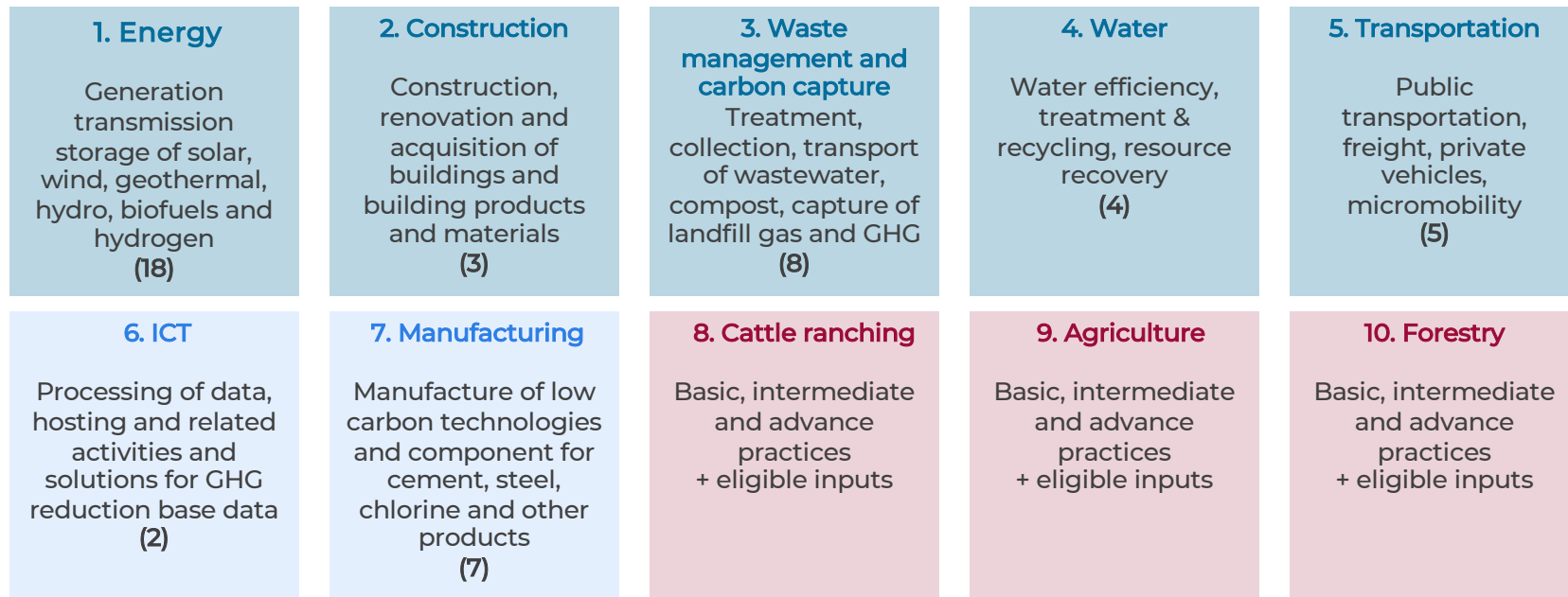
- Eligibility criteria and thresholds
- Standards
- Good Practices

TREATMENT OF RISK

Comply with DNSH for the other environmental objectives, social/labor issues and relevant regulation

Sectoral scope

10 sectors and 50 activities included in the Colombian Green Taxonomy.



■ Activities that substantially contribute to mitigation

■ Enabling Activities

■ Activities that substantially contribute to more than one environmental objective

Taxonomy implementation

The Financial Superintendence of Colombia has issued several External Circulars for financial market participants participants **offering financial products**, where the relevant financial products contribute to an environmental objective.

Who does the Taxonomy Regulation apply to?



ISSUERS



PENSION FUND ADMINISTRATORS



TRUSTS

RELEVANT
REGULATION

- CE 28, 2020 - Green Bonds
- CE 08, 2021 - ESG Integration for Voluntary Pension Funds
- CE 31, 2021 - ESG and Climate Disclosure Regulation for Issuers
- PCE 2022 - Sustainability Linked Bonds



ESG Reporting

The increase in sustainability reports in recent years has brought important challenges for issuers and users of information.

In Colombia ESG disclosure reports lacked reliability, standardization and relevance to investors



STADARIZATION AND
COMPARABILITY



RELEVANCE
FOR INVESTORS

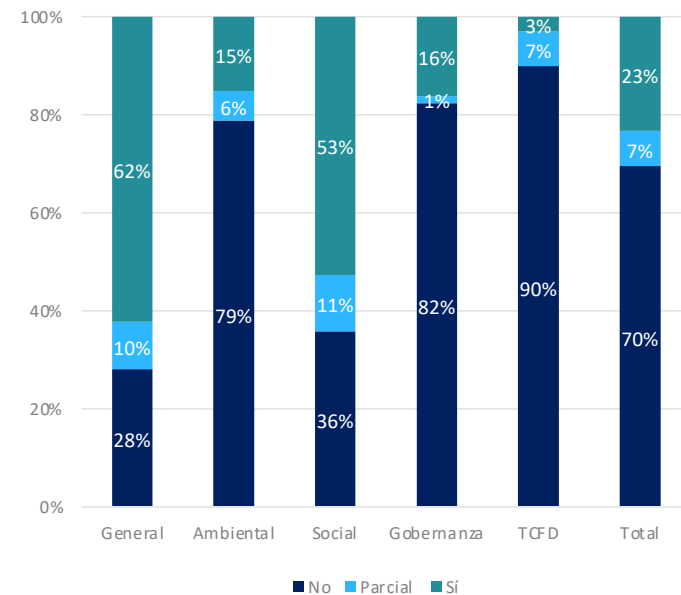


QUALITY AND
CREDIBILITY



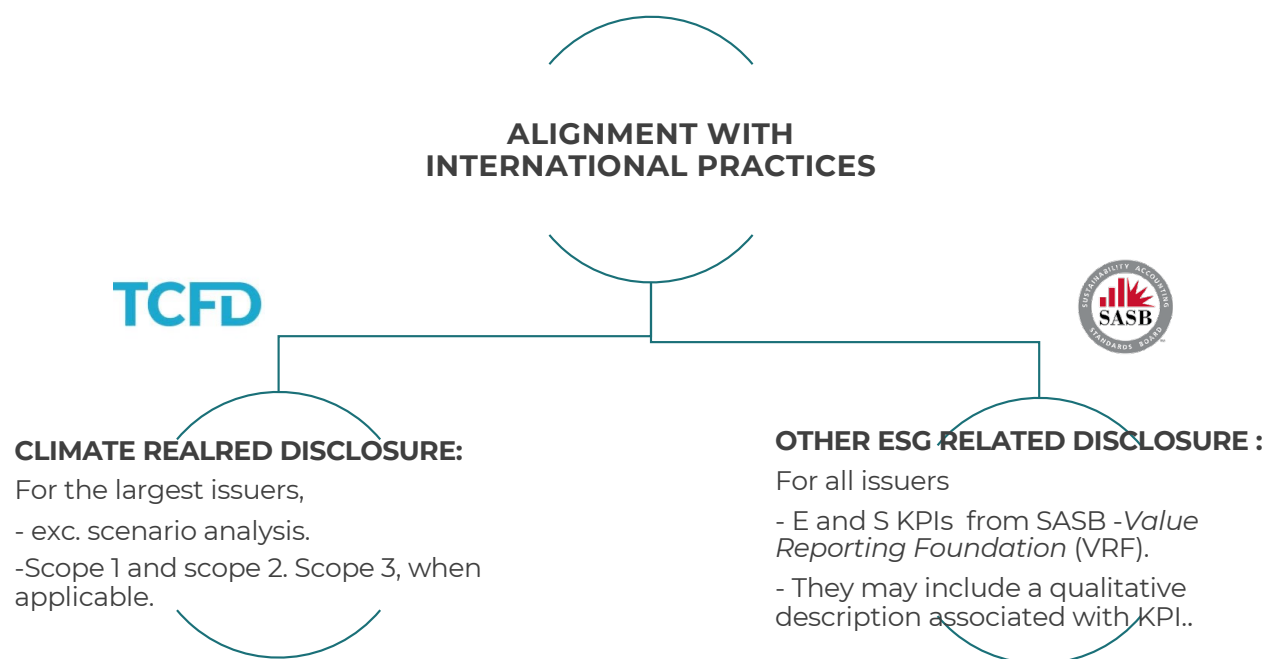
REPORTING
FATIGUE

Disclosure rate
(68 issuers)



The SFC conducted both, desk research and a participatory consultation with users and preparers, to develop the the disclosure regulation.

As a result, Circular 31 of 2021 was issued, based on the principle of proportionality and gradualness, recognizing the needs of the different issuers but aligning the market with international discussion



The CE 31 is based on the principle of financial materiality, which recognizes the impacts of ESG issues on the financial situation of the issuer...

...and this way generating greater transparency and minimize the risk of greenwashing in products with ESG denomination

COMPANY



**FINANCIAL
MATERIALITY**



ESG ISSUES



Some final thoughts...

- How to embrace interoperability of green taxonomies and understand the role for transition taxonomies for emerging markets. Which one should be developed first?
- How is the best way to implement taxonomies? Should we set a priorities when defining the taxonomies strategic objective? Balance between public and private finance when implementing
- When to issue regulation around ESG disclosure? Should emerging markets wait for the IFRS proposal to avoid costs?
- Why or should emerging markets issue regulation or additional frameworks around green financial products? Balance between innovation and possible greenwashing risks.



@SFCsupervisor



Superintendencia Financiera
de Colombia



superfinanciera



Superintendencia Financiera
de Colombia



superfinanciera

#LaSuperSomosTodos



super@superfinanciera.gov.co
www.superfinanciera.gov.co