Presented by

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Agenda item 3. Good practices in and approaches to the practical implementation of sustainability reporting requirements
Greening Colombia´s Financial System

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Session: Good practices in and approaches to the practical implementation of sustainability reporting requirements
Promote a more resilient and transparent financial system that incorporates in its DNA climate change and nature-related risks and opportunities

Facilitate capital mobilization towards green growth objectives 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.

In 2019, the SFC developed a road map to transform the Financial System to achieve the Paris Agreement.

We wanted to ensure that financial risks and opportunities from climate and environmental factors are integrated into mainstream financial decision-making...

Taxonomy
Thematic (green) bonds regulation
ESG disclosure
ESG integration
Vulnerability and Scenario Analysis
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.

**Disclosure rate (68 issuers)**

- General: 62% (No), 15% (Partial), 10% (Full)
- Ambiental: 79% (No), 6% (Partial), 28% (Full)
- Social: 53% (No), 11% (Partial), 36% (Full)
- Gobernanza: 16% (No), 4% (Partial), 82% (Full)
- TCFD: 3% (No), 7% (Partial), 90% (Full)
- Total: 23% (No), 7% (Partial), 70% (Full)

**Categories:**
1. Standardization and Comparability
2. Relevance for Investors
3. Quality and Credibility
4. Reporting Fatigue
The SFC conducted both, desk research and a participatory consultation with users and preparers, to develop 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.

ALIGNMENT WITH INTERNATIONAL PRACTICES

**CLIMATE RELATED DISCLOSURE:**
For the largest issuers,
- exc. scenario analysis.
- Scope 1 and scope 2. Scope 3, when applicable.

**OTHER ESG RELATED DISCLOSURE:**
For all issuers
- E and S KPIs from SASB - Value Reporting Foundation (VRF).
- They may include a qualitative description associated with KPIs.
### Colombian Green Taxonomy focus on product disclosure

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

### 7 ENVIRONMENTAL OBJECTIVES

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<tr>
<th>Climate Change Mitigation</th>
<th>Climate Change Adaptation</th>
<th>Protection of ecosystems and biodiversity</th>
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<td>Uso/Gestión del suelo</td>
<td>Pollution prevention and control</td>
<td>Sustainable Use and protection of water and marine resources</td>
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### 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 are included in the Colombian Green Taxonomy.

1. **Energy**
   - Generation transmission
   - Storage of solar, wind, geothermal, hydro, biofuels and hydrogen

2. **Construction**
   - Construction, renovation and acquisition of buildings and building products and materials

3. **Waste management and carbon capture**
   - Treatment, collection, transport of wastewater, compost, capture of landfill gas and GHG

4. **Water**
   - Water efficiency, treatment & recycling, resource recovery

5. **Transportation**
   - Public transportation, freight, private vehicles, micromobility

6. **ICT**
   - Processing of data, hosting and related activities and solutions for GHG reduction base data

7. **Manufacturing**
   - Manufacture of low carbon technologies and component for cement, steel, chlorine and other products

8. **Cattle ranching**
   - Basic, intermediate and advance practices + eligible inputs

9. **Agriculture**
   - Basic, intermediate and advance practices + eligible inputs

10. **Forestry**
    - Basic, intermediate and advance practices + eligible inputs

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**Activities that substantially contribute to mitigation**

**Enabling Activities**

**Activities that substantially contribute to more than one environmental objective**