

Second Party Opinion

Vigeo Eiris is of the opinion that Banco Davivienda's social Bond is **aligned** with the four core components of the **Social Bond Principles 2020** ("SBP").



Issuance

Contribution to Sustainability

	Weak	Limited	Robust	Advanced
Expected Impacts	Advanced			
ESG Risks Management	Advanced			

Characteristics

Eligible Credits	<ul style="list-style-type: none"> Financing SME segment led by women Financing for the acquisition of Social Interest Housing (VIS).
Target Population	Women
Location	Colombia
Framework	Yes
Share of Refinancing	0%

SDG Screening

Issuer

Controversial Activities

The Issuer appears to be involved in one of the 17 controversial activities screened under our methodology:

- | | | | |
|---|--|---|--|
| <input type="checkbox"/> Animal welfare | <input type="checkbox"/> Fossil Fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Cannabis | <input type="checkbox"/> Coal | <input type="checkbox"/> Human Embryonic Stem Cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tar sands and oil shale |
| <input type="checkbox"/> Civilian firearms | <input type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Tobacco |
| <input type="checkbox"/> Alcohol | | | |

Controversies

Number of controversies	None
Frequency	N/A
Severity	N/A
Responsiveness	N/A

Coherence

- Coherent
- Partially coherent
- Not coherent

We are of the opinion that Banco Davivienda's Social Bond is coherent with the company's strategy and the main challenges of the sector and the Bond contributes to achieving the Issuer's sustainability commitments.

Key Findings

Use of Proceeds

- **Eligible Credits** to be financed are clearly defined and detailed.
- **Social Objectives** are clearly defined and are set in coherence with sustainability objectives established.
- Expected **Social Benefits** are clear for all the Eligible Credits.
- The Issuer has transparently communicated that **there will be no refinancing**.

Evaluation and Selection process

- The **Evaluation and Selection Process of the Eligible Credits** is clearly defined and detailed, and it will be publicly disclosed in the Framework and in its SPO.
- **Eligibility Criteria** (selection and exclusion) of the Eligible Credits is clearly defined and detailed.
- The process to identify and mitigate **environmental and social risks** is formalised in the Framework and internal documentation. It will be publicly disclosed, and it is considered robust.

Management of Proceeds

- The **process for the allocation and management** of the proceeds is clearly defined and it will be publicly disclosed.
- The **allocation period** is shorter or equal to 24 months.
- The net proceeds of the Bond will be **tracked** by the Borrower in an appropriate manner and attested to in a formal internal process.
- Information on the temporary placement of the **unallocated net proceeds** of the Bond is publicly disclosed.
- The balance of net income will be **periodically adjusted to match the allocation** to Eligible Credits in accordance with the criteria established in the Framework.
- The Issuer has provided information on the procedure that will be applied in case a project is **no longer compliant** with the Framework, and commits to allocate the funds to other Eligible Credits that meet the criteria established in the Framework, within a period of 2 months.

Reporting

- The Issuer commits to **inform annually until the maturity of the Bonds**. The report will be publicly disclosed in its website and it will cover relevant information about the allocation of proceeds of the Bonds and the social expected benefits.
- The **process and responsibilities for reporting** on the Bond are clearly defined in the Framework.
- The Issuer commits to **report on the allocation of funds and social benefits** (results) at Eligible Category level. **Indicators selected** by the Issuer are clear and relevant.
- The **indicators for the allocation of proceeds and social benefits** related to the eligible categories will be **verified by an external auditor**.

Scope of External reviews

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input checked="" type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

Contact

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PART 1: ISSUANCE

Banco Davivienda (the "Issuer" or "Bank") has described the main characteristics of the Social Bond (the "Bond") within its *"Marco de Referencia para la Emisión de un Bono Social con Enfoque de Género"* (the "Framework"), formalized and which covers the four core components of the Social Bond Principles 2020 (the last updated version of the Framework was sent to Vigeo Eiris on July 20, 2020). The Issuer has made the commitment to make this document public on the Davivienda website at the time of issuance of the Opening Bond, in accordance with good market practices.

Alignment with the Social Bonds Principles

Vigeo Eiris considers that the Davivienda's Social Bond is aligned with the four core components of the Social Bond Principles 2020:

- **Use of Proceeds**
- **Evaluation and Selection Process**
- **Management of Proceeds**
- **Reporting**

Contribution to Sustainability

The potential contribution of the Eligible Credits to the identified social objectives is considered advanced.

Expected Impacts

The possible positive impact of the Eligible Credits on the identified social objectives is advanced.

ESG Risks Management

The identification and management of the environmental and social risks associated with the Eligible Credits is considered robust.

Alignment with the Social Bonds Principles

Use of proceeds



The net proceeds of the Loan will exclusively finance in full credits described in two Social Eligible Categories (“Eligible Categories” or “Eligible Credits”) as indicated in table 1.

- **Eligible Credits** to be financed are clearly defined. The Issuer has provided information on the nature and description of the credits, the eligibility and exclusion criteria, and has communicated the location at the country level of all Eligible Credits. (Details in Appendix 1).
- **Social Objectives** are clearly defined and are consistent with the sustainability objectives defined by international standards.
- Expected **Social Benefits** of Eligible Credits are clear, relevant, measurable and will be quantified by the Issuer in the post-issuance report. In addition, the expected benefits have been estimated ex ante with clear baselines for Eligible Credits: it is estimated that the Bond will benefit approximately 960 loans for SMEs led by women and 21,700 mortgage loans for Social Interest Housing (VIS) owned by women.
- The Issuer has indicated that **there will be no refinancing**.

Table 1: Eligible Credits, Target Population, Objectives and Expected Benefits







ELIGIBLE CREDITS	TARGET POPULATION	OBJECTIVES AND BENEFITS	VEIGEO EIRIS' ANALYSIS
Financing SME segment led by women	Women who lead SMEs operating in Colombia.	<p>Promotion of gender equality Increase access of women with signing power in SMEs to financial services.</p> <p>Financial inclusion Increase access of small and medium-sized enterprises to financial services</p> <p>Local socio-economic development Promote the growth of small and medium-sized companies in the Colombian territory.</p>	<p>The definition of this category is clear.</p> <p>The target population has been clearly identified.</p> <p>Eligible Credits seek to contribute to three clear social objectives.</p> <p>The Issuer has identified relevant and measurable social benefits for the Eligible Credits. The expected benefits will be quantified in the post issuance reports.</p> <p>The issuer has defined ex ante the number of people benefited: it is estimated that the Bond might benefit approximately 960 credits for SMEs led by women.</p>

<p>Financing for the acquisition of Social Interest Housing (VIS).</p>	<p>Women with a maximum income of 8 current legal minimum monthly wages¹.</p>	<p>Financial inclusion Increase access to financing for the acquisition of Social Interest Housing.</p> <p>Promotion of gender equality Increase access for women with the power to purchase a home.</p>	<p>The definition of this category is clear.</p> <p>The beneficiary population has been clearly identified.</p> <p>Eligible Credits seek to contribute to two clear social objectives.</p> <p>The Issuer has identified measurable social benefits for the Eligible Credits. The expected benefits will be quantified in the post issuance reports.</p> <p>The issuer has defined ex ante the number of people potentially benefited: it is estimated that the Bond could benefit approximately 21,700 mortgage loans for Social Interest Homes owned by women (VIS).</p>
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¹ Minimum monthly salaries current legal regulated by Colombian Law. As of 2020, the minimum wage is COP \$ 877,803.00 (approximately \$ 240 USD).

SDG Contribution

Eligible Credits have the potential to contribute to six United Nations Sustainable Development Goals (SDGs), namely: SDG 1, SDG 5, SDG 8, SDG 9, SDG 10 and SDG 11.

ELIGIBLE CREDITS	SDG	SDG GOAL
Financing for the acquisition of Social Interest Housing (VIS).		- 1.4 - Ensure that all men and women, particularly the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control of land and other assets, inheritance, resources natural resources, appropriate new technologies and financial services, including microfinance.
Financing for the acquisition of Social Interest Housing (VIS).		- 5.5 - Ensure the full and effective participation of women and equal opportunities for leadership at all decision-making levels in political, economic and public life.
Financing SME segment led by women		- 5.a - Undertake reforms that grant women equal rights to economic resources, as well as access to ownership and control of land and other types of goods, financial services, inheritance and natural resources, of compliance with national laws,
		- 8.10 - Strengthen the capacity of national financial institutions to promote and expand access to banking, financial and insurance services for all.
Financing SME segment led by women		- 9.3 - Increase access of small industries and other companies to financial services.
Financing for the acquisition of Social Interest Housing (VIS).		- 10.2 - Strengthen and promote the social, economic and political inclusion of all people, regardless of their age, sex, disability, race, ethnicity, origin, religion or economic situation or other condition.
Financing SME segment led by women		
Financing for the acquisition of Social Interest Housing (VIS).		- 11.1 - Ensure access for all to adequate, safe, and affordable housing and basic services and upgrade slums.

BEST PRACTICES

- ⇒ The nature and description of the credits, and the eligibility and exclusion criteria, are clear and aligned with international standards for all Eligible Credits.
- ⇒ The Issuer has indicated that there will be no refinancing.
- ⇒ The expected Benefits are relevant and measurable for all Eligible Credits.
- ⇒ The Expected Benefits of Eligible Credits have been estimated ex ante by the Issuer in accordance with clear baselines.

Selection and Evaluation process



The governance and process for the evaluation and selection of Eligible Credits are formalized in the Framework and in internal documentation.

- The **evaluation and selection process** are clearly defined and detailed, will be made public in the Framework and in this SPO. Additionally, the evaluation and selection of Eligible Credits are based on relevant internal experience, with clearly defined roles and responsibilities.
- The **eligibility criteria (selection and exclusion)** of the Eligible Credits are clearly defined and detailed (see Appendix 1).
- The Issuer commits to **supervise the compliance of the Selected Credits with the eligibility and exclusion criteria** specified in the Framework through **continuous monitoring throughout the life of the Bond**. In addition, the Issuer has transparently communicated how it will guarantee the **traceability** of the decisions made regarding the evaluation, selection and monitoring of credits. The Issuer also communicates that it will monitor possible ESG controversies associated with Eligible Credits without providing details on frequency and content.
- The process of identification and mitigation of **Environmental and Social Risks** is formalized in the Framework and in internal documentation, it will be made public, and it is considered robust.

Evaluation and Selection process

The evaluation and selection process for Eligible Credits is clearly defined and detailed in the Framework and in internal documentation.

The evaluation and selection of Eligible Credits is based on relevant internal experience, with clearly defined roles and responsibilities.

SME led by women:

- The director of the SME and rural segment of Banco Davivienda is responsible for the financial product of Credits to Small and Medium Enterprises. In addition, this director set the conditions to be met for the Use of the Bond Funds in this category.
- The process of evaluation and granting of credit applications for SMEs is divided into the following steps:
 - Knowing the client: In case that the SME is not a client of the Bank, the commercial advisor is responsible for the process of knowing the SMEs. The commercial advisor makes a visit to the SME and creates a report of basic information considering commercial and financial criteria such as: age of the company, sales, debts, suppliers, among others.
 - Structuring the business: The commercial executive negotiates with the SME the credit conditions.
 - Financial evaluation: Once the financial background of the SMEs and the credit conditions have been obtained by the commercial area, the Credit Evaluation area performs an evaluation to decide on whether to approve the credit.
 - Establishment of guarantees: It is determined whether guarantees will be necessary by the borrower to access credit.
 - Disbursement of resources: Resources can be disbursed in instalments.

Mortgage loans for low-income housing owned by women:

- The Director of Mortgage Businesses of Banco Davivienda is responsible for the financial product of Mortgage Credits for VIS or VIP. In addition, the Director of Mortgage Businesses establishes the conditions to be met for the Use of the Bond Funds in this category.
- The process of evaluation and granting of clients' mortgage loan applications is divided into the following steps:
 - Financial evaluation of the client: In this stage, the Bank's commercial advisers carry out a financial evaluation of the clients, where their payment capacity and indebtedness are verified. In this step it is verified that the client complies with the housing regulations stipulated by the National Government of Colombia. The information is delivered to the Credit Evaluation Department.
 - Evaluation of the guarantee: An external expert performs an appraisal of the property. This information is documented and sent to the Credit Evaluation Department.
 - Credit approval: Once the client's information and the information on the property appraisal have been received, the Credit Evaluation Department decides on the approval or rejection of the mortgage loan. In the case is approved, the customer can sign the promissory note.
 - Review of the legal status of the property: At this stage, the Bank will appoint a lawyer in charge of reviewing the legal status of the property and supporting the client in the deed and legal registration process of the property.
 - Disbursement of the loan: Once the property is delivered, the Bank proceeds to the liquidation and disbursement of the mortgage loan.

Traceability and verification

The traceability and verification of the selection and evaluation of the Eligible Credits is ensured throughout the process:

- The Bank monitors all loan processes, both for SMEs and VIS, including the status of the loan, its approval or rejection, and the reasons for the decision.
- Banco Davivienda commits to establish a working group among the different areas of the Bank involved: SME segment management, Housing Business Management, Sustainability and public relations management and the Vice Presidency of Credit Risk. The task force's role will be to evaluate customer information and verify that they meet the eligibility criteria. In addition, this group will monitor the indicators related to Eligible Credits.

Eligibility criteria

The process is based on explicit and relevant eligibility criteria with respect to the social objectives defined for the Eligible Credits.

- Selection is based on the Eligible Categories defined in the Use of Funds section of the Framework (see Appendix 1).
- Additionally, Banco Davivienda applies the exclusion list established by IFC and other activities established by IDB Invest. The list of these activities can be found in the annexes of the Framework.

Transparency of the process of mitigation of environmental and social risks

The process for identifying and mitigating environmental and social risks is formalized in the Framework and in internal documentation, it will be made public, and it is considered robust (the detailed analysis of this process can be found on pages 12-15).

An area for improvement is specifying how the Issuer will monitor potential environmental and social controversies throughout the life of the bond.

BEST PRACTICES

⇒ The eligibility and exclusion criteria are clearly defined for all Eligible Credits.

Management of Proceeds



The rules for managing the funds are clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

- The process for the **allocation and management of funds** is clearly defined and will be made public.
- The **allocation period of the funds** will be a maximum of 24 months.
- The net proceeds of the Bond will be deposited in Banco Davivienda's general treasury account and these will be **tracked** by the Issuer in an appropriate manner and **monitored in a formalized internal process**.
- Information on the types of **temporary placement of unallocated funds** has been publicly disclosed in the Framework. These will be managed in accordance with Davivienda's liquidity portfolio, which will be mostly held in public debt securities.
- The balance of net income will be **periodically adjusted** to match the allocation to Eligible Credits in accordance with the criteria established in the Framework.
- The Issuer has provided information on the procedure that will be applied in case a project is **no longer compliant** with the Framework, and commits to allocate the funds to other Eligible Credits that meet the criteria established in the Framework, within a period of 2 months.

Management process

The rules for the allocation and management of funds are clearly defined in the Framework and in internal documentation:

- The net proceeds of the Bonds will be managed by the Davivienda Treasury Vice Presidency and will be deposited in the bank's general account, where they will then be assigned to the Issuer's treasury liquidity reserve portfolio. To ensure tracking of disbursement funds in each category, equivalent funds in the SME and Mortgage Loan segments related to Eligible Credits will be marked.
- The unallocated funds will be invested in liquidity portfolios, mostly public debt securities of the Colombian Government with a two-year term restriction.
- In case of cancellation, divestment or ineligibility of credits, the Issuer commits to replace the credit with a new Eligible Credit within a period of 2 months.

Traceability and verification

Traceability and verification of both the monitoring method and the allocation of funds are guaranteed throughout the process:

- The tracking and periodic balance of the funds will be carried out by the *Comité de Activos y Pasivos* (Assets and Liability Committee).
- The Vice Presidency of Treasury executes the strategies and guidelines of the *Comité de Activos y Pasivos* on a weekly basis, verifying that the net income matches the portfolio of Eligible Credits of the Bond that it reports to the board of directors.
- An external auditor will verify the allocation of the funds to Eligible Credits, in accordance with the criteria defined in the Framework, once a year and until the Bond matures.

BEST PRACTICES

- ⇒ The commitment regarding the total allocation of the Bond funds is a maximum of 24 months.
- ⇒ The Issuer has provided information on the procedure to be applied in the event of divestment and has committed to reallocate the funds to loans that meet the eligibility criteria established in the Framework within 2 months.

Reporting



The processes and commitments of the Issuer for the publication of reports are considered good, and the selected indicators cover the allocation of funds and the social benefits of the Bond.

- The Issuer commits to report **annually and until the maturity of the Bond**. The report will be made public on its website and will cover relevant information on the allocation of Bond funds and the expected social benefits.
- The **process and responsibilities for reporting on the Bond** are clearly defined and detailed in the Framework.
- The Issuer commits to report on the **allocation of funds and on social benefits** at the level of each eligible category. The **indicators** selected by the Issuer are clear and relevant.
- The indicators for the **allocation of funds and social benefits** related to the Eligible Credits will be **verified by an external auditor**.

Reporting process

The processes of monitoring, data collection, consolidation and reporting are clearly defined in the Framework.

The process to report on the Bond is clearly defined, detailed and structured; and it is based on the support of internal experts and involves relevant departments of the Issuer:

- The Business area will be responsible for reporting the disbursements of the Bond funds made for the Eligible Credits.
- The Social Responsibility Department will be responsible for data collection, monitoring, consolidation and preparation of annual reports.
- The Sustainability Department will be responsible for reviewing and submitting the report to investors, and for reporting to the Corporate Executive Vice Presidency and the Executive Vice Presidency of Risk on the status of allocation of the bond funds.

Indicators

The Issuer has committed to transparently communicate the following at the Eligible Credits level:

- The allocation of funds: The issuer commits to report on the allocation of funds:

INDICADORES REPORTADOS

- ⇒ Amount disbursed (COP) per Eligibility Category
- ⇒ Percentage of funds from the bond pending to be assigned

- Social Benefits: the indicators selected by the Issuer to report on the social benefits of the Eligible Credits are clear and relevant.

An area for improvement is reporting on women who will receive a home for the first time.

ELIGIBLE CREDITS	SOCIAL BENEFITS INDICATORS
Financing SME segment led by women	Amount of current loans - SME Woman (COP) Number of outstanding loans - SME Woman (#) Amount of loans disbursed - SME Woman (COP) Number of loans disbursed - SME Woman (#) Number of active clients - SME Woman (#) Number of Active Clients - SMEs (#) Total number of loans to SMEs Women out of the total portfolio of SMEs (%) Number of clients with higher annual sales (#)
Financing for the acquisition of Social Interest Housing (VIS).	Amount of current loans - VIS Woman (COP) Number of current loans - VIS Woman (#) Amount of loans disbursed - VIS Woman (COP) Number of loans disbursed - VIS Woman (#)

Control & monitoring process

The Issuer will appoint an external auditor to verify the allocation of funds annually to the maturity of the bond. In addition, the external verifier will check the social benefits indicator "Total number of loans to SMEs Women over the total portfolio of SMEs (%)"

BEST PRACTICES

- ⇒ The methodology of the indicators and the assumptions used to report on the social benefits of the Eligible Credits will be publicly disclosed.
- ⇒ The indicators selected by the Issuer are clear, relevant and cover all the expected benefits associated with the Eligible Credits.

Contribution to sustainability

Expected impacts

The possible positive impact of the Eligible Credits on the defined social objectives is advanced.

CRÉDITOS ELEGIBLES	NIVEL DE IMPACTOS ESPERADO	ANÁLISIS
Financing SME segment led by women	ROBUST	Loans to SMEs led by women provide financing to a vulnerable population and monitor sales improvement indicators in the financed SMEs.
Financing for the acquisition of Social Interest Housing.	ADVANCED	The Social Interest Housing mortgage loans seek to benefit one of the most vulnerable populations: women with low incomes (up to 8 SMMLV), most of whom are accessing their own home for the first time through a subsidy.
OVERALL	ADVANCED	

Management of environmental and social risks

Materiality and Management of Environmental and Social Risks.

The identification and management of the environmental and social risks associated with the Eligible Credits is considered robust.

	ELIGIBLE CREDITS	
	SME LED BY WOMEN	ACQUISITION OF SOCIAL INTEREST HOUSING
Environmental performance	LIMITED	LIMITED
Respect to Human and Labour rights	LIMITED	N/A
Access to basic services and home security conditions	N/A	ROBUST
Transparent information to customers	ROBUST	ROBUST
Responsible relations with clients	ROBUST	ROBUST
Prevention of corruption	ROBUST	ROBUST
Global	ROBUST	ROBUST

Environmental performance

VIS owned by women: When evaluating a mortgage loan, an external expert makes visits to the property. However, there is no evaluation of energy performance, water use, etc. of the house. In case that Banco Davivienda has financed the construction of the Social Interest Housing, the Bank performs an evaluation by the Bank's Construction Projects Department. It is worth mentioning that these cases represent a low percentage of total transactions (around 30%). On the other hand, Banco Davivienda grants mortgage interest rate benefits for "sustainable homes" (Green Building Certifications), although due to the low availability of this type of buildings in the market for VIS homes, the coverage of this benefit is not significant².

An area for improvement is the evaluation of the energy and water performance of all the homes to be financed through Eligible Credits.

SMEs led by women: Banco Davivienda follows and applies the IFC and IDB exclusion list, which covers the SME segment, but there is no periodic monitoring of the environmental performance of financed SMEs. Banco Davivienda implements a SARAS evaluation system in its corporate segment to evaluate environmental issues in financing, however, this system does not cover the SME segment.

An area for improvement is to conduct a periodic evaluation of environmental performance at least for SMEs that may have a considerable exposure to environmental impact.

Respect to Human and Labour Rights

SMEs led by women: Banco Davivienda follows and applies the IFC and IDB exclusion list, which covers the SME segment, but there is no periodic monitoring of issues related to human rights, labor rights or working conditions of SMEs financed. In the stage of knowing the client, the commercial advisor conducts a visit to the company, where he can ask social issues that she can identify in the SME, but there is no formal and documented mechanism for this diligence on social issues. Banco Davivienda implements a SARAS evaluation system in its corporate segment to evaluate social issues in the financing they grant, however, this system does not cover the SME segment.

An area for improvement identified is to conduct a periodic evaluation of performance on social issues, at least for SMEs that may have considerable exposure on social issues.

Access to basic services and home security conditions

VIS owned by women: In case that Banco Davivienda has financed the construction of the Social Interest Housing to which it is going to give credit, due diligence is carried out under the parameters of the Bank's Constructor Projects Department, which exhaustively verifies the quality and safety parameters of the home. It is worth mentioning that these cases represent a low percentage of total transactions (around 30%). On the other hand, if the construction of the house was not financed by Banco Davivienda, a review by an external expert is carried out to verify that the buildings comply with the construction and safety regulations. In addition, correct access to basic services such as electricity, water, roads to access the house, among others, is verified.

Transparent information to clients

VIS owned by women: Banco Davivienda trains its executives to have a sales force adapted to the needs of the population seeking to access government benefits for VIS housing. In addition, the bank provides training to its executives in general financial education topics in order to educate its clients. All the procedures are coordinated with the Colombian Ministry of Housing through the programme 'Mi casa ya', which allows that all procedures to access the subsidy are carried out in the same Bank.

SMEs led by women: Business executives in the SME segment are under continuous training to adapt client relations to the information requirements of the segment. Specialized executives also assist on digital credits for the SME for a clear and timely delivery of all the necessary information.

² Banco Davivienda reports that, as of today, it has financed the construction of 7 VIS housing projects with EDGE design certification, which are equivalent to 2,749 housing units.

Responsible relation with clients

For Eligible Credit Categories, the treatment of complaints and claims follows the procedures formally established by the Bank. Depending on the nature of the problem, an analysis is made on whether it can be solved immediately or if it is necessary to escalate the problem to higher levels. Complaints can be entered through specialized channels or through the sales force, which centralize complaints in the Support Unit. According to the nature of the complaint and the level of difficulty involved in solving it, dates are established for solving the problem.

VIS owned by women: The Bank applies interest rates according to the market ("Billboard rates"). There is a benefit in interest rates for financing "sustainable houses" (with environmental certification), however, this benefit does not cover a significant amount of VIS homes. Regarding financing, Banco Davivienda follows the Colombian housing law, which allows the maximum financing of 80% of the home and the first installment of the mortgage loan cannot exceed 30% of the borrower's monthly income. Most (about 80%) of the homes financed receive government subsidies for the purchase of these homes. The government subsidy can be lost if the beneficiary is more than 90 days past due with his bank. Within those 90 days, the bank cannot provide direct financing to pay this delinquency, however, the bank contacts these families to find out the nature of the problem and seek alternative support. If the owner loses the government subsidy, Banco Davivienda offers debt restructuring alternatives.

SMEs led by women: The Bank applies interest rates according to the market ("Billboard rates"). Each client undergoes a commercial and financial risk assessment to adjust the interest rate to the client's risk. The Bank adopts risk models related to debt when offering loans. It is intended that the amount of the credit does not exceed 30% of the annual income of SMEs. In the case of financial difficulties on the part of SMEs, it is identified whether the problems are specific or structural. If they are punctual, extensions are offered to the payment of fees. If the problems identified are of a more structural nature, the Debt Settlement Department supports the client and proposes alternatives to solve their financial problems. Qualification processes of the SME portfolio are carried out twice a year, to identify potential financial problems of clients before they arise.

Prevention of corruption

Banco Davivienda complies with the standards established by the regulations on the Risk Management System for Money Laundering and Terrorism Financing (SARLAFT), regulated by the Financial Superintendence of Colombia. This includes know-your-customer standards and periodic checks to prevent corruption. These measures cover the SME and VIS segments.

PART 2: ISSUER

Banco Davivienda is a Colombian bank that provides services and products to individuals, companies and the rural sector. The Bank is one of the most important providers of mortgage loans in Colombia as well as for loans to small and large companies. In addition, Davivienda has operations in Panama, Costa Rica, Honduras, El Salvador and Miami, United States. The bank was founded in 1972 and is part of Grupo Empresarial Bolívar.

Management of ESG controversies

- As of today, Davivienda's involvement in disputes related to ESG factors has not been identified.

Involvement in controversial activities

- Banco Davivienda appear to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

PART 3: COHERENCE

Coherent
Partially coherent
Not coherent

We consider that the Social Bond contemplated by Banco Davivienda **is coherent** with the main sustainability challenges of the sector, as well as with the Issuer's priorities and commitments in terms of sustainability, and that the Bond contributes to the realization of these commitments.

The financial sector plays a key role in promoting innovative financial instruments and mechanisms that effectively channel new financing towards initiatives that contribute to sustainable development.

This is particularly important in Latin America, where the sources of public financing are not sufficient to finance the realization of the United Nations Sustainable Development Goals, which is calculated between 3.3 and 4.5 billion dollars a year in developing countries.³

The priority challenges of the financial sector in social aspects include the development of socially responsible financial products, financial inclusion, and the promotion of local economic and social development.

Banco Davivienda has developed a sustainability strategy which integrates corporate, social and environmental governance criteria in its business lines. In addition, Banco Davivienda's sustainability strategy is aligned with Grupo Bolívar from the Sustainable Development Goals (SDG)⁴.

In line with this strategy, one of the Bank's priority approaches is the inclusion and support of female empowerment through its female segment. It should be noted that Davivienda is a member of the Financial Alliance for Women (FAFW), a global consortium of financial institutions dedicated to supporting banks committed to promoting financial inclusion and market development for women.⁵

By issuing this Bond, the Bank seeks to expand two lines of business through a focus on women: the housing portfolio, where it seeks to expand the number of mortgage loans of households classified as VIS offered to women, and the bank aspires to a growth in the portfolio of SMEs led by women.

Additionally, one of Davivienda's corporate commitments is to measure the contribution of its products and projects to the Sustainable Development Goals (SDG). This is why the Bank has been part of the Dow Jones Sustainability Index questionnaire for 6 years, which assesses the bank's sustainability practices.

By issuing its Gender Social Bond, Davivienda responds consistently to its commitments in terms of sustainable development. In particular, the Bond seeks to contribute to the development of socially responsible financial products, financial inclusion, and the promotion of local economic and social development, in line with the priority challenges of the financial sector.

³ ECLAC (2017). The rise of green bonds: financing for development in Latin America and the Caribbean. https://repositorio.cepal.org/bitstream/handle/11362/42230/1/S1700985_en.pdf

⁴ Davivienda Environmental and Social Policy.

⁵ Information obtained through the Vigeo Eiris questionnaires which were completed by the Issuer.

SCOPE

Vigeo Eiris has been appointed to provide an independent opinion ("Second Parties Opinion") on the sustainability credentials and responsible management of the *Marco de Referencia para la emisión de un bono social con enfoque de género* (the 'Framework') for the issuance of the Social Bond⁶ (the 'Bond') proposed by Banco Davivienda ("the Issuer" or "the Bank").

Our opinion is elaborated in accordance with our exclusive Environmental, Social and Governance (ESG) assessment methodology, and in accordance with the voluntary procedures of the latest version of the Social Bond Principles ("SBP") published in June 2020.

This opinion is based on the evaluation of the following components:

- 1) **Issuer**⁷: We have evaluated the Issuer's management of potential ESG controversies and its involvement in controversial activities⁸.
- 2) **Issuance**: We have evaluated the Framework, including the consistency of the use of proceeds with the Issuer's sustainability strategy, the Bond's contribution to sustainable development and its alignment with the four main components of the 2020 SBP.

The evaluated information comes from different sources, including public information, from the press, from interested parties; information from our ESG rating database; and information from the Issuer transmitted in various documents and by interviews with Davivienda employees carried out through a teleconference system.

Vigeo Eiris has conducted its due diligence from May 28, 2020 to July 27, 2020. We believe that we have been able to access all appropriate documents and speak with all requested persons. For this purpose, we use reasonable efforts to verify the accuracy of such information.

⁶ The "Social Bond" should be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name "Social Bond" has been decided by the Issuer: it does not imply any opinion of Vigeo Eiris.

⁷ Given that, as of today, Davivienda is not part of the Vigeo Eiris rating universe, the evaluation of the Issuer's ESG performance is not part of the scope of our due diligence carried out for the preparation of this Second Party Opinion.

⁸ The 17 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal Welfare, Chemicals of Concern, Civil Firearms, Fossil Fuel Industry, Coal, Bituminous Sands, Gambling, Genetic Engineering, High Interest Rate Credits, Military Activities, Nuclear Energy, Pornography, Reproductive Medicine, Cannabis, Human Embryonic Stem Cells and Tobacco.

APPENDIX 1 – ELIGIBLE CREDITS

ELIGIBLE CREDITS	DEFINITION AND ELIGIBILITY CRITERIA	SUSTAINABLE OBJECTIVES AND BENEFITS
Préstamos dirigidos al segmento PYME lideradas por mujeres	<ul style="list-style-type: none"> - Those natural or legal persons with annual sales of less than \$ 20 billion Colombian pesos are classified as SMEs.⁹. - SMEs whose operations are located in Colombia. - SMEs that have been formally incorporated at least 3 years. - SMEs that within their shareholding composition 51% of their partners are women and at the same time their legal representative is a woman. . 	<p style="text-align: center;">Promotion of gender equality</p> <p>Increase access of women with signing power in SMEs to financial services.</p> <p style="text-align: center;">Financial inclusion</p> <p>Increase access of small and medium-sized enterprises to financial services</p> <p style="text-align: center;">Local socio-economic development</p> <p>Promote the growth of small and medium-sized companies in the Colombian territory.</p>
Financiamiento para la compra de Viviendas de Interés Social (VIS) para mujeres	<ul style="list-style-type: none"> - The only debtor must be a woman and the deed of the house is in her name. - The home to be financed will be the debtor's main home. - Only women who have monthly income of 8 legal monthly minimum wages or less may be eligible for this financing¹⁰. - For VIS mortgage loans, the value of the home to be financed must be adjusted to current Colombian regulations (in 2020 it cannot exceed 150 minimum income). - New or used homes located in urban areas of the national territory will be financed. 	<p style="text-align: center;">Financial inclusion</p> <p>Increase access to financing for the acquisition of Social Interest Housing.</p> <p style="text-align: center;">Promotion of gender equality</p> <p>Increase access for women with the power to purchase a home.</p>

⁹ This criterion does not discriminate existing customers with sales declines due to the COVID-19 pandemic.

¹⁰ The legal monthly minimum wage in force in 2020 is \$ 877,803 Colombian pesos, which is equivalent (as of today) to approximately \$ 255 dollars.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, Vigeo Eiris provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporation's ESG performance is based on criteria aligned with international standards, in compliance with the ISO 26000 guidelines, and is organised into 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues has been adapted based on the specificities of the Issuer's business activity.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the Issuers Business Unit for Second Party Opinions) complemented by a final review and validation by the Director of Methods. Our Second Party Opinions (SPOs) are also subject to internal quality control at three levels (consultants in charge of the mission, Project Manager, Quality Reviewer) and final review and validation by the Director of Methods and the Director of Issuers or the Sustainable Finance Senior Advisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company, then the Director of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

PART 1. ISSUANCE

Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by Vigeo Eiris according to the ICMA's Green Bond Principles - June 2018 ("GBP") and/or the Social Bond Principles - June 2020 ("SBP"), and/or the Loan Market Association's Green Loan Principles - May 2020 ("GLP"), the TEG proposal for a Green Bond Standard, and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. Vigeo Eiris evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process have been assessed by Vigeo Eiris on its transparency, governance and relevance. The eligibility criteria have been assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds have been assessed by Vigeo Eiris on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer have been assessed by Vigeo Eiris on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

For Vigeo Eiris, the potential positive impact of an activity on environmental and/or social objectives cannot be decoupled from the management of the associated potential negative impacts and externalities. Our assessment of expected positive impacts and of identification and management of ESG risks is therefore consolidated into the activity's overall contribution to sustainability.

Expected positive impact of the activities on social objectives

This section assesses the potential/expected positive impact of the activities to be financed by the Issuer or Borrower on social objectives.

The expected impact of activities on social objectives is assessed based on:

- i) the relevance of the claimed social objective (social need) at local/country level;
- ii) the extent to which the activity is targeting of a population in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the social objective (capacity to provide a structural/long-term improvement to the social issue in question).

ESG risk management

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed based on Vigeo Eiris' ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

PART 2. ISSUER

Note: the Issuer's performance, that is, the commitments, processes and results of the Issuer on matters of ESG responsibility have not been evaluated through a complete process of compared qualification and assessment developed by Vigeo Eiris.

Management ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** shows, for each ESG challenge, the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, the actual corporate responsibility in its occurrence is proven, and adverse impacts occurred on stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Usually, Vigeo Eiris' controversy database covers any controversy with Minor

or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No Involvement) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

PART 3. COHERENCE

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

Scale of assessment: not coherent, partially coherent, coherent

VIGEO EIRIS' ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of sustainability. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Social Bond Principles by adopting recommended and other best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Social Bond Principles
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Partially Aligned	The Instrument has adopted most of the core practices of the ICMA's Social Bond Principles, but not all of them.
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of assurance of risk management is weak to very weak.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Social Bond Principles.

DISCLAIMER

Transparency in the relationship between Vigeo Eiris and the Issuer: Vigeo Eiris has not carried out any audit mission or consulting activity for Banco Davivienda. There is no established relationship (financial or commercial) between Vigeo Eiris and the Issuer.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the loan, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Borrower's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Borrower. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Borrower. The Borrower is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Loan, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

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