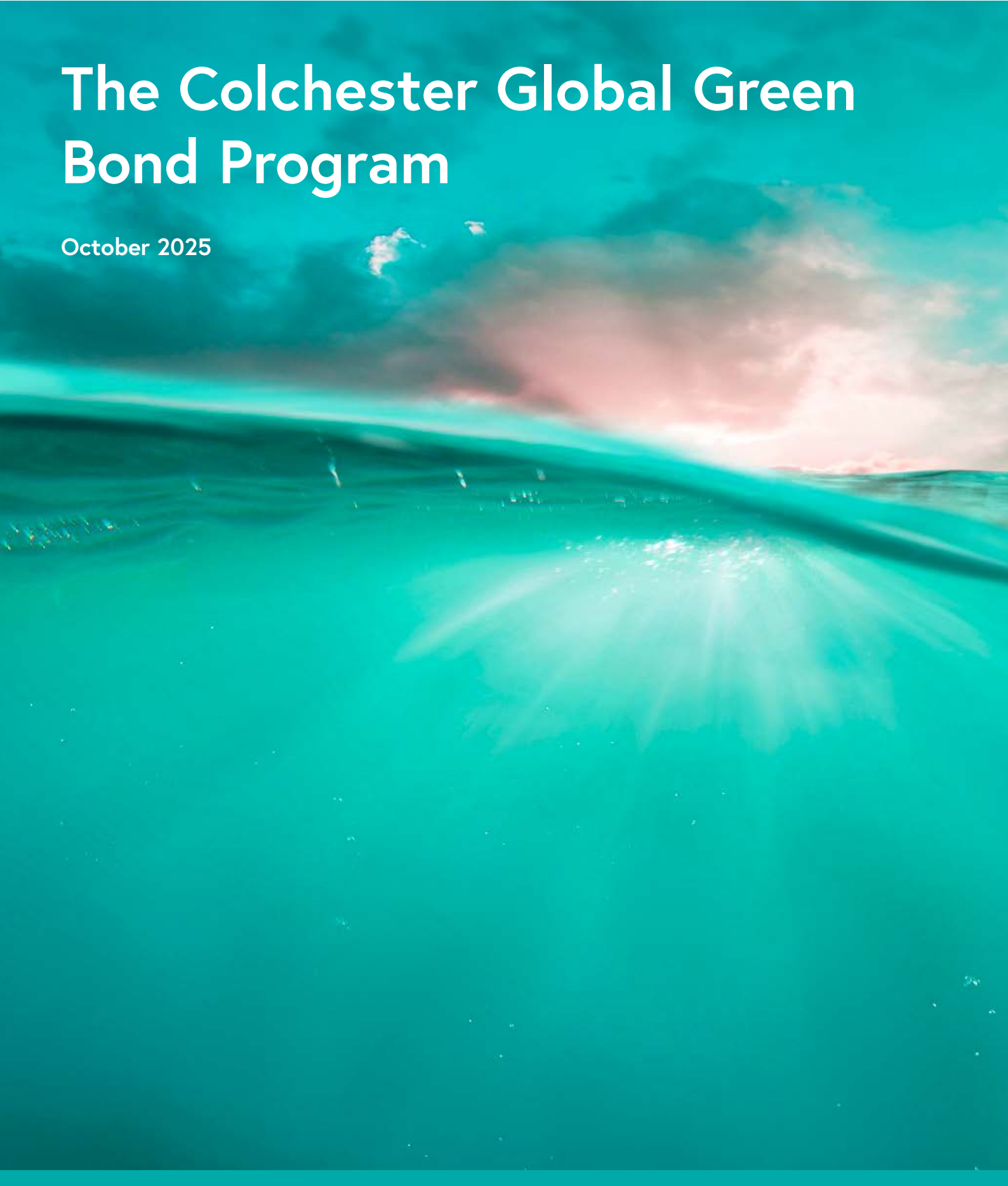




Colchester[®]
GLOBAL INVESTORS

The Colchester Global Green Bond Program

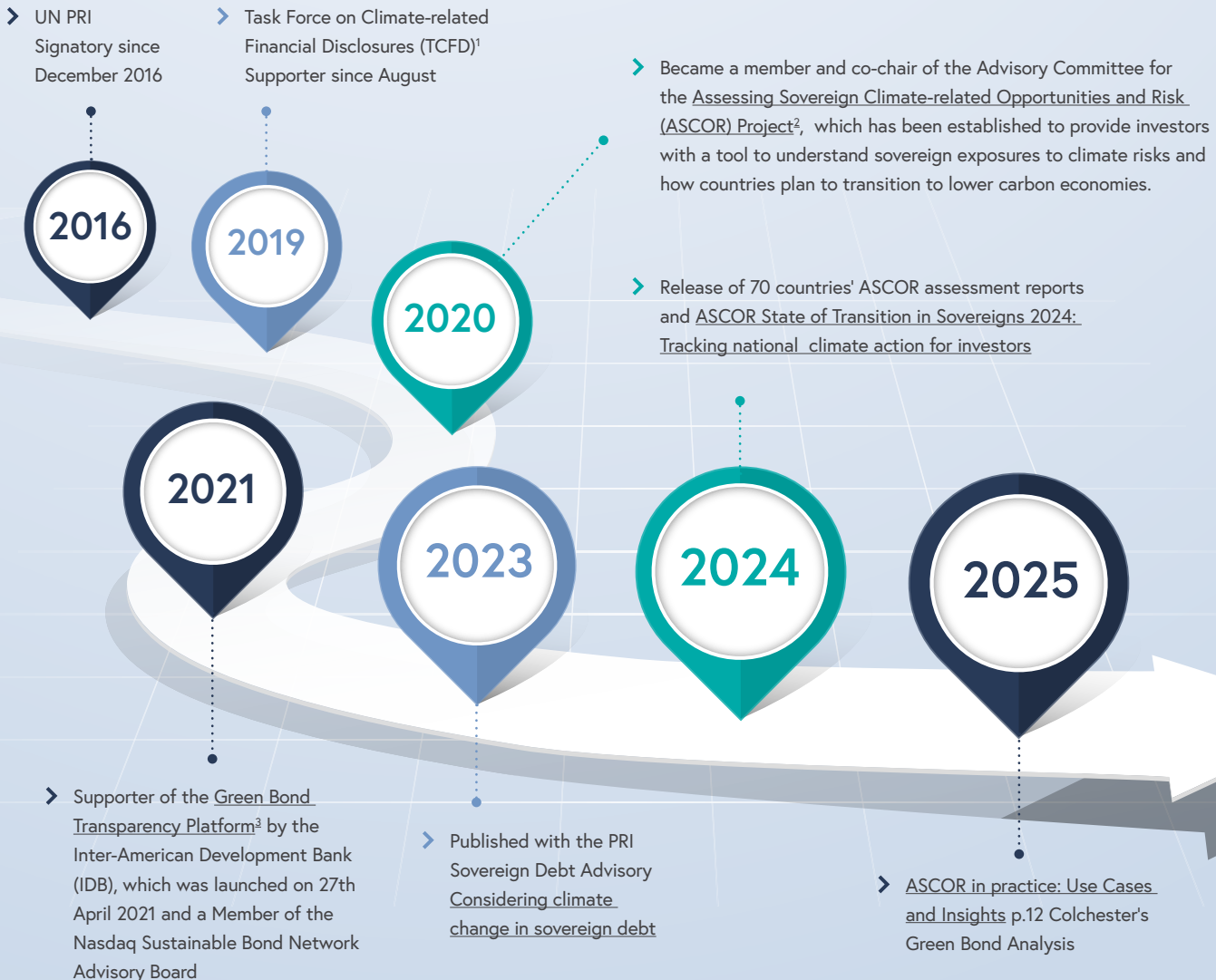
October 2025



Whilst political support for environmental, social and governance (ESG) initiatives appears to be shifting in a number of countries recently, climate change continues to impact economies and individuals globally. Colchester believes that a successful transition to lower carbon economies is important, but recognises that significant investment will be required to achieve this. Accordingly, the global debt market will continue to play a pivotal role in facilitating such a transition to lower carbon economies, and sovereign *green* bonds will have an important part to play.

Colchester's investment process is fundamentally underpinned by traditional sovereign credit analysis incorporating the analysis of ESG. These factors combined with Colchester's engagement findings feed holistically into our investment analysis. Whilst ESG analysis has been engrained in our investment process since the inception of the firm, the societal drive for sustainable investing, increasing concerns about climate change, and greater investor demand all led to the development of our Global Green Bond Program in early 2019.

Highlights of Colchester's Collaborative "Green Initiatives"



For more information on our initiatives, please see the [ESG, CSR & Sustainability](#) section on our website

This paper provides an overview of green bonds, the expanding market for these instruments, and Colchester's approach to managing them. It is split into the following sections:

- 1) What are Green Bonds & What standards are available?
- 2) The Evolution of the Green Bond Market
- 3) Sovereign Green Bond Pricing
- 4) Sovereign Green Bond Indices
- 5) Colchester's Green Bond Investing Approach
- 6) Summary
- 7) Frequently Asked Questions

¹ In July 2023 the Financial Stability Board (FSB) announced that the work of the Task Force on Climate-related Financial Disclosures (TCFD) has been completed, with the International Sustainability Standards Board (ISSB) marking the 'culmination of the work of the TCFD'. Having fulfilled its remit, TCFD disbanded in October 2023. IFRS - ISSB and TCFD

² <https://www.unpri.org/news-and-press/announcing-the-advisory-group-for-the-assessing-sovereign-climate-related-opportunities-and-risk-ascor-project/8550.article>

³ <https://www.greenbondtransparency.com/support/about-us/>

1. What are Green Bonds?

A *green bond* is a fixed income instrument issued by governments, supranationals or corporates, to raise money to fund "green" initiatives. They have the same characteristics as a conventional bond in terms of rating, maturities, seniority, execution process, etc.. The only difference is the use of proceeds, which means that the funds raised by *green* bonds are allocated to fund projects with positive environmental benefits.

Whilst there are various structures of *green* bonds, such as green revenue bonds, green project bonds and green securities bonds, by far the most commonly issued green bond structure is the **Use of Proceeds bond (UoP)**.

Given there is no uniform standard or legal definition of what defines a green bond, a number of general principles, certification programs and regional taxonomies have developed over time. We consider the following as the most important:-

Green Bond Standards

a) ICMA Green Bond Principles

A UoP bond is typically issued under the umbrella of the Green Bond Principles (GBPs) framework. This is the most widely used framework that was developed in 2014 in a collaborative effort by capital market intermediaries, issuers, investors and environmental organisations under the leadership of the **International Capital Markets Association (ICMA)**. The GBPs are seen as best-practice guidelines and set standards to promote the accuracy, transparency, and integrity of disclosures and the information provided issuers to stakeholders in the green bond market.

The Principles are voluntary market guidelines and consist of four core components shown in Figure 1.⁴ The Green Bond Principles were updated in 2021 to add two key recommendations around transparency that impacted on a) the green bond framework and b) external reviews. Further revisions were made in 2024 and 2025⁵.

It is important to note that the GBPs do not clearly define what constitutes "green" but instead broadly characterises green projects into the following categories:

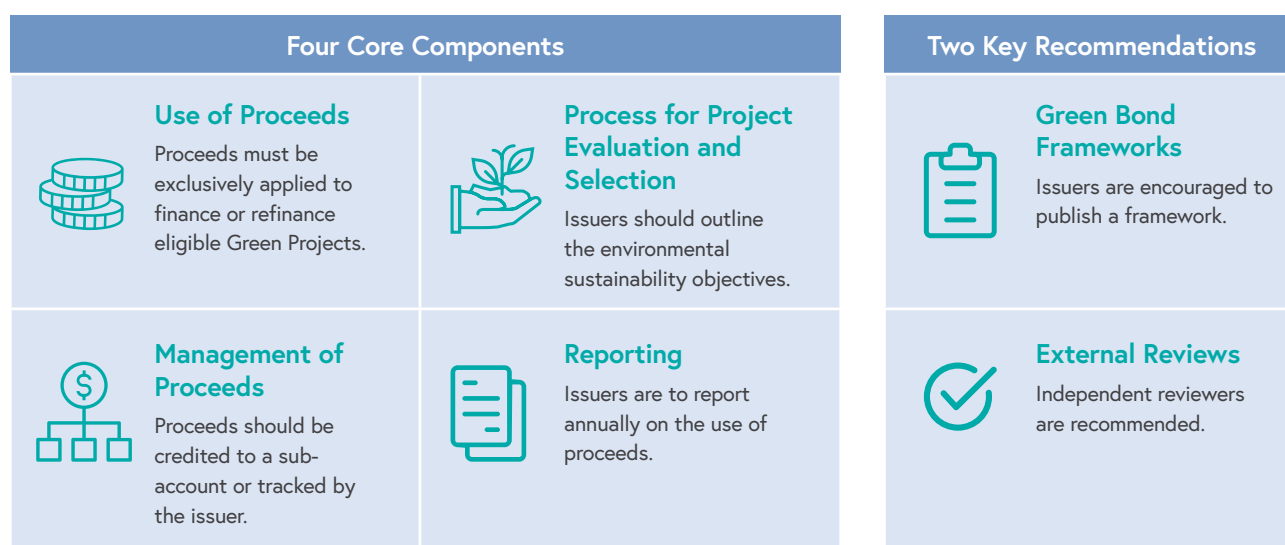
- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Nature-based assets including land use, agriculture and forestry
- Terrestrial and aquatic biodiversity
- Clean transportation
- Sustainable water and wastewater management
- Climate change adaptation
- Circular economy adapted products, production technologies and processes

Institutions such as the World Bank, European Investment Bank (EIB) and Kreditanstalt für Wiederaufbau (KfW) also have their own criteria or definitions of eligible green projects, but tend to be broadly aligned with the GBPs.

⁴ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

⁵ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Green-Bond-Principles-GBP-June-2025.pdf>

Figure 1: Green Bond Principles (GBPs) Overview



Source: ICMA, AI-generated, Colchester

The best market practice currently is for issuers to obtain an independent review of their framework pre-issuance, as well as to include a post-issuance external review in their allocation report which confirms their adherence to the Green Bond Framework. Independent reviews can be provided by:

- third party assurance e.g. KPMG, etc.
- second party opinion e.g. CICERO, etc.
- a Green Bond rating e.g. Moody's, etc. or
- verification for certified Climate Bond e.g. CBI (explained below).

b) Climate Bonds Standard and Certification Scheme

Another set of voluntary guidelines for green bond issuers is the Climate Bonds Standard and Certification Scheme, which assesses the eligibility and credibility of a green bond. This was launched by the Climate Bond Initiative (CBI) in 2010. The CBI is a not-for-profit organisation which aims to mobilise global capital for climate action. The scheme is also globally used by bond issuers, sovereigns, investors and the financial markets. The certificate is based on strict sector-specific scientifically based criteria to ensure that the end use of funds raised is consistent with the Paris Climate Agreement to limit warming to 1.5 degrees. The bond must have a third-party verification to satisfy the scheme's requirement. The standards also incorporate ICMA's GBPs reporting and transparency criteria.

In the absence of universally accepted standards, issuers could potentially seek to raise capital that they designate as "green", but fail to use those funds for environmentally friendly projects and hence undertake "greenwashing" with the capital raised via bond issuance. To alleviate some of these concerns, many jurisdictions, including the European Union (EU) have developed their own taxonomies setting out classifications of which activities and assets are "green" or environmentally positive.

The EU has been at the forefront of these initiatives with legislation stemming from the EU's Sustainable Finance Action Plan. The resulting EU Taxonomy and the EU Green Bond Standard, both aim to provide clarity and consistency in sustainable finance.

c) EU Green Bond Standard and Regulations

The **EU Taxonomy** attempts to formalise specific criteria that defines a "green project." It provides a classification system for environmentally sustainable economic activities, aiming to guide investments toward projects that support the EU's climate and environmental goals.

It sets out **six environmental objectives**:

- i. climate change mitigation
- ii. climate change adaptation
- iii. sustainable and protection of water and marine resources
- iv. transition to a circular economy
- v. pollution prevention and control, and
- vi. protection and restoration of biodiversity and ecosystems.

To be considered environmentally sustainable under the EU Taxonomy, an economic activity must:

- i. Sustainably contribute to at least one of the six objectives
- ii. Do no significant harm (DNSH) to any of these objectives
- iii. Comply with minimum social safeguards, and
- iv. Meet the Technical Screening Criteria (TSC) defined for each activity.⁶

The EU Taxonomy also impacts the classification of funds under the Sustainable Finance Disclosure Regulation (SFDR) as Article 8, which "promote" ESG characteristics, often referred to as "light green", or Article 9 funds which have sustainable investment as their objective, referred to as "dark green". The EU also published the EU Green Bond Regulation ([REGULATION \(EU\) 2023/2631](#)) known as the "Green Bond Standard" or "EU GBS" relating to a "gold standard" labelling for *green* bonds that are aligned with the EU Taxonomy Regulation on 30th November 2023. Although the regulation took effect on 21st December 2024, it remains a voluntary regulation to date, meaning issuers are not required to follow it unless they want to label their bond as a "European Green Bond". Should they do so, the regulation imposes prescriptive requirements beyond the GBPs discussed above.

d) Other Sustainability Bond Frameworks

Under ICMA's [Sustainability Bond Guidelines](#) (SBG), sustainability bonds combine both environmental and social projects and therefore the four core components of both the [Green Bond Principles](#) (GBP) and [Social Bond Principles](#) (SBP) apply. The [Sustainability-Linked Bond Principles](#) (SLBP) and the [Climate Transition Finance Handbook](#) were released in 2023.

⁶ For more details see [DNSH technical guidance, amended October 2023 - European Commission](#)

2. Evolution of the Green Bond Market

The EIB Climate Awareness Bond in 2007, paved the way for the first green bond issuance by the World Bank in 2008. These two issues established the early legitimacy of and set the foundation for the development of the global green bond market.

Case Study – World Bank

The World Bank is an international organisation founded in 1944. It is owned and governed by member nations and provides its members with financing and expertise. In 2008 the Bank issued its first AAA-rated six-year maturity green bond of SEK 2.3bn to support global living standards through its "Strategic Framework for Development and Climate Change"⁷. Since then, the World Bank has issued over 230 *Green Bonds*, raising over U\$20bn equivalent in 28 currencies as of end of 2024⁸.

The World Bank's first green bond was developed in response to some Swedish pension plans desire to fund climate mitigation and adaptation projects in the aftermath of the United Nations Intergovernmental Panel on Climate Change (IPCC) - AR4 Climate Change 2007: Synthesis Report, which provided alarming scientific data with regards to climate change. Sandinaviska Enskilda Banken AB (SEB) was instrumental in bridging the gap between investors wanting to reduce risk but also make a positive impact, and the World Bank who had the expertise in investing in global environmental projects. In contrast to the structured EIB Climate Awareness bond, the World Bank's was a "plain vanilla" green bond.

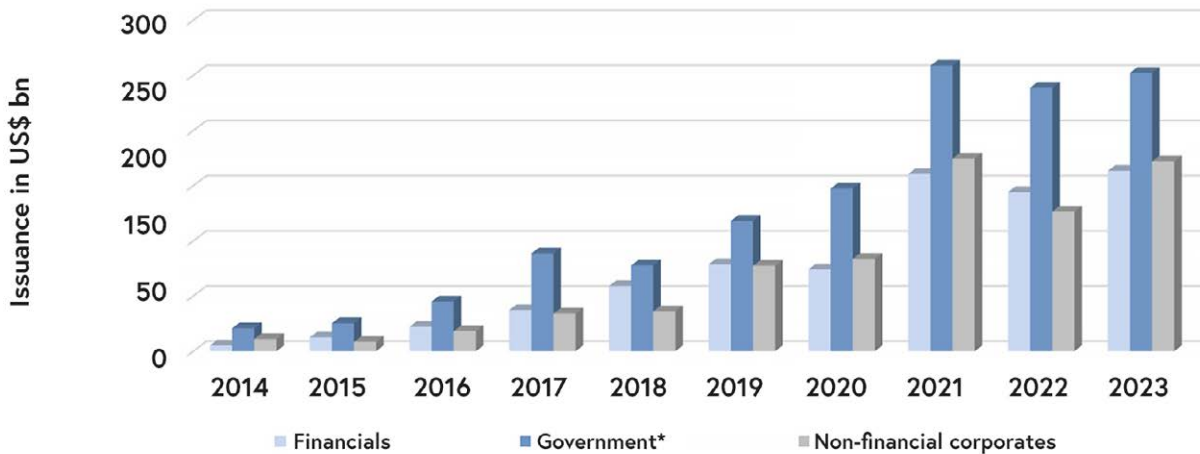
Whilst the World Bank had the expertise in global environmental projects and was regarded as a trusted high quality bond issuer for many years, investors needed an independent assurance that the selected projects were truly benefiting climate change. Therefore, the Centre for International Climate and Environmental Research (CICERO), provided an expert to determine whether the selected project would make a positive environmental impact. This established the precedent for second party opinions for green bond frameworks that has subsequently become embedded in a number of the standards discussed above.

The World Bank's private-public sector approach also formed the basis for the voluntary best practice guidelines encapsulated in the ICMA Green Bond Principles.

⁷ <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/210721468139493088/technical-report>

⁸ <https://treasury.worldbank.org/en/about/unit/treasury/ibrd/ibrd-green-bonds>

Chart 1: Green Bond Issuance



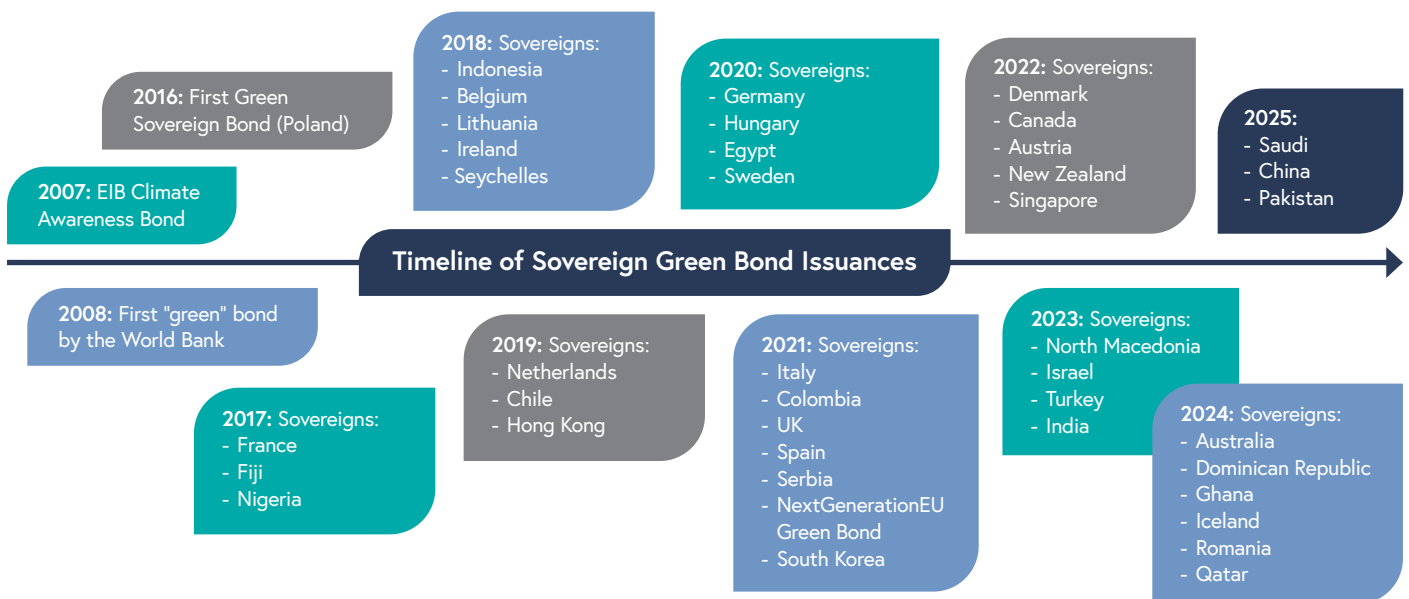
Source: Climate Bond Initiatives, Colchester, as of December 2023

* includes Development Bank, Government-Backed Entities, Local Government, and Sovereign

Sovereign Issuer Diversification

As a sovereign-only asset manager, Colchester's focus is on the evolution of green bond issuance by governments, supranationals, and agencies. Total green bond issuance has grown significantly—from US\$20.8 billion in 2014 to a record US\$252.2 billion in 2023, cumulatively totalling US\$1.3 trillion over that period. The sovereign, supranational, and agency (SSA) segment has been strategically important and anchored the growth of the market (see Chart 1).

The first pure sovereign green bond was issued by Poland in 2016. Since then, sovereign participation has steadily increased, contributing to the broader SSA growth (see timeline below). By the end of 2017, SSA issuance totalled US\$88.7 billion. By 2023, SSAs represented 43% of cumulative green bond issuance, underscoring their growing role in sustainable finance. Within this segment, pure sovereign issuance continues to represent a smaller share, highlighting both the opportunity and the need for deeper sovereign engagement in the green bond space.



Other EU countries such as Slovenia, Luxembourg, and Latvia, as well as the Philippines and Chile have issued sustainable bonds to mention just a few. The latter was the first to issue a Sovereign Sustainability linked bond (SLB), followed by Uruguay, Thailand and Slovenia. Japan has also come to the market with another innovative transition bond called GX. Colchester engaged with the Japanese government on the issuance of this bond and continues to do so.

Engagement with sovereign issuers – Case Study: Japan's GX Transition bond

In October 2020, Japan announced its commitment to achieve carbon neutrality by 2050⁹ and in April 2021 it announced its plans to reduce greenhouse gas emissions by 46% compared to its 2013 levels by 2030¹⁰, while ensuring a stable energy supply.

To facilitate this transition, the Japanese government approved the Green Transformation (GX) Plan and passed the necessary legislation in February 2023.

"Green Transformation (GX) refers to the transformation of the entire economic and social system from an economy, society, and industrial structure dependent on fossil fuels to "structures driven by clean energy" – the aim of the initiative is to drive economic growth and development through emissions mitigation."¹¹

The Basic GX Policy consists of two pillars as follows:

Stable energy supply	Pro-growth carbon pricing measures
1. Energy Efficiency	<ul style="list-style-type: none"> • More than 150 trillion yen in public-private investment for 10 years • 20 trillion yen support from the government • Carbon pricing measures <ul style="list-style-type: none"> - auction for power generators (FY2033~) - levy for fossil fuel importers (FY2028~) • Asia Zero Emission Community (AZEC) concept
2. Renewables	
3. Nuclear Power	
4. Others (hydrogen, ammonia, LNG, batteries, carbon recycling to fuels and others)	

Source: Ministry of Economy, Trade and Industry, Japan and Climate Integrate, September 2025.

Japan intends to issue up to ¥20 trillion in transition-labelled bonds over 10 years to help fund the country's Basic Policy for the Realization of Green Transformation (GX) and tries to catalyse ¥150 trillion in overall investment in the country's economic transition towards 2030.

Government bond issuance forms part of the pro-growth strategy underpinning the GX Policy, which combines upfront debt issuance, future carbon pricing and public-private partnership (PPP) investment promotion.¹²

Colchester engaged individually and collaboratively with the authorities in Japan on the proposed framework in October 2023. Whilst we were encouraged to see a major developed sovereign come to market with an innovative sustainable instrument, the framework, methodology and measurement remained uncertain at the time of the first issuance in February 2024. Given these uncertainties and what we believed were unfavourable valuations, Colchester did not participate in the issuance. Nonetheless Colchester has remained in close contact with the authorities on this and broader ESG issues. For more details on our [sovereign engagement](#) activities please see our website, where we publish our semi-annual engagement reports.

⁹ https://www.meti.go.jp/english/policy/energy_environment/global_warming/ggs2050/index.html

¹⁰ COP26 World Leaders Summit Statement by Prime Minister KISHIDA Fumio (Speeches and Statements by the Prime Minister) | Prime Minister's Office of Japan (kantei.go.jp)

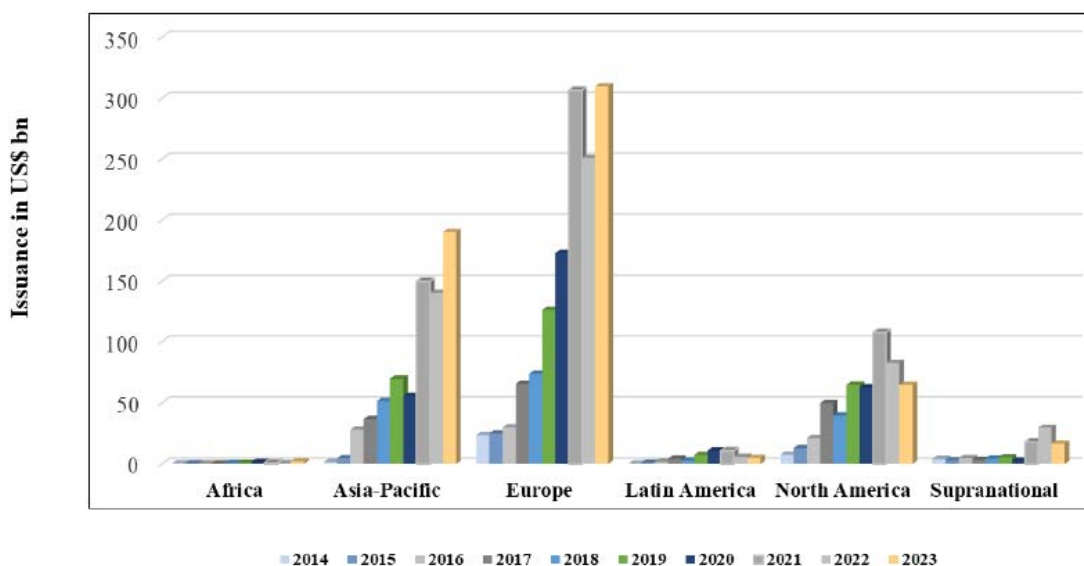
¹¹ [gr_japan_overview_of_gx_plans_january_2023.pdf](#) (grjapan.com)

¹² Germany offers a compelling example of how sovereign climate commitments can be translated into innovative financing mechanisms. Please see the Case study Germany's Green Twin Bond Concept on page 12.

Other governments have also recently announced their intention to issue their first *green* bonds including India, Greece, Albania, Montenegro and South Korea. Europe remains the dominant regional issuer (Chart 2), mostly likely driven by the EU's commitment to be climate neutral by 2050 and the adoption of their so called "Green Deal". This is based on the European Commission's adoption of the EU's climate, energy, transport and taxation policies and their desire to reduce net greenhouse gas emission by at least 55% by 2030 ("Fit for 55"), compared to 1990 levels. This also led to the first NextGeneration green bond issuance on 21st October 2021 that raised EUR 12 billion and was 11 times oversubscribed at the time.

Amongst some of the first and more established green bond supranational and agency issuers are: KfW, EIB, Societe du Grand Paris, Kommunalbanken SA (KBN) and the various entities that comprise the World Bank.

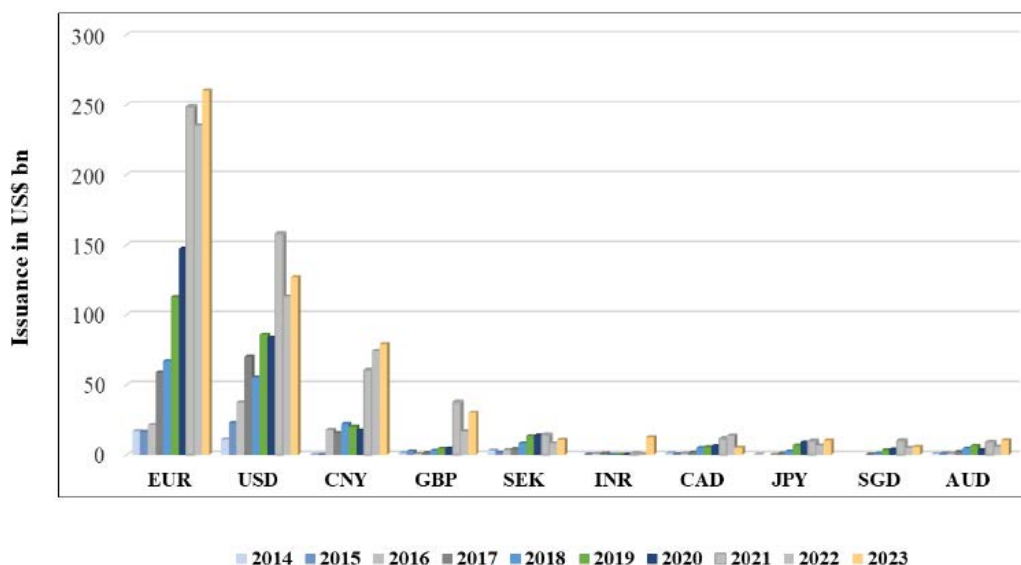
Chart 2: Green Bond Issuance by Region



Source: Climate Bond Initiatives, Colchester, as of December 2023
 * includes all asset classes

To date, most green bond issuances have been denominated in US\$ and Euros with a small proportion in Chinese renminbi, the British pound, and a few other currencies as shown in Chart 3.

Chart 3: Green Bond Issuance by Currency

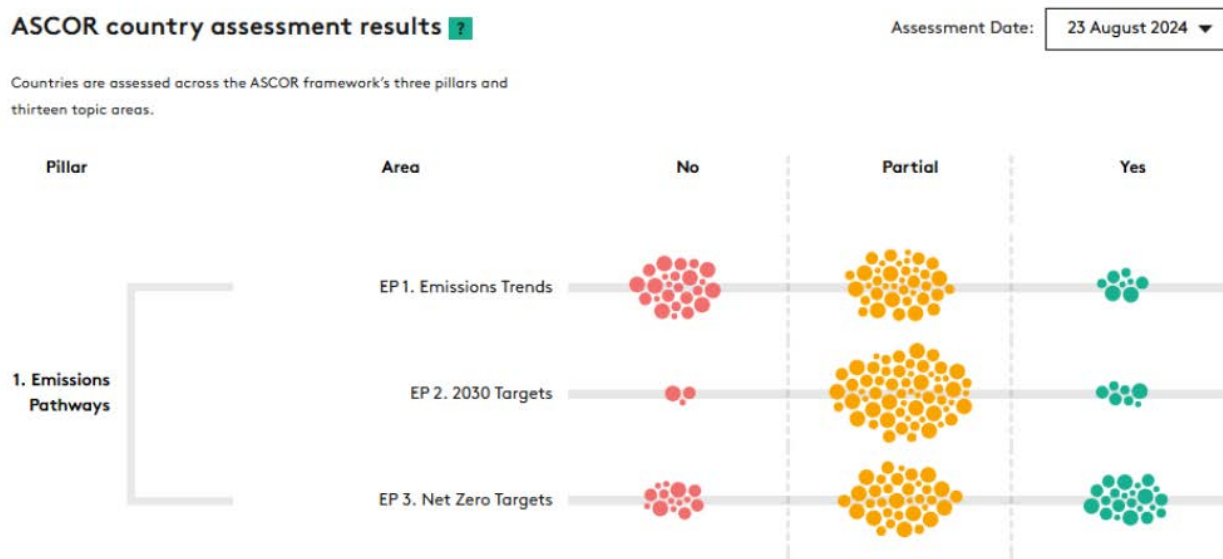


Source: Climate Bond Initiatives, Colchester, as of December 2023
 * includes all asset classes

Issuance is likely to continue to grow and issuers to become more geographically diversified as central banks, certain regulators and governments globally continue to enshrine climate laws into legislation and adhere to net zero pledges. As a number of Governments are increasingly facing fiscal constraints and potential funding issues, this is also likely to prompt the development of more innovative green and sustainable funding solutions, thereby supporting funding needs and helping to build more robust and lower carbon economies¹³. Furthermore, supply disruptions stemming from increased geopolitical uncertainty and conflict has brought the clean energy transition to the top of the EU policy agenda, and raised awareness elsewhere, also potentially underpinning green bond issuance going forward.

The supply of green and related bonds is also likely to increase as countries strive to meet their decarbonisation and related targets. The number of countries' sustainability pledges have increased over past years. This can be seen in the ASCOR country assessment results. The ASCOR [tool](#) allows investors to assess governments' climate-related commitments, monitor and compare sovereign issuers climate change governance and performance appropriately. The ASCOR framework consists of 3 pillars, covering 13 topic areas. Each area includes "Yes" or "No" indicators as well as quantitative metrics. Colchester together with investor networks, asset owners and asset managers were instrumental in developing the [Assessing Sovereign Climate-related Opportunities and Risk \(ASCOR\) project](#).¹⁴

The following graphic shows the aggregated assessed country results of Pillar 1 on Emissions Pathways. EP 1. Emissions Trends highlight that over the past 5 years the majority of assessed countries have reduced emissions as measured across a range of metrics. Among the countries assessed within the framework, most had committed to targets by 2030, and committed to a net zero target, by 2050, (for more [details and methodology](#)). Such progress is encouraging and may be expected to underpin the development of the "green bond market" going forward.



Source: ASCOR, as of 23rd August 2024

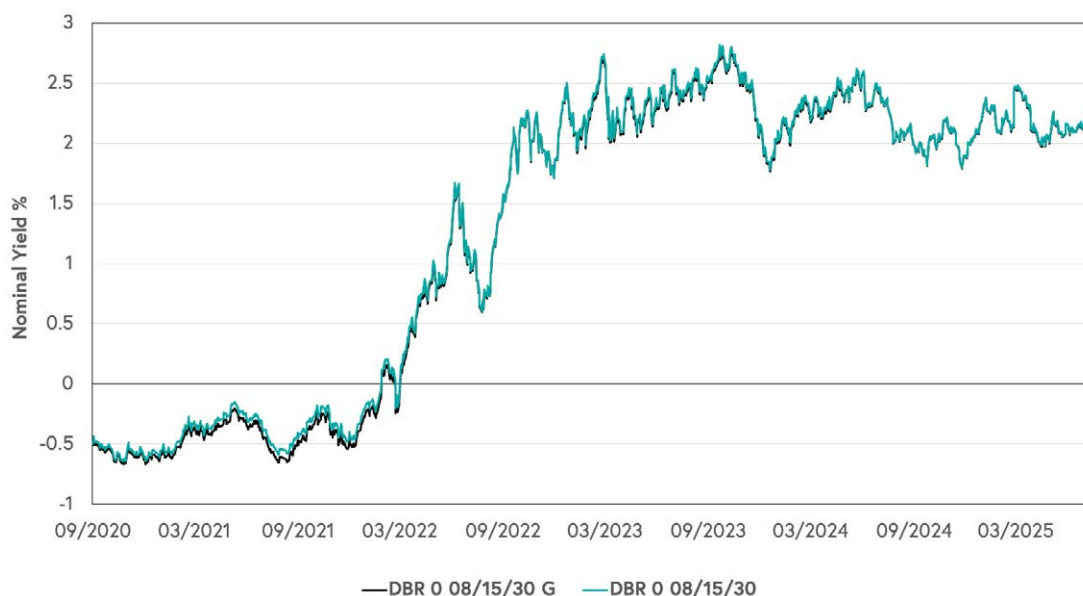
¹³ Germany offers a compelling example of how sovereign climate commitments can be translated into innovative financing mechanisms. Please see Case Study 1 on page 12.

¹⁴ Colchester is pleased to co-chair and be a member of the ASCOR Advisory Committee to this initiative. The [latest ASCOR Report – State of Transition in Sovereigns 2024: Tracking national climate action for investors report](#).

3. Sovereign Green Bond Pricing

As sovereign green bond issuance expands, pricing dynamics remain a key consideration. In theory, *green* bonds should be priced **pari passu** with conventional bonds of the same issuer, assuming identical characteristics (e.g., maturity, coupon). Therefore, the yields of a green and non-green bond should trade on a par, all else being equal. However, to date yields on green bonds have traded at a marginal discount, or '**greenium**' given investor demand for these products in some markets has outstripped supply (See chart 4). The presence or absence, and magnitude of this greenium varies across markets and there is no consistency in this regard across all markets. Amongst SSA, issuance liquidity can be lower in the secondary market, meaning some of the *green* bonds can trade at a lower yield (and hence higher price) when demand outstrips supply.

Chart 4: Pricing of Green versus Non-Green Bond



Source: Bloomberg, Colchester as of 31st July 2025.

Case study 1 – Germany's Green Twin Bond Concept






Germany offers a compelling example of how sovereign climate commitments can be translated into innovative financing mechanisms. As a AAA-rated issuer, Germany has committed to reducing greenhouse gas emissions by 55% by 2030 and by at least 80% by 2050 (compared to 1990 levels), with the ultimate goal of achieving carbon neutrality by 2050. To support this objective, Germany issued its inaugural 10-year green bond on 2nd September 2020, raising EUR 6.5 billion. This issuance was supported by the establishment of the [Climate Action Plan 2050](#) and the passing of the [Climate Change Act](#) of 2019, which provided the legal framework for defining eligible expenditures and tracking climate-related progress.

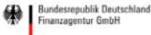
The bond received a [Second Party Opinion](#) from Institutional Shareholder Services ESG, verifying that it followed the ICMA GBPs and also aligned with EU Green Bond Standard.

The bond was issued to finance Federal Government expenditures, while avoiding double counting by excluding state-level spending already covered by other public *green* bonds such as KfW's funding for the energy efficient buildings. Instead, the proceeds were allocated to projects that aligned with the six environmental objectives of the EU Taxonomy, and designed to support at least 12 of the 17 UN Sustainable Development Goals (SDGs) across the following five sectors:

1. Transport
2. International cooperation
3. Research, innovation and awareness raising
4. Energy and industry
5. Agriculture, forestry, natural landscapes and biodiversity.

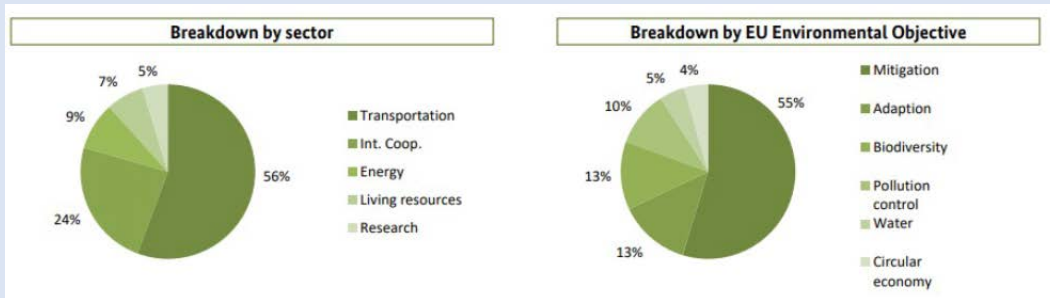
These five categories aligned with Germany's areas of producing the highest GHG emissions:

Area of action	1990 (in MtCO ₂ e)	2022 targets (in MtCO ₂ e)	2025 targets (in MtCO ₂ e)	2030 targets (in MtCO ₂ e)	2030 targets (reduction in % compared to 1990)
 Energy	466	257	~226	175	62%
 Buildings	209	108	94	70	67%
 Transport	163	139	123	95	42%
 Industry	283	177	163	140	51%
 Agriculture	88	67	64	58	34%
Subtotal	1,209	748	670	538	56%
Waste mgmt. & Other	39	8	7	5	87%
Total	1,248	756	677	543	56%



Source: Bundesrepublik Deutschland Finanzagentur GmbH, Green Bond Investor Presentation 2020

The subsequent Use of Proceeds Report showed that Transport was the primary recipient of funding, representing 56% of the projects.




Source: Bundesrepublik Deutschland Finanzagentur GmbH, Green Bond Investor Presentation 2020

Staying with the Transport sector, the framework defined very clearly how the use of proceeds would be used to achieve their related Sustainable Development Goals (SDGs).

Transport

Improve and promote clean and more environmentally friendly transportation systems

- Federal rail infrastructure
- Shift to climate-friendly mode of transportation
- Bicycle infrastructure
- Support for the development of electric mobility



Twin Bond Concept

The German Ministry of Finance also demonstrated its innovative approach by issuing the first so called "twin bond" whereby a green bond is issued with an identical coupon and maturity date to an existing conventional non-green bond. This enables investors to swap their German *green* bonds for a conventional twin German government bond in the market with the same maturity and coupon should they so desire. The twin bond mechanism enhances liquidity and increases transparency to investors particularly in identifying the true green premium - "Greenium" - of *green* bonds.

At issuance the bond was five times oversubscribed with an order book exceeding EUR 33 bn and was priced 1bps below the "conventional" 10-year German Federal Government Bond. The 1 basis point yield discount to the standard bond suggests that the "greenium" is de-minimis in the absence of scarcity or liquidity constraints. Chart 4 shows that there has been little to no structural greenium for this bond after issuance.

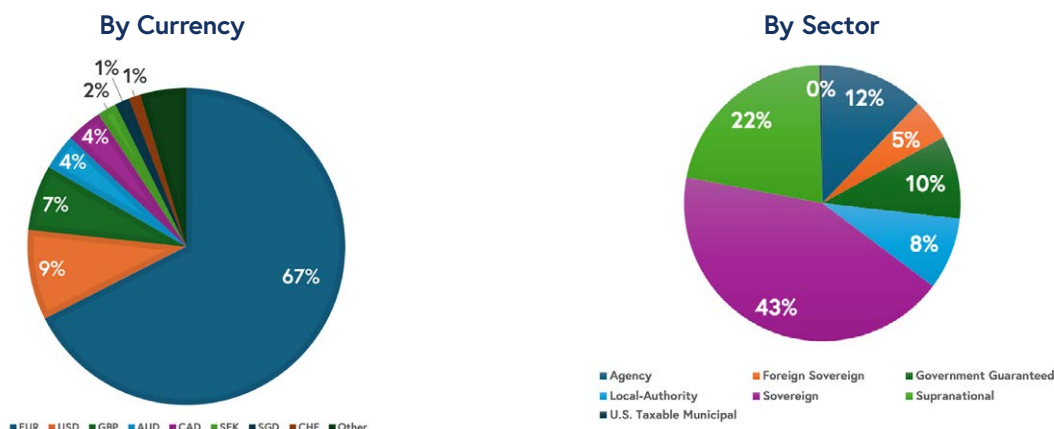
Germany's Green Twin Bond structure exemplifies how sovereign issuers are innovating to meet climate goals while enhancing transparency and investor confidence. As sovereign green bond issuance continues to grow and diversify, the need for dedicated benchmarks that accurately reflect this segment becomes increasingly important.



4. Green Bond Sovereign Indices

Based on our analysis, there is currently no consensus around a standard SSA bond green indices available. Most green bond index providers include "credit" and SSA together and tend to have a 50/50 mix. Given Colchester's singular focus on SSA we have worked with Intercontinental Exchange® (ICE) to create a customised ICE Sovereign and Government Related Green Bond Index. Since most sovereign issuance has taken place in the Eurozone, the index has 67% in Euro denominated bonds (see Chart 5). One notable difference when compared to the standard nominal global government bond index – the FTSE World Government Bond Index - is the higher proportion of supranationals and agencies as these issuers offer more *green* bonds in different currencies compared to governments.

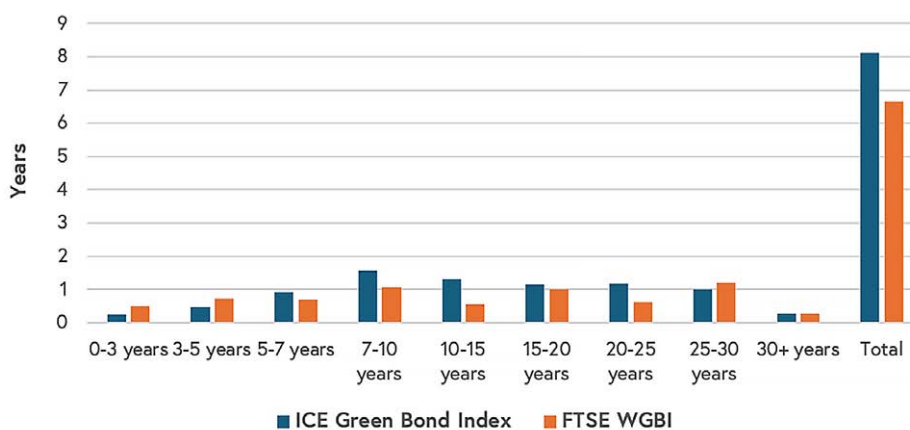
Chart 5: Composition of ICE Sovereign and Government Related Green Bond Index



Source: ICE, 31st July 2025, Note index sector classifications have been used.

Another noticeable difference to the FTSE WGBI is that the ICE Green Bond Index is almost 1.5yrs longer in duration terms, as this reflects the longer-term nature of many environmental projects that *green* bonds are used to finance. Many green bond funds are used to develop infrastructure projects that have long lead times, hence the longer maturities on average.

Duration Contribution by Maturity Bucket



Source: ICE, 31st July 2025, Note index sector classifications have been used.

5. Why Invest in Colchester's Green Bond Program?

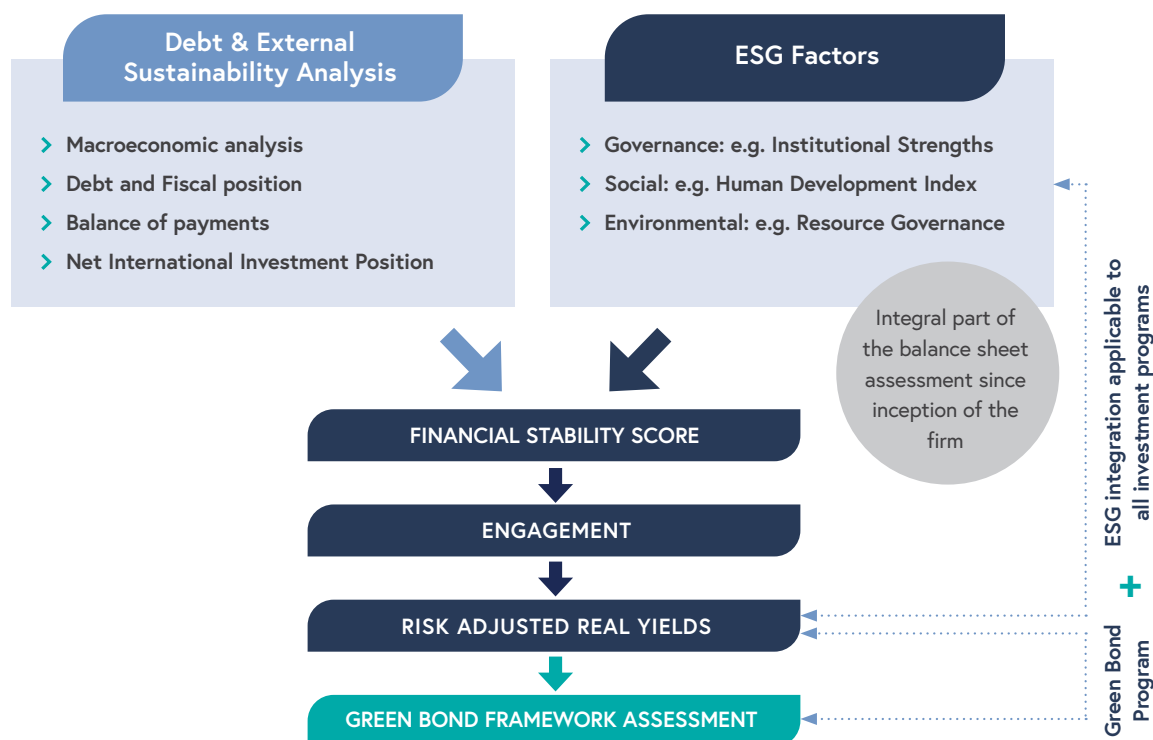
The development of dedicated sovereign green bond indices—such as the customised ICE SSA Green Bond Index—represents a meaningful step forward in benchmarking this emerging asset class. However, most existing indices combine sovereign and corporate credit exposures, limiting their relevance for investors seeking pure sovereign/SSA exposure.

Colchester as a sovereign-only asset manager, has always integrated environmental concerns and other Governance and Social factors into its investment analysis and focuses on the construction of high-quality, liquid SSA portfolios. We believe our long-standing ESG framework, active involvement in global initiatives such as ASCOR and the PRI Sovereign Debt Advisory Committee, and disciplined investment process position us uniquely to help investors align their portfolios with both financial and climate objectives.

Colchester's Green Bond Investing Approach

Our Global Green Bond Program uses the same valuation framework, portfolio construction and risk management techniques as our other investment programs. We may buy *green* bonds issued by supranational issuers, due to the lack of availability of *green* bonds issued by governments (potentially at specific yield curve segments) in certain currency denominations, or due to valuations.

The main difference in the research process for the Green Bond Program is that we have an additional assessment stage of issuer "greenness", as shown below.



Responsible investing is an integral part of the investment process. However, Colchester never makes investment decisions based solely upon ESG factors. Unless specified in the client Investment Management Agreement or offering documents, specific assets with poor ESG ratings may not be excluded from portfolios.

How do we try to make sure that a bond is green?

To ensure that the *green* bonds we may potentially purchase are aligned with our green bond framework, we apply two additional steps that impact which bonds are considered within the opportunity set, and our ongoing willingness to hold them:

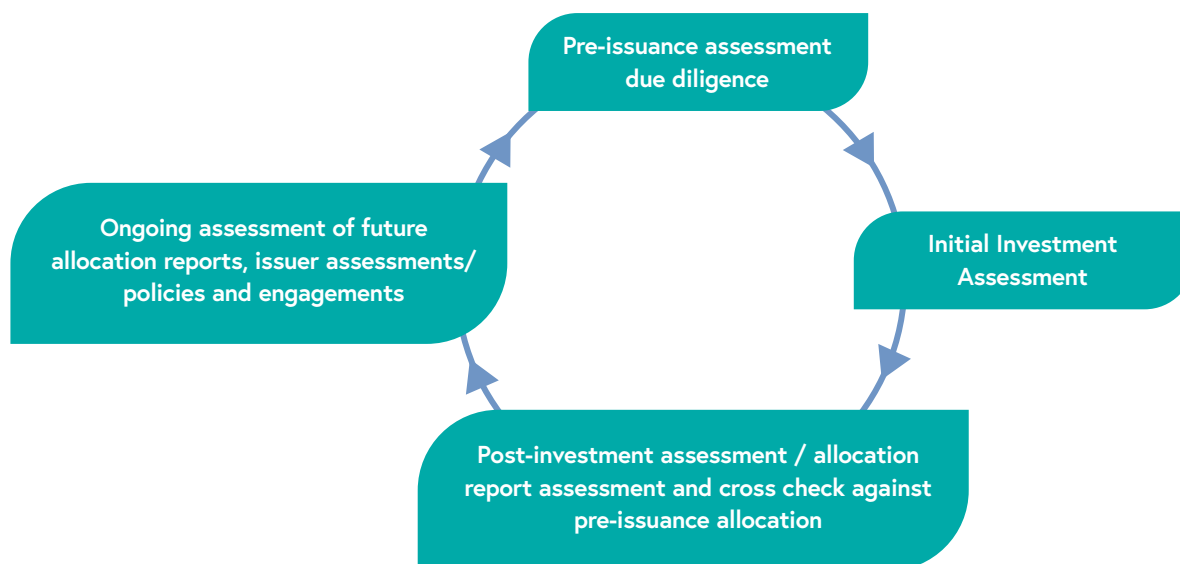
1. Firstly, we make an assessment to determine whether the *green* bonds are aligned with the International Capital Market Association (ICMA)'s Green Bond Principles (GBPs). In the event that the issue is not explicitly aligned with the GBPs, we will assess whether the issue is aligned with any other market recognised standard, such as, but not limited to, the EU Green Bond Framework, Climate Bond Initiative, or the Green Bond - Made by KfW, World Bank and its entities. In addition, the issuer must also have arranged for an independent assessment of the "greenness" of the bond, which may be in the form of a second party opinion, verification, certification or Green Bond scoring/rating.
2. Secondly, we monitor on an annual basis issuers' use of proceeds by looking at their allocation reports. In the absence of an allocation report, we will either engage with the issuer or make an appropriate determination based on the information available.

Characteristics of Colchester's Global Green Bond Fund:

- The bond exposure will be 100% in green SSA bonds.
- The Fund is managed against the customised ICE Sovereign and Government Related Green Bond Index.
- The Fund may make investments in securities and currencies that are rated Investment Grade at the time of purchase.

What tools are utilised to ensure investments are aligned with Green Bond Framework?

It is worth highlighting that our assessment process is an ongoing process starting with the pre-issuance due diligence all the way through allocation reports and follow ups.



The following examples demonstrate how we apply this process and utilise various tools in practice.

Case study 2 – Internal Due Diligence (DD) Pre- and Post-issuance

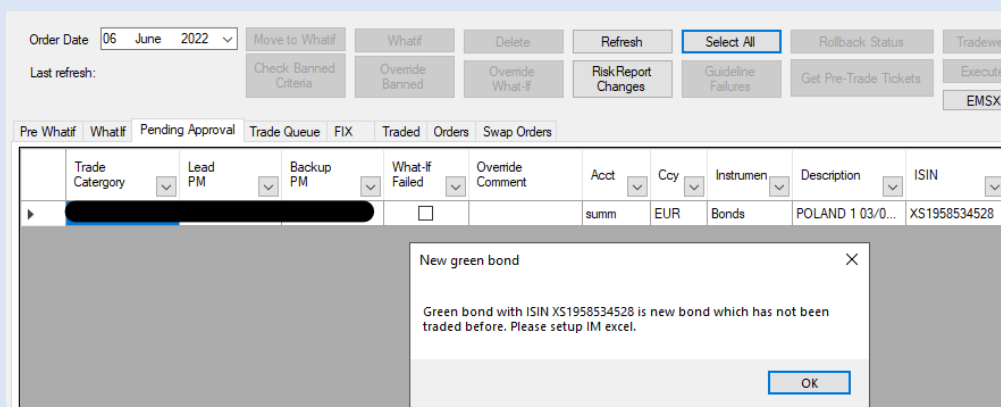
As part of our pre-investment due diligence we record whether the issuer's green bond framework is aligned with ICMA's principles, if it adheres to the reporting requirements, alongside our engagement work in the absence of timely allocation reports.

ISIN	Issuer Name	Ticker	Green bond framework (Y/N)	Green bond framework -ICMA/CBI/EU Green Bond Standard	Second party option (Y) by whom	Allocation Reporting last date published	Period covered of latest allocation report
DE0001030718	Bundesobligation 0% 10Oct2025	DBR	Y	ICMA/and compliant with EU green bond standard	ISS ESG	Mar-25	2024
DE000BU3Z005	Bundesrepub. Deutschland 2.3% 15Feb2033	DBR	Y	ICMA/and compliant with EU green bond standard	ISS ESG	Mar-25	2024

We undertake post-investment due diligence at least annually during our allocation report check. Should we find at any stage of the ongoing due diligence work that an issuer or security does not, or no longer meet, the required investment criteria, we will either engage as soon as possible or divest if we deem appropriate. See "Frequently Asked Questions" on page 20 for more details.

Additional internal systems check:

To ensure the pre-investment DD has been documented before investing in the bond, we have another system check within our auto order system (see screenshot as follows), whereby portfolio managers will have to approve that the due diligence work has been done before the Dealing Team can invest in the bond i.e. execute the trade.



The issuer is also subject to Colchester's rigorous Financial Stability Score (FSS) assessment, which entails a detailed sovereign credit analysis and ESG factor assessment. This also impacts on the valuation we apply to the bond/issuer in question.

Apart from our own desk work, we cross check our analysis with the likes of the Inter-American Development Bank's Green Bond Transparency Platform. Colchester is a supporter of this initiative - see Case Study 3 in "Frequently Asked Questions".

What happens if we can't obtain the allocation report or it's not in the "right" format?

Under Colchester's green bond framework, proactive engagement with issuers is a key component when allocation reports are unavailable or incomplete. For example, currently we are invested in a Colombian sovereign green bond which has experienced delays in the publication of its allocation report. To address these concerns, Colchester initiated direct engagement with the Colombian authorities to understand the reasons behind the delay. We also collaborated with the World Bank, which supported the structuring of the bond, to facilitate the engagement process and obtain the necessary detailed information. While the engagement is ongoing and a resolution has not yet been reached, we view this process as an opportunity to support sovereign issuers like Colombia in developing robust green finance practices.

We aim to clearly communicate investor expectations, particularly around transparency and reporting. Ultimately, the publication of allocation information is essential to ensure that proceeds are invested in an appropriate and accountable manner. At this stage, based on the information we have received in our engagement, we have deemed it appropriate to continue to hold the Colombian green bond in question.

What are the other reasons for engaging besides Due Diligence Purposes?

Colchester believes that sovereign engagement is a powerful tool for understanding climate risks, providing feedback to issuers for effective and impactful reporting and to mitigate greenwashing. Other benefits include:

- 1) Encouraging non-green issuers to enter the green bond market. Positive interaction can help and we believe that our, and the industry's, engagement with the South Korean Authorities encouraged them to move forward with the announcement of their first green sovereign bond intended to be issued in 2026.¹⁵
- 2) It provides a forum within which to provide feedback to existing issuers. Our engagement with the Singaporean Authorities is one such example (see Singapore example below).

Singapore¹⁶

In 2022, Singapore issued its inaugural green bond with a 50-year tenor. The total issuance cap is set at S\$90 billion (18% of GDP), with S\$15.8 billion issued so far. They have committed to issuing S\$35 billion in total by 2030. These *green* bonds fall under the infrastructure category of Singapore Government Securities (SGS) and follow the International Capital Market Association (ICMA) green bond framework principles.

In late 2023, Singapore introduced the Singapore-Asia Taxonomy for Sustainable Finance, which clarifies how activities and projects can be classified as "green" or "transition" related, using a traffic light system for alignment. We view this as a pragmatic approach to allocating transition funding credibly. However, we have engaged with the sovereign to encourage the development of a long-dated green bond curve, allowing for shorter green bond issuances of 30 years instead of the current 50-year timeframe.



¹⁵ Colchester engaged with the Korean authorities at their KTB conference in December 2024 and with other industry colleagues via a ASCOR virtual round table.

¹⁶ For more information on the Singapore case study, please refer to page 5 of the Colchester ESG Engagement Report (June 2024) found at: <https://colchesterglobal.com/wp-content/uploads/esg-engagement-report-june-2024.pdf>

6. Summary: Investing in the Transition Through Sovereign Green Bonds

Green bonds provide an option for investors who want to participate in the transition to lower carbon economies and/or fund environmentally friendly projects. At their core, green bonds are issued specifically to fund green initiatives and potentially accelerate the transition to a more sustainable future. Whilst the green bond market is still in its infancy and represents a small proportion of the overall fixed income market, it is growing rapidly. This growth has and should remain supported by national and international sustainability pledges and societal demands to address climate change funding, environmental issues and regulatory requirements. Therefore, green Sovereign, Supranationals and Agency (SSA) bond issuances should grow in breadth and depth globally, allowing investors to make more meaningful allocations to these bonds. Furthermore, green bonds offer investors an opportunity to make investments to generate positive societal and environmental impact alongside financial returns. Colchester's Global Green Bond Program is designed to meet this dual objective. As a sovereign-only asset manager with a long-standing commitment to ESG integration and leadership in global initiatives such as ASCOR and the PRI Sovereign Debt Advisory Committee, we offer a focused solution for investors seeking high-quality, liquid SSA exposure with a meaningful environmental overlay.

Frequently Asked Questions:

What additional tools are utilised to ensure investments are aligned with Green Bond Framework:

a) Case Study 3 – Green Bond Transparency Platform use case on Colombia

In 2021, the platform was developed by the Inter-American-Development Bank (IDB) to support harmonisation and standardisation of green bond issuer reporting. The initiative aims to promote best practice, which in turn should increase investor confidence and assist in scaling up the green bond market in the Latin American region. It provides a "one stop shop" of data for stakeholders with regards to the proceeds, impact KPIs, frameworks and disbursements for each green bond issue.

Colchester Global Investors is proud to have collaborated with IDB on the Green Bond Transparency Platform as a sovereign only asset manager. The timing of this Platform is particularly relevant as the COVID-19 fallout has negatively impacted the balance sheets of every country. Sovereigns along with the private sector are focusing on innovative green and sustainable solutions for building more robust and lower carbon economies. The Green Bond Transparency Platform with freely available, comparable, transparent and standardised data will help to further mobilise sustainable investments.



Claudia Gollmeier

Managing Director – Singapore
Head of Investment Management -
APAC & MEA, Acting Co-chair of ASCOR

The Colombian peso denominated green bond was issued on 29th September 2021 and is held in our Global Green Bond Fund. As part of our ongoing due diligence post-issuance, we use the Green Bond Transparency Platform to cross check our own details within our centralised green bond tracking depository.



Source: Green Bond Transparency Platform, 25 March 2025

The platform helps us in identifying which framework the issuer has used (ICMA in this instance), details of issuance size, maturity and to date disbursement.

The framework documents include the second party opinion (Vigeo Eiris in this instance), KPIs, disbursement and tranches can be downloaded in excel format to help with our assessment.



	A	B	C	D	E	F
1	Date offered	Offered in	Tranche currency	Offered value in tranche currency	Funds raised in tranche currency	Bond currency
2	29 Sep 21	Colombia	COP	7.5E+11		7.5E+11 COP
3	08 Oct 21	Colombia	COP	85525650000		85525650000 COP
4	27 Oct 21	Colombia	COP	6.5E+11		6.5E+11 COP
5	29 Jun 22	Colombia	COP	5E+11		5E+11 COP

Other tools we utilise in our Green Bond Framework to validate issuers' frameworks are aligned with some of the ASCOR Indicators.

b) Case Study 4 – Using the ASCOR Tool

Colchester's Investment Team uses some of the ASCOR indicators in one-to-one engagements with sovereigns and during [Engagement Programmes: Collaborative Sovereign Engagement on Climate Change | PRI](#)

We also find the ASCOR tool's ability to drill down into the specifics of a country's climate action particularly helpful as it provides a centralised source of up-to-date information.

As an example, we have found the climate laws and policies indicators of ASCOR Pillar 2 particularly helpful to assess if an issuer's green bond framework is aligned with its intentions.

Source: ASCOR, Germany as of 23rd August 2024

Why are climate policies important to Colchester?

Climate laws:

- Provide the overarching climate governance framework of a country; and,
- Are linked directly to a country's emission pathway and reduction targets i.e. their Pillar 1 objectives (ASCOR screenshot below);

Source: ASCOR, Germany as of 23rd August 2024

- Provide key accountability elements; and,
- Set the strategic direction of a country.

The ASCOR indicators confirm independently from a government that their climate laws are clear and there is a clearly defined net zero target. Independent verification gives the team comfort that a country's *green* bonds are aligned with their green bond funding intention. The ASCOR indicators provide another independent, transparent assessment of sovereign climate commitments, helping us verify credibility and mitigate the potential for "greenwashing" by ensuring that climate related claims are backed by robust policy.

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