ENVIRONMENTAL AND SOCIAL RISK POLICY

Considering the established “Environmental Management Policy” of Bancolombia, approved by the Board of directors at its meeting in September 2008 and updated in May 2014, below are presented the “Environmental and Social Risk Analysis Policy” applicable to projects that are funded by Bancolombia and guarantees receptions from economic activities highly sensitive to environmental and social impacts:

BANCOLOMBIA, in addition to promoting sustainability in business financing, has been adhering to the Equator Principles, is part of the Dow Jones Sustainability Index, actively participates in the Green Protocol of the national government; It is committed to this task and makes it applying the standards defined by the "International Finance Corporation - IFC", or another that is applicable to project funding, watching the responsible management of environmental and social aspects.

Objective: To evaluate, analyze and validate technical environmental, social, health and safety and guarantees risks and their impact on credit deterioration. Likewise, evaluation, identification and validation of environmental and social legal situation and respect for Human Rights.

Projects subject to assessment
The projects will be subject to an environmental and social risks assessment by the Risk Vice-presidency, Legal Department and the Origination Management area, the credit or leasing operations that applies in one of the follow categories:

1. **Projects** (including Project Finance), if the amount to be financed by Bancolombia exceed US$10MM
2. **Projects** with a value that exceed US$50MM, independent the mount fund by Bancolombia
3. **Any corporate fund** that exceeds the amount of US$100MM, focus on projects in environmentally and social sensitive economic sectors, with more than two years terms and upper guarantees to US$50MM.

These conditions apply equally in all business units and subsidiaries of Bancolombia. Are excluded from the policy, the projects developed by clients on the real estate and builder banking due to corporate controls and permanent monitoring for each technical and regulatory components.

For SME Banking and Leasing, the operations under US$10MM and that are included in the combination of the following sectors/subsectors, amounts and assets (only leasing), will be subject to environmental and social risk assessment and have the following characteristics, including the specific documentation required by each one

1. **Environmental and social risk assessment in leasing operations**
   To operations over US$250.000 and that are related on the combination of the following sectors/subsectors and assets, are subject to environmental and social risk assessment
### Environmental and Social Risk Policy

<table>
<thead>
<tr>
<th>Sector</th>
<th>Subsector</th>
<th>Asset kind</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>✓ Other mining activities</td>
<td>Machinery, equipment and related vehicles</td>
</tr>
<tr>
<td></td>
<td>✓ Other mining activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ Carbón extraction</td>
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<td></td>
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<tr>
<td>Oil and Gas</td>
<td>✓ Refineries</td>
<td>Land and drilling, extraction and transportation</td>
</tr>
<tr>
<td></td>
<td>✓ Oil exploration and extraction</td>
<td>Equipment and Machinery</td>
</tr>
<tr>
<td></td>
<td>✓ Gas</td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ Fuels and lubricants</td>
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</tr>
<tr>
<td>Sanitation</td>
<td>✓ Waste (hazardous, special or ordinary solid</td>
<td>Land, wastewater treatment plant; hazardous, special</td>
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<td></td>
<td>or liquid waste, landfills)</td>
<td>or ordinary solid waste incinerators.</td>
</tr>
<tr>
<td></td>
<td>✓ Sewerage wastewater treatment plant from any</td>
<td></td>
</tr>
<tr>
<td></td>
<td>sector</td>
<td></td>
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</tbody>
</table>

**NOTE:** The environmental and social risk assessment in leasing operations will be developed only for direct operations, excluding the sublease and the outsourcing of services that customers can generate with the financed assets; in those cases, the respective control clause will be established.

2. **Environmental and social risk assessment in SME operations**

   To operations over **US$450,000** and that are related on the combination of the following sectors/subsectors, are subject to environmental and social risk assessment.

<table>
<thead>
<tr>
<th>Sector ARAS</th>
<th>Subsectores/Actividades</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>✓ Other mining activities</td>
</tr>
<tr>
<td></td>
<td>✓ Carbón extraction</td>
</tr>
</tbody>
</table>

**Environmental and Social Risk Analisys on guarantee reception, including leasing assets**

Guarantees are assessed at the reception, for:

a. Companies, Corporates and SMEs segments
b. Only real state guarantees
c. Specific operations with mortgage guarantees over land where industrial activities are made, related with the next environmentally sensitive sectors:
   ✓ Cement and concrete
   ✓ Textile factories
   ✓ Solid waste processing plants
   ✓ Water waste processing plants
   ✓ Chemicals, plastics and paints
   ✓ Retail distribution of liquid fuels (gasoline service stations)

It is not recommended to accept as guarantee an estate assets directly related to the production process of companies that develop activities considered highly sensitive to environmental and social issues. The scope is defined in the following sectors/activities:

- ✓ Mining
- ✓ Oil
- ✓ Landfill
- ✓ Cemeteries
- ✓ Tannery
The assessment made will give a result the risk category of the Project and it will be identified as high risk (A), medium risk (B) and low risk (C).

Projects in A and B categories, will be assessed in terms of the “Environmental Management System”, “Environmental Impact Assessment” and the “Environmental Management Plan” as well as the definition, by the Risk Vice-presidency, of clauses and covenants that will be included in the project contract, in order to monitoring the environmental and social management system.

The funding of Project Finance, which have been categorized as high environmental and social risk (category A) and that exceed the amount of US$10MM, must have an independent evaluation, generated by a recognized external environmental and social consultant, using the Equator Principles standards and their respective sectorial Performance Standards.

For those projects located in C category (low environmental risk), will apply the general environmental clauses and covenants.

The commercial relationship team leader must request the client, all environmental and social documents and evidences necessary for the assessment. The leader send the information to the Origination Management area, where it is validated and sent to the environmental and social risk analyst and legal area. However, the leader can send it directly to the environmental and social risk area.

After submitting the information, we proceed to perform the corresponding analysis, resulting from this, one of three types of concepts:

✓ ENVIRONMENTAL FAVORABILITY
✓ CONDITIONED ENVIRONMENTAL FAVORABILITY
✓ NO ENVIRONMENTAL FAVORABILITY

In coordination with the legal department area that support each business unit, we established the environmental and social clauses and covenants, according to the analysis result and are included in the contract and perform the corresponding monitoring of the environmental and social management system.

The projects with “Conditioned Environmental Favorability” result and high environmental and social risk category, will be able to be evaluated directly in situ and determine its environmental and social viability. On a biannual basis will become the respective monitor compliance with covenants.

We consider other different economic activities and production sectors that also have environmental and social risks that may affect the payment of financial obligations. Additionally, these activities are subject to authorizations, licenses approvals and environmental permits from local and national authorities. These sectors are:

✓ Chemicals and agrochemicals
✓ Transportation and storage of hazardous substances
✓ Steel, cement and concrete plants
✓ Animal slaughter plants
✓ Tanneries
✓ Animal Food Plants
✓ Palm oil
✓ Sugar cane plantations
Wild animals farms

For this sectors may apply the environmental and social assessment process at the direct request of commercial leaders, approval bodies and credit risk leaders.

**Applied standards in the Environmental and Social Risk Analysis**

Apply the Equator Principles standards and their respective Performance Standards, development by de International Finance Corporation – IFC of the World Bank, through the Environmental and Social Guides. In the same way, we incorporated the best local practices through established local sectorial guides.

**Mitigation of the identified risks**

- The projects that were rated with "No environmental favorability" will not be prospects of credit, unless it presents to the Risk Vice-presidency, through the commercial team, an appropriate Environmental Action Plan based on the Social and Environmental Assessment performed, which may change its rating to "Environmental favorability" or "Conditioned environmental favorability".

- The result of the analysis can generate the following types of Covenants:
  - **Compliance Covenants**: Are those requirements that apply in one moment. Must be presented in short terms and are evidence and support of the environmental and social management system of the project and are included in the contract.
  - **Monitoring Covenants**: Are those requirements, mainly contended in the Environmental and Social Plan and the permits emitted by the environmental and social authorities, and are requested in regular basis terms and are included in the contract.

**Complementary policies**

Applying the Controversial Issues in Business Policy and Asset Management Risk Policy, we will not fund companies, projects or activities related with the production, merchandising or use of products, substances or activities described in those policies.

Additionally, in the register policies are established the special conditions for some type of activities or projects, which can be considered when an environmental and social risk analysis is require.

With this issues involved in the mentioned policies, the divulgation of it correspond to the risk areas, business units and sustainability area.

**Responsibility for communicating compliance with the Environmental and Social Risk Policy (ARAS)**

- The commercial teams, in partnership with the environmental and social risk analysts and sustainable business, are responsible for the identification of business opportunities upon the mitigation of environmental and social risk validated on the evaluation.

- The projects that do not fulfill the environmental requirements, an accompanying scheme will be established to find a solution or else the business relationship will be reviewed.
Any concerns, may contact the Environmental and Social Risk area in the Risk Vice-presidency on the telephones (57-4) 4041486 y (57-4) 4043333, Medellín – Colombia.

**Revision:** The compliance of this Policy will be review on regular basis, minimum annually, by the Risk Vice-presidency.

**Communication:** The material upgrades of this Policy will be communicated to the stakeholders, through the official channels established for that purpose, like virtual reunions, personal reunions, and web page. Additionally will be included in the annual management report.

RODRIGO PRIETO
Vicepresidente
Vicepresidencia de Riesgos

FEDERICO GONZÁLEZ VILLEGAS
Director
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