



**GRUPO BANCOLOMBIA CLIMATE CHANGE POLICY**

Version No. 2

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## 1. INTRODUCTION

Climate change is considered as one of the largest challenges of the world, having consequences that go beyond the environmental effects. This has raised the global awareness, because in a relatively short period of time, the dynamic has drastically changed: Understanding of the issue by the media and communities has been growing fast and the actions of government and private sector clearly demonstrate that these matters have entered into the global political and economic spheres.

Bancolombia recognizes climate-related risks and opportunities, pose strategic and financial implications for our business and those of our clients and stakeholders. Hence, we ratify our commitment to implement mitigation and adaptation actions in order to face the adverse effects of climate change throughout actions that are articulated in our Climate Change Management Strategy.

## 2. OBJECTIVE AND SCOPE

### A. Objective

Identify and manage the climate-related risks and opportunities that will allow us to develop the necessary actions to align the business strategy with the goals set out in the Paris agreement.

### B. Scope

This policy covers up all our operation in the countries where we are present, focusing on the more climate-vulnerable economic sectors; as well as those that their activity generate a major impact in terms of GHG emissions; and on those that might derive bigger opportunities through the implementation of mitigation and adaptation measures.

## 3. GUIDELINES

The implementation of this policy considers the following procedures, which seek to manage the climate-related risks and opportunities:

### **DIRECT IMPACT PROCEDURES**

Understanding this impact as the direct affectation to our operation and the continuity of the business, we commit to the following actions:

#### - **Climate Change Governance**

The Executive Committee of the Presidency of Bancolombia acting as the Sustainability Committee exercises the Climate Change Governance of the Bancolombia Group and will have its highest advisory body in the Bancolombia Board of Directors through the Corporate Governance and Corporate Risks committees.

- **Climate change risk management**

Our Operation:

We will carry out analysis in order to identify, quantify, monitor and mitigate climate-related risks that might affect business continuity, mainly those associated to natural disaster risk given the affectation that our employees and physical installations might suffer.

Financing Services:

As part of our commitment as signatories of Equator Principles, the Environmental and Social Risk Analysis will continue to be carried out on projects exceeding USD 10 Million. Likewise, for sectors with highest susceptibility to environmental and social risks, it will seek to reduce the risk associated with financing which represent at the same time a credit risk.

- **Legal Compliance assessment and Update**

A permanent update will be conducted with regards to current environmental legislation that could be a consequence of climate change risk management or that, in the contrary, could generate alternatives to mitigate greenhouse gas emissions or generate adaptation alternatives.

- **Measuring our carbon footprint:**

We will quantify scope 1, 2 and 3 greenhouse gas emissions in the applicable categories. This information will be consolidated at a company level. Additionally, for scope 3 indirect emissions, we will quantify the financed emissions (Category 15) and investment portfolio exposure analysis against the different climate scenarios aligned with current climate science.

- **Emissions reduction targets**

In Bancolombia we have decided to take action to reduce our impact on climate change and help to achieve the goal of avoiding an increase above 2°C in global average temperature.

In order to do our part we have adhered to the Science Based Targets initiative, where we have committed to define greenhouse gas emission reduction targets that are in line with currently available climate scenarios in order to avoid an increase in global temperature above two degrees Celsius.

- **Carbon footprint offsetting:**

We are committed to offset our scope 1 emissions through ecological restoration projects in coordination with environmental authorities.

- **Alignment of our climate change strategy with global standards and commitments:**

We are committed to developing our climate change strategy in response to the global sustainable development agenda materialized through the Sustainable Development Goals. In the same way we will align our strategy with international standards and adhesions such as the Taskforce on Climate Financial Disclosure (TCFD), the Business ambition for 1.5 ° C and the principles of Responsible Banking, among others.

- **Portfolio Decarbonization.**

We are committed to quantifying the financed emissions and establishing internal policies and targets that allow us to reduce the carbon intensity of our loan and investment portfolios. We will use the available methodologies for this purpose, and we will be aligned with current climate science.

**INDIRECT IMPACT PROCEDURES:**

Understanding this impact as the affectation of operation and business continuity of our clients and suppliers, which might affect us indirectly through legal, reputational, credit, continuity, among others risks; we commit to the following actions:

- **Climate change management in value chain (clients and supply chain)**

Bancolombia has a sustainable purchasing policy that guarantees the acquisition and contracting of services that generate lower negative impacts on the environment and are manufactured or generated under fair conditions at a social level. With the aim of including climate change management in our value chain, we will assess the potential risks of our customers and suppliers to climate change, due to the impact of their activities on the environment. We will promote the adoption of measures for the quantification, mitigation and compensation of their carbon footprint, as well as the implementation of adaptation measures.

- **Mitigation and adaptation products and services:**

We will promote social transformation, and we will direct efforts to face global challenges that generate local impacts.

We will put our universal bank service portfolio and the market benefits orientated towards climate change to the service of this strategy, seeking to generate the highest economic, environmental and social value to our clients and other stakeholders.

**Promotion to financial sector and stakeholders:**

We will actively participate in public and private initiatives and in alliances with NGO's orientated to the adaptation and mitigation of climate change, since the development of strategies by sector is fundamental for the purpose of generating a shared and coordinated management, and a pertinent and opportune information that permits a right decision making to face the effects of this phenomenon.

**4. POLICY IMPLEMENTATION RESPONSABILITIES**

Considering the issues addressed in this policy, its deployment will be at the head of the Sustainability area and those that manage relationship with the identified stakeholders: Administrative Services, Risks, Business Units, Corporate Identity.

**5. MONITORING**

The results of compliance of this policy will be reviewed frequently, at least annually. This activity will be carried out by the Sustainability Management Team.

## **6. POLICY DISCLOSURE**

The material advances of this policy will be disclosed to the stakeholders through the official channels established for this purpose, and in any case, they will be consolidated in the annual management report. Furthermore, we will disclose our climate-related risks and opportunities strategies on the Carbon Disclosure Project (CDP).

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