



Climate-related
disclosure report
2021 Report



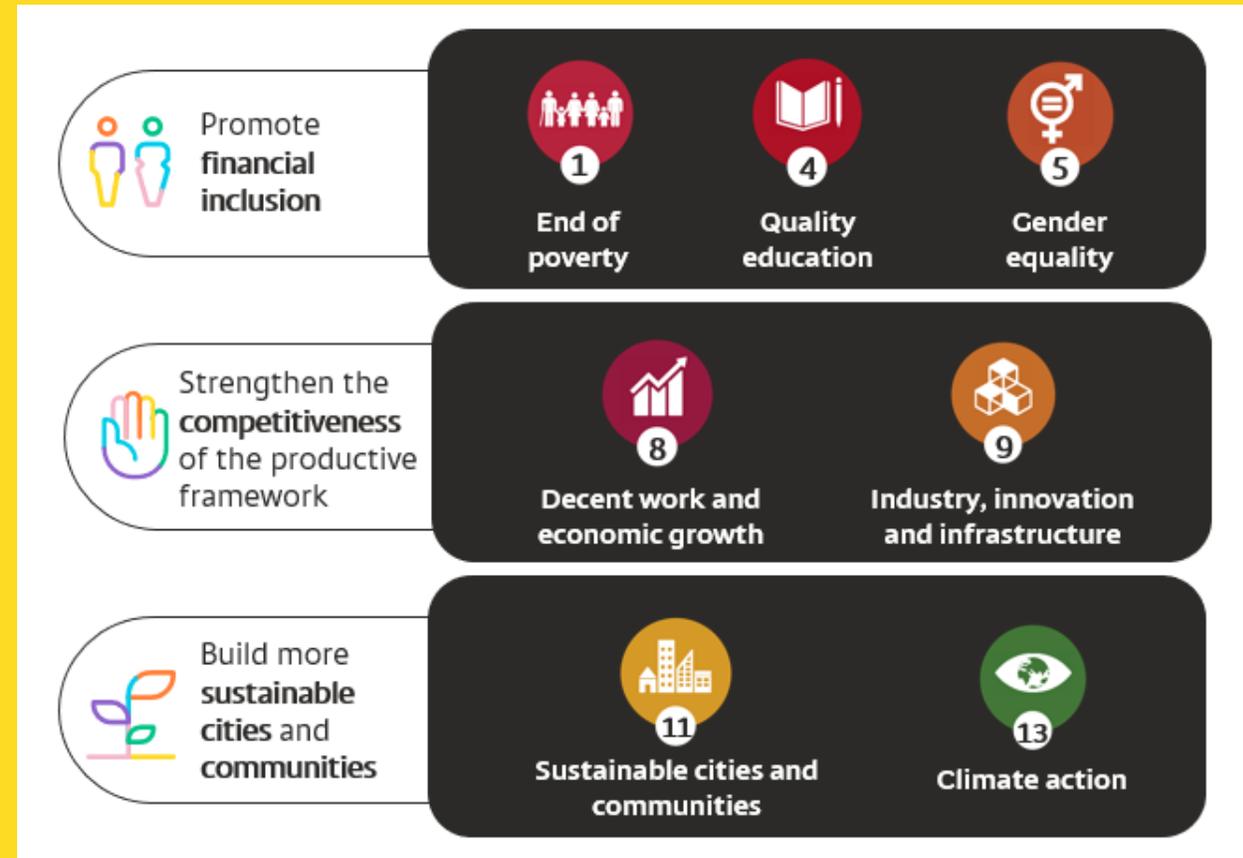
Grupo
Bancolombia

Corporate Purpose

We promote
Sustainable
economic
development
to achieve
well-being
for
EVERYONE



We align our Strategy with the Sustainable Development Goals and have chosen three fronts to achieve our Corporate Purpose



INTRODUCTION

Bancolombia understands that climate change poses new risks and opportunities, including strategic and financial implications for our businesses and for those of our customers and other stakeholders. Therefore, the company reaffirms its commitment to implement actions to mitigate and adapt to the climate change adverse effects through actions that are articulated in its Climate Change Management Strategy.

We are reporting our climate change management and performance for the first time this year in accordance with the recommendations of the TCFD (Task Force on Climate-Related Financial Disclosure). Disclosure is based on four fundamental pillars:

1 GOVERNANCE

2 STRATEGY

3 RISK MANAGEMENT

4 METRICS AND OBJECTIVES

Bancolombia adopted the TCFD commitments in 2019 in order to meet the call for financial institutions to build a more resilient financial system through the implementation and dissemination of climate change management issues.

To allow transparency this is not an additional report, but a compilation of our public reporting allocated in our website, annual report and disclosures to other initiatives like CDP.

1. GOVERNANCE



In Bancolombia we will continue aligning our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

TCFD recommendations have been defined as a key strategic initiative overseen by Bancolombia's Presidential Steering Committee.

The Presidential Steering Committee, acting as the Sustainability Committee, is responsible for the governance of all ESG issues of Grupo Bancolombia, including climate change, and has its highest advisory body in the Board of Directors of Grupo Bancolombia through the Corporate Governance and Corporate Risk Committees.

CLIMATE CHANGE STRATEGY

Bancolombia recognizes that climate change represents new risks and opportunities, with strategic and financial implications for our businesses and our clients and other stakeholders. This is why we have confirmed our commitment to implement mitigation and adaptation actions to respond to the adverse effects of climate change through our climate change strategy.

Considering the transition to a low carbon economy, Bancolombia has defined three business actions:

1. CLIMATE FINANCING

Bancolombia defined its business ambition at 11bn USD by 2030 to finance the transition to a low-carbon economy.

2. TRANSITION TO A LOW-CARBON ECONOMY

We launched our policy to guide our clients in the transition to a low carbon economy (oil & gas, cement, iron and steel, transport, livestock).

3. COAL PHASE-OUT

Bancolombia Group is committed to progressively reduce to zero its exposure to thermal coal and coal mining sector by 2030.



CLIMATE CHANGE STRATEGY

Voluntary commitments and standards

We are committed to working collaboratively and exploring options with our partners, stakeholders and peers to deliver our climate ambition and achieve a better future for everyone.



United Nations Environment Programme Finance Initiative (UNEP FI)
Principles for Responsible Banking (PRB)

Bancolombia is one of the Founding Signatories of PRB, committing to strategically align its business with the Sustainable Development Goals and the 2015 Paris Agreement on Climate Change.

Net-Zero Banking Alliance
Industry-led, UN-convened

The Net-Zero Banking Alliance (NZBA). This industry-led Alliance, hosted by UNEP FI and co-launched by the Financial Services Taskforce (FSTF), is the newest net zero alliance. NZBA has a focus on delivering the banking sector's ambition to align its climate commitments with the Paris Agreement goals.



PCAF

Bancolombia is the first Colombian bank to sign up to PCAF. PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the GHG emissions associated with their loans and investments.



Bancolombia achieved a score of A- in the 2020 CDP Climate Change Survey.

CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their climate and environmental impacts.

BUSINESS AMBITION FOR 1.5°C

On November 2019 we signed the Business Ambition for 1.5 ° C pledge, a document in which we commit ourselves, in the next 24 months, to align our decarbonization plans with a 1.5 ° C scenario, incorporating in our strategy the relevant scope, including both, direct emissions and financed emissions.



SBTi partnership between CDP, UN Global Compact, WRI and WWF, which develop methodologies and tools to help companies to set climate-related targets. Bancolombia has been committed since November 2015 and in 2020 we started our participation as a member of the Expert Advisory Group

CLIMATE CHANGE STRATEGY

Local commitments

Colombia has been working on designing the necessary strategies to fulfill the commitments acquired in the Paris Agreement and also since updating their ambition since 2020, committing to reduce **GHG emissions by 51% by 2030 against a BAU Scenario**.

In Bancolombia we have established our climate commitment aligned with the prioritized sectors by the Colombian government. Bancolombia is an active member in the SISCLIMA climate change finance committee, which seeks to share best practices in the Colombian banking sector. Currently we have not had stakeholder engagements where climate change has been prioritized as a strategic issue. We plan to include it in our next materiality assessment with stakeholders.

Local climate related cooperation



Working group to identify how companies can better help the achievement of Colombia's NDCs.



Inter sectoral working group on sustainability issues for Joint co-creation of solutions to better respond to climate challenges.

RENEWABLE ENERGY CONSUMPTION

100% of the energy consumed for Colombia in our facilities is renewable, for this we have developed actions in two lines: purchase of certified renewable energy (iRECs) for an estimated total of 65,000 MWh of our consumption and self-generation of photovoltaic solar energy, with an installed capacity of 850 KWp, corresponding to 627 MWh generated.

In 2020, the photovoltaic solar system of our General Management building in Colombia entered into full operation, which has a total of 1,960 panels, an installed power of 700 KWp and a generation from August 2020 to December of 461.8 MWh, which corresponds to 7.3% of the energy consumption of our operation in the building. In addition to other systems installed in El Salvador, with an annual generation of 133 MWh.



CLIMATE FINANCING

Bancolombia defined its business ambition at 11bn USD by 2030 to finance the transition to a low-carbon economy. Our goal is to contribute to the economy's decarbonization,

To reach this goal, we encourage our customers to make new sustainable investments such as technological reconversion, projects that generate environmental benefits and resource optimization (less water, energy and fuel consumption, or that generate less waste). In fact, sustainable financing has been one of our major efforts to ratify our commitment to the inclusion of Environmental, Social and Corporate Governance (ESG) variables in the value propositions targeted at our customers, which we implement in all segments and business units of the organization.

Total sustainable financing to date since 2014 amounts to 1.6 USD Billion approved and 0.8 USD Billion disbursed.

This is how we contribute to the country's environmental goal through financing by Sustainability Line:

Savings	Quantity	Unit
Electric power saved	4,455,889	MWh/year
Renewable Power Production (PCH photo)	463,886	MWh/year
Saved Water	180,820	m3/year
Treated water	517,584	m3/year
CO2 emissions prevented	168,275	Ton CO2 / year
Recycled Residue	18,100	Ton/year
Sustainable built area	49,386	M ²

3. RISK MANAGEMENT



Climate risk is considered a material risk for Bancolombia and is therefore included in the company's corporate risk dashboard. Bancolombia maintains its commitment to the Sustainable Development Goals, strengthening the risk management related to climate change through the initiative implementation such as the definition of credit policies for industries considered critical because of their environmental impact.

RISK MANAGEMENT

Two types of risks are included and analyzed within this risk: Physical risks and transition risks. We performed the valuation of climate risks during 2020 using an internal methodology developed by the risk methodology team and were able to make the valuation in terms of credit risk, market risk and operational risk.

We have also implemented a risk policy for industries sensitive to climate change, whereby we identify the sectors with the greatest impact in terms of greenhouse gas emissions and the exposure risk of these sectors. Actions to assist customers in the transition to a low-carbon economy are also identified.



PHYSICAL CLIMATE RISK ADAPTATION

Climate change adaptation measures are understood and integrated into the business continuity plan of Bancolombia. We are anticipating the adverse effects of climate change and taking appropriate action to prevent or minimize the damage they can cause.

The analysis of the physical climate risks as well as the identified adaptation measures, was carried out for the Colombian operation, in all the departments in which we have a presence. For the analysis, we use the information on climate scenarios for Colombia published by Ideam: Climatic scenario report for Colombia 2011-2100 published by IDEAM Institute of Hydrology, Meteorology and Environmental Studies of Colombia, an official government entity.

For the analysis, a pareto was carried out between the departments with the greatest climatic effects and Bancolombia operation, taking into account the type of channel (for example, branch, ATM, bank correspondent, etc.) as a result, the sites with highest risk were identified. Subsequently, the measures that should be implemented in order to guarantee business continuity were defined.

PHYSICAL CLIMATE RISK ADAPTATION

The protocol includes strategies in the event of a service interruption, internal and external communication strategies, it means customers communication strategies, mobile customer service strategies, strategies for the restoration of the physical infrastructure, strategies for the provisioning and collection of cash in case of contingency.

For example, in areas identified as critical in terms of electricity supply, backup power plants were installed to allow continuity of operation. Another example is related to access to drinkable water in certain areas of the country. In the branches located in high-risk water shortage sites, contingency plans were implemented allowing access to this resource at all times.





4. METRICS & OBJECTIVES

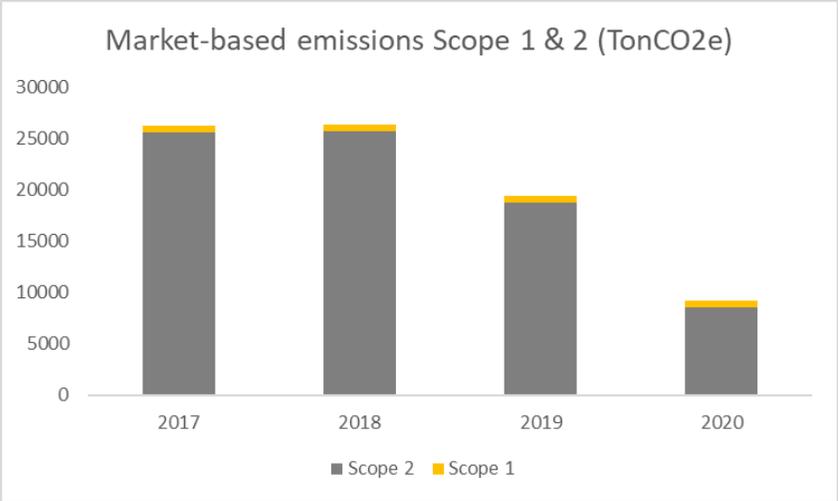
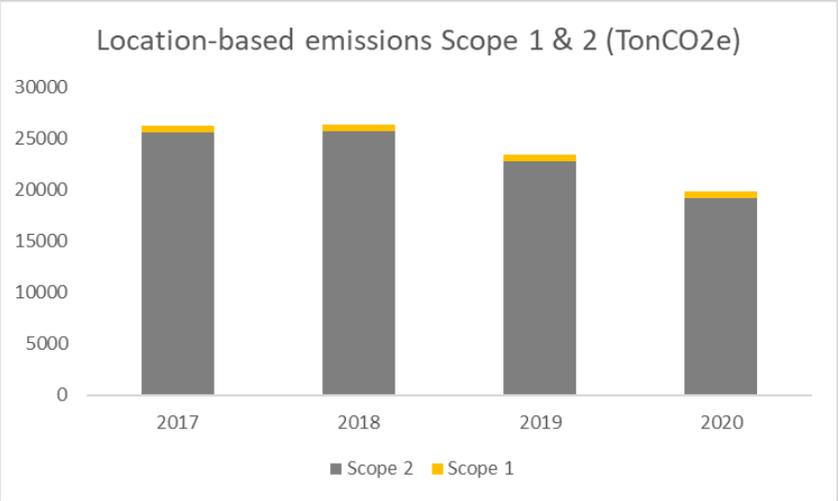
Managing greenhouse gases is a growing challenge, which requires our commitment and concrete actions to actively contribute to the adaptation, mitigation and off-setting of climate change and move towards a low-carbon economy.

DIRECT EMISSIONS

SCOPE 1 & 2

Scope 1 & 2 emissions has been calculated using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition).

As part of our strategy to reduce our scope 1&2 emissions, Bancolombia has been developing deferent actions like energy efficiency projects, the purchase of certified energy iRECs, the self-generation of photovoltaic solar energy, the implementation of the internal carbon tax for travel, among others that allow us to reduce our emissions. Due to the purchase of certified renewable energy, we calculate our location-based and market-based emissions:



FINANCED EMISSIONS

SCOPE 3 CATEGORY 15

In 2020 Bancolombia started working with **PCAF (Partnership Carbon Accounting Financials)**. This is a robust and comprehensive GHG accounting approach for banks. Following PCAF's methodological approach we included our lending portfolio corresponding to commercial and mortgage financing, which represents 64% and 13% of our credit portfolio respectively in Colombia. We also include fixed income and listed equity.

Base Year: The base year established for our financed missions is 2019. In accordance with SBTi guidelines, the base year should be the most recent year with reliable information. Considering that 2020 was an atypical year due to the Covid – 19 pandemic, 2019 is defined as our base year.

Scope of measurements: *Asset Class*

PCAF methodology assists in measurement and disclosure of GHG emissions associated with the following six asset classes: listed equity and bonds, business loans, commercial real estate, Mortgages, Motor vehicle loans and project finance. In this first approach of financed emissions carried out by Bancolombia, we included listed equity and bonds, business loans and commercial real estate.

The baseline scope 3 category 15 for Bancolombia is **4.852,816 tons of equivalent CO₂**, which include lending portfolio and fixed income and listed equity.

FINANCED EMISSIONS

SCOPE 3

Portfolio coverage:

The following information is presented in terms of commercial and mortgage credit balance, which represents 64% and 13% of our credit portfolio respectively in Colombia.

Classification	Sectors included	Portfolio coverage
<i>Sensitive industries</i>	Coal mining and coal powered thermal plants	1%
<i>Transition industries</i>	Oil & Gas, cement, steel and iron, transportation and cattle raising.	6%
<i>Non sensitive industries</i>	All other sectors of the economy	92%
<i>Emissions avoiding sectors</i>	non - conventional Renewable energies, electric mobility and energy efficiency projects.	1%

FINANCED EMISSIONS

SCOPE 3 - BREAKDOWN

Attribution: According to the GHG Protocol, GHG emissions from loans and investments were allocated based on the proportional share of lending or investment in the borrower or investee. Attribution is based on annual emissions of lending and investment. We were able to use the attribution measure for 40% of our lending emissions. For the same percentage we used option 1 of the methodology, it means, Option 1: Reported emissions, where audited or unaudited emissions are collected from the borrower company directly (e.g., company sustainability report) or indirectly via verified third-party data providers (e.g., CDP), and then allocated to the reporting financial institution using the attribution factor.

For the remaining 60%, we use the emission factors available in the PCFA web tool, which are expressed in tonCO₂ / million COP, in this way the calculation was made by multiplying the emission factor by the actual outstanding loan amount. it corresponds to option 3 of the methodology. Option 3: Economic activity-based emissions, where emissions are estimated by the reporting financial institution based on economic activity data collected from the borrower company (e.g., euro of turnover or euro of asset), and then allocated to the reporting financial institution using the attribution factor.



FINANCED EMISSIONS

SCOPE 3 – BREAKDOWN BY ASSET CLASS

Asset class	Total emissions (Ton CO2e)	Data quality	Additional comment
Corporate/SME loans	4,356,795	Score 2 & 4	The data quality score for 40% of financed emissions is 2, and the remaining 60% have a data quality rated as 4 according to the methodology, that is, we used the emission factors provided by the methodology which are based on region or country.
Commercial real estate	432,906	score 4 option 2b	Direct measurements of building energy consumption were not available, therefore according to the data quality score given by the methodology, score 4 option 2b was used. it means, floor area is available and estimated building energy consumption per floor area based on building type and location specific statistical data.
Fixed income	26,088	Score 1 & 5	for our assets under management portfolio scope 15 emissions including public equities, bonds issuances (we excluded sovereign issuances aligned with both PCAFs and SBTis methodology for asset managers) and other investment vehicles such as ETFs and Mutual Funds.
Listed equity	37,027	Score 1 & 5	

FINANCED EMISSIONS

SCOPE 3 - BREAKDOWN BY ASSET CLASS

Methodological explanation for asset manager:

Following PCAF's methodological approach we computed the inventory for our assets under management portfolio scope 15 emissions including public equities, bonds issuances (we excluded sovereign issuances aligned with both PCAFs and SBTis methodology for asset managers) and other investment vehicles such as ETFs and Mutual Funds. There was no discrimination between sectors, and we accomplished a 99.6% coverage of our AUM. The data quality score for 76% of financed emissions is 1, and the remaining 34% has a data quality score of 5 according to the PCAF methodology, thus we used the emission factors provided by the methodology which are based on region or country.



FINANCED EMISSIONS

SCOPE 3 – BREAKDOWN BY INDUSTRY TYPE

LENDING PORTFOLIO

Industry type	Total emissions (Ton CO2e)	Data quality	Additional comment
Coal Powered thermal plants	1,461,996	Score 3 option 2b	Financed emissions were estimated based on primary physical activity data (e.g., MWh of electricity produced) collected from the Colombian Operator of the electricity grid.
cattle raising	920,379	Score 5 option 3b	Economic activity emission data available at PCAF web-based emission factor database were used.
Oil & Gas	586,190	Score 5 option 3b	Economic activity emission data available at PCAF web-based emission factor database were used.
Cement	532,092	54% - Score 1- 1a 46% Score 5 3b	Financed emissions of 54% of the loan portfolio of cement industry, there is information available for option 1, that is, emissions were collected from the borrower company directly.
Real Estate	432,906	score 4 option 2b	Economic activity emission data available at PCAF web-based emission factor database were used.
Power generation	199,284	Score 3 option 2b	Financed emissions were estimated based on primary physical activity data (e.g., MWh of electricity produced) collected from the Colombian Operator of the electricity grid.
Coal mining	67,085	Score 5 option 3b	Economic activity emission data available at PCAF web-based emission factor database were used.

FINANCED EMISSIONS

SCOPE 3 – BREAKDOWN BY INDUSTRY TYPE

EQUITY AND BONDS

Industry type	Total emissions (Ton CO2e)	Data quality	Additional comment
Materials	40.093	79% - Score 1 – 1b 21% - Score 5 -3b	Financed emissions were estimated based on unaudited emissions calculated by the company and, asset turnover ratios emission data available at PCAF.
Utilities & Energy	13.910	93% - Score 1 – 1b 2% - Score 3 – 2b 5% Score 5 – 3a	Financed emissions were estimated based on unaudited emissions calculated by the company; companies' production and company specific intensity factors; and asset turnover ratios emission data available at PCAF.
Banks	4.210	31% - Score 1 – 1b 29% - Score 5 -3b 30% Score 5 – 3a	Financed emissions were estimated based on unaudited emissions calculated by the company and, asset turnover ratios emission data available at PCAF.
Sum of industries that account for less than 0.5% of the inventory	1.907	69% - Score 1 – 1b 5% - Score 3 – 2b 17% - Score 5 -3b 9% Score 5 – 3a	Financed emissions were estimated based on unaudited emissions calculated by the company; companies' production and company specific intensity factors; and asset turnover ratios emission data available at PCAF.
Paper products	1.607	6% - Score 1 – 1b 94% - Score 5 -3b	Financed emissions were estimated based on unaudited emissions calculated by the company and, asset turnover ratios emission data available at PCAF.
Multi sector holding	529	2% - Score 1 – 1b 67% - Score 5 -3b 31% Score 5 – 3a	Financed emissions were estimated based on unaudited emissions calculated by the company and, asset turnover ratios emission data available at PCAF.
Food, Beverage & Tobacco	858	98% - Score 1 – 1b 1% - Score 3 – 2b 1% Score 5 – 3a	Financed emissions were estimated based on unaudited emissions calculated by the company; companies' production and company specific intensity factors; and asset turnover ratios emission data available at PCAF.

TARGETS

NET ZERO STRATEGY

Our climate change targets are being defined in accordance with our Net Zero Emissions strategy.

In April 2021, Bancolombia became in one of the founding banks of the Net Zero Banking Alliance. This is an industry-led Alliance, hosted by the United Nations Environment Program Finance Initiative (UNEP FI) and co-launched by the Financial Services Taskforce (FSTF).

This Commitment recognizes the vital role of banks in supporting the transition of the real economy to net-zero emissions, but we will only succeed in achieving this objective if our clients and other stakeholders also play their part. Is why We will meet this commitment through:

- facilitating the necessary transition in the real economy through prioritizing client engagement, and offering products and services to support clients' transition;
- engaging on corporate and industry (financial and real economy) action, as well as public policies, to help support a net-zero transition of economic sectors in line with science and giving consideration to associated social impacts; and
- supporting innovation, the near-term deployment of existing viable technologies, and scaling up the financing of credible, safe, and high-quality climate solutions that are compatible with other Sustainable Development Goals.

TARGETS

NET ZERO STRATEGY

Under this alliance (NZBA), Bancolombia committed to:

1. Transition all operational and attributable GHG emissions from our lending and investment portfolios to align with pathways to net-zero by mid-century, or sooner, including CO2 emissions reaching net-zero at the latest by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100. This approach will take into account the best available scientific knowledge, including the findings of the IPCC, so we commit to review and (if necessary) revise our targets at least every five years after the target is set.
2. Use decarbonization scenarios which: are from credible and well-recognized sources; are no/low overshoot; rely conservatively on negative emissions technologies; and to the extent possible, minimize misalignment with other Sustainable Development Goals. We will provide a rationale for the scenario(s) chosen.
3. Prioritize our efforts where we have, or can have, the most significant impact, i.e. the most GHG-intensive and GHG-emitting sectors within our portfolios, which are key to the transition to a net-zero carbon economy.

TARGETS

NET ZERO STRATEGY



1. Financed emissions quantification



Measuring financed emissions provides the emissions baseline for scenario analysis and target setting



2. Science Based Target setting-



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



3. Net Zero Strategy

Engagement
Compensation strategies.

Our Net Zero strategy has three main components: Emissions quantification using PCAF (Partnership for Carbon Accounting Financials), Science based target setting using Science based targets Initiative methodology and compensation or neutralization of financed emissions.

TARGETS

SCOPE 1 & 2

We have defined targets related to climate change for scope 1 and 2, i.e. for our direct operation here at Bancolombia. We are committed to reducing our emissions by 57% by 2050 compared to our 2010 emissions.

This target was established in 2015 in accordance with science-based methodologies (SBTi - Science Base Target Initiative). We began the process of redefining the science-based target for the aforementioned scopes in 2020, so we can be aligned with a 1.5°C scenario. For scope 3 emissions, financial institutions are committed to defining targets for category 15 "financed emissions". To this end, we have started to use the new methodology available for financial institutions. As a result of our membership in PCAF and the work initially undertaken with PACTA for scenario analysis, we have the first approximations for analysis and goal setting, both of which we expect to be validated by SBTi in 2021.



TARGETS

SCOPE 3 FINANCED EMISSIONS

Our scope 3 financed emissions targets will be defined in accordance with our Net Zero Emissions strategy. We are working to defined our target using the methodologies given by the Science based Target initiative (SBTi). We hope to have our goals defined in the last quarter of 2021.

We defined our goal to reduce 9.3 million CO₂e by 2030 through the financing of clean technologies, all of the financing in this line will be monitored through an indicator called "climate commitment".





 **Bancolombia**