CORPORATE POLICY
SENSITIVE INDUSTRIES TO CLIMATE CHANGE POLICY

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This document provides risk action guidelines for the origination of new operations and follow-up of current operations of clients belonging to sectors identified by the Bancolombia Group as critical in the generation of climate change. This identification was made by the Bank's Sustainability area under the MSCI ESG methodology and global sustainability frameworks.

The purpose of the Bancolombia Group is to promote sustainable economic development for the well-being of all. To make this project possible, the Bank is responsible for contributing as a financial actor with concrete actions to mitigate the effects of climate change. It includes promoting mitigation actions with accompanying decisions in the financing of industries that generate climate change and, on the other hand, adaptation actions that seek to modify the composition of the portfolio and investment portfolios against the risks arising from these industries.

These definitions are based on the principle of respect for current clients and the bank's greatest interest in facilitating their transformation processes towards sustainable operating models, for which it facilitates its advisory work through the commercial and sustainability areas.

It is the responsibility of each risk area to implement these guidelines in their local practices, complemented by the regulatory provisions of their regulators.

1. SCOPE:

The guidelines of this policy are corporate. They apply for the different Bancolombia group lines of business in all its segments:

- Credit Portfolio
- Derivatives

- Bank Guarantees
- Transaction lines: checking account, credit card, and virtual lines.
- Proprietary position
- Leasing
- Factoring
- Renting
- Any other placement and/or leasing business of the bank's assets not previously included
- Asset Management and Distribution and Sales

2. CRITICAL SECTORS

The most critical sectors identified by the Bancolombia Group as being responsible for the generation of climate change are the following:

- Coal-fired power generation
- Coal mining
- Oil extraction
- Livestock farming
- Cement manufacturing
- Iron and steel basic industries
- Air transportation
- Maritime transportation
- Vehicle manufacturing

3. ACTION PLAN FOR CRITICAL SECTORS

3.1. LIMITED EXPOSURE

Corresponds to industries where the Bancolombia Group has determined not to sustain financing relationships in the medium and long term. <u>The coal-fired power generation and extraction sectors are currently identified in this action plan just as coking with beehive-type convection furnaces[1].</u>

For this plan in the identified sectors, two action periods have been defined:

[1] Only hearth and semi-hearth-type furnaces will be financed.

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i. Transition period: the 6 years from January 2020 to December 2025, in which the Bancolombia Group will only participate in the financing of short-term working capital operations (less than one year). Likewise, it will finance the acquisition of assets other than those used in coal mining and those related to projects or solutions aimed at transforming or reducing emissions in these activities or clean investment alternatives[2]. No new customers or projects of existing customers in coal mining or coal-fired power generation will be financed. Credit disbursements during this period may only be made during the term of the loan and with a maximum client payment term of no more than December 31, 2027.

ii. Completion period: 5 years from January 2026 to December 2030. Only renewable energies outside the critical sector will be financed. During this period, exposure to activities associated with the sector will be minimized.

The following considerations should be reckoned with:

a. **New financing:** For coal-fired power plants (or other coal-fired assets) that already have credit exposure at the time of issuance of this circular, projects or assets that aim to improve efficiency in power generation and reduce environmental impact may be financed. For this purpose, it shall:

- Demonstrate generation efficiency of at least 20%.
- Must be in full compliance with the Equator Principles and IFC standards.
- Have a favorable concept from the Sustainability Department.
- Regardless of the amount of the operation and after the concept mentioned in the previous point, the provisions of the Circular of Environmental and Social Risk Analysis must be applied, which must show environmental favorability.
- The aforementioned concepts must be requested before the filing of the credit application.

No new placements will be made with clients described in the objective of this circular, in which there is no exposure or maximum debt limits approved before the issuance of this circular, even if the request is aimed at improving efficiency and reducing the environmental impact.

[2] Some solutions aimed at reducing emissions include renewable energy generation, clean transportation such as electric or gas-powered trucks, more efficient coke ovens, pollution control systems, and waste treatment, among others.

For power generators that have different generation sources in their matrix and in which coal represents less than 50% of their generation, or customers belonging to other economic activities with their own coal-based power generation assets (such as steam generation boilers, furnaces, burners, or any other asset and/or production process that uses coal), these customers will continue to be subject to credit through corporate financing, avoiding the granting of credit operations that specifically finance coal assets.

b. **Operations already disbursed in the portfolio that exceed the completion period:** This policy recognizes that there are current financings that may exceed the target period and that in the future, through customer refinancing/restructuring processes and observing customer payment capacity criteria, these loans may exceed the 2030 financing period.

c. **Receipt of guarantees**: Do not receive as backing (guarantee or security) real estate in which activities related to the operation and production of clients in this sector have been developed or are being developed or are planned to be developed, or any asset that is used for this activity, such as machinery. For clients belonging to sectors other than those established in the objective of this numeral, if a property is offered as a backup where an asset associated with the extraction of coal or generation of energy with this mineral operated, an environmental evaluation must be performed to avoid environmental liabilities at the time of an eventual dation.

d. **Consultancies:** Do not provide consultancies, for any business line of the Bancolombia Group, aimed at expansions, mergers, for any line of business of the Bancolombia Group, that has as its purpose expansions, mergers, or acquisitions to companies in the sectors referred to in this section, regardless of whether or not there is credit exposure. Advice shall be provided to clients or the bank to divest assets or credit exposures excluded in this policy.

3.2. TRANSITION

Corresponds to industries where the Bancolombia Group does not declare a decrease in risk appetite, but a decrease in the financing of very specific polluting activities of such industries, thus seeking to participate in the identification and financing of opportunities that contribute to the transformation of each sector towards environmentally sustainable standards, declaring likewise the interest to advise clients in their transition processes.

The following sectors are currently identified in this plan of action: Oil extraction, livestock farming, cement manufacturing, iron, and steel basic industries, air transportation, maritime transportation, and vehicle manufacturing. Below are the activities that the Bancolombia

Group is not interested in financing for each of the sectors and some of the activities that it will seek to promote with its financing:

3.2.1. Oil extraction:

Operations that contribute to the diversification of income sources with renewable energies, energy efficiency projects (such as waste heat recovery, efficient lighting, refrigeration, and engine replacement, among others), clean transportation, and efficient logistics (electric, hybrid, or dedicated gas vehicles) and the use of alternative fuels (such as biomass, waste with high energy content and natural gas), will be activities that the Group will seek to finance. Oil exploration and extraction without climate compensation will not be financed by the bank.

3.2.2. Cement manufacturing:

The reduction of the proportion of Clinker by incorporating alternative materials such as ash and slag, energy efficiency projects (such as waste heat recovery, efficient lighting, refrigeration, and engine replacement, among others), clean transportation, and efficient logistics (electric, hybrid or dedicated gas vehicles), the use of alternative fuels (such as biomass, waste with high energy content and natural gas), waste treatment and water reuse systems, will be activities that the Group will seek to finance. Production processes that do not improve CO_2 emission levels and assets that use coal, such as furnaces and boilers, will not be financed by the bank.

3.2.3. Livestock farming:

The adoption of Silvopastoral systems, clean transportation and efficient logistics (electric, hybrid, or gas-powered vehicles), waste treatment, and water reuse systems will be activities that the Group will seek to finance. Extensive livestock farming practices, expansion of the agricultural frontier, and deforestation or transformation of native vegetation will not be financed by the bank.

3.2.4. Iron and steel:

Furnaces with technologies that reduce CO_2 emissions, such as electric arc furnaces, energy efficiency projects (such as waste heat recovery, efficient lighting, refrigeration, engine replacement, among others), clean transportation, and efficient logistics (electric, hybrid or gas-powered vehicles), the use of alternative fuels (such as biomass, waste with high energy content and natural gas), waste treatment and water reuse systems, will be activities that the Group will seek to finance. Coal-fired reduction furnaces (blast furnaces) will not be financed by the bank.

3.2.5. Air transportation:

The acquisition of aircraft that reduce current emissions under IATA guidelines, assets other than aircraft that meet sustainability standards, energy efficiency projects, clean transportation, efficient logistics, and the use of alternative fuels will be activities that the Group will seek to finance. The acquisition of aircraft that do not demonstrate improved energy efficiency standards will not be financed by the bank.

Corporate clients will be required to measure their carbon footprint for approval of their operations.

3.2.6. Maritime transportation:

Energy efficiency and emission control programs, the use of alternative fuels such as hydrogen, carbon-free synthetics, and hybrid engines, waste treatment, and water reuse systems will be activities that the Group will seek to finance. The acquisition of vessels that do not demonstrate improved energy efficiency standards will not be financed by the bank.

Corporate clients will be required to measure their carbon footprint for approval of their operations.

3.2.7. Vehicle manufacturing:

Investments aimed at improving the energy efficiency of production plants, new projects that guarantee fuel efficiency and vehicle emissions, hybrid or electric vehicle production plants, energy efficiency projects (such as waste heat recovery, efficient lighting, refrigeration, engine replacement), waste treatment and water reuse systems will be activities that the Group will seek to finance. Machinery for industries that do not have a defined goal of producing vehicles with low-carbon technologies will not be financed by the bank.

Corporate clients will be required to measure their carbon footprint for approval of their operations.

4. MOTIVATION

The following is a brief explanation of the objective reasons why it is considered that customers belonging to the coal-fired power generation and extraction sectors, as well as coking with beehive-type coke ovens, should be handled with special policies for products involving credit risk, understanding that they belong to critical industries due to their significant negative contribution to climate change:

The coal sector is one of the sectors identified globally as critical regarding climate change. It is known that climate change can create transition risks, physical risks, and other risks that could negatively affect society; therefore, each of these risks was evaluated to determine the impact and define, following the purpose of the Bancolombia Group, the management of customers belonging to this sector:

- Transition risks: In the case of customers in the coal sector, these are the risks associated with the transition to a low-carbon economy, which may be incurred by users and/or customers in this sector, and which may bring with them new policies, regulations, and technological changes.
- Physical risks: These are those related to climate impacts caused by the execution of certain activities, where some are more harmful to the environment than others, such as the use of coal as a raw material. Among the effects identified, which could be even more extreme in the long term, we find, for example, landslides, sea level rise, and loss of agricultural production, situations that could lead to events that materialize direct risks for any of the Group's customers, giving rise to losses that deteriorate the value of the customers' own assets, those given in guarantee and, in general terms, their solvency.
- Liability risks: These are those that may arise from the claim of a third party who argues that damages and/or losses of any kind have materialized, on the occasion of an effect of climate change attributable to a certain activity, seeking compensation from those it considers responsible for the facts, such as the executors of the polluting activities, state entities, regulators, investors, lenders and/or any other.

The aforementioned climate risks may lead to the materialization of the following financial risks:

- Credit risk: Physical risks could lead to a higher credit exposure for all customers, largely caused by the activities developed by coal sector customers in which business models that are not aligned with the transition to a low-carbon economy are executed. Likewise, these customers in the coal sector may face a higher risk of reduced profits and even a possible interruption of the business due to new regulations, third-party claims, or changes in the market, foreseeing a higher credit risk.

- Market risks: Changes in the market of coal customers may affect the prices of energy and commodities, corporate bonds, stocks, and certain derivative contracts, affecting not only this but also other sectors of the economy. Increased frequency of severe weather events caused by environmental damage supported by the use of coal as a raw material could affect macroeconomic conditions, weakening fundamental factors such as economic growth, employment, and inflation.
- Operational risks: Severe weather phenomena caused by environmental damages could affect the continuity of the different lines of business of the Bancolombia Group as well as the operations of our customers.
- Reputational risk: It could arise from the change in market and customer perception regarding the attention of this type of sector and the scrutiny of other stakeholders (investors, regulators, etc.), understanding that these are risks that affect all other sectors, which is why the corresponding strategies must be developed to combat the risks derived from climate change.

Thus, it has been determined to limit, following the policy set forth herein and in compliance with the environmental management policy, the participation of the Bancolombia Group in the credit risk offered to the coal sector, understanding that the preservation of the environment is today one of the main challenges for the sustainable development of mankind and the continuity of economic and business models, The Group is committed to the development of a culture of environmental responsibility both internally and in society, without understanding that this sector will not be able to access the other transactional products offered by the Group, allowing these customers the normal execution of their activities

In the remaining sectors (cement, oil and gas extraction, livestock, iron and steel manufacturing, land and maritime transportation, and automobile manufacturing), no decrease in appetite has been declared. This decision is based on socio-environmental studies that show that these activities are not yet classified as extremely polluting activities, being specific considerations for each industry that lead to determining the non-financing of these activities.

Now, as a premise for the sectors identified within the critical industries in climate change, it should be kept in mind that the activities identified and considered as part of the contribution to the transformation of each sector towards environmentally sustainable standards, through which customers develop their processes of adaptation and transition to cleaner energy, will be of complete interest to the Bancolombia Group, in which case the corresponding advice and financing may be provided if necessary.

5. CONTROL OF THE PORTFOLIOS OF EXCLUDED INDUSTRIES.

The credit risk departments of the SME, business, and corporate segments will be responsible for monitoring the portfolio of the industries excluded in this policy to ensure that its size is consistent with the transition and termination periods. Alerts arising from the monitoring of these portfolios must be reported to the respective vice president of risk.

6. EXCEPTIONS

This policy does not have exception mechanisms. The particularity of clients for whom there is no clear concept in light of the policy must be evaluated with the support of the Sustainability Management and the Credit Risk Management of the segment from which the need arises.

7. RESPONSIBILITIES FOR COMPLIANCE WITH THE POLICY

7.1 Responsibilities of the Commercial area:

- In the event of a request for financing by a client related to any activity prohibited in this policy, inform the client about the bank's policy and the financing options available for each sector.
- Ensure to the best of its ability that Bancolombia Group resources are not used to finance prohibited activities detailed in this policy, clarifying the importance of inquiring about the use that customers make of the financing in the sectors detailed in this policy. Likewise, it is clarified that the commercial responsibility and the risk areas will not go beyond the supervision of the resources disbursed based on the good faith of the clients in the transparent information they must provide to the bank.

7.2. Responsibilities of the Sustainability area:

- Disseminate the general guidelines of this policy throughout the Bancolombia group with the support of the Bank's communication area.
- In conjunction with the commercial areas, communicate to customers the strategy adopted for each of the industries.

- Provide an accompaniment plan to clients of the industries in transition to implement sustainable practices within their activities.
- Approve from the technical point of view the new financing of assets that require review following the stipulations of numeral 3.1.a.

7.3. Responsibilities of the Risk area:

- Disseminate the guidelines of this policy in the credit processes of the Bancolombia Group.
- In the case of sectors in the exclusion stage, through the follow-up management of portfolios, monitor that their size is consistent with the transition and termination periods. The alerts that arise in the follow-up of these portfolios must be reported to the respective risk vice president.

Sincerely,

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