

ENVIRONMENTAL AND SOCIAL RISK ASSESSMENT POLICY

Considering the established “Environmental Management Policy” of Bancolombia, below are presented the “**Environmental and Social Risk Assessment Policy**” applicable to credit operations, guarantees, receivables and dation in payment, from economic activities highly sensitive to environmental and social impacts in Colombia.

Bancolombia Group, besides promoting sustainability in the businesses it finances, has adhered to the agreement of the Equator Principles of the World Bank; is part of the Global Pact of the United Nations; is part of the United Nations Environmental Program, UNEP-FI; it is part of the Dow Jones Sustainability Index; has an alliance with World Wildlife Fund – WWF and actively participates in the National Government's Green Protocol. Is committed to this task and does so by applying the standards defined by the "International Finance Corporation - IFC", or another applicable one

General Objective: Evaluate, analyze and technically validate the environmental, social, health and safety risks and impacts in the financing operations and guarantees, to determine their possible impact on the credit. Likewise, the evaluation, identification and validation of the environmental and social legal situation and respect for Human Rights.

1. Credit operations to be evaluated

1.1. General Scope

It will be subject to environmental and social risk analysis by the Vice Presidency of Risks, the Legal Department and the Origination Direction, the credit or leasing operations that are in any of the following categories:

- 1.1.1. **Financial Project Advisory Services**, when the total capital costs of the Project are equal to or greater than US \$ 10 million.
- 1.1.2. **Project Financing**, when the total capital costs of the Project are equal to or greater than US \$ 10 million.
- 1.1.3. **Corporate Loans Linked to Projects** (including Export Financing in the form of Buyer Credit), when the following four criteria are met:
 - 1.1.3.1. Most of the loan is linked to a single Project on which the client has an Effective Operational Control (either direct or indirect).
 - 1.1.3.2. The total loan amount is at least US \$ 100 million.
 - 1.1.3.3. The individual commitment of the financial institution is at least US \$ 50 million.
 - 1.1.3.4. The term of the loan is two years or more.
- 1.1.4. **Bridge loans** with a term of less than two years over which is expected to be refinanced through Project Finance or with a Corporate Loan Linked to Projects, which are expected to meet the relevant criteria indicated above.

These conditions will apply indiscriminately in all the business units of Colombia. In spite of the above, for the projects corresponding to the construction of buildings, it will not be necessary to

carry out a special environmental analysis and / or Concept, due to the fact that within the requirements demanded in the documentation for the credit study is the construction license and the granting it implies compliance with environmental requirements.

For those operations structured as Corporate Credits and according to the criteria of Section 1.1.3, an environmental and social risk assessment may be carried out according to their Environmental, Social and Health and Safety at Work Management Systems. For this evaluation, the "ARAS Format - Corporate Credits" will be applied, which will be provided to the Commercial Leader by the Environmental and Social Risk Analyst for the purpose of being completed by the Client. Based on the answers presented, the Analyst may request additional information to determine the level of implementation of the Equator Principles of the World Bank and the IFC Performance Standards, protection and respect for human rights, measures adaptation / mitigation to Climate Change and other environmental and social aspects that are considered necessary for risk mitigation.

1.2. Sectorial scope

Additionally, credit and / or leasing operations of more than US \$ 2MM and up to US \$ 10MM, which are included in the combination of the following sectors / sub-sectors, **will be subject to Environmental and Social approval.**

ARAS Sector	Subsector/Activities
Mining	✓ Other mining activities ✓ Coal extraction
Power	✓ Electricity
Tanneries	✓ Tanneries
Cement	✓ Cement ✓ Concret
Oil and gas	✓ Oil refineries ✓ Oil and gas Exploration and Extraction ✓ Gas ✓ Gas stations
Steel	✓ Iron and Steel
Chemicals and agrochemicals	✓ Chemicals and agrochemicals
Oil Palm	✓ Oil Palm

- The environmental and social risk assessment in Leasing operations will be developed only for direct operations, excluding the sublease and outsourcing of services that customers can provide with the financed assets, for which the respective third party control clause will be included, which will be located on the Leasing process site.
- For the environmental and social risk assessment of the Mining and Oil and Gas sectors (Exploration and exploitation processes, pipeline conduction processes) in the Leasing operations, there will be a review by the Legal Department and the clauses and / or covenants will be included in the Environmental Concept.

- In all cases, it is the responsibility of the Origination Area to include in the Lotus Guarantees tab, the clauses and / or environmental covenants generated in the environmental risk assessment and in the study and / or credit recommendation.
- In the approval of the credit and / or leasing, the instance must include the environmental clauses with the result of the analysis. In case of exception, the respective instance must support the reasons that led to the exception.
- Credit operations financed under the Project Finance modality, which have been categorized as high environmental and social risk (category A) and that exceed US \$ 10MM, must have an independent review, generated by a recognized Environmental and Social Independent Consultant, using the Equator Principles and the IFC Performance Standards as the standard of evaluation.

2. Environmental and Social Risk Assessment in the Reception of Guarantees that support credit operations or of assets delivered in leasing operations or assets received in payment or restituted.

For the environmental risk analysis of in the receipt of guarantees and acquisition of assets to be delivered in leasing operations, the following conditions must be met:

2.1. Operations that require environmental evaluation: Guarantees of credit operations or the assets to be delivered in leasing operations or assets proposed to be received as payment in the following cases will be evaluated:

- 2.1.1. Credit or leasing operations that meet the conditions established in numeral 1.
- 2.1.2. Corporate and SME Banking
- 2.1.3. Only guarantees of real estate

2.2. Activities to be evaluated, according to sector:

- 2.2.1. Cement and Concret
- 2.2.2. Solid waste processing plants
- 2.2.3. Wastewater treatment plants
- 2.2.4. Gas stations
- 2.2.5. Production, processing and / or storage of chemicals and agrochemicals

2.3. Excluded Assets

It will not be accepted as guarantee nor will it be possible to acquire assets to be delivered in leasing or receive assets as dation in payment of real estate assets directly linked to the production process of companies that carry out activities considered highly sensitive to environmental and social issues, in the following sectors or activities:

- 2.3.1. Mining
- 2.3.2. Oil
- 2.3.3. Landfills and real estate used in the final disposal of solid waste
- 2.3.4. Cementery
- 2.3.5. Tanneries

3. Environmental and Social Risk Assessment – ARAS

- 3.1. The documentation required for the analysis of environmental and social risk, according to the productive sector, can be found in Annex 1 of this document.
- 3.2. The analysis carried out will result in the categorization of the environmental and social risk of the project, identifying it as high risk (A), medium risk (B) and low risk (C).
- 3.3. The operations that represent A and B categories, will be analyzed in terms of their Environmental Management System, Environmental and Social Impact Assessment and Environmental Management Plan and will be defined, by the Risks Vice Presidency, the Environmental Covenants and / or Clauses, which are included in the Credit Contracts or other contractual type that applies (promissory notes, letters of commitment), in order to monitor the management of environmental and social aspects.
- 3.4. For those credit operations located in risk category C, the General Environmental Clause, defined for these cases, will be applied, which is located in the process site of the Legal Area or may also be provided by the Vice Presidency of Risks.
- 3.5. The Manager of the commercial relationship must request the Client, the corresponding environmental and social documentation to carry out the ARAS, which must be sent to the Environmental and Social Risk Analyst within a period of no more than 30 calendar days after the ARAS application has been filed. If the information has not been provided within this time frame, the operation will be filed as Non Environmental Favorability, unless a reasonable justification is presented for not providing the required documents and a new delivery date is defined.
- 3.6. The Credit Study process must guarantee that before transferring the applications to the approval instance, the Environmental Concept and / or Environmental Approval of the Risks Vice Presidency is obtained, according to the amounts, products, economic sectors, guarantees and other criteria defined in this Policy. For this purpose, the Environmental and Social Risk Analysts, once they have all the documents required for the analysis, must generate and send the Environmental Concept and / or Environmental Approval in a period of no more than five (5) business days to the Credit Study area and to the commercial team so that it is incorporated into the documentation evaluated by the approval instance. Likewise, the Credit Study area must transcribe the environmental clauses and / or covenants that are generated from the environmental and social risk analysis within the credit recommendation and the approval instance must transcribe them into the approval report and the contractual figures that apply. It is important to mention that, in no case, the result of the credit studies can be sent to the approval instance without the environmental and social result.
- 3.7. Once the information is presented, the corresponding analysis is carried out, generating as a result of this, one of three types of concepts:
 - 3.7.1. **ENVIRONMENTAL FAVORABILITY:** The information presented contains the environmental and social programs of the project, which describe the methods of control, prevention, mitigation, compensation and remediation of environmental and

social impacts. Likewise, it contains respective authorizations and issued by the environmental authority.

- 3.7.2. **CONDITIONED ENVIRONMENTAL FAVORABILITY:** The information presented does not include all the elements necessary for the fulfillment of a specific environmental and / or social program. However, the rest are in accordance with the requirements of control, prevention, mitigation, compensation and remediation of environmental impacts. This concept is issued in exceptional cases.
- 3.7.3. **NON ENVIRONMENTAL FAVORABILITY:** The information presented does not contain the necessary elements for the control, prevention, mitigation, compensation and remediation of environmental impacts. There is a potential risk for Bancolombia. This concept will also be issued if the project does not have the environmental legal authorizations necessary for the development of its activity, as well as if it is recurrent in the breach of its environmental obligations with Bancolombia.
- 3.8. For those Concepts that have resulted in ENVIRONMENTAL FAVORABILITY or CONDITIONED ENVIRONMENTAL FAVORABILITY, the Environmental and Social Risk Analyst, in their opinion, will assign them a validity based on the identified socio-environmental risks and impacts, as well as the measures for the control of the same. For all cases, the minimum validity will be one year.
- 3.9. In coordination with the Legal Areas that accompany each strategic unit, the environmental and social Covenants and / or clauses corresponding to the result of the analysis will be established, which must be included in the Credit Contract that applies to the business, to make the due diligence in monitoring the environmental and social management of the project.
- 3.10. According to the made analysis and according to the authorization of the Infrastructure Credit Risk Management Area, the projects with Conditioned Environmental Favorability and with high environmental and social risk level, may be evaluated *in situ* and directly determine their environmental and social viability. The respective follow-up will be done to reach the compliance of Environmental and Social Covenants.
- 3.11. It should be considered that there are economic sectors different from those mentioned above those also present environmental and social risks that may affect the payment of financial obligations. Additionally, they are subject to authorizations, license approvals and environmental permits from local and national authorities. These sectors are:
- 3.11.1. Potable Water and Basic Sanitation (sewerage and waste disposal)
 - 3.11.2. Transport and storage of hazard substances
 - 3.11.3. Food sector
 - 3.11.4. Animal food production plants
 - 3.11.5. Plantations of sugarcane
 - 3.11.6. Animal slaughter plants and zoo farms for commercial purposes
 - 3.11.7. Road, port and airport Infraestructure
 - 3.11.8. Health sector
 - 3.11.9. Poultry and Pig Industry

- 3.11.10. Apparel and textile plants
- 3.11.11. Forestry activities
- 3.11.12. Fishing and Tuna
- 3.11.13. Glass industries

For these sectors, environmental and social risk assessments may be carried out at the express request of the commercial managers, attribution bodies, credit risk management, legal areas, assets, compliance and sustainability, as long as the request is reasonably supported.

4. Standards and criteria applied in the Environmental and Social Risk Assessment

For the evaluation of environmental and social risks, the standards defined by the Equator Principles of the World Bank and the Performance Standards generated by the International Finance Corporation - IFC, are applied through its Environmental, Health and Safety Guidelines. In the same way, the best local practices are incorporated through the established sector guides.

5. Mitigation of identified risks

5.1. Evaluations rated with "NON ENVIRONMENTAL FAVORABILITY", will not be credit prospects, this condition may be exempted by the Colombia Risks Vice President.

5.2. The result of the analysis can generate the following two types of Covenants: (a) of compliance and (b) of follow-up. The inclusion of environmental and social covenants in the contractual figures that apply, may be excepted by the Commercial Regional Vice President, who must take into account the information contained in the Environmental and Social Concept and the risks assumed by the non-inclusion of the Covenants as well as the commercial reasons for their elimination. In the event that the elimination of an environmental covenant is appropriate, the decision taken by the Regional Vice-President will be communicated to the Environmental and Social Risk and Commercial areas.

5.2.1. **Compliance covenants**: Are those requirements that will be applied in a single moment. They must be presented in the short term and will be evidence and support of the environmental and social management of the project and must be involved in the contractual figure that applies. They must be submitted within the deadlines defined according to the result of the analysis generated.

5.2.2. **Follow-up covenants**: Are those requirements, mainly contained in the Environmental Management Plan and the authorizations issued by the environmental authority, which will have a periodicity of reporting as to compliance and must be involved in the contractual figure that applies. They must be submitted within the deadlines defined according to the result of the analysis generated.

6. Complementary Policies

No companies, projects or activities related to the production, marketing or use of the products, substances and activities mentioned in the Policy on Controversial Issues in Businesses will be financed, which is in charge of the Sustainability area.

7. Responsibilities in the disclosure of compliance with the Environmental and Social Risk Policy (ARAS).

- 7.1. The commercial areas, in team with environmental and social risk analysts and sustainable business, will be responsible for identifying business opportunities against the mitigation of environmental and social risks of clients.
- 7.2. With clients who do not comply with the environmental and social guidelines, an accompanying scheme will be established to seek the solution or, otherwise, the commercial relationship will be reviewed.

8. Evaluation

The results of compliance with this Policy will be reviewed periodically, at least annually, activity that will be carried out by the Risks Vice Presidency.

9. Divulgación

The material advances of this Policy will be disclosed to the interest groups through the official channels established for such purpose, such as virtual meetings, face-to-face meetings and the Bancolombia website. It will also be consolidated in the annual management report.

Any concerns in this regard, you can contact the Credit Risk Department, at the telephones in Medellín - Colombia 4040807, 4043333 and 4041610, or emails cacvasco@bancolombia.com.co, dialrest@bancolombia.com.co y madsuare@bancolombia.com.co

Lucas Ochoa Garcés
Risks Vice-President

Federico González Villegas
Director of Corporate Credit Risk

Annex 1. Documentation to be requested for the Environmental and Social Risk Analysis, according to Sector / Subsector / Activity

*The following documents can be applied as standard in all cases, however, this documentation may vary depending on the project, so that additional and / or different information may be required.

**In the events in which feedback is required with the clients for the documentation requirements, a teleconference may be generated, in which the legal area and the commercial area shall participate.

Sector/Subsector/Actividad	Documentación requerida ambiental
Minero	<ol style="list-style-type: none"> 1. Estudio de Impacto Ambiental (o su equivalente) 2. Permisos ambientales aplicables 3. Licencia Ambiental (o su equivalente) 4. Certificado actualizado del estado del proyecto, emitido por autoridades ambientales y mineras 5. Título minero o Contrato de Concesión Minera 6. Certificado de Registro Minero 7. Certificado RUCOM 8. Último acto administrativo, emitido por la autoridad ambiental.
Hidrocarburos y Gas	<ol style="list-style-type: none"> 1. Estudio de Impacto Ambiental (o su equivalente) 2. Licencia Ambiental (o su equivalente) 3. Permisos ambientales aplicables 4. Ultimo acto administrativo generado por Autoridad Ambiental. (Jurídico) 5. Para actividades de transporte de hidrocarburos por carretera, vía fluvial o marina: <ol style="list-style-type: none"> a. Plan de Contingencia b. Aprobación del Plan de Contingencia por parte de la autoridad ambiental c. Contrato de concesión, celebrado con el Gobierno (Jurídico) d. Constancia de vigencia y estado actual del mismo. (Jurídico) 6. Aprobación del Ministerio de Minas y Energía. (Jurídico) 7. Permisos y licencias otorgados por las autoridades Nacionales y Locales, diferentes a las ambientales. (Jurídico) 8. Constancia de las servidumbres constituidas. (Jurídico)

Estaciones de Servicio de combustibles líquidos	<ol style="list-style-type: none"> 1. Certificado de Conformidad 2. Permisos ambientales aplicables 3. Certificado de Seguridad, emitido por el cuerpo de bomberos correspondiente 4. Plan de manejo de residuos 5. Plan de emergencia y/o contingencias 6. Sistema de Gestión de Salud y Seguridad en el Trabajo 7. Certificado de hermeticidad y estanquidad de tanques y líneas 8. Ultimo acto administrativo generado por la autoridad ambiental. 9. Licencia de Construcción, si no se cuenta con esta y no ha iniciado construcción, el certificado de uso del suelo. (Jurídico) 10. Póliza de responsabilidad civil extracontractual. (Jurídico) 11. Acreditación actualizada del registro ante SICOM. (Jurídico).
Sector Energético	<ol style="list-style-type: none"> 1. Estudio de Impacto Ambiental (o su equivalente) 2. Licencia Ambiental (o su equivalente) 3. Permisos ambientales aplicables
Curtiembres	<ol style="list-style-type: none"> 1. Plan de Manejo Ambiental 2. Sistema de gestión de salud y seguridad en el trabajo 3. Permisos ambientales que apliquen
Cemento y Concreto	<ol style="list-style-type: none"> 1. Licencia Ambiental 2. Estudio de Impacto Ambiental
Palma Africana	<ol style="list-style-type: none"> 1. Plan de Manejo Ambiental 2. Sistema de gestión de salud y seguridad en el trabajo 3. Permisos ambientales que apliquen
Siderúrgicas	<ol style="list-style-type: none"> 1. Licencia Ambiental 2. Estudio de Impacto Ambiental
Químicos y Agroquímicos	<ol style="list-style-type: none"> 1. Licencia Ambiental 2. Estudio de Impacto Ambiental

NOTE: The revision to the documents that are referenced as (Legal) will be the responsibility of analysis of the legal areas of credit and leasing and will be pronounced independently to the area of environmental risk.