

## BANCOLOMBIA'S SUSTAINABLE FINANCING POLICY

Version No. 2

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## 1. INTRODUCTION

At Bancolombia Group, we recognize our responsibility towards sustainability extends beyond our internal operations. Therefore, we are committed to extending our reach to our customers, in line with our purpose that prioritizes the following fronts: i) strengthening the competitiveness of the productive fabric, ii) building sustainable cities and communities, and iii) promoting financial and economic inclusion. These fronts align with the group's prioritized 8 SDGs: 1) no poverty, 4) quality education, 5) gender equality, 6) clean water and sanitation, 8) decent work and economic growth, 9) industry, innovation, and infrastructure, 11) sustainable cities and communities, and 13) climate action.

Consequently, we pledge to support and drive new investments and projects from our customers aiming to enhance their ESG aspects through our Sustainable Financing strategy. This support is based on metrics that demonstrate improvements in these areas, referring to global sustainability frameworks and taxonomies defined by competent authorities in the jurisdictions where we operate.

## 2. OBJECTIVE

To define and disclose a policy that outlines the scope, guidelines, and relevance of ESG (Environmental, Social, and Governance) criteria in financing investments, projects, and working capital for customers across different segments and economic sectors through the concept of Sustainable Financing.

## 3. SCOPE

This policy is aimed at customers, whether individuals or legal entities, in government, corporate, business, SMEs, and independent segments who wish to finance assets, machinery, equipment, vehicles, constructions, projects, investments, and operations that provide environmental and/or social benefits. Additionally, the policy covers companies qualified as Sustainable, identified by seals or certifications that validate their performance and are endorsed within the Group by the Sustainability and Well-being Center of Excellence.

## 4. GUIDELINES

### 4.1 ESG Aspects

At Bancolombia Group, we strive for results that go beyond the economic realm and create a significant social and environmental impact. Therefore, our policy aligns with the Sustainable Development Goals (SDGs) and is based on Environmental, Social, and Governance (ESG) criteria. We view our customers' needs as opportunities to drive societal transition towards sustainability.

These criteria are used to define the sustainable portfolio we offer to customers, going beyond financial metrics:

- Regarding the environmental aspect, we take action to mitigate both direct and indirect environmental impacts, particularly in the construction of more sustainable cities and communities. We value our customers' management practices in eco-efficiency, climate change strategies, and risk management, among others.
- Regarding the social aspect, our goal is to contribute to a constant and positive transformation of society. We provide financial support to companies that implement inclusive financial practices, promote diversity and equity, uphold good labor practices, foster human capital development, and respect human rights, among others.
- Regarding the governance aspect, we assess criteria related to corporate governance, ethical codes, conduct and compliance, customer relationship management, diversity in the board of directors, and tax strategy.

#### 4.2 Financing conditions

- Understanding the client with a focus on the ESG risks of their sector, based on controversial business issues and industries sensitive to climate change as published in [ESG Risk Corporate Circular](#)
- Inclusion of environmental and corporate governance criteria in the clients' credit rating model.
- Guidance in the financial structuring of projects to incorporate the benefits considering the environmental and social impacts they will generate.
- Differential conditions in terms of amounts, terms, and rates based on the projects.
- Advice on obtaining applicable tax benefit.

#### 4.3 Financing criteria

##### Eligibility

A. Specific Purpose: When funds obtained are allocated to specific activities or projects:

B. Sustainability-Linked Financing

The defined sustainable financing criteria are detailed in ANNEX 1.

Note: The eligibility criteria and thresholds will be adjusted according to the taxonomies developed in the countries where we have a presence. In the absence of locally declared taxonomies, the framework defined by the corporate Sustainability team will be considered.

#### 4.4 Engagement with clients for the identification of risk and opportunities related to sustainability issues

In the process of impact mitigation and in line with our commitment to avoid financing activities that contribute to environmental and social harm, while still pursuing the goal of generating well-being for all, we create engagement spaces on ESG topics with clients and investors. These spaces aim to enhance best practices in sustainability and contribute to their strategies with relevant aspects such as double materiality, SDGs, climate change, circular economy, biodiversity, DEI, and ESG. For more details on engagement activities, please refer to the engagement policy available

## 5. NON-FINANCED ACTIVITIES

As a financier and investor, Bancolombia Group indirectly generates positive or negative impacts on the environment and society. Aware of this situation, it is important to define the activities that are not eligible for financing to strengthen trust and create shared value. For detailed information, please refer to the [Controversial Topics in Financing and Investment policy](#).

## 6. VERIFICATION

All financing activities defined as sustainable in this document will be assessed by specialized teams. This evaluation includes data collection that supports the project classification decision. Additionally, the process will undergo verification by an external auditor.

## 7. RESPONSIBLE PARTY


The Sustainability and Well-being (S&B) Center of Excellence (CdE) will be responsible for evaluating and periodically updating the activities and criteria related to the organization's sustainable financing, reflecting the evolving market practices regarding sustainability. These updates will be communicated to the relevant senior management committees according to our ESG governance model.

## 8. DISCLOSURE

Significant advancements of this policy will be disclosed to stakeholders through official channels established for this purpose. At a minimum, consolidated results of the disbursements mentioned in Annex 1 and operations linked to sustainability indicators' performance will be reported annually.

JUAN CARLOS MORA URIBE  
President  
Bancolombia Group

FRANCO ALEXANDER PIZA  
Director  
Sustainability Management





1. ANNEX 1

Table 1 . Investments eligible projects.

Investment focus	Description	Related to SDGs
ENERGY EFFICIENCY	<p>Projects in which energy savings can be sustained compared to other processes or equipment performing the same activity. These savings are measured in units of energy, which can be electrical, thermal, or from a different alternative source.</p> <p>Eligible projects: Technological conversion of machinery and equipment, efficient lighting, air conditioning, refrigeration, boilers, heat pumps, high-efficiency motors, air compression systems, automatic controls and sensors, district heating, among others.</p>	7,9,11,13
RENEWABLE ENERGY	<p>Projects for the generation of electricity or heat using natural and essentially inexhaustible energy sources, either due to the immense amount of energy they contain or because they can regenerate naturally.</p> <p>Projects related to the transmission, distribution, and storage of energy from renewable sources also qualify.</p> <p>Projects involving the transmission, distribution, and storage of energy from non-renewable sources will be evaluated on a case-by-case basis.</p> <p>Eligible projects: Generation, transmission, and distribution of energy from solar, wind, small hydroelectric power plants with a capacity below 19.9 MW, geothermal, oceanic, hybrid, green and blue hydrogen sources. Infrastructure projects for transmission/distribution supporting the consolidation of microgrids in non-interconnected areas also qualify.</p> <p>Projects involving the production and storage of hydrogen derived from fossil fuels or natural gas are not eligible.</p>	7,9,11,13
WATER CIRCULAR ECONOMY	<p>Projects can be undertaken for the establishment or improvement of water supply and treatment infrastructure with the aim of implementing measures to control and prevent health issues and pollution caused by any process.</p> <p>Eligible projects: Aqueduct systems, sanitary and combined sewerage systems, wastewater treatment systems, and investments for efficient water use.</p>	6, 9, 10, 11, 13, 14, 15
CIRCULAR ECONOMY	<p>Projects that aim to elevate products, materials, and assets to higher levels of utilization, preserve natural capital, optimize resources, and</p>	6, 9, 10, 11, 13, 14, 15

Investment focus	Description	Related to SDGs
	<p>minimize system risks. This is achieved through projects such as ecodesign, industrial symbiosis, functionality improvement, reuse, repair, remanufacturing, and waste or byproduct valorization.</p> <p>Eligible projects: Circular supplies: Utilizing waste for the production of raw materials with renewable, recyclable, or biodegradable resources. This applies to biomass, biofuels, biogas, and cogeneration projects from renewable sources. Energy crops are excluded.</p> <p>Resource recovery: Projects focused on repairing, remanufacturing, renovating, or recycling waste.</p> <p>Technological leasing projects.</p> <p>Extension of lifespan: Projects implementing changes in products or production processes to extend their lifespan, making them reusable, repairable, suitable for remanufacturing, and/or facilitating recycling or utilization. For example, acquiring equipment or machinery for producing parts that enable technological upgrades and prolong the product's lifespan.</p> <p>Product as a service: Servitization models allowing asset sharing or the acquisition of a service using the asset. For example, acquiring electric vehicles for employee ride-sharing or engaging a shared mobility service.</p> <p>In these projects, the company acquiring the asset to provide the service is financed, such as financing a boiler for steam production and selling the steam.</p> <p>Technology platform: Projects employing technology and data to enable and facilitate circular systems. For example:            Designing tools or developing technology for circularity, creating a marketplace for used materials, contracting companies to conduct life cycle analyses, hiring companies for the collection of secondary materials (reverse logistics), and financing the acquisition of machinery and equipment necessary for circular economy services.</p>	
SUSTAINABLE CONSTRUCTION	<p>Projects involving the construction, renovation, or acquisition of buildings must obtain sustainable certifications.</p> <p>This does not apply to buildings intended for use as infrastructure in the extraction, storage, transportation, or manufacturing of fossil fuels, nor to those that directly require fossil fuels in their operation. However,</p>	

Investment focus	Description	Related to SDGs
	<p>power generation plants acting as backup sources in case of electrical grid failure may be part of the building's services.</p> <p>Construction of thermal districts (which provide heat and/or cooling to individual buildings within a locality or development district) for financing, including the construction and operation of pipes and the infrastructure associated with the distribution of heating and cooling.</p> <p>Note: The customer must submit, through the Account Manager, to the sustainability department, the document evidencing the design pre-certification or an approved document from the accreditor for their project, issued by one of the certifying companies, or demonstrate that they are in the process of obtaining it initially. Once the project is completed, the final sustainable construction certification must be attached. It is the responsibility of the Account Manager to ensure the submission of these supporting documents.</p> <p>The line offers different benefits and terms for construction customers, non-construction customers, sustainable housing buyers, sustainable individual construction customers, and sustainable renovations.</p>	9,11,12,13
SUSTAINABLE MOBILITY	<p>Projects associated with the acquisition of vehicles for private transportation, intercity cargo and/or passenger transportation, and mass transportation systems powered by electric energy, gasoline-electric hybrid systems, or dedicated to natural gas (NGV).</p> <p>This also applies to the purchase of electric motorcycles, scooters, and bicycles (micromobility) to be used in companies eligible for sustainable financing.</p> <p>Physical infrastructure (construction, rehabilitation, operation, and maintenance) and technological infrastructure for sustainable mobility and the assembly of hybrid and electric vehicles are also eligible.</p> <p>It applies to electric vehicle charging stations and infrastructure and support for transport electrification.</p> <p>Hybrid vehicles that use diesel as a fossil fuel are not eligible. It does not apply to fleets of vehicles or rolling stock dedicated to the transportation of fossil fuels or mixed fuels.</p> <p>Short-term financing for dealerships: Acquisition of electric and hybrid vehicles by dealerships with short-term financing, where the funds can</p>	9,11,12

Investment focus	Description	Related to SDGs
	<p>be used as working capital to meet obligations with other financial institutions associated with the purchase of these vehicles.</p> <p>Evidence of the list of vehicles acquired and the amounts invested up to a maximum of 6 months prior or a signed letter from the manager indicating this information must be provided.</p> <p>The financing can only be up to the reported amount and can be used for an estimated investment period of up to 6 months from the approval date.</p>	
SUSTAINABLE LIVESTOCK FARMING	<p>Applies to the financing of investments that promote environmental conservation, respecting forested areas, bodies of water, and more productive systems.</p> <p>Eligible projects:</p> <ol style="list-style-type: none"> <li>1. Tree planting (dispersed trees in pastures, living fences, intensive silvopastoral systems).</li> <li>2. Implementation of forage banks (food reserves) and silage inputs (storage) from trees and/or shrubs with high protein and energy content—excluding the establishment of grass monocultures.</li> <li>3. Fences associated with pasture rotation modification to increase animal stocking rate (conventional or electric fences powered by renewable energy or connected to the electric grid).</li> <li>4. Livestock aqueduct systems (pumps, pipes, tanks, reservoirs, and troughs).</li> <li>5. Pasture renovation*</li> <li>6. Inputs required for system implementation*</li> </ol> <p>*Only in combination with activities 1, 2, or 4. Note: This type of project is financed through the Agro-Sustainable line.</p>	13, 14, 15
BLUE ECONOMY	<p>Projects that contribute to the social and economic growth of coastal areas while protecting and restoring ecosystems, keeping them diverse, productive, and resilient.</p> <p>Eligible projects: Sustainable fishing and aquaculture along with their respective value chains, as well as marine renewable energy (offshore wind).</p>	13, 14, 15
SUSTAINABLE TECHNOLOGY PROVIDERS	<p>Applies to the financing of providers offering sustainable technologies related to the same themes applicable to the line, namely energy efficiency, renewable energies, circular economy, sustainable construction, sustainable mobility, agro-sustainability, sustainable livestock farming, among others.</p>	It will depend on the type of project

Table 2 . Eligible working capital

Financing Focus	Description	Related to SDGs
SUSTAINABLE BUSINESSES	<p>Certified companies in agricultural sustainability standards endorsed by the Sustainability and Well-being Center of Excellence, Certified B Companies, High-Impact Ventures (HIV) classified as sustainable, and companies committed to gender equity (Equipares Seal).</p> <p>All certifications must be reviewed and approved by the Sustainability and Well-being Center of Excellence.</p>	13, 14, 15
SUSTAINABILITY CERTIFICATIONS	<p>Applies for financing to cover the costs associated with sustainable certifications, such as the Colombian Environmental Seal, Fair Trade, RSPO, Global Gap, Carbon Neutral, and others approved and endorsed by the Sustainability and Well-being Center of Excellence.</p> <p>Similarly, financing is available for the management of sustainable construction certifications, such as EDGE, LEED, CASA Colombia, and any others endorsed by a certifying body. This includes the costs of hiring an expert firm and the certification fees. To verify the applicability of the certifications, you should consult with the Center of Excellence for Sustainability and Well-being.</p>	9, 11, 13, 14, 15
INDICATOR-BASED CREDIT	<p>Long-term financing is provided that recognizes companies' commitment to sustainable development through ESG factors. A cumulative reduction in the loan interest rate is granted, subject to the annual fulfillment of agreed-upon targets.</p> <p>Eligibility criteria: Interest rate: Step-down based on sustainability KPI compliance. The achievement of established targets for ESG indicators will be measured on an annual basis to ensure compliance. These targets and KPIs are defined in collaboration with the sustainability departments of the companies.</p>	11, 12, 17

Table 3 . Others

Financing Focus	Description	Related to SDGs
SUSTAINABLE GOVERNMENT	<p>Applies to social infrastructure projects developed by territorial entities.</p> <p>Types of social projects: Affordable basic infrastructure, such as clean water, sanitation, transportation, and energy. Access to essential services, including healthcare, education and vocational training, medical care, financing, and financial services.</p>	1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 16.

	<p>Affordable housing. Job creation, including the potential impact of financing SMEs and microfinance. Food security. Socioeconomic progress and empowerment.</p>	
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