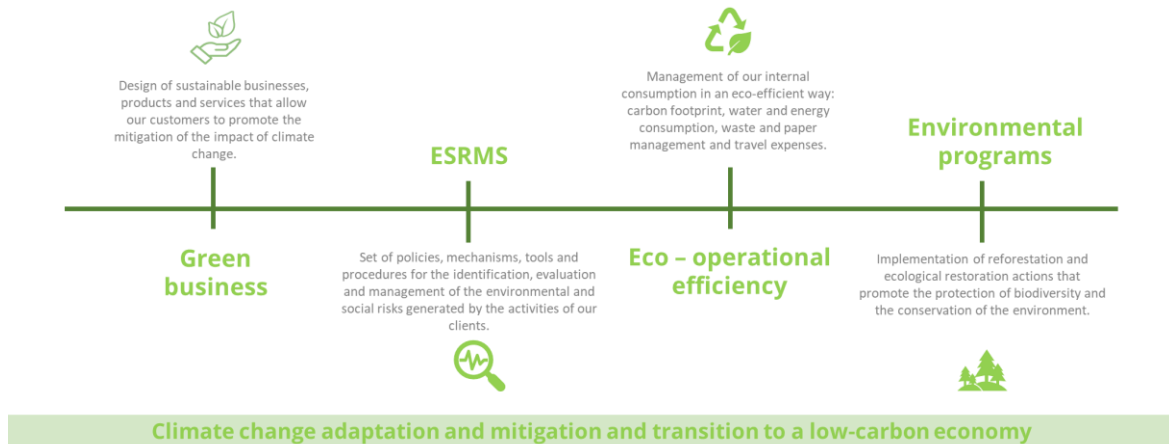


Climate change and Environmental Strategy

Our sustainability strategy has six strategic fronts, where one of these pillars is focused on our environmental actions, aligned with the fronts of Asobancaria’s Green Protocol, which we adhere to, and it has the following lines of action: Environmental and Social Risk Management System – ESRMS, Operational Eco-efficiency, Environmental Products and Programs, and Training and Communication. Through our environmental strategy, we understand the mitigation of climate change as a cross-cutting focus on which we base our actions for this issue.

In our Sustainability Business Model, Banco de Bogotá has established the relevance of climate change management as part of its environmental strategy and as a strategic axis, considering the positive impact that can be generated by the banking and financial sector both for its customers and within the bank, that is, generating indirect and direct impact. The TCFD allows to know the management and mechanisms of management of climate change risks and business opportunities in a transparent way, so our interest is to adopt the guidelines of the TCFD before 2023 given the relevance of public information on climate change of investors. Currently, we are in the process of identifying and agreeing with the recommendations of the TCFD. Please refer to: [Social and Environmental Policy](#) for more information.



Climate Change Management

- **Direct management**

Through the Operational Eco-efficiency program, we measure and manage our carbon footprint, and energy and water consumption through our energy and water efficiency programs, as well as managing our waste and generation of travel expenses.

Operational Eco-efficiency: Our aim consists of the adequate management of resources inside the Organization to contribute to the mitigation of climate change through programs and initiatives such as Sustainable Mobility, carbon footprint measurement, and water and energy efficiency, which enable us to create a sustainable culture among all our employees. Our Operational Eco- efficiency program includes the following aspects:

Carbon footprint measurement: We annually calculate our footprint with the aim to design actions that enable us to reduce our negative impact. In this way, we mitigate and offset the footprint of General Management, our administrative offices, and branches nationwide.

Energy and water efficiency: We measure the energy and water consumption of General Management and our administrative offices with the aim to design actions that enable us to reduce our consumption and find opportunities to improve the use of these resources by establishing long-term savings targets, as well as implementing and disclosing good practices. In 2020, we will implement solar power systems in General Management.

- **Indirect management:**

We continue implementing the Environmental and Social Risk Management System (ESRMS), which is part of our Corporate Risk Management System. This includes policies and procedures for the analysis and assessment of projects to finance our SME, Business and Corporate banking clients through environmental and social variables that mitigate the negative impact that these projects can generate.

ESRMS assessment aspects: Adaption to and mitigation of climate change, sustainable management, promotion of good practices, compliance with the applicable legislation, assessment of environmental and social impacts, labor and working conditions, measurement of the impact of the carbon footprint, environmental and social certifications and acknowledgments, human rights, and biodiversity.

Climate Change Risk

Through the ESRMS, we assessed our climate change risk for projects financed by the Bank according to the established policies, which Sustainable Development Line: Line of credit to finance projects, investments and infrastructure that help reduce or mitigate the environmental and social impact of the companies' productive processes. It is designed for financing renewable energy; energy efficiency; utility companies with environmental projects; sustainable transportation; waste treatment; production: organic agriculture, sustainable wood, and forest services; sustainable energy; recycling; and other sustainable investments.

Continuing with the responsible management of our funding sources, we structured and completed approval for the issuance and placement program of ordinary bonds, ordinary green bonds, ordinary social bonds, ordinary sustainable bonds, and subordinated bonds for up to COP 5 billion, from the Financial Superintendence of Colombia. Under this program, and Green Bond in September for COP 300 billion. The issuance was a success in the market with a demand of more than three times the amount offered and a very competitive rate level.

- **Mitigation actions**

The mitigation concept includes low-carbon transport; renewable energy, including bioenergy; energy efficiency (at the industrial, residential, commercial, and public buildings

levels); reforestation; forest protection, solid waste management and wastewater treatment that increases methane uptake or converts waste into energy¹.

In Banco de Bogotá we promote initiatives to generate mitigation actions such as: finance low carbon vehicles, renewable energy, energy efficiency, sustainable infrastructure and building, waste treatment, water treatment, sustainable mobility, reforestation, forest protection and biodiversity. We carry out these actions, through green bonds issue, green credit lines and loans, green debit cards, environmental programs in which we identify strategic allies.

- **Adaptation actions**

The concept of adaptation includes technological development for resilient agricultural production, integrated management of water resources; prevention of natural disasters; ex post attention to health issues (specially to combat malaria, dengue and other insect-borne diseases that are increasing due to climate change); and sustainable management (conservation and protection) of coastal zones².

Our adaptation actions include green and social credit loans for agricultural production, water management and sustainable management. We carry out these actions through green bonds issue, green credit lines and loans, green debit cards, environmental programs in which we identify strategic allies.

Net Zero Emissions – Commitment with Colombian goals

The Paris Agreement establishes as its main obligation for countries to communicate their post-2020 climate actions, through so-called Nationally Determined Contributions (NDCs), in accordance with Article 4, paragraph 2.

Committed to climate action and in compliance with the commitment that the country assumed in 2018 when ratifying that treaty, we are aligned with the Government of Colombia and its goals in adaptation and mitigation measures, which will guide its actions in the period 2020-2030, improving the commitment presented in the NDC of 2015, and increasing its ambition towards a development adapted and resilient to the climate, and compatible with the goal of carbon neutrality to 2050, as well as achieving a reduction of 51% by 2030.

In addition, and to foster mutual trust and promote the strengthened framework of transparency established under the Paris Agreement, Colombia has included supporting documents detailing the process of updating the components of the NDC, in line with the provisions of the "Rule Book of the Paris Agreement" adopted in Katowice (Poland) in 2018, gives the guidelines for the effective implementation of the treaty.

In this context, the Bank of Bogotá is in the process of defining its long-term goals for 2030 and 2050 that align with the national objective of achieving carbon neutrality, taking into

¹ IDB, Estrategia Integrada del BID de Mitigación y Adaptación al Cambio Climático y Energía Sostenible y Renovable <https://publications.iadb.org/publications/spanish/document/IDB-9-Estrategia-Integrada-del-BID-de-Mitigaci%C3%B3n-y-Adaptaci%C3%B3n-al-Cambio-Clim%C3%A1tico-y-Energ%C3%ADa-Sostenible-y-Renovable.pdf>

² Ibid.

account that financial institutions are resource mobilizers that will allow and facilitate the transition to a low-carbon economy. Likewise, from the guild through the Green Protocol and Sustainability Committee, the Banking Association of Colombia and the financial institutions, are defining a strategic direction focused on the fulfillment of these objectives at the country level.

Climate risk assessment and scenario analysis

As a first step, in 2018 we began to structure the Environmental and Social Risk Management System - ESRMS, and in the second half of 2020 we achieved the implementation of this system, which aims to identify and reduce possible impacts generated by our credit operations and by the productive activities of our clients. A year later we have the analysis of clients from all economic sectors, this thanks to the training and constant communication between the different areas involved in this process.

The next step we took was to define how we should address climate change risk from the Bank's business perspective. Since 2018 we have worked in parallel with ESRMS, in the generation of different studies of how the quality index of our portfolio can be affected by variations in environmental conditions and occurrence of natural disasters.

Between 2018 and 2019 we participated in a pilot led by the NCFA (Natural Capital Finance Alliance), which consisted of evaluating the Bank's portfolio by economic sectors and identifying possible impacts on natural capital generated by the different climate change scenarios to which our clients, their environment and therefore our operation may be exposed. As a result of this analysis, new sectors were found that could be highly impacted and that had not previously been considered, as is the case of hospitality and tourism, for this reason the need to integrate the results within the Bank's granting process and generate a deeper analysis of our clients was evidenced.

In 2020, a new study exercise was carried out taking the econometric concept of structural change, with which it was intended to identify breaking points in the trend of the delinquent balances of the Bank's portfolio, within a certain period, given the occurrence of a natural emergency in a specific department. Because natural disasters are not the only reason a client increases the likelihood of defaulting the results, we got were not significantly conclusive.

In the last year we have concentrated efforts on integrating our processes with the results of the pilot led by the NCFA, consolidated in the ENCORE tool, which geographically relates different climatic conditions allowing to measure and identify the sectors and regions most sensitive to the risk impacts of climate change.

For this we developed a model that allows you to consult the information of ENCORE in a summarized and practical way. In a first phase, the main user of this model is the Technical Asset Management, who oversee carrying out the ESRMS analysis within the granting process. The objective is that environmental engineers can consult the economic sector to which each client belongs and relate it to the level of dependence on ecosystem services and understand how they can be affected by some degree of deterioration in environmental conditions.