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# Sustainability Drivers

Sustainability Yearbook  
Member 2022

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# Double materiality matrix & Societal impact

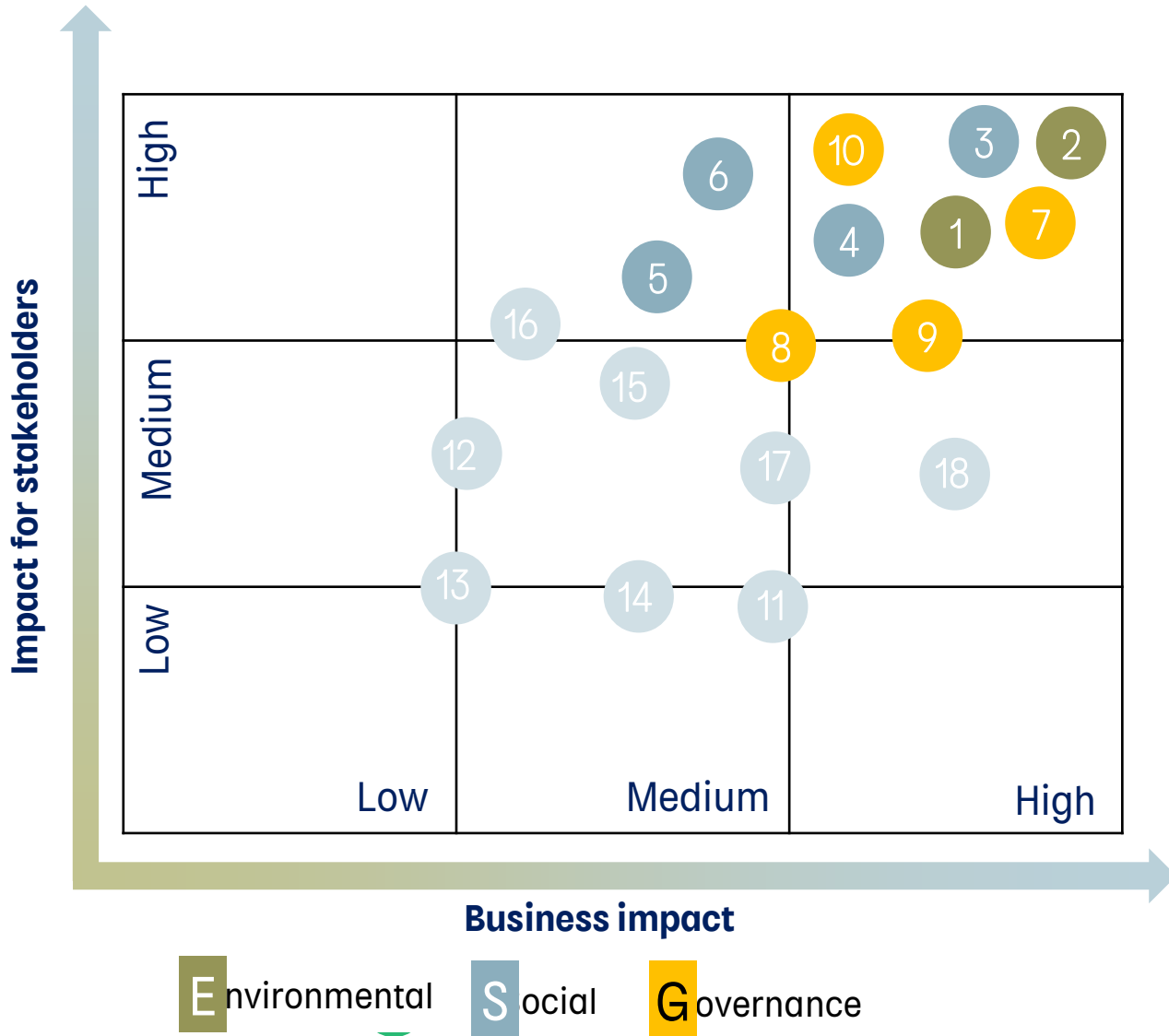
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# Double materiality matrix



## Top 10 material issues prioritized

- |   |   |
|---|---|
| A | 1. Climate change management and mitigation |
|   | 2. Responsible products and services        |
| S | 3. Innovation and research                  |
|   | 4. Customer well-being                      |
|   | 5. Diversity & Inclusion                    |
|   | 6. Talent Management                        |
| G | 7. Risk management                          |
|   | 8. Cybersecurity and privacy                |
|   | 9. Corporate governance and ethics          |
|   | 10. Customer experience and satisfaction    |

## Areas with relatively less materiality

- |   |  |
|---|--|
| S | 11. Supply Chain Management                |
|   | 12. Human rights                           |
|   | 13. Engagement and impact on the community |
|   | 14. Occupational safety and health         |
|   | 15. Compliance                             |
| G | 16. Transparency and Reporting             |
|   | 17. Fight against corruption and bribery   |
|   | 18. Economic performance                   |



# Societal Impact

An impact measurement process enhances value for both the business and society

## Impact measurement should be observed by means of two lenses



Lens 1

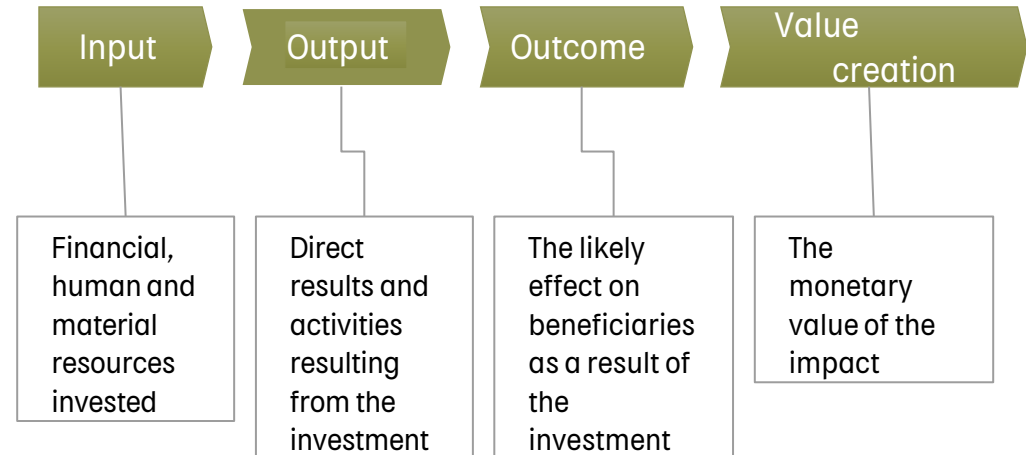
Initiatives generate impact through 6 dimensions of impact

- Economic value generated for society and society Economy from the company's activities, products and services
- Consumer well-being generated through the company's products and services
- Ethical values and practices that underpin the company's operations, products and services
- Environmental sustainability of the company's operations, products and services
- Social Empowerment for Employees and Communities
- Governance structure and management practices



Lens 2

Initiatives can be evaluated at different depths of impact



There is alignment with reporting standards, and we can leverage them when defining measurement indicators



# Societal Impact

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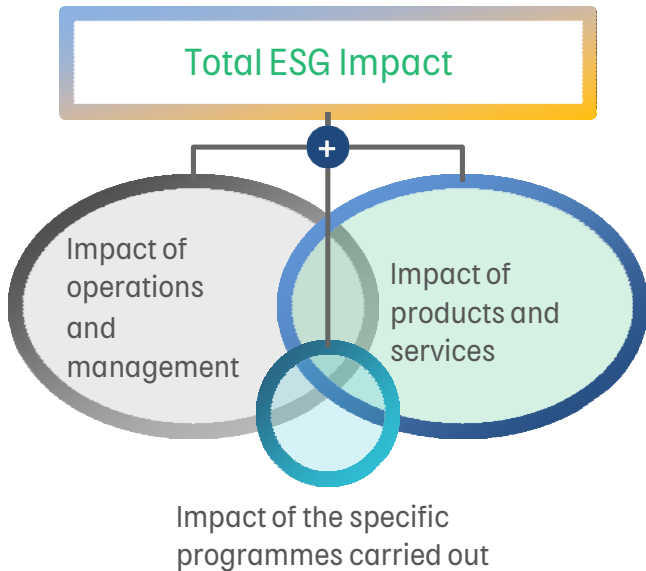
To advance measurement maturity, we recommend three steps as a potential impact measurement methodology.

## Theory of Societal Impact - BCG Methodology

### Step 1

Identify the type of activity that generates the impact

*In which business activity is the impact generated?*



### Step 2

Assess the different dimensions of impact

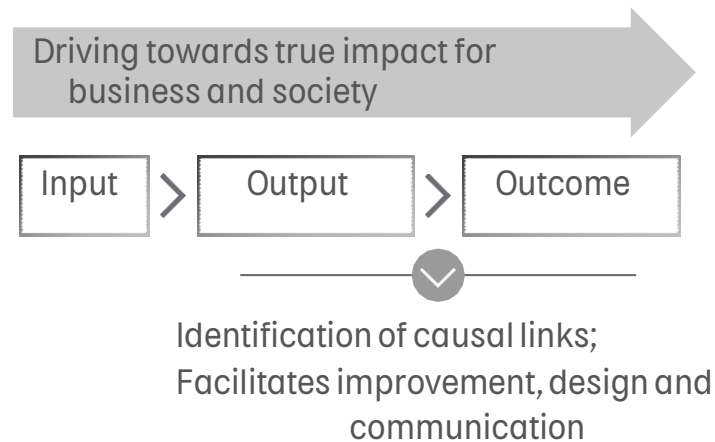
*What are the types of impact on society that are being achieved?*



### Step 3

Define indicators and their scope to monitor impact

*What is the tangible result in society? How can this be measured?*



Steps addressed indirectly in competitors, but without a structured form of communication

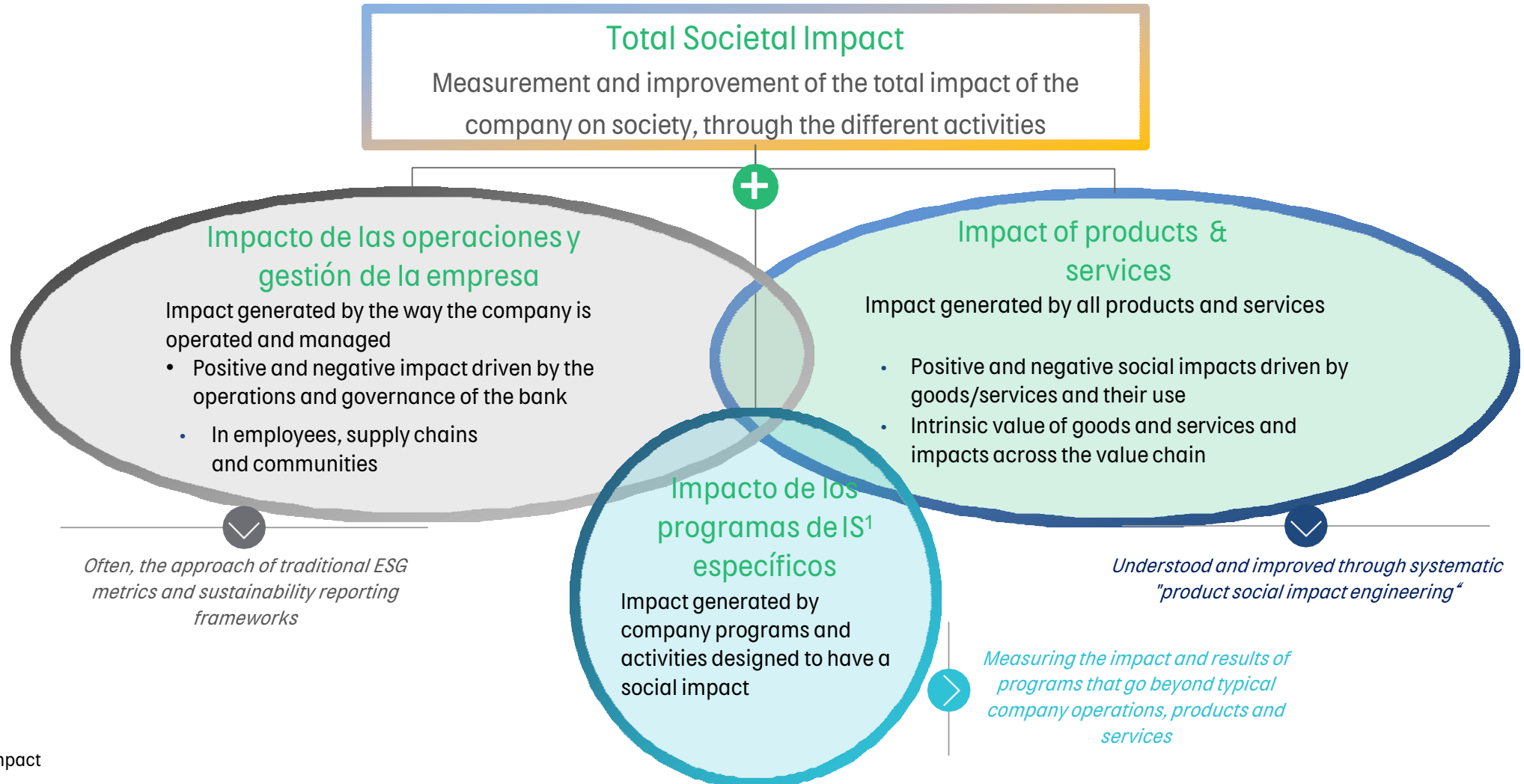
Levels represented in the benchmarks



# Societal Impact

An impact measurement process enhances value for both the business and society

The first step consists of a categorization of the origin of the initiative to be evaluated to structure the ESG universe.





# Societal Impact

An impact measurement process enhances value for both the business and society

**Additionally, the type of impact generated in the 6 TSI impact dimensions is evaluated.**

## Marco Total Societal Impact BCG

### Governance structure and management practices

- Healthy governance (independence of the Board of Directors, shareholder democracy, etc.)
- Inclusive management (diversity, equality)
- Executive compensation
- Transparency and reliability (audits, compliance procedures, anti-corruption)

### Social Empowerment for Employees and Communities

- Employee well-being, engagement and development
- Worker well-being across the connected value chain
- Community well-being driven by the company's activities, products and services

### Economic value generated for society and the economy from the company's activities, products and services

- Creating livelihoods (through jobs, training,...) for employees and communities
- Value creation for the economy (direct and indirect), including innovation
- Generation of value for the government (taxes)



### Consumer welfare generated through the company's products and services

- Consumer inclusion and access (including affordability)
- Health, safety and consumer protection
- Consumer Education
- Consumer satisfaction and enjoyment

### Ethical values and practices that underpin the company's operations, products and services

- Internal ethical practices (e.g. responsible sourcing and marketing, data privacy/security)
- 'Ethical content of your products/services (e.g. providing transparency, promoting social visibility)
- Promoting strong ethical standards in society (e.g. shaping regulation, forming alliances, disseminating knowledge or tools, etc.)

### Environmental sustainability of the company's operations, products and services

- Climate change, GHG emissions
- Resource utilization, land use
- Waste and pollution
- Circular economy



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# Material issues for Business Impact

Material issue	Risk management	Sustainable Growth - ESG Business	Digital transformation and innovation
Relevance	<ul style="list-style-type: none"> <li>• Supports long-term sustainable growth</li> <li>• Facilitates achievement of strategic objectives.</li> <li>• Risk mitigation involves ESG variables into our credit and portfolio risk analysis through Social Risk Management System (ESRMS).</li> </ul>	<ul style="list-style-type: none"> <li>• Green and social financing</li> <li>• New business opportunities that benefit our clients.</li> <li>• Transition to a low carbon economy &amp; a decarbonized portfolio to achieve NZBA targets.</li> <li>• Financial inclusion</li> </ul>	<ul style="list-style-type: none"> <li>• Design quick and easy experiences</li> <li>• Generate value offers adapted to our clients' needs</li> <li>• Providing effective financial solutions</li> <li>• New technological resources, digital marketing, data, and analytics</li> <li>• Transformation, efficiencies</li> </ul>
Business strategies	<ul style="list-style-type: none"> <li>• Comprehensive Risk Management has a division responsible of emerging risks.</li> <li>• Risk management: credit, investment, transaction, fraud, &amp; operational risk,</li> <li>• Environmental and Social Risk Management System (ESRMS) for clients</li> <li>• Climate change risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Complete sustainable portfolio</li> <li>• Green and social Credit lines</li> <li>• Financial inclusion loans</li> <li>• Equity offer, focused on women</li> <li>• Green and sustainable bonds issuance</li> <li>• Electric and hybrid vehicle loans</li> <li>• Green and social Taxonomy</li> <li>• Debit cards with social and green causes</li> </ul>	Portfolio of digital products: <ul style="list-style-type: none"> <li>• Savings accounts</li> <li>• Credit cards, mortgages</li> <li>• Free purpose payroll loans, and insurance</li> <li>• New developments for mobile banking</li> <li>• Aval Pay and Digital Wallet,</li> <li>• SME website,</li> <li>• Mobile biometrics</li> </ul>
Target/Metric	<ul style="list-style-type: none"> <li>• Target for 2025: Assess 100% of loans corresponding to the ESRMS.</li> <li>• Progress: 100%</li> </ul>	<ul style="list-style-type: none"> <li>• Target for 2025: Green portfolio growth: \$4billion (Colombian pesos)</li> <li>• Progress: 33.4%</li> </ul>	<ul style="list-style-type: none"> <li>• Target 2023: Number of digital products: 12.</li> <li>• Progress: 100%</li> </ul>
Executive Compensation	<ul style="list-style-type: none"> <li>• The CEO and the vice presidents have kpis tied to the fulfillment of ESG projects and objectives in their Balance Score Card.</li> <li>• VP of Credit and Credit Risk: ESRMS risk management and goal fulfillment.</li> </ul>	<ul style="list-style-type: none"> <li>• The CEO and the vice presidents have kpis tied to the fulfillment of ESG projects and objectives in their Balance Score Card.</li> <li>• VP of Sustainability, Business Banking, Retail and Sustainable Finance, must meet placement goal.</li> </ul>	<ul style="list-style-type: none"> <li>• The CEO and the vice presidents have kpis tied to the fulfillment of ESG projects and objectives in their Balance Score Card.</li> <li>• The person in charge of the digital transformation area must meet the objectives and goals tied to their management.</li> </ul>



## Material issues for Stakeholders

Material Issue	Responsible products and services through Climate change management and mitigation	Customer experience and satisfaction
External Impact	Sustainable products and services, specifically green products	Customer Relationship Management
Cause of the Impact	The impact is caused through products and services business activities that corresponds to less than 50% considered in the assessment.	The impact is caused through operations and services business activities that corresponds to more than 50% considered in the assessment.
Stakeholder	Corporate and business segments	All type of clients and customers
External stakeholders impact area evaluated	Environment Indirectly Society Consumers/ end-users	Society Consumers/ end-users
Topic relevance on external stakeholders	Type of impact: positive <ul style="list-style-type: none"> <li>• Financing transition</li> <li>• More green jobs</li> <li>• Increases the economic competitiveness</li> <li>• Reduces energy costs,</li> <li>• Provides greater energy security</li> <li>• Reduces emissions</li> <li>• Introducing alternative and renewable energies</li> <li>• Promote green energy and energy efficiency projects of other industries.</li> </ul>	Type of impact: positive <ul style="list-style-type: none"> <li>• Renewal of the customer's voice model,</li> <li>• Improve our service and inquiry resolution processes</li> <li>• Strength relationship, experience and satisfaction</li> <li>• Give superior service experience in the different points of sale.</li> <li>• Listen to know their expectations and needs</li> <li>• Generate a clear and transparent communication</li> <li>• Provide a complete platform of channels</li> <li>• Provide agile response to their concerns, complaints and claims,</li> <li>• Improve experience and satisfaction (NPS).</li> </ul>
Output Metric	Green portfolio growth	Number of customers listened
Impact Valuation and metric	Avoided or reduced emissions (TonCO <sub>2</sub> eq/year) 2022: 356,475	Net promoter score - customers' recommendability 2022: 49.4



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