

ENVIRONMENTAL AND SOCIAL RISK ASSESSMENT POLICY

The Bancolombia Group, in addition to promoting sustainability in the businesses it finances, has adhered to the agreement of the Equator Principles of the World Bank; It is part of the Global Pact of the United Nations Organization, the United Nations Environment Program - UNEP-FI, it is part of the Dow Jones Sustainability Index, it has an alliance with the World Wildlife Fund – WWF, member of the Partnership for Carbon Accounting Financials – PCAF and actively participates within the Green Protocol of the National Government; It has committed itself to the principles of environmental and social sustainability and does so by applying the standards defined by the “International Finance Corporation – IFC”, or others that may be applicable.

Based on the foregoing, the Environmental and Social Risk Assessment Policy, applicable to credit and leasing operations, receipt of guarantees and payments dations from economic activities highly sensitive to environmental and social impacts for Colombia, is presented below.

Objective:

Carry out our commitment to responsible and sustainable financing within credit and leasing operations, through the evaluation of the social and environmental risks and impacts that may materialize and prevent their repercussion on credit damage.

1. Operations to evaluate

1.1. Scope of the Equator Principles and the IFC Performance Standards

For the study of environmental and social risks, the standards defined by the Equator Principles of the World Bank and the Performance Standards of the International Finance Corporation – IFC are applied, through its Environmental, Health and Safety Guidelines.

In accordance with the foregoing, credit and leasing operations that fall into the following categories will be subject to study by the Environmental and Social Risk area in the Risks Vice Presidency:

- 1.1.1. **Project Financial Advisory Services**, when the total capital costs of the Project are equal to or greater than US \$ 10 million.
- 1.1.2. **Project Finance**, when the total capital costs of the Project are equal to or greater than US \$ 10 million.
- 1.1.3. **Corporate Credits Linked to Projects**, when the following three criteria are met:
 - 1.1.3.1. Most of the credit is linked to a single Project, over which the client has Effective Operational Control.
 - 1.1.3.2. The individual commitment of the financial institution is at least US \$ 50 million.
 - 1.1.3.3. The term of the credit is two years or more.

- 1.1.4. **Bridge Loan**, with a term of less than two years over which it is expected that they will be refinanced through Project Financing or with a Corporate Loan Linked to Projects, which will foreseeably meet the relevant criteria indicated in paragraphs 1.1.2 and 1.1.3.
- 1.1.5. **Project-Related Refinancing and Project-Related Acquisition Financing**, when the following two criteria are met
- 1.1.5.1 The underlying Project was financed in accordance with the Equator Principles standards
 - 1.1.5.2 The completion of the Project has not yet occurred at the time of signing the credit agreement. This requirement applies to those projects that are indicated in numeral 1.1.2.

These conditions will apply without distinction to all business units in Colombia. Despite the foregoing, for projects corresponding to construction of buildings, it will not be required to carry out a special environmental analysis and / or concept because within the requirements demanded in the documentation for the credit study is the license of construction and the granting of this implies compliance with environmental requirements. However, if the construction project meets one or more of the following criteria, the environmental and social risk study must be carried out and the respective Environmental Concept must be issued, when:

- a. It is located in protected areas or on the border with them.
- b. There is a presence of ethnic minorities.
- c. Require environmental authorizations to remove the reserve area and / or lift the ban
- d. When the area where the project is built has a history of carrying out environmentally sensitive activities (eg storage areas for hydrocarbons, chemicals and agrochemicals or pesticides)
- e. When the area where the project is built has requirements on the historical or archaeological heritage of the nation (Colombian Institute of Anthropology and History - ICANH).

1.2. Sectoral Scope

Additionally, credit and / or leasing operations, higher than the amounts listed below and that are included in the following sectors / subsectors, will be subject to the Environmental and Social study by the Environmental and Social Risks area in the Risks Vice Presidency.

Sector ARAS	Subsectors/Activities	Amount
Tanneries	✓ Tanneries	✓ US \$1.200.000
Mining	✓ Coal extraction ✓ Other mining activities	✓ US \$1.200.000
Animal sacrifice plants	✓ Cold meats	✓ US \$1.200.000
Chemicals and agrochemicals	✓ Agrochemicals ✓ Basic chemicals and other chemicals	✓ US \$1.200.000
Iron and steel industry	✓ Iron and steel industry	✓ US \$1.200.000
Power	✓ Generation ✓ Transmission	✓ US \$4.000.000
Oil and gas	✓ Oil and gas extraction ✓ Oil and gas refining	✓ US \$4.000.000

Sugar mills	✓ Sugar	✓ US \$4.000.000
Oil palm	✓ African palm	✓ US \$4.000.000
Paper and paperboard	✓ Paper and paperboard	✓ US \$4.000.000

The environmental and social risk assessment in Leasing operations will be developed only for direct operations, excluding subleasing and outsourcing services that our clients can provide with the financed assets. For operations that include subleasing and outsourcing, the respective third party control and responsibility clause will be included, located on the Leasing process site.

In all cases, it is responsibility of the Origination Area to include in the Lotus Guarantees tab, the environmental clauses and / or covenants generated in the environmental risk assessment and in the credit study or recommendation.

In the approval of the credit / leasing, the instance must include the environmental clauses with the result of the study.

Financing under the Project Finance modality, which exceeds (US \$ 10MM), must have an independent review, generated by a recognized external environmental and social consultant, using the Equator Principles and their respective Performance Standards as an evaluation standard.

2. Environmental and Social Risk Assessment during the receipt of Guarantees that support credit operations or assets delivered in leasing operations or assets received in dation payment or returned.

For the environmental risk assessment in the receipt of guarantees and acquisition of assets to be delivered in leasing operations, the following conditions must be taken into account:

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

- 2.1.1. Credit or leasing operations that meet the conditions established in paragraphs 1.1 and 1.2.
- 2.1.2. Corporate, Business and SME Segments
- 2.1.3. Real estate guarantees only

2.2. Activities to evaluate, by sector:

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

2.3. Excluded Assets

Fixed 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 will not be accepted as collateral or assets may be acquired to be leased or received as dation in payment:

- 2.3.1. Mining
- 2.3.2. Oil
- 2.3.3. Landfills
- 2.3.4. Cemeteries
- 2.3.5. Tanneries

3. General Considerations of the Environmental and Social Risks Assessments – ARAS

- 3.1.** The documentation required for the environmental and social risk assessment can be found in Annex 1 of this document.
- 3.2.** For Sectoral Scope operations, the Commercial Relationship Manager must attach the corresponding environmental and social documentation to carry out the environmental risk study through the client's credit study request flows, filed by Bizagi ECU, for the case of the Corporate Segment. For the SME and Business segments, the request must be filed through the Flow of Flows - Environmental and Social Risks Assessment of Bizagi. For all cases, the Environmental Concept should be understood as a precedent for the credit recommendation.
- 3.3.** The Environmental and Social Risk Analysts, once they have all the documents required for the study, must generate and send the Concept or Environmental VoBo within a period of no more than five (5) business days to the Origination area and the commercial team so that it is incorporated into the documentation evaluated by the approval instance.
- 3.4.** The analysis carried out to the operations of Sectoral Scope will result in the categorization of the level of environmental and social risk of the operation, identifying it as high risk (A), medium risk (B) and low risk (C).
- 3.5.** Sectoral Scope operations, with categories A (high risk) and B (medium risk), will be analyzed in terms of their Environmental Management System, their environmental legal situation, Environmental and Social Impact Assessment and Environmental Management Plans and will be defined, on the part of the Risks Vice Presidency, the Environmental “Covenants and / or Clauses”, which must be included within the contracts or contractual figures that apply (promissory notes, letters of commitment, among others), in order to monitor the management of environmental and social aspects.
- 3.6.** For those projects located in risk category C (low risk), 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 Environmental Risk area.
- 3.7.** Once the information has been analyzed and the risk categorization determined, the result is generated, which may be one of the following three types of concepts:

- 3.7.1. **ENVIRONMENTAL FAVORABILITY:** The information sent contains the environmental and social programs of the project, where the methods of control, prevention, mitigation, compensation and remediation of environmental and social impacts are described. Likewise, it contains the respective authorizations issued by the environmental authority.
- 3.7.2. **CONDITIONED ENVIRONMENTAL FAVORABILITY:** The information sent does not include all the elements necessary for the fulfillment of a specific environmental and / or social program. However, the remainder 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 sent does not contain the necessary elements for the control, prevention, mitigation, compensation and remediation of environmental impacts. A potential risk for Bancolombia is evident. This concept will also be issued if the project does not have the environmental legal authorizations in force and 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, at their discretion, will assign them a validity based on the identified socio-environmental risks and impacts, as well as the measures to control these. For all cases, the minimum validity will be one year.
- 3.9. The concept may include the following types of Environmental Covenants: (a) punctual and (b) follow-up.
- 3.9.1. Punctual Covenants: Are those requirements that will be applied in a single moment, in the short term and will be evidence of the environmental and social management of the activity. They must be submitted within the defined period, according to the result of the analysis carried out.
- 3.9.2. Follow-up Covenants: These are those requirements that will have a monitoring frequency established for the delivery of information, which must be presented within the defined deadlines, according to the result of the analysis developed
- 3.10. The Credit teams must transcribe the environmental clauses and / or covenants that are generated from the Environmental Concept within the credit recommendation and the approval instance must transcribe them within the approval act and the contractual figures that apply.
- 3.11. According to the evaluation carried out and in accordance with the authorization by the Corporate Business CR Management, Infrastructure, Transportation, Natural Resources and Telecommunications Sectors, the projects with Conditional Favorable result and with a high risk category may be evaluated on site and directly determine its environmental and social viability.

3.12. In all cases, the application process for the credit study flow must guarantee that before transferring the applications to the approval instance, the respective Concept is obtained from the Environmental and Social Risk area, according to the amounts, products, economic sectors, guarantees and other criteria defined in this Policy.

3.13. It should be considered that there are productive sectors other than those mentioned that also present environmental and social risks that may affect the payment of financial obligations. Additionally, they are subject to environmental authorizations, approvals, licenses and permits. These sectors are:

- 3.13.1. Production of bricks and tiles
- 3.13.2. Transport and storage of dangerous substances
- 3.13.3. Food
- 3.13.4. Animal feed production plants
- 3.13.5. Wild Animal farms for commercial purposes
- 3.13.6. Poultry and pig farming
- 3.13.7. Textile plants
- 3.13.8. Forestry activities
- 3.13.9. Fishing and tuna
- 3.13.10. Health sector

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

4. Exceptions

4.1 Exception of conducting Environmental and Social Risk Analysis: The exception of carrying out an environmental and social risk assessment to credit and leasing operations that by Policy must have an Environmental Concept, must request it supporting commercial and technical reasons.

For operations in the SME and Business segments, the exception is in charge of the Corporate Credit Risk Management, Infrastructure, Transportation, Natural Resources and Telecommunications sectors.

For operations in the Corporate segment, the exception is in charge of the Corporate Business Credit Risk Department.

4.2 Approval of operations with Non Environmental Favorability: Assessments rated as "Non Environmental Favorability" will not be credit prospects. This condition may be excepted by the Vice Presidency of Risks in Colombia.

4.3 Elimination of Environmental Covenants: The inclusion of environmental covenants in the contractual figures that apply may be excepted by the corresponding Commercial or Business Vice Presidencies, who must take into account the information contained in the

Environmental Concept and the assumed risks 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 proceeds, the decision taken by the Business Vice Presidency must be communicated to the environmental risk and commercial areas.

4.4 Exception of documents: Exception of documents: For the exception of requiring specific documents for the environmental study of an operation, the Commercial team may request to the environmental analyst in charge who, in their technical criteria, may exempt this requirement.

4.5 Exception for the acceptance of guarantees and receipt of assets as a dation in payment: For the acceptance of fixed real estate assets as collateral, the acquisition of assets to be leased or the receipt of assets as a dation in payment, which are linked in a way direct to the production process of companies that develop activities considered highly sensitive to environmental and social impacts those of the sectors defined in paragraph 2.3., must submit an exception request to the corresponding credit committee. In the event that the acceptance as collateral or the dation in payment proceeds, the decision made by the credit committee must be communicated to the environmental risk and commercial areas.

5. Complementary Policies

Companies, projects or activities related to the production, commercialization or use of the products, substances and activities mentioned in the Policy on Controversial Issues in Business, which is defined by the Sustainability team and the Policy for Critical Industries in Climate Change which is defined by the Corporate Credit Risk team, will not be financed.

6. Responsibilities for compliance with the Environmental and Social Risk Policy (ARAS).

The commercial and credit areas, with the support of the environmental and social risk assessment team, will be responsible for identifying the operations that require a study for the mitigation of environmental and social risks of the clients.

7. Evaluation

The results of compliance with this Policy will be reviewed periodically, at least annually, an activity that will be carried out by the Corporate Credit Risk Management, Infrastructure, Transportation, Natural Resources and Telecommunications sectors.

8. Disclosure

The material progress of this Policy will be disclosed to stakeholders through the official channels established for that purpose, such as newsletters, virtual and face-to-face meetings and the Grupo Bancolombia website. In addition, it will be consolidated in the annual management report.

Any questions in this regard, you can contact the Corporate Credit Risk Management, Infrastructure, Transportation, Natural Resources and Telecommunications sectors, on the phones 4040807, 4043333 and 4041610 in General Directorate, Medellín or the emails cacvasco@bancolombia.com.co, dialrest@bancolombia.com.co y madsuare@bancolombia.com.co

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Appendix 1. Documentation required for the Environmental and Social Risk Analysis

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

** In events where feedback is required with customers for documentation requirements, a teleconference may be generated, in which the commercial area must participate.

1. Documentation required within the Sectoral Scope

Sector/Subsector/Activity	Environmental documentation required	
	Con Licencia Ambiental	Sin Licencia Ambiental
Power	<ol style="list-style-type: none"> 1. Acto Administrativo de otorgamiento de Licencia Ambiental (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Estudio de Impacto Ambiental (y las últimas actualizaciones o modificaciones que puedan aplicar) 3. Último Informe de Cumplimiento Ambiental – ICA, presentado a la autoridad ambiental 4. Manual del Sistema de Gestión de salud y seguridad en el trabajo 	<ol style="list-style-type: none"> 1. Acto Administrativo de aprobación, establecimiento o imposición de un Plan de Manejo Ambiental (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Actos Administrativos de otorgamiento de permisos ambientales según apliquen (y las últimas cesiones y/o modificaciones que puedan aplicar) 3. Plan de Manejo Ambiental (y las últimas actualizaciones o modificaciones que puedan aplicar) 4. Último Informe de Cumplimiento Ambiental – ICA, presentado a la autoridad ambiental 5. Manual del Sistema de Gestión de salud y seguridad en el trabajo
	Con Licencia Ambiental	Sin Licencia Ambiental
Mining	<ol style="list-style-type: none"> 1. Acto Administrativo de otorgamiento de Licencia Ambiental (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Título Minero y/o Contrato de Concesión Minera 3. Certificado de Registro Minero 4. Certificado RUCOM 5. Estudio de Impacto Ambiental (y las últimas actualizaciones o modificaciones que puedan aplicar) 6. Último Informe de Cumplimiento Ambiental – ICA, presentado a la autoridad ambiental 7. Último Informe/Acta de Fiscalización Minera, generado por la Agencia Nacional de Minería – ANM 8. Manual del Sistema de Gestión de salud y seguridad en el trabajo 9. Contrato de Operación Minera (Cuando aplique) 	<ol style="list-style-type: none"> 1. Acto Administrativo de aprobación, establecimiento o imposición de un Plan de Manejo Ambiental (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Actos Administrativos de otorgamiento de permisos ambientales según apliquen (y las últimas cesiones y/o modificaciones que puedan aplicar) 3. Título Minero y/o Contrato de Concesión Minera 4. Certificado de Registro Minero 5. Certificado RUCOM 6. Plan de Manejo Ambiental (y las últimas actualizaciones o modificaciones que puedan aplicar) 7. Último Informe de Cumplimiento Ambiental – ICA, presentado a la autoridad ambiental 8. Último Informe/Acta de Fiscalización Minera, generado por la Agencia Nacional de Minería – ANM 9. Manual del Sistema de Gestión de salud y seguridad en el trabajo 10. Contrato de Operación Minera (Cuando aplique)

	Con Licencia Ambiental	Sin Licencia Ambiental
Chemicals and agrochemicals	<ol style="list-style-type: none"> 1. Acto Administrativo de otorgamiento de Licencia Ambiental (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Estudio de Impacto Ambiental (y las últimas actualizaciones o modificaciones que puedan aplicar) 3. Último Informe de Cumplimiento Ambiental – ICA, presentado a la autoridad ambiental 4. Manual del Sistema de Gestión de salud y seguridad en el trabajo 	<ol style="list-style-type: none"> 1. Actos Administrativos de otorgamiento de permisos ambientales según apliquen (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Plan de Manejo Ambiental (y las últimas actualizaciones o modificaciones que puedan aplicar) 3. Último Informe de Cumplimiento Ambiental – ICA, presentado a la autoridad ambiental 4. Manual del Sistema de Gestión de salud y seguridad en el trabajo
Iron and steel	<ol style="list-style-type: none"> 1. Acto Administrativo de otorgamiento de Licencia Ambiental (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Estudio de Impacto Ambiental (y las últimas actualizaciones o modificaciones que puedan aplicar) 3. Último Informe de Cumplimiento Ambiental – ICA, presentado a la autoridad ambiental 4. Manual del Sistema de Gestión de salud y seguridad en el trabajo 5. Certificación y resultado de medición de huella de carbono 	<ol style="list-style-type: none"> 1. Actos Administrativos de otorgamiento de permisos ambientales según apliquen (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Plan de Manejo Ambiental (y las últimas actualizaciones o modificaciones que puedan aplicar) 3. Último Informe de Cumplimiento Ambiental – ICA, presentado a la autoridad ambiental 4. Manual del Sistema de Gestión de salud y seguridad en el trabajo 5. Certificación y resultado de medición de huella de carbono
Tanneries	<ol style="list-style-type: none"> 1. Actos Administrativos de otorgamiento de permisos ambientales según apliquen (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Plan de Manejo Ambiental (y las últimas actualizaciones/modificaciones que puedan aplicar) 3. Descripción técnica y memorias de cálculo del Sistema de Tratamiento de Aguas Residuales 4. Plan de Manejo Integral de Residuos 5. Manual del Sistema de Gestión de salud y seguridad en el trabajo 	
Oil and gas	<ol style="list-style-type: none"> 1. Acto Administrativo de otorgamiento de Licencia Ambiental (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Estudio de Impacto Ambiental (y las últimas actualizaciones o modificaciones que puedan aplicar) 3. Último Informe de Cumplimiento Ambiental – ICA, presentado a la autoridad ambiental 4. Manual del Sistema de Gestión de salud y seguridad en el trabajo 	
Sugarmill	<ol style="list-style-type: none"> 1. Actos Administrativos de otorgamiento de permisos ambientales según apliquen (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Certificado INVIMA 3. Plan de Manejo Ambiental (y las últimas actualizaciones/modificaciones que puedan aplicar) 4. Descripción técnica y memorias de cálculo del Sistema de Tratamiento de Aguas Residuales 5. Descripción técnica del sistema de control de emisiones atmosféricas 6. Plan de Manejo Integral de Residuos 7. Manual del Sistema de Gestión de salud y seguridad en el trabajo 	
Oil palm	<ol style="list-style-type: none"> 1. Actos Administrativos de otorgamiento de permisos ambientales según apliquen (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Certificado INVIMA 3. Plan de Manejo Ambiental (y las últimas actualizaciones/modificaciones que puedan aplicar) 4. Descripción técnica y memorias de cálculo del Sistema de Tratamiento de Aguas Residuales 	

	<ol style="list-style-type: none"> 5. Descripción técnica del sistema de control de emisiones atmosféricas 6. Plan de Manejo Integral de Residuos 7. Manual del Sistema de Gestión de salud y seguridad en el trabajo
Paper and paperboard	<ol style="list-style-type: none"> 1. Actos Administrativos de otorgamiento de permisos ambientales según apliquen (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Plan de Manejo Ambiental (y las últimas actualizaciones o modificaciones que puedan aplicar) 3. Descripción técnica y memorias de cálculo del Sistema de Tratamiento de Aguas Residuales 4. Descripción técnica del Sistema de Captación y Abastecimiento de Agua 5. Descripción técnica del Sistema de Control de Emisiones Atmosféricas 6. Último Informe de Cumplimiento Ambiental – ICA, presentado a la autoridad ambiental 7. Manual del Sistema de Gestión de salud y seguridad en el trabajo 8. Certificado de procedencia de materias primas
Animal sacrifice plants	<ol style="list-style-type: none"> 1. Actos Administrativos de otorgamiento de permisos ambientales según apliquen (y las últimas cesiones y/o modificaciones que puedan aplicar) 2. Certificado INVIMA 3. Plan de Manejo Ambiental (y las últimas actualizaciones/modificaciones que puedan aplicar) 4. Descripción técnica y memorias de cálculo del Sistema de Tratamiento de Aguas Residuales 5. Plan de Manejo Integral de Residuos 6. Manual del Sistema de Gestión de salud y seguridad en el trabajo