



ANNEX 5:

DECARBONIZATION STRATEGY AND ENGAGEMENT

One of the essential actions needed to mitigate the effects of climate change is reducing greenhouse gas emissions across various industries and economic sectors. The rising levels of emissions, coupled with current national and international commitments, necessitate that companies undergo transformations, adjust their production processes, develop transition plans, enhance efficiencies, and adopt practices that lead to a low-carbon and climate-resilient economy.

At Davivienda, we recognize this reality and our responsibility to act accordingly. We are actively committed to reducing emissions from both our own operations and those we finance through credit distribution and investments. In line with our sustainability declaration, “The world is our home; let’s make it more prosperous, inclusive, and green,” we are dedicated to decreasing the carbon emissions associated with our financed and invested activities. We also aim to collaborate with our clients and issuers to promote responsible practices that promote decarbonization.

In this way, at Davivienda we seek to strengthen the close relationships we have with customers and issuers to jointly encourage the reduction of GHG emissions from their productive activities, accompanying them with our financial and non-financial services, thus contributing to the reduction of carbon emissions for which we are responsible through credit or investment.

In this regard, we align with the decarbonization objectives set forth in various international and local agreements and frameworks to achieve carbon neutrality and reinforce our commitment to sustainability and climate change management.

5.1. Objective of the decarbonization strategy: Establish joint actions and open, constructive communication channels with the Bank's clients and issuers to effectively reduce greenhouse gas emissions, manage climate change efficiently,



and promote the implementation of sustainability strategies that advance a low-carbon and climate-resilient economy.

5.2. Scope: Applies to Banco Davivienda across all countries where it operates, covering credit activities for businesses and projects as well as investments. Special emphasis will be placed on sectors and activities with the highest greenhouse gas emissions from their production processes.

5.3. Engagement Plan: Focused on achieving the objectives of the strategy and guided by the report "*Leadership Strategies for Client Engagement: Advancing Climate-Related Assessments*", which is designed to help the financial sector improve client assessments and interactions in line with decarbonization plans under the UNEP-FI program, we have defined the following guidelines and phases for implementing the engagement strategy with our credit clients and investment portfolio issuers:

- Develop a Model for Identification and Prioritization: Establish a model to identify and prioritize credit clients and investment portfolio issuers based on climate risk and opportunity analysis. This model will take into account key elements such as high-emission sectors and the periodic measurement of financed and invested carbon emissions (expressed in CO₂eq).
- To propose and apply the following phases for an effective relationship with the prioritized credit clients and issuers of the investment portfolio:
 - Establish a Baseline: Gather existing information from the bank and publicly available data on prioritized clients and issuers. This will set a starting point and identify potential *engagement* actions, such as understanding, deepening, and promoting carbon emission reduction initiatives.
 - Evaluate and Align Information: Conduct collaborative meetings with clients or issuers, and bank representatives from commercial, sustainability, and risk teams, to update and complement collected information. Identify opportunities for bank support in transitioning or



decarbonization strategies through both financial and non-financial services.

- Promote Decarbonization Plans: Assist credit clients or investment issuers in establishing or strengthening their decarbonization plans. Preferably, these plans should be based on climate goals, science-based targets, or similar methodologies for effective tracking and reporting. Identify financing opportunities for short-, medium-, and long-term transition projects and activities.
- Structure Financial and Non-Financial Solutions: Develop and offer tailored financial and non-financial solutions as part of our role as financiers and investors. As part of this engagement strategy, the bank may directly support clients where applicable or connect them with third-party partners to achieve their decarbonization goals.
- Agree on Financing Structures and Indicators: Define the terms, conditions, and performance indicators for the financing structures or partnerships established through the *engagement* process.
- Monitor Progress: Track the implementation of agreed-upon measures and encourage a net-zero agenda on the decarbonization path.
- Measure Impact: Use key performance indicators to assess the reduction of financed and invested emissions.
- Educate and Raise Awareness: Provide training and awareness activities for involved staff and conduct sensitization actions.

5.4. Dissemination Plan: This strategy will be communicated to all employees of Banco Davivienda across the countries where we operate, with a special focus on those in the Commercial, Sustainability, and Risk departments, whose functions could be directly related to the *engagement* process with corporate clients or investment issuers.