ANNEX 3:

INTEGRATION OF ESG CRITERIA

We integrate ESG[1] (Environmental, Social, and Governance) criteria into our business model and comprehensive risk management framework by applying a responsible action framework as follows:

- **Comprehensive Risk Management Structure:** The risk management framework of the Bank and its subsidiaries is based on a governance structure aimed at achieving strategic objectives and controlling various types of associated risks. The Comprehensive Risk Management Model is implemented within a clear framework of role segregation to ensure timely identification of risks and independence between management and risk control functions. This is achieved through three lines of defense involving the participation of all organizational areas:

    - **First Line of Defense:** Business, operations, and commercial lines.
    - **Second Line of Defense:** Risk management, internal control, and regulatory compliance areas.
    - **Third Line of Defense:** Internal and external audits.

    In this context, the Environmental and Social Risk Management System SARAS, which includes ESG factors, is part of the Bank's Integrated Risk Management.

- The integration and application of policies for due diligence start from the client onboarding process and extend to our partners, issuers, and counterparties. This includes verification procedures against restrictive lists, including ESG exclusion lists that are part of SARAS.
- When granting loans to individuals and businesses, we apply policies focused on verifying aspects such as the client's ability and intention to

[1] Environmental, social and corporate governance issues.

repay. Simultaneously, we conduct due diligence on environmental and social risks, particularly for financing projects and business activities, including environmental, social, and governance issues. For sustainable financing, we enforce policies to verify compliance with environmental and social eligibility criteria.

- After closing and disbursing loans, we continue with portfolio monitoring, including tracking the environmental and social risks of our corporate clients. This ongoing engagement helps in managing risks and opportunities according to established conditions.

- We conduct ESG evaluations for investment portfolios. In addition to considering financial performance, investment decisions take ESG factors into account in the selection process.

The following diagram illustrates the integration of ESG criteria:

3.1. Environmental and Social Risk Management System (SARAS):

As part of our sustainability strategy, within the framework of our Comprehensive Risk Management, we have implemented the Sistema de Administración de Riesgos Ambientales y Sociales (SARAS). This system is managed by the Environmental and Social Risk Department within the Credit Risk Vice Presidency and reports to the Corporate Risk, Corporate Governance and Sustainability, Credit Risk, and Investment Committees.

Our SARAS methodology is aligned with the International Finance Corporation (IFC) performance standards and the Equator Principles, to which we formally adhered in 2024. It includes an Environmental and Social Exclusion List based on multilateral banking references. Since its inception in 2011, we have continuously improved and expanded our procedures across various management areas, and our system now encompasses:

- Environmental and Social Risk Assessment and Underwriting: Applied to credit applications from our corporate and construction clients, as well as the assessment of the Bank's strategic suppliers.
- Climate Risk Management: Both physical and transition risks.
- Human Rights Risk Management.
- ESG Assessment in Responsible Investment.
- Definition and Evaluation of Categories and Criteria for Sustainable Financing.

The SARAS process for credit evaluation and underwriting includes specific policies considering amounts, terms, sensitive activities, local regulations, and, when required by credit approval instances, prioritizes projects or activities with potential environmental or community impacts.

For large infrastructure projects (project finance), the environmental and social risk assessment and underwriting follow the Equator Principles methodology. This ensures that an independent advisor conducts environmental and social due diligence, and the process is monitored from credit structuring to the completion of the client’s obligation to the Bank.

SARAS evaluates the following Environmental, Social, and Governance (ESG) aspects:

- **Environmental and Social Risk and Impact Management**: Includes project or activity policies on environmental and social matters, risk identification, impact management programs for prevention, mitigation, and control, emergency preparedness and response, and ongoing monitoring and evaluation.
- **Governance Factors**: Such as the existence of an organizational structure with responsibilities for environmental and social programs.
- **Labor and Working Conditions**: Ensuring employment generation aligns with worker rights protection, fair treatment, and compliance with Occupational Health and Safety Systems, as well as non-discrimination, equality of opportunity, and the prohibition of child and forced labor.
- **Resource Efficiency and Pollution Prevention**: Adherence to technical standards and best sector practices.
- **Community Health and Safety**: Minimizing risks and impacts on community health and safety where projects or activities are developed.
- **Land Acquisition and Involuntary Resettlement**: Ensuring improved living conditions for affected individuals.
- **Biodiversity Conservation and Sustainable Natural Resource Management**: Activities to protect and conserve biodiversity, manage ecosystem services, and sustainably manage living natural resources.
- **Community Engagement and Free, Prior, and Informed Consent**: For affected ethnic communities (Indigenous, Black, Afro-Colombian, Raizales, Palenqueras, and Romani) impacted by the project or activity.
- **Cultural Heritage Protection**: Mitigating adverse impacts on cultural heritage from project activities.

To conduct the environmental and social risk assessment and underwriting, we request clients provide project or activity information, applying a methodology to identify environmental, social, and climate risks. This includes risk categorization from A (high impact) to C (low impact), risk and impact evaluation, legal compliance, external research, and management measures (prevention, mitigation, compensation). This process results in an environmental and social risk assessment that guides technical feasibility and establishes action plans with monitoring and follow-up measures, identifying opportunities as well.

The environmental and social risk assessment and underwriting are essential information for the Credit Committees' decision-making. We include environmental and social clauses in credit agreements. Client compliance with commitments helps determine the environmental and social risk level throughout the credit term, sometimes requiring additional measures, which are communicated through ongoing engagement. Our goal is to apply the assessment and underwriting to 100% of credit applications meeting the established criteria.

The Environmental and Social Information Form (FIAS) is used as part of the risk assessment tools, completed by the Bank's clients or suppliers. This form gathers information about the project or activity, such as project type, size, location, environmental and social management policies, permits, regulatory compliance, management and control measures for potential impacts, proximity to sensitive areas, and water and energy use practices. Climate change and human rights are transversal issues in this information. Additionally, the assessment process utilizes procedures and formats to collect information and evidence on the client's project or activity performance.

SARAS is managed by specialized internal officials with expertise, professional training, and experience in these risks, within the same organizational unit. It is integrated with other credit cycle procedures, defining functions and responsibilities for commercial, credit, credit risk, disbursement, and legal staff, among others.

Climate risk assessment (physical and transition) is part of SARAS. For physical risks, we prioritize climate threats relevant to the project, considering past climate events and potential environmental impacts, allowing risk identification and categorization. We evaluate existing management and mitigation measures. Physical risk assessment is also applied to loan portfolios to determine exposure to climate-related threats across different geographies. Transition risks are considered based on the credit portfolio's exposure to high CO2 emission sectors. Climate change management aligns with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

In alignment with our Human Rights Declaration and through SARAS, we identify, evaluate, and manage potential risks for our stakeholders: clients, communities, suppliers, and employees. We support Human Rights Risk Management through differentiated procedures tailored to meet management area needs and segmented by stakeholder groups. This includes transparency for Bank employees and valuation for clients and strategic suppliers, ensuring comprehensive risk management as a second line of defense.

Human rights due diligence incorporates context-related aspects, potential threat interactions, and required control activities based on current regulations and best practices. It also prioritizes vulnerable groups such as women, children, ethnic groups, migrant and subcontracted workers, and local communities.
As part of SARAS, we develop training plans for both technical environmental and social staff and those involved in the credit process, including commercial, credit, disbursement, and legal areas.