TCFD REPORT
DAVIVIENDA COLOMBIA 2022

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

DAVIVIENDA

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CONTENT

LETTER FROM THE PRESIDENT

Davivienda deems **climate change to be one of the greatest challenges** faced today by humanity.

This is a call to action that urges us to reflect on the impact of each of our actions as citizens, families, employees, freelancers, and business and government leaders. That is why it is pivotal to join this global commitment.

Banks support individuals, families, companies, businesses, and institutions as they make choices on what to buy, when to borrow, and how to invest, all of which directly impact our carbon footprint. We have therefore joined this important cultural transformation and we comprehensively manage our business accordingly.

In line with our higher purpose: **"enriching life with integrity"**, climate change is at the core of our sustainable management approach. We have documented and leveraged actions undertaken throughout the years as we have deployed our strategy, supporting this approach. Davivienda issued its first TCFD report in December 2021, and we have continued moving forward towards achieving our goals by taking bold actions since then. This second report outlines our progress and describes how we engage with other stakeholders from society and the Government to help achieve the goal of maintaining global warming below 1.5°C - as set out in the Paris Agreement - and to achieve Net Zero by 2050.

The Governance chapter explains the Bank´s governance practices and how the Board of Directors and our leadership spearhead our efforts to address climate change risks and opportunities. The Strategy chapter provides an overview of the potential risks that climate change poses to our business, our strategy, and our financial planning, as well as the opportunities that we may seize. The Risk Management chapter explains how we identify, assess, and manage climate change-related risks. Finally, the Metrics and Targets chapter presents our key indicators and targets for managing climate change across our organization. As such, we report our performance and our current and future commitments.

Learn more about our efforts to address climate change and join us in our daily actions to face this great challenge that unites us.

JAVIER JOSÉ SUÁREZ ESPARRAGOZA
President

INTRODUCTION

Our actions are shaped by our higher purpose: **enriching life with integrity**. We enrich the lives of people and the planet by leveraging the transformative power of our business models, while securing our long-term presence, with accountability towards our stakeholders and environmental awareness, amidst a growing number of challenges affecting the financial industry. We conducted a materiality review in both 2021 and 2022, identifying 8 material issues that address the ESG dimensions of our strategy. Climate change stands out as the most relevant.

We are **committed to sustainable development** and conceive crises as opportunities to shatter paradigms and further take on the challenges associated with climate change faced by industries and the financial sector. We are committed to reducing CO 2 emissions throughout our operations, as well as in our lending practices by funding projects and activities aimed at mitigating and adapting to climate change, and by adequately managing the potential negative impacts of climate change. We follow global best practices to address key issues for our organization and our stakeholders.

ECO

Climate change

is the most important material subject within the ESG matters of our strategy.

Climate change is highly relevant in our industry, as it may have direct financial consequences. It is also the source of important conversations around climate risks, whether physical or transition, prompting rapid strategic business decisions and moving funds towards activities aimed at transitioning to a low-carbon economy. Therefore, we adhered to the TCFD in 2020, submitted our first report in 2021 and are now sharing our second report, highlighting our progress in climate management. We are committed to actions geared towards meeting global needs in the years to come.

Davivienda strives to manage climate change by reducing water and energy consumption, mitigating our carbon footprint, investing in green building projects, deploying non-conventional renewable energy (NCRE) projects, adopting a circular economy approach, and promoting sustainability among our personnel. As part of the suite of products and services offered to our customers, since 2014 we have designed lines of credit with environmental benefits aimed at promoting climate change adaptation and mitigation efforts, raising awareness, and yielding positive business outcomes.

We strive to **meet global standards and adopt best practices on climate change management**. Consequently, since 2014 we have been reporting our climate performance via the Carbon Disclosure Project (CDP) and we are part of the Dow Jones Sustainability Index (DJSI). Furthermore, in 2015 we were also included in the S&P Sustainability Yearbook, which acknowledges the top 15% companies with the best sustainability practices in the world.

We ratified our responsibilities on climate change in 2020, pledging to implement the recommendations issued by the TCFD (Task Force on Climate-related Financial Disclosures) for identifying, managing and disclosing the opportunities, risks and financial impacts derived from climate change.

As part of these efforts, we joined the Partnership for Carbon Accounting Financials (PCAF) in 2022 to measure financed emissions, and the Principles for Responsible Investment (PRI), designed to promote responsible investment to build sustainable markets for a healthier and more prosperous world.

Report structure and key points

RECOMMENDED DISCLOSURE	KEY POINTS
Governance: This chapter outlines the governance structure established by the Bank to oversee climate issues. It further describes how these issues are managed and controlled, along with key actions carried out.	
Board of Directors	▸ Responsibilities and Roles ▸ Composition ▸ Related Governance Committees
Senior Management and Responsible Areas	▸ Roles and Responsibilities ▸ Areas Involved in Defining and Implementing the Strategy
Main Management Actions 2022	▸ Definitions Board of Directors and Related Committees
Strategy: Describes the climate strategy and how it is embedded into our organizational strategy.	
Our Strategy	▸ Organizational and Climate Change Strategy. ▸ SDGs

Climate Change Management	▸ Management through Banking:
	  ▸ Environmental products and programs as an opportunity to manage climate change - Green Lines
	  ▸ Environmental and Social Risk Management System - SARAS
	▸ Direct management of CO_2 emissions in our operations - Ecoefficiency
	▸ Resilience, at the core of our strategy

Risk management: Organizational risk management for climate-related issues.	
Comprehensive Risk Management	▸ Climate change risks within the SARAS framework and as part of the SIAR (formerly ERM, *enterprise risk management*).
Main Management Actions	▸ Description of main actions ▸ Methodology ▸ Physical and transition risk analysis
Objectives and metrics: Targets and metrics that the organization set by the Organization to assess and manage the risks and opportunities associated with climate change, to measure progress and compliance.	

Targets and objectives across our Banking portfolios.	▸ Management through Banking.
	  ▸ Green Lines, portfolio balances
	  ▸ Emission measurement

Targets and objectives across our operations	▸ Direct management of CO_2 emissions caused by our operations - Ecoefficiency

GOVERNANCE

As part of a comprehensive approach to our sustainability strategy, we promote actions to strengthen our organizational culture grounded on a governance model focused on heeding the views of our stakeholders and involving them actively.

Annual General Meeting of Shareholders

- Assesses the results (yearly)

Board of Directors

- Provides guidelines
- Follow-ups on the strategy and outcomes (quarterly)

Presidential Committee

- Business strategic decision making upon demand

Quarterly

Corporate Governance and Sustainability Committee

- Proposes and review policies, guidelines, and procedures on ESG issues

Sustainability Department

- Setting forth the strategy
- Consolidation, analysis, and information disclosure
- Best practices promotion and leadership
- Engagement with stakeholders

VP of Credit Risk

- Setting forth product policies
- Environmental and social risk assessments
- Green products certification

Administrative Services Department

- Follow-up on the eco-efficiency strategy
- Regional alignment
- Metrics and reports

Vice Presidency of Risk Investment

Our organizational structure includes the governance system and the areas in charge of managing climate change and making strategic decisions.

The Board of Directors is **the highest governance body**. It is in charge of planning, controlling, and following up on climate change issues. Its role and functions include: defining the strategy, monitoring progress, compensation, and implementing and enforcing actions for climate change management.

The Board of Directors considers **climate change to be a financial risk**, as it could potentially impact our stakeholders and our strategy. In 2022, we reiterated the importance of addressing climate change issues. Consequently, Senior Management has prioritized this issue to mitigate climate change risks, while simultaneously leveraging the opportunities arising therefrom.

To be successful in these endeavors, the Board of Directors relies on supporting committees. The **Corporate Governance and Sustainability Committee** and the **Corporate Risk Committee** are directly tasked with climate change issues. Furthermore, Senior Management plays a key role, as VPs and division leaders drive actions and make decisions that enable the Bank to implement these guidelines as part of its duties and responsibilities.

SUPPORTING COMMITTEES REPORTING DIRECTLY TO THE BOARD OF DIRECTORS

Annual General Meeting of Shareholders

↓

Board of Directors

↓

- Audit Committee
- Corporate Risk Committee*
- Governance and Sustainability Committee*
- Compliance Committee

*Directly accountable for climate affairs

Board of Directors' supporting committees

Responsible of reviewing, validating, and following up on our climate change actions.

To enable the Board of Directors to fulfill these duties, supporting committees are tasked with reviewing, validating, and following up on climate change actions. Progress on this actions is reported as follows:

- On a quarterly basis, the person appointed to represent the Board of Directors in the **Corporate Governance and Sustainability Committee** presents the definitions and progress achieved in the monitoring of the strategy, for validation before this governance body.

- On a semi-annual basis, the **Corporate Risk Committee** must present a performance report on the Corporate Risk Management System. This report consolidates information on environmental, social, and climate change risks management.

The Sustainability Department defines and enforces a comprehensive approach to manage the sustainability strategy, encompassing the 8 material issues identified by the Bank. The Sustainability Department, the VP of Credit Risk, the Administrative Services Department, business VPs and the VP of Investment Risk of Grupo Bolivar are in charge of monitoring and ensuring compliance with the material issue of climate change. These are the instances were internal and business actions are articulated and integrated to ensure a common view of this issue at the strategic and tactical levels.

To guarantee follow- up of stablished matters, **the Strategic Risk and Planning Direction** is in charge of business indicators and risk appetite associated with sustainbale management; **The administrative Services Department** monitors he eco-efficiency strategy; **The Sustainability Department**, consolidates the strategy, monitors its implementation, follows-up its progress and reports the outcomes to **the Corporate Governance and Sustainability Comitee** and to the Board of Directors of Davivienda Colombia and its subsidiaries.

In 2022, we expanded our Sustainability and Risk team by onboarding specialized and technical professionals, in an effort to advance in climate change management decisively and swiftly. Nine professionals are exclusively devoted to this line of action.

Areas Responsible for Climate Change Management

Annual General Meeting of Shareholders

Board of Directors

Fiscal Auditor

VP of Compliance

VP of Audit

President

Sets forth guidelines and promotes sustainability across the organization as an organizational value.

Sustainability Department

- Defines the sustainability strategy.
- Enforces and implements the strategy comprehensively as a cross-cutting issue across the entire organization.
- Reports and communicates.

Corporate Executive VP

- Builds and manages environmental products and programs designed to contribute to climate change mitigation and adaptation across all Banking portfolios.

Retail Banking and Marketing Executive VP

- Manages environmental products for retail banking across placement and deposit activities.
- Reports and communicates.

International Executive VP

- Coordinates the implementation of the Bank´s climate strategy in the countries we serve.

Human Resources Executive VP

- Leads the eco-efficiency strategy.
- Promotes a culture of sustainability and climate action.

Risks Executive VP

- Oversees proper corporate risks management, including climate change.

Investment Risk VP of Grupo Bolivar

- Oversees proper financial risk management for investment portfolios, as well as climate change risks associated with investments.

We assessed the current state of our governance model as it pertains to climate issues, as well as the gaps and challenges that must be addressed. Accordingly, the Bank set forth a 5-year plan that was launched in 2021. This plan has enabled us to carry out actions, grounded on a governance model that is constantly expanding its scope across the organization. The Bank is committed to improve its climate change risk oversight practices and to seize opportunities arising therefrom. The Board of Directors and the Higher Management are actively and deeply engaged in these efforts.

COMMITTEES

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

In 2021, the Board of Directors consolidated corporate governance and sustainability issues into a single committee, with an integrated ESG business perspective.

Functions of the Committee

In addition to supporting the Board of Directors, its objective is to oversee, review, and implement policies, guidelines, and procedures related to best corporate governance practices and sustainability standards, observing national and international measures and standards, as well as voluntary agreements submitted to the Board of Directors for approval.

The Committee is composed of 5 permanent members: a member of the Board of Directors, the President of the Bank, the Executive Vice President of Risk, the Executive Vice President of Retail Banking and Markets, and the Legal Counsel Vice President. The Vice President of Credit Risk and the Director of Sustainability are permanent guests. The meetings are held on a quarterly basis.

CORPORATE RISK COMMITTEE

It supports the Board of Directors and oversees the operation of the Comprehensive Risk Management System (SIAR), formerly ERM (Enterprise Risk Management), established for the Bank and its subsidiaries. The Committee is composed of 3 members of the Board of Directors and meets 4 times a year or whenever one of its members deems it convenient.

Functions of the Committee

Makes sure that risk systems operate with synchronicity and in an integrated fashion across the organization; ensures that the organization stays within its established risk appetite; and fosters a risk management culture. Specifically for climate change risk, the Committee follows-up on the 5-year plan,and oversees how climate risks are managed based on the scopes. Furthermore, it works on continuous improvement and defines and fine-tunes risk appetites.

Actions

Board of Directors

2019
- Setting forth lines of action.

2020
- Following-up on strategy indicators.
- Climate change risk concepts presentation.
- Adherence to TCFD.
- Goals for 2021 approved.

2021
- Establishment of the Corporate Governance and Sustainability Committee
- Approval of 2022 goals

2022
- Approval of reports
- Follow-up on sustainability performance

Corporate Governance and Sustainability Committee

2019
- First Session of the Sustainability Committee
- Setting forth lines of action for 2020
- Climate Change Management
- Circular Economy
- Green Building
- Strengthening of green lines

2020
- Monitoring of Strategy Indicators
- Presenting main actions undertaken since 2012 as part of the climate change and associated risks agenda.
- Pilot results of physical risks in the mortgage portfolio
- Adherence to TCFD.

2021
- Establishment of the Integrated Committee
- Ratification of adherence to TCFD
- Setting forth lines of action for 2021 on climate change, sustainable finance, and responsible investment.
- Sustainability appetite indicator
- Climate change macro plan

2022
- Approval of Corporate Governance Report
- Approval of Annual Report
- Approval of the first TCFD report
- Approval of the sustainability policy
- Approval of the materiality review
- Sustainability Governance Training
- Follow-up on sustainability management results
- Analysis and actions regarding the climate change plan

Corporate Risk Committee

2021
- Declaring environmental, social and climate change risk as cross-cutting risks to be managed within the Bank's Comprehensive Risk Management System (ERM).
- Environmental and social risk appetite indicator

2022
- Presentation of methodologies for identifying physical and transition risks.
- Presentation of results of physical and transition risk identification
- Presentation of the results of the PACTA scenario analysis

POLICIES ASSOCIATED WITH CLIMATE CHANGE MANAGEMENT

The Bank has defined a set of policies for sustainable management:

- **Sustainability Policy**
  Under the guidance of the Sustainability Department and higher management, our mission is to make the world our home, amore prosperous, inclusive, and cleaner place:

- **Environmental and Climate Change Policy**
  It establishes guidelines to manage and control the environmental and social impacts of our operations and the operations of our vendors and customers, by mitigating negative impacts, managing risks, and measuring key indicators, and by setting forth overarching guidelines to be embedded into the Bank's actions to comprehensively address climate change.
  (To learn more, click here).

- **Responsible Investment Policy**
  It establishes guidelines for Grupo Bolivar to embed ESG criteria into investment assessments and decision-making processes.
  (To learn more, click here).

INTERNAL CONTROL MANAGEMENT ON CLIMATE ISSUES

Our Internal Audit practice plays a pivotal role to manage climate issues:

- Conducts an annual internal audit on sustainable management based on identified risks. Verifies accountability and reports published by stakeholders on sustainable management, including climate change reports under GRI, DJSI, and TCFD standards. Moreover, it reviews best practices and produces annual reports, under the guidance of the Corporate Governance and Sustainability Committee.

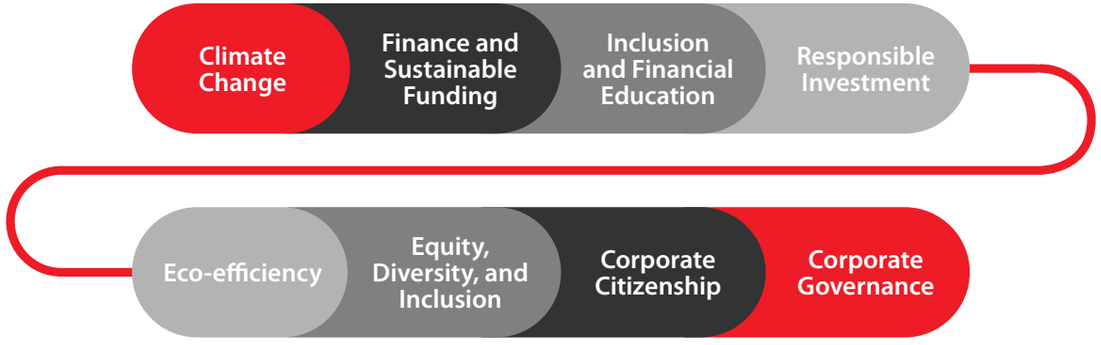
- Evaluates the Internal Control System (ICS) within the environmental and social risk management process. The Audit assessed the operation of the system, concluding that it complies with established policies and

STRATEGY

Sustainable management drives our organizational strategy as one of **our five corporate strategic objectives**, intended to ensure long-term sustainability, and directly intertwined with our business and operations.

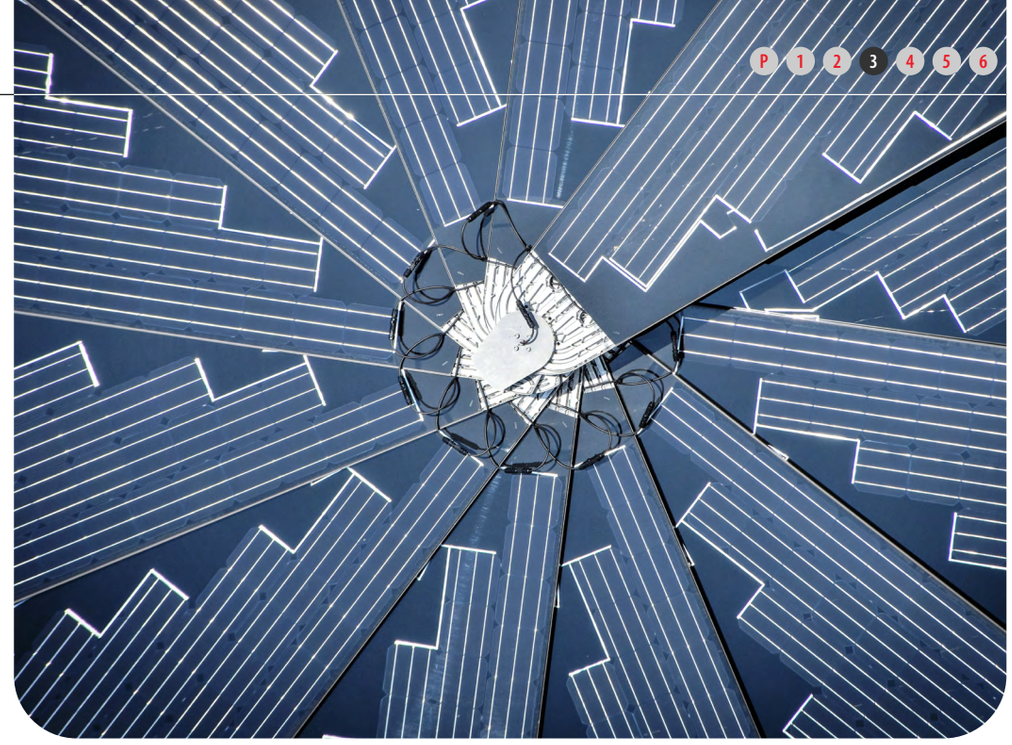
SUSTAINABLE MANAGEMENT

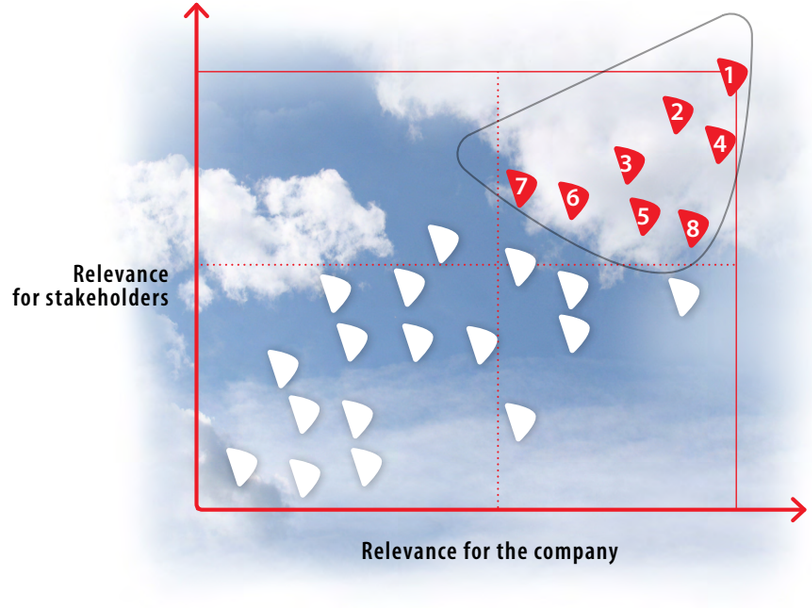
In 2022, Davivienda conducted a materiality analysis and prioritized 8 material issues for sustainable management of economic, social, and environmental affairs:



The scope of this exercise and our strategy stretch to the Bank and its subsidiaries in Colombia, Honduras, Costa Rica, Panama, and El Salvador, for all strategic issues reported.

Following the materiality analysis, **we prioritized climate change as the most relevant material issue,** acknowledging the role we play as a financial institution towards our stakeholders. Consequently, we are working to strengthen our climate strategy by managing climate change in conjunction with other material issues, such as Sustainable Finance and Funding and Eco-efficiency, approaching these issues comprehensively.





The following are material issues related to climate change:

- **Climate Change**
  Actions geared towards climate mitigation and adaptation across our value chain, actively managing risks, opportunities, and impacts, contributing to a resilient, low-carbon economy.

- **Finance and Sustainable Funding**
  Savings, financing, payment methods, and insurance products and services. Securing sustainability-related funding, contributing directly to sustainable development, and enabling our offerings.

- **Eco-efficiency**
  Set of actions aimed at preventing, mitigating, or offsetting the environmental impacts caused by our operations and the operations of our vendors. These actions include responsible water, waste, energy, and paper management, as a core value of our culture.

- **Responsible investment:**
  Practices that incorporate environmental, social and governance (ESG) factors into investment decisions and asset management as a complement to existing financial analysis and portfolio construction techniques.

As part of our climate strategy, we have deployed actions aimed at meeting the country's objectives and global targets for 2030 and 2050. The following stand as key milestones:

Our Journey

MILESTONES

2011

Environmental Policy and SARAS (Social and environmental risk management system)

2012

Adherence to

PROTOCOLO VERDE ASOBANCARIA

2013

First report to

CDP DRIVING SUSTAINABLE ECONOMIES

2014

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

ESG Evaluation **Investments**

First **Green financing lines in Enterprise Banking**

2015

Inclusion in **DJSI Yearbook**

Eco-efficiency program:

- Carbon Footprint calculation
- Energetic efficiency
- Sustainable purchases
- Waste management

2017

THE GLOBAL COMPACT

SUSTAINABLE DEVELOPMENT GOALS

Renewable energies use: **solar panels** to provide energy to our agencies and our first **Solar Flower**

Green bonds Emission

2019

Product development **Multiportafolio Sostenible Global**

Creation of **the Sustainability Comitee**

2020

Adherence to

TCFD

Responsible Investment Policy

2021

Sustainability strategy review. Climate Change defined as material issue

Climate change risk inclusion to SARAS

SARAS defined as transversal axis within the Integral Risk Management System

2022

TCFD

First Report on 2021

Consultancy in **Eco-efficiency and Circular Economy**

IFC International Finance Corporation WORLD BANK GROUP

Net-Zero Carbon Footprint Verification

icontec

Adherences to

Signatory of:

PRI Principles for Responsible Investment

PCAF Partnership for Carbon Accounting Financials

Grupo Bolivar has been committed to achieving the SDGs since 2017. Particularly, Davivienda updated its approach in 2022, based on its materiality review and consistent with the assessment conducted by the Colombian financial industry. We prioritized 6 SDGs as follows:

OBJETIVOS DE DESARROLLO SOSTENIBLE

17 goals / **169** targets

DAVIVIENDA

We contributed to
6 goals / **17** targets

We deliver **innovative solutions** to drive **success** and **competitiveness** in our environment

8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES

- Sustainable finance and funding resources
- Responsible investment
- Corportate governance

We support **everyone** to achieve their dreams, fostering **diversity** and promoting **equity**

5 GENDER EQUALITY
10 REDUCED INEQUALITIES

- Inclusion and financial education
- Equity, diversity and inclusion
- Corportate citizenship

We foster **forward-looking initiatives** to **regenerate our planet** through targeted sustainability actions

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

- Climate change
- Eco-efficiency

CLIMATE CHANGE MANAGEMENT

Based on our Environmental and Climate Change Policy, international benchmarks, and external commitments, using training and outreach as cross-cutting elements, our climate management approach is built around the following lines of action:

- **Management Across our Banking Portfolio**
  - Environmental and Social Risk Management System - SARAS: We assess climate change risks associated with our loan portfolios.
  - Environmental Products and programs: We identify financing opportunities and encourage our customers to undertake climate change mitigation and adaptation initiatives. Additionally, we support investment ventures.
- **Direct management of CO_2 emissions across our operations - Ecoefficiency**

Our eco-efficiency strategy is focused on using natural resources efficiently, contributing to climate change mitigation through initiatives aimed at promoting efficiency and leveraging technological solutions throughout the organization.

To further expand and fine-tune our contribution to the global decarbonization strategy, we have pledged **to promote an orderly, fair and equitable transition to a low-carbon, zero-emissions economy**, in line with the Paris Agreement and national policies and targets for 2050. We prioritized the following actions across our business, seeking to reduce financed emissions:

1. **Transition financing** with emphasis on climate change mitigation, offsetting, and adaptation, advancing towards meeting our 2030 goal: "our sustainable portfolio (Social and Environmental loans, including Climate Change) account for 30% of our overall loan portfolio", promoting clean energy, fossil fuel substitution, energy efficiency in businesses and homes, sustainable mobility and construction, modernization of agricultural practices and implementation of new technologies, planting and restoration of ecosystems.
2. **Active Engagement**: Engaging companies in the most emissions-intensive industries, fostering knowledge and promoting decarbonization and Net Zero commitments, based on specific emission reduction plans for each client towards 2030.
3. **Thermal coal commitment**, phase out in 2040.
4. **We do not finance** unconventional hydrocarbon projects, in accordance with Colombian law.

We measure emissions financed to monitor, define and/or update science-based targets and manage climate change risks. To stay aligned with national policies and conditions, we will review and update this commitment every 5 years maximum.

In 2023, we plan to join the Net Zero Banking Alliance (NZBA) and Science Based Targets Initiative (SBTi), thereby ratifying our commitments and setting our intermediate goals for the following years.

Thus, by integrating and managing climate change risks and opportunities, we have the opportunity to deliver material financial outcomes for our business, such as:

- Revenue growth driven by increased supply and demand for products and services
- Lower direct and indirect operating costs
- Revenue reduction due to the impact of climate-related events
- Brand positioning by mitigating reputational risk.

Measurement of financed emissions

Allows the monitoring, defintion and update of goals.

CLIMATE CHANGE MANAGEMENT THROUGH BANKING

RISKS ARISING FROM CLIMATE CHANGE

Identifying and assessing climate change risks, whether classified as physical or transition, falls within the Environmental and Social Risk Management System (SARAS) process, whereby eligibility criteria are stipulated for granting green loans in the commercial and retail banking segments.

To understand the potential impacts on the strategy, we identified and defined climate change risks as follows:

TRANSITION RISKS

Risks associated with the transition to a low-carbon economy stemming from regulatory changes, disruptive technologies, and evolving market trends, as well as other factors involved in combating climate change.

- **Regulatory and Legal Risks**
  Risks arising from policies designed to transform production models; these risks affect mostly carbon-intensive sectors.
- **Technological Risks**
  Risks derived from the need to implement technologies to transform production models, considering that some of these technologies have not been fully tested; or risks derived from the need to implement new, high-cost technologies.
- **Market Risks**
  Risks related to changes in consumer demand as they change their perception towards activities or products that they regard as CO_2-intensive, or due to the rising cost of raw materials.
- **Reputational Risk**
  Risk associated with changing customer or public perceptions of how an organization is contributing to or undermining the transition to a low-carbon economy.

IDENTIFICATION OF TRANSITION RISKS

TYPE OF RISK	CLIMATE-RELATED RISKS	POSSIBLE FINANCIAL RISK: CUSTOMERS AND BANK	TIME HORIZON (TERM)	
			SHORT < 4 YEARS	MEDIUM 4 TO 10 YEARS
Regulatory and Legal Risks	Increase in greenhouse gas emissions prices	Potential financial impact to customers due to increased operating costs, increased insurance premiums, or increased investments to reduce emissions.	●	
		Increase in the Bank's emission costs due to its activity.		●
	Additional legal obligations for emissions generation	Increased operating costs and expenses for customers.	●	
		Increased operating costs for the Bank due to the implementation of monitoring and verification procedures.	●	
	Mandates and/or regulation of existing products and services	For customers: loss of asset value or depreciation before the end of their useful life (stranded assets), decrease in sales while new requirements are implemented.	●	
		Impairment of collateral and the need to adjust the Bank's balance sheet to reflect new exposures.	●	
	Exposure to litigation	Increased costs from potential environmental litigation for customers for failure to comply with regulations.		●
		Possible lawsuits filed against the Bank for failure to comply with climate change regulations either directly or indirectly throughout the supply chain.		●
Technological risks	Replacement of existing products and services f or lower emission (CO_2) alternatives.	For the Bank: potential customer payment performance deterioration for loan obligations.		●
	Unprofitable investments in new technologies	Customer spending on research and development (R&D) on new and alternative technologies		●
	Upfront costs to transition to low-emission technology	For customers: upfront costs and expenses for research and development of new and alternative technologies.	●	
		For the Bank: possible deterioration in the payment behavior of customers' credit obligations.	●	

TYPE OF RISK	CLIMATE-RELATED RISKS	POSSIBLE FINANCIAL RISK: CUSTOMERS AND BANK	TIME HORIZON (TERM)	
			SHORT < 4 YEARS	MEDIUM 4 TO 10 YEARS
Market Risk	Change in consumer behavior	For customers: reduced demand for goods and services due to changes in consumer preferences that may lead to a decrease in sales.	●	
		For the Bank: potential deterioration in customers' loan repayment performance.	●	
	Uncertainty about market signals	Increased production costs for customers, arising from changes in input prices (e.g. energy and water) and output requirements (e.g. waste treatment)	●	
	Increase in the cost of raw materials	Sudden and unexpected changes in energy costs for customers, affecting their production processes.		●
		Energy costs for the Bank may also be impacted.		●
	Changes in income	Changes in customer income sources and their combination, resulting in lower revenues.		●
		For the Bank: potential deterioration in customers' loan repayment performance and credit rating.		●
	Price changes	Impairment of collateral and the need to adjust the Bank's balance sheet to reflect exposure.		●
Reputational Risks	Changes in consumer preferences	Reduced customer profits due to decreased demand for goods and services.	●	
		The Bank may lose customers because they believe that it finances projects or activities that are harmful to the environment.	●	
	Stigmatization of the industry	Reduced customer profits due to reduced production capacity (e.g., supply chain interruptions).	●	
		Deterioration of the Bank's reputation for failure to finance projects or activities that affect the environment.	●	
	Increased stakeholder concern	For customers and the Bank: reduced profits (e.g., failure to attract and retain employees)	●	
	Investment exclusions	Restricted availability of capital for customers.	●	
		Lack of interest to invest in the Bank.	●	

To understand transition risks and embed them into our business management, in 2022 we shared the concepts and the way in which climate change issues pose risks and opportunities for the business with the Business Areas of the Corporate Customer Segment and the Risk Management Areas.

PHYSICAL RISKS

Risks caused by climate events that lead to losses and damages to productive sectors, infrastructure, assets, and communities. Physical risks are categorized as follows:

- **Acute Risks**
  Risks related to extreme events, including an increase in the severity or frequency of extreme climate events, such as heat waves, torrential rains, hurricanes, etc., which may cause adverse events such as floods, landslides, wildfires, etc.).
- **Chronic or Incremental Risks**
  Risks related to long-term incremental changes triggered by climate patterns.

IDENTIFICATION OF PHYSICAL RISKS

TYPE	RISK DESCRIPTION	DESCRIPTION OF POTENTIAL FINANCIAL RISK: CUSTOMERS AND BANK	SHORT TERM < 4 YEARS	MEDIUM TERM 4 - 10 YEARS	LONG TERM >10 YEARS
Acute	Increase in the severity or frequency of extreme climate events (heat waves, torrential rains, hurricanes, etc.) that can lead to adverse events such as floods, landslides, wildfires, among others.	Deterioration or business interruption affecting operations or revenues from customer activities	●		
		Loss from damage to the Bank's and Customers' facilities and assets	●		
		Deterioration of or damage to collateral used to secure loans, such as real estate.	●		
		Increase in insurance costs for customers and the Bank	●		
	Business Continuity challenges posed by natural disasters such as floods or hurricanes.	Increased operating costs and loss of income due to interruptions in the Bank's operations	●		
Chronic	Changes in rainfall patterns	Reduced income and higher costs in customers' production activities		●	
	Temperature increase	Increase in operating costs for productive activities (crops, livestock) affecting customers, due to soil degradation, depletion of water resources, droughts, wildfires, death of livestock, among others.		●	
		Loss of value of client assets that have been pledged as collateral in water-scarce zones		●	
		Lower income from customers engaged in hydropower generation		●	
		Regional movement of people and economic activities		●	
	Rising sea level	Impairment of collateral held by the Bank		●	

In 2022, we launched a work plan for physical risks, which is expected to continue in 2023. It is aimed at further identifying and prioritizing these risks in conjunction with our business and risk management areas, thereby raising awareness about these potential impacts, prioritizing such risks, and integrating pre-existing procedures and controls for mitigation purposes. For the Corporate and Business segments and other segments associated with the energy industry, we have prioritized risks arising from increased or decreased rainfall, whereas for the infrastructure sector, we have prioritized risks arising from climate events such as landslides and floods. These decisions will enable us to improve our response plan to address these risks using specific adaptation and mitigation measures appropriate to the context and location.

By identifying and managing climate change risks, both physical and transition, we are moving forward on our plans to mainstream these issues and assign accountability for mitigation, embedding these matters into our business strategy to inform decisions on various fronts, thereby preparing ourselves to face potential emerging risks, as well as to seize the opportunities.

IDENTIFICATION OF OPPORTUNITIES

Environmental products and programs - Green Lines

Mainstreaming climate change into our strategy has helped us to leverage new business, boost income, and reduce risks. We have enhanced our product and service offerings, strengthened our emissions mitigation and offsetting efforts for financed productive activities, and improved our reputation, while supporting initiatives geared towards climate change adaptation.

The following are the products and services designed to develop projects, acquire assets, and carry out activities conducive to environmental benefits, and for climate change mitigation and adaptation. These criteria underpin our green loan offerings for our corporate and retail banking clients:

GREEN LOAN OFFERING CRITERIA

ELIGIBILITY CRITERIA	DESCRIPTION	SHORT-TERM OPPORTUNITY
Renewable Energy	Generation or productive use of electricity, heat, cooling and any other form of energy from renewable resources: solar, wind, hydro (SHP), biomass, geothermal and tidal.	●
	Manufacturers and vendors of equipment or products for renewable energy projects.	
Energy Efficiency	Acquisition, replacement, redesign and/or renewal of equipment or systems, or procurement of services and/or products to reduce energy consumption across service units.	●
	Manufacturers and vendors of equipment and/or products for energy efficiency projects.	
	Clean transportation, modernization and/or replacement of vehicles.	
	Electric and/or hybrid vehicles.	
Cleaner production	Water efficiency: investments to substantially reduce water use per unit of production.	●
	Emissions reduction: Investments to reduce emissions through best practices.	
	Waste management: Facilities to collect, sort and recover materials. Recycling and composting.	
Sustainable infrastructure	Construction, repair, improvement, expansion, equipment, operation and/or maintenance of infrastructure for public utilities, urban development, city projects and sustainable transportation.	●
Sustainable building, green buildings - green mortgage	Projects and housing units that comply with green building standards or equivalent, certified as Edge, Leed, Breeam, Casa Colombia, HQE.	●
Sustainable Agriculture	Allocations defined as green by Finagro, related to environmental issues such as rural and ecological tourism, efficient water management or planting and protection of forests.	●
	Companies holding sustainable agriculture certificates or seals.	

Identifying opportunities derived from climate change, we have set out to:

- Follow up on current green loan lines, monitoring their performance and growth.
- Track new mitigation and adaptation trends and activities, as well as new industry taxonomies to update our green loan offerings as well as other products and services for our clients.
- Analyze trends in methodologies and benchmarking of practices and metrics associated with climate issues.
- Embed eco-efficiency activities and initiatives into internal operations, thereby cutting costs (e.g., energy) and using NCRE (non-conventional renewable energies).
- Identify projects and activities aligned with the Science-Based Objectives.
- Conform to the official green taxonomy for Colombia.

Furthermore, our goal for 2030 is that our Sustainable Finance Portfolio, comprised of loans yielding environmental or social benefits, will account for 30% of our overall loan portfolio.

These guidelines have enabled us to work closely with business areas and to set specific budgets and goals for the green finance lines in the short term. At the same time, we continue building our capabilities to identify our medium- and long-term goals.

We included sustainable finance goals as an item in the 2022 performance bonus dashboard for variable performance-based compensation for all employees across the organization.

Our Sustainable Portfolio includes green loans and social loans. In 2022, the balance of this portfolio reached 12.7 trillion COP, growing by 29.4% over the previous year, and now accounting for 11.8% of our overall loan portfolio. In Colombia, the overall balance of the green finance or environmentally beneficial loans reached 2.9 trillion COP, while in Central America it totaled 331 million USD.

In 2022 our green finance solutions pioneered in adding eligibility criteria for agricultural activities. This is referred to as **Sustainable Agriculture**; under this category we have included the green allocations as defined by Finagro, as well as a set of sustainability certifications and seals. Overall, this line supports activities such as tree planting and protection, infrastructure, machinery, and equipment for rural or ecological tourism, and producers who have been certified for their best practices, based on their compliance with environmental, social, and climate-smart criteria. This line has financed over 594 billion COP through various projects.

Green and social loans

reached COP 12,7 billions during 2022 in our sustainble portfolio, a 29,4% growth with respect to 2021

Through Bancoldex and Findeter lines, Davivienda has financed renewable energy, protection and restoration projects aimed at bridging social gaps by installing water and sewage networks and treatment plants for both drinking water and wastewater.

To step up our green finance initiatives, in 2022 we participated in a pilot program spearheaded by the Financial Superintendence of Colombia and the Colombian Banking Association (Asobancaria), financed with EU technical cooperation resources, to assess how the company is aligned with Colombia's official green taxonomy issued in March by the Government to establish a classification system for economic activities and assets making substantial contributions to the achievement of Colombia's environmental objectives.

- **Stage 1:** This stage of the pilot involved characterizing prioritized activities for the construction (C1 - Construction of new buildings) and transportation (T5 - Private transportation of eco-vehicles) industries for the distribution of resources by Davivienda.
- **Stage 2:** 24 additional activities were analyzed during this stage, covering 57% of the total activities included in the taxonomy, across 7 industries: ICT, energy, construction, water, transportation, waste, and manufacturing.

The results of this pilot will help Colombian banks to be more sustainable. The analysis, lessons learned, and recommendations will help the industry to align its portfolios with the criteria laid out in **Colombia's Green Taxonomy**. This process may be replicated in other financial institutions across the country.

We strive to drive impact actions benefiting our customers and strengthening a culture grounded on knowledge for our employees. Therefore, we have created indicator-based incentives for sales managers who advise and assist customers who benefit from loans designed to carry out environmentally beneficial projects.

We have also held a number of training sessions for employees performing a variety of roles within the organization:

- **Uxplora**, our corporate university, launched a TCFD course on climate change for more than 12,000 employees, facilitated by an advisory service provided by the IDB.
- This platform was used to train and certify 1,531 environmental leaders and managers with the World Energy Council and Vértebra.
- Our senior management team was trained on climate change via a series of sessions with EY Ernst & Young.
- We held training workshops focused on risk areas to address the climate issue as a risk factor, as well as on transmission channels versus traditional risks.

Uxplora UNIVERSIDAD CORPORATIVA

Impact action

We seek to benefit our customers and reinforce a grounded knowledge culture for our employees.

Sustainable funding sources with climate purpose

To seize opportunities, and consistent with our commitment to deliver value, we maintain and manage resources from multilateral banks to finance projects offering social and environmental benefits. These resources have enabled us to formulate strategies to support projects intended to mitigate the impacts and effects of climate change in Colombia.

This year Davivienda issued **two senior loans with the IFC**[1] amounting to 290 million USD, aimed at financing projects with environmental and climate benefits. These funds added value for our customers by helping them to identify opportunities and strengthen their skills and knowledge.

Specifically, by the end of 2022, the Green Bond issued in 2017 amounting to 433 billion COP for a 10-year term had financed 70 housing, healthcare, hotel, shopping center, and office projects in Bogota, Cali, Barranquilla, and Cartagena, developed by our clients from the Construction and Corporate banking portfolios.

These projects were classified according to the Sustainable Construction Certification, as follows:

Excellence In Design For Greater Efficiencies

- **16** certified
- **44** with preliminary certification
- **2** applying for certification
- **4** certified as Gold
- **4** preliminary certification

U.S. GREEN BUILDING COUNCIL LEED 2022

1 IFC, International Finance Corporatio n, is a World Bank Group entity that promotes private sector development in emerging markets in 184 countries.

> Responsible investment for climate change

Our responsible investment policy **emphasizes the importance of the environmental social and governance dimensions.**

Therefore, when assessing and setting investment limits for issuers in the financial and real sectors, both local and international, we consider environmental, social and governance (ESG) aspects, including climate change.

To reiterate our commitment to responsible investment, we adhered to the **UN's Principles for Responsible Investment (PRI)** in November 2022, including the operations of Fiduciaria Davivienda and Corredores Davivienda.

Thus, investment decisions concerning our own financial resources and third parties' portfolios are made taking into account these considerations. Similarly, we conduct the same evaluation on marketable assets, and the results are disclosed to our clients for decision-making purposes.

OTHER MATTERS

The Financial Superintendence of Colombia issued Circular 031 dated 2021,2 issuing instructions regarding the disclosure of information on social and environmental issues, including climate issues. We actively participated in the revision and instructional phase. For implementation, we drew up an action plan jointly with the areas involved, to be met by 2023, the year established for issuers in Colombia.

DIRECT MANAGEMENT OF CO_2 EMISSIONS ACROSS OUR OPERATIONS – ECOEFFICIENCY

We strive to **contribute to the global decarbonization strategy**. Accordingly, by managing the direct emissions generated by our operations, we reiterate our commitment to prevent, mitigate and offset our environmental impacts.

Climate change management, grounded on a culture of efficiency and the use of technological solutions, has been streamlined as a core component of our operations. Therefore, within the eco-efficiency framework, we implement procedures and initiatives such as measuring and reporting our carbon footprint, environmental offsets, the use of non-conventional renewable energy, energy and water efficiency programs, waste management, paper consumption monitoring, green building and circular economy strategies. The results of these initiatives are outlined in the Objectives and Metrics section herein.

We became the first financial institution in Colombia to obtain **the Renewable Electric Energy Seal** from the Colombian Institute of Technical Standards and Certification (Icontec) in 2020 and 2021, in recognition of our 100% renewable energy generation from non-conventional sources. Furthermore, we were verified as **Carbon Neutral Offset** in Colombia, Costa Rica, El Salvador, Honduras, and Panama, following the Icontec audit, where our greenhouse gas (GHG) inventory was checked for 2021.

2030 GREEN MISSION

In 2023, in collaboration with the International Finance Corporation (IFC), we will work on building our 2030 Green Mission strategy, aimed at improving our best practices to position ourselves as an international benchmark in eco-efficiency in the financial industry, mitigating climate change and fostering circular economies through innovation and strategic partnerships. We have defined 3 cornerstones to attain this goal: operational eco-efficiency, circular economy, and vendor sustainability.

RESILIENCE OF THE STRATEGY

We assessed the resilience of our strategy within the framework of climate change risk management to understand how changes in climate variables can affect our business. We also conducted scenario analysis exercises for physical risks using information from WorldClim. For transition risks, by applying the PACTA methodology, these analyses help us understand and build capacity to improve our methodologies and strengthen our strategy, thereby including climate variables into the management of other financial risks in subsequent stages, so as to facilitate decision making. Similarly, these analyses will help us prioritize funding opportunities for climate resilience or adaptation.

100%

In 2022 we offseted all of our direct greenhouse gas emissions.

RISK MANAGEMENT

The purpose of our **Integrated Risk Management System (SIAR)**, formerly ERM (Enterprise Risk Management), is to enable the Bank to achieve its strategic objectives, grounded on a risk management approach that fosters business growth and maximizes opportunities founded on risk management, administration, and control.

The macro processes or business lines that play a major role in the strategy or that lead to greater exposure to risks must be supported by specialized risk areas, which are in charge of assessing the effectiveness of risk management. This joint analysis conducted on strategies, business units, and implicit risks underscores how each unit involves various dimensions of risk and operational complexities.

Each business cycle involves different dimensions, which are managed by specialized teams through risk verticals, responsible for comprehensively assessing strategic, technical, and operational risks. Similarly, across-the-board risk teams evaluate common risks, regardless of their origin, arising from business units underlying processes.

Since 2021, climate change risk was added across-the-board to our overall risk management framework, in conjunction with the environmental and social risk management approach introduced in 2011, so as to integrate it into each of the main verticals.

General Framework

ERM

Higher Purpose: **Enrich Life with Integrity**

Strategy Management

Strategic Risks / **Technical Risks Credit** / **Operational Risks**	Liabilities	Liabilities - Foreign trade	Banking / insurance	DaviPlata	Mandates	Financial Risks	Customer Financial Risks

Operational Risks
- Technology
- Business Continuity
- Third parties and allies

Fraud Risk
- Cybersecurity
- Information Security
- Authentication
- Internal Fraud

Environmental, Social, and Climate Change Risks

Assets and Liabilities Management

Reporting – Money Laundering Prevention – Regulatory Compliance – Internal Control

Audit

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM – SARAS

SARAS includes policies and procedures for the following matters:

- Environmental and social risk assessment for credit applications submitted by our corporate and construction clients, as well as for the evaluation of the Bank's strategic vendors.
- Physical and transition climate change risk management.
- Human rights risk management.
- Evaluation of ESG considerations within the framework of responsible investment.
- Definition and evaluation of eligibility criteria for green financing.

Considering the convergence between these issues, we have set climate change risk management under SARAS, leveraging tools and elements already in place under the management system and carrying out pilot tests to broaden the scope of the assessment of these risks.

With respect to climate change management, SARAS's duties include managing climate risks across the various banking segments, and alerting senior management about relevant risks, while identifying green business opportunities linked to climate change mitigation and adaptation. Furthermore, SARAS is tasked with validating that eligibility criteria for projects with environmental benefits are met, and with training and awareness-raising activities on environmental, social and climate change risks.

PROGRESS IN CLIMATE CHANGE RISK MANAGEMENT

2020

- We conducted a pilot project to identify existing physical risks associated with our entire mortgage loan portfolio, classifying loans by flood and landslide hazard levels.
- We analyzed and prioritized threats and physical climate variables associated with the Bank's various loan portfolios.
- We collected data and performed reviews and analyses to acquire an initial understanding of future climate change scenarios for Colombia.
- We identified climate change-related regulations that may prompt productive sectors that generate the most CO_2 emissions to make adjustments, thus posing a transition risk.
- We committed to embed TCFD recommendations into our management approach, joining a group of leading companies committed to taking action on climate change and looking at how it may impact business.
- We participated in the Green Banking - Renac program, training a team of senior executives directly engaged in managing and identifying both risks associated with climate change and opportunities in renewable energies.
- Our sustainability culture program "Lo bueno se multiplica" (Good things multiply), focused on the efficient use of water and energy, biodiversity, climate change, and the importance of waste management, raised awareness among our employees and educated them.

2021

- We geo-referenced loan obligations comprising the prioritized mortgage and construction loan portfolios.
- We extended the pilot project aimed at identifying current physical risks due to flood and landslide hazard levels to other loan portfolios.
- We conducted research to integrate and build baseline information using data on climate variables, such as average temperature and rainfall in future climate change scenarios for Colombia. This baseline information was used for prospective analysis.
- We used heat maps to identify the proportion of industries with high CO_2 emissions to prioritize and visualize transition risks.
- As part of the environmental risk appetite framework, we set a threshold to determine our exposure to the main carbon-intensive industries as a percentage of the Bank's overall portfolio, thereby identifying and focusing on lines of action to help our clients in these industries transition to a low-carbon economy.

2022

- We widened the scope of our inventory of existing physical risks due to flood and landslide hazards to include the corporate, business and SME loan portfolios.
- We continued integrating baseline information on the expected evolution of climate variables such as temperature and rainfall in future climate change scenarios for Colombia for prospective analyses.
- We prioritized geographic regions with the highest exposure to these risks, considering materiality in portfolio balances.
- We fine-tuned criteria to identify carbon-intensive industries and customers for both our lending accounts and investment counterparties.
- As part of our credit risk rating processes, we have included the request for climate management information from our corporate and business clients.
- We implemented the PACTA[2] methodology to analyze portfolios and customers in climate change scenarios.
- We adhered to the PCAF benchmark to measure the carbon footprint of our portfolio in carbon-intensive industries, thereby setting a baseline.
- We embedded climate maturity assessments into credit underwriting processes.
- We educated traditional risk management areas (credit, operational, and financial) and engaged them to initiate an early identification of climate change risks associated primarily with their management systems, so as to ascertain climate risk factors and transmission channels that could potentially lead to economic losses.

This approach has enabled us to further understand climate change risks. However, there is still a high degree of uncertainty that encourages us to continue researching and conducting pilot exercises, adding alternative data to compare, understand, and define work plans focused on overcoming limitations and streamlining procedures.

Within this context, databases, procedures, and tools gathered to date enable us to describe our methodologies to identify, assess, and manage physical and transition climate change risks, in line with the definitions of these risks outlined in the strategy chapter (see the Risk definition chart).

Credit risk rating

In the rating process we integrated the information from a survey on climate management, applied to 3,815 customers.

Stages of Physical and Transition Climate Risk Management

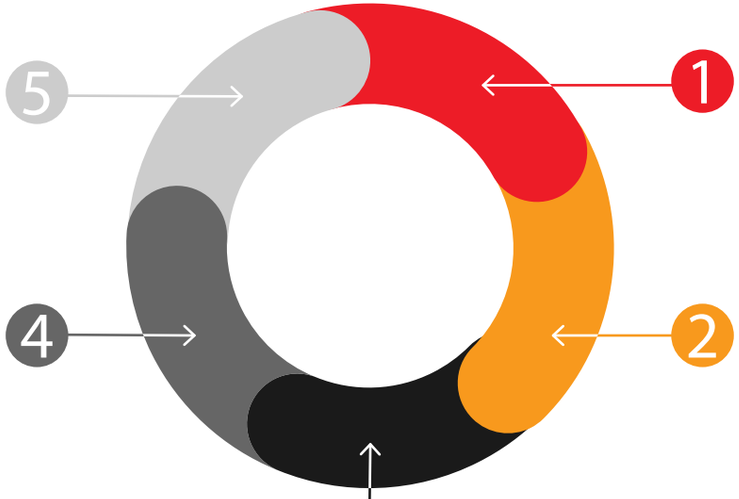
STAGE	DESCRIPTION
Identification	Collection and consolidation of data to identify risk exposure within the defined scope.
Assessment	Classification and evaluation of exposure to high, medium, and low risks.
Mitigation and Adaptation	Policies, procedures, and measures aimed at reducing the impact and likelihood of occurrence of risks.
Monitoring	Monitoring and evaluation against risk management policies and limits.
Reports	Periodic risk status reports.

2 PACTA: Paris Agreement Capital Transition Assessment, an open source, free-to-use online climate scenario analysis methodology used by over 4,000 financial institutions in more than 90 countries.

PHYSICAL CLIMATE CHANGE RISKS

As part of the physical risk management, based on pilot exercises conducted, we designed and implemented the following steps to support risk identification, assessment, and management stages:

Identification and evaluation of physical risks



In 2022 we further identified those physical risks holding the greatest impact potential by credit segments and productive industries, especially for regions where we have found the greatest potential for a significant change in future climate scenarios. Furthermore, we conducted team activities with areas responsible for various lines of business and risks, to combine diverse perspectives to fine-tune and prioritize risks and risk assessments, and to establish guidelines for adaptation and mitigation measures considering specific context analysis (short and medium term) in new and existing operations. We will continue these efforts in 2023.

Scope of Physical Risk Management, Identification and Assessment Processes

ETAPA	DESCRIPCIÓN
Existing Risks	▸ New individual loan applications for sensitive projects or activities. This information is reviewed by the Credit Approval Committee. ▸ Current loans, through a massive cross- checking of the obligations, with thread maps by natural risks
Future Risks	▸ By integrating analysis variables with a forward-looking perspective, and then cross-checking this information massively with outstanding loan portfolio balances.

RESULTS OF EXISTING RISKS IN OUR LOAN PORTFOLIO

For new loan applications assessed using the environmental and social risk methodology, the analysis involved querying geographic tools and identifying historical data on climate events such as floods, droughts, and landslides.

In 2022, 293 new loan applications were assessed, for projects submitted by our customers in the Corporate, Business, Leasing, and Construction segments totaling 9.5 trillion COP, equivalent to 22% of the balance of commercial loans. The consolidated results show that 99.5% of applications assessed for flood hazards were classified at medium and low levels, while 99.2% were classified at medium and low levels for mass landslide hazards, given their susceptibility to these events.

In 2022, beyond the mortgage portfolio, we broadened our scope to identify current physical risks due to flood and landslide threat levels, now covering the commercial portfolio, which includes Corporate, Business, SME, and Construction loans. As of December 2022, 70% of commercial loans had been georeferenced, thereby identifying the flood threat severity at a national level, as follows:

THREAT SEVERITY	FLOOD THREAT COMMERCIAL LOANS	FLOOD THREAT MORTGAGE LOANS
Low	88%	77%
Medium	11%	21%
High	1.0%	2%

We constantly update this information, adding new loans every month from our portfolios, georeferencing them to establish flood risk levels. In 2023, we will enhance data related to landslide hazards.

SCENARIO ANALYSIS FOR PHYSICAL RISKS

Scenario analysis enables a forward-looking perspective consistent with increased climate-related physical risks and allows us to weigh the financial implications of a range of assumptions to inform decisions on policy, criteria, and financial planning.

To fine-tune our scenario analysis for physical risks in 2022, we focused on integrating, through a pilot exercise, data from WorldClim, creating analytical layers for Colombia.

Worldclim.org data is publicly available, showing results from all models used to build climate change maps for each of the RCPs (Representative Concentration Pathway), depicting various CO_2 concentration scenarios (RCP 2.6, RCP 4.5, RCP 7.0 and RCP 8.5) ranging from the year 2021 to the year 2100.

By generating results based on global model data available in WorldClim, we were able to start a comparative analysis against the results of the pilot project carried out in 2021 based on Ideam's Third Communication. This comparison enriched our methodology and helped us to design our own management model, more accurate and with more recent data for the RCPs.

The results derived from the WorldClim models enabled us to identify and prioritize the regions with the greatest temperature and rainfall fluctuations, based on historical averages in Colombia. Subsequently, we analyzed existing loans in these areas to ascertain the amount and percentage of loans that could be exposed to greater climate change events in the long term as well as the economic activities that could suffer the greatest impact due to climate change.

This work stems from collaboration with the innovation team of Seguros Bolivar, especially to geo-reference the bank's portfolios and update the flood and landslide hazard layers.

293 new loan applications

In 2022 we assessed 293 new loan applications for projects submitted by our customers in the Corporate, Business, Leasing, and Construction segments.

TRANSITION RISKS

In 2022 we further identified and measured our overall portfolio's exposure to transition risks, conducting quarterly exercises to calibrate prioritization of carbon-intensive industries. We acquired a deeper understanding of the economic activities carried out by customers classified in these industries, allowing us to better support them by sharing knowledge, encouraging decarbonization and Net Zero commitments, focusing on specific reduction plans to be implemented by 2030 for each customer.

To prioritize carbon-intensive industries, we factored in the following variables:

- Industry prioritized and recommended by the TCFD climate disclosure benchmark.
- Industry prioritized and recommended by the PACTA methodology.
- Review of Existing Regulations: We aggregated the country's regulations related to climate change by industry to identify restrictions or new requirements, as well as related public policies.

Following this analysis, we prioritized 8 industries, building a heat map to show the relative sensitivity of productive industries to political or legal, technological, market and reputational transition risks.

Likewise, the results of this evaluation applied to the amounts of the overall portfolio are depicted in the following chart:

Sensitivity Classification of Productive Industries to Transition Risks and Credit Exposure

CLASSIFICATION	INDUSTRIES	OVERALL LOAN PORTFOLIO EXPOSURE (DEC. 2022)
Industries exposed to transition risks	Oil, coal	0.58%
Industries with medium sensitivity to transition risks	Thermoelectric power, iron and steel, gas, cement, and concrete	2.84%
Industries with low sensitivity to transition risks	Intermodal freight and air passenger transportation	0.86%
Other industries in the commercial, mortgage and consumer portfolios		95.70%
Overall Loan Portfolio		100.00%

Survey on social and environmental issues

As part of our portfolio rating methodology, we applied for the first time this survey to 3,815 clients.

Furthermore, in 2022 we widened the scope of our methodology to prioritize carbon-intensive industries and their exposure to transition risks related to climate change, to include the investment portfolio: we found that 2.6% of the exposure is classified as high and medium sensitivity industries, while 97.4% is classified as low sensitivity industries.

By adding investments to the scope of our transition risk analysis, we have strengthened our ESG efforts and reaffirmed our commitment to responsible investing.

Sensitivity Classification of Productive Industries to Transition Risks and Exposure in Investments

CLASSIFICATION	INDUSTRIES	OVERALL INVESTMENT PORTFOLIO EXPOSURE (DEC 2022)
Industries exposed to transition risks	Oil, coal	**0.73%**
Industries with medium sensitivity to transition risks	Thermoelectric power, iron and steel, gas, cement, and concrete	**1.87%**
Industries with low sensitivity to transition risks	Intermodal freight and air passenger transportation	**0.00%**
Other industries		**97.40%**
Overall Investment Portfolio		**100.00%**

INFORMATION ABOUT OUR CUSTOMERS' CLIMATE MANAGEMENT

Additionally, to better manage climate change risks in synergy with the Credit Risk department, as part of our portfolio rating methodology for 2022, **we applied for the first time a survey on social and environmental issues**, including climate change, to 3,815 clients. The information collected from 2,982 companies (78% participation), enabled us to learn about best practices for environmental issues, and to identify opportunities and incentives for environmental and climate management.

Among the main findings regarding climate management, we found that 93 companies stated that they measure and report their carbon footprint, including 41 companies that reported their total emissions in tons CO_2eq; 290 companies stated that they adhere to or follow a benchmark or standard on environmental, social or sustainability management, such as TCFD, DJSI, GRI, SDGs, or ISO 14001; and 1,033 companies reported that they have implemented at least one initiative to promote the efficient use and exploitation of natural resources, such as energy efficiency, renewable energies, circular economies, or water efficiency.

Finally, in the last quarter of 2022, we kicked off a pilot project to include an internal assessment and rating of our customers' climate maturity as input for underwriting decisions, based on the answers provided in the new Environmental and Climate Management survey applied to customers classified as carbon-intensive: oil, coal, thermoelectric power, gas, cement, iron, steel, and transportation. By the end of 2022, this procedure applied to oil and energy industries.

SCENARIO ANALYSIS FOR TRANSITION RISKS

The PACTA methodology, which assesses how a portfolio is aligned with various climate scenarios based on prospective capacity and production metrics of carbon-intensive customers, was applied to analyze transition risk scenarios. This methodology embeds global and regional climate scenarios to analyze various production dynamics for carbon-intensive industries.

The following chart describes each industry analyzed, as well as the process or segment within that industry's production chain that causes the most emissions. We also describe the scenario that was analyzed, and temperature increase probability assumptions. Finally, we specify the selected region (regional or global). The scenarios used in this process are not intended as forecasts, but rather as decarbonization pathways that have the potential to behave in a certain way in the face of climate change.

Parameters of PACTA Analysis

INDUSTRY/ PROCESS	SCENARIO USED	TEMPERATURE INCREASE (LIKELIHOOD)	SELECTED REGION
Oil and gas: Extraction	SDS* (WEO2021)	**1.7°C (50%)**	Latin America (SDS)
Energy, generation: ▸ Hydro ▸ Gas ▸ Renewable	NetZero 2050 (IEA**) Announced pledges Scenario (APS*, IEA**)	**1.5°C (50%)** **1.8°C (50%)**	Global (NetZero 20250)
Cement and concrete	NetZero 2050 (IEA**)	**1.5°C (50%)**	Global (NetZero 20250)
Passenger air transportation	NetZero 2050 (IEA**)	**1. 5°C (50%)**	Global (NetZero 20250)

Source: PACTA for Banks Methodology Document, 2022

* SDS: Sustainable development scenario

** IEA: International Energy Agency

*** APS: Announced pledges scenario

The PACTA methodology

In the analysis of transition risk scenarios, we applied this methodology that assesses how a portfolio is aligned with various climate scenarios.

Based on the established input parameters, we executed the methodology for the different scenarios to identify the behavior of each industry depending on its production trajectory and, ultimately, to be able to compare the trend of our analyzed portfolio against the global benchmark.

The following chart depicts the results obtained from the analysis of the sustainable development scenario (SDS), displaying the trajectory of the portfolio financed by the Bank for each carbon-intensive industry evaluated (oil, gas, energy, cement, concrete and transportation) and a comparison of the trajectory at a global level. Finally, the number of clients financed by Davivienda that were evaluated using the PACTA methodology appears in the "Matched companies" column.

Analysis of the SDS sustainable development scenario for the PACTA sectors

INDUSTRY	ACTIVITY	2026 TRAJECTORY OF THE FINANCED PORTFOLIO	*BENCHMARK* GLOBAL TREND TRAJECTORY	*MATCHED COMPANY*
Oil and gas	Gas Extraction Oil Extraction	**Gas:** production decrease by up to 40%, in line with SDS*. **Oil:** production reduction of up to 60%, in line with the SDS.	**Gas:** overall production increase of up to 10%. **Oil:** overall production increase of up to 10%.	**3 customers**
Energy	Generation: Hydro Gas Renewable (wind, **solar**)	**Hydro:** Increased production by up to 20% by 2026, in line with the SDS*. **Gas:** There are no changes in production levels; a reduction is expected to be in line with the SDS*. **Renewable:** Production is expected to increase in 2022 and remain constant to 2026.	**Hydro:** 25% increase in generation, in line with the SDS*. **Gas:** Increase of up to 50%, highlighting that the *benchmark* is not aligned with the SDS*. **Renewable:** More than 20% growth, in line with the SDS.	**7 customers**
Mining	Mining (extraction)	No changes in production levels; a reduction is expected to be aligned with SDS*.	Increase up to 20%, evidencing that the *benchmark* is not aligned with SDS*.	**1 customer**
Cement and concrete	Production	The emission factor is almost constant to 2026, so a production reduction is expected in order to be in line with the emission reduction scenarios.	The industry's emission factor is trending downward until 2025.	**6 customers**
Transportation	Passenger Air Travel			**2 customers**

* SDS: *Sustainable development scenario*

The following table shows the results of the evaluation on how carbon-intensive industries are aligned with each of the scenarios chosen for the analysis. We found that some industries are planning to change their production volumes in the long term, while others are not; therefore, to align industries with the decarbonization scenarios, we must encourage and support transition processes, leveraging our role as a financial institution, ratifying our commitment to be carbon neutral by 2050.

Assessment of Alignment with Scenarios of PACTA Industries

	ENERGY			OIL (EXTRACTION)	GAS (EXTRACTION)	INTENSITY OF EMISSIONS		
Scenario	Hydro	Gas	Renewable			Steel	Cement	Air Transportation
SDS*	●	●	●	●	●			
ISF NZ**	●	●	●	●	●	●	●	●
APS***	●	●	●	●	●			

* SDS: *Sustainable development scenario*

**ISF NZ: NetZero

*** APS: *Announced pledges scenario*

● Industry in the trajectory of analyzed scenario

● Industry outside of the trajectory of analyzed scenario

MEASUREMENT OF FINANCED EMISSIONS

We joined PCAF (Partnership for Carbon Accounting Financials) at the end of 2022 with the purpose of implementing a globally recognized methodology to measure the carbon emissions derived from our financing or investments, as these may be the most significant part of our emissions inventory, thereby completing our carbon footprint measurement. Measuring financed emissions is key to setting climate action targets, perform better and align with the Paris Agreement. Current target setting initiatives, such as Science Based Targets, rely on baseline calculation for implementation.

We measured financed emissions across our commercial portfolio by the end of 2021, our baseline. This measure serves as a bedrock upon which we can build our active engagement strategy with our customers.

RISK APPETITE FRAMEWORK (RAF)

Our risk appetite framework covers a number of areas, such as risk threshold, stakeholders, objectives, and risk metrics. We thereby determine the top layer of the risk appetite framework, which must be articulated with specific metrics for each line of business and/or type of risk, in conjunction with those aspects defined in the organization's strategic plan. We thus bridge organizational strategic development and the quest for profitability with desired or tolerated levels of risk for the organization.

We moved forward in environmental, social and climate change risk management, improving and updating our environmental risk appetite, using exclusion lists and portfolio thresholds, including metrics for industries most sensitive to climate change risks, as well as business growth approaches to seize opportunities to finance projects focused on climate change adaptation and mitigation.

METRICS AND OBJECTIVES

Climate change calls on governments, organizations, individuals and, more broadly, all stakeholders to work towards achieving the goals that will enable us to fulfill an ambitious global agenda.

To achieve significant results, we rely on a set of metrics that enable us to track our progress towards achieving our objectives as well as direct and indirect impacts on our business and operations. This system is aligned with methodologies designed to assess and manage the risks and opportunities derived from climate change and compliance with established goals.

Davivienda monitors its climate action results across banking portfolios using the performance indicators of the Environmental, Social and Climate Change Risk Management System – SARAS. We also measure emissions from our financing and investing activities. Additionally, we track green financing, including climate change mitigation and adaptation projects.

We assess our progress and performance on direct management of CO2 emissions across our operations (Eco-efficiency) based on targets and indicators associated with programs and initiatives aimed at reducing our carbon footprint, such as: Measuring our carbon footprint, environmental offsets, use of non-conventional renewable energy, energy and water efficiency programs, waste management, measurement of paper consumption, green building, and circular economy strategies.

INDICATORS OF CLIMATE CHANGE MANAGEMENT ACROSS OUR BANKING PORTFOLIOS

CLIMATE CHANGE RISKS UNDER THE SARAS FRAMEWORK

As part of SARAS procedures, we have included an environmental and social risk assessment for new eligible loan applications. This assessment, which is specifically associated with climate-related aspects, had the following outcome:

In 2022, 293 new loan applications totaling 9.5 trillion COP were assessed for flooding hazards. 99.5% were classified as medium and low risk. Moreover, 99.2% were classified as medium and low risk for landslides.

FINANCED EMISSIONS

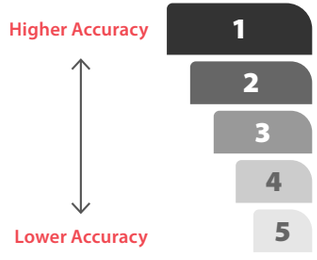
We measured financed emissions by applying the PCAF Scope 3 Category 15 methodology to our loan portfolio at the end of 2021, and obtained the following results:

Measurement of Absolute Financed Emissions Commercial Loan Portfolio

Customer Segments: Corporate, Business, SME

Total Scope 1,2 y 3 ton CO_2e	2,889,752
Scope 1 & 2 ton CO_2e	2,302,453
Scope 3 ton CO_2e	587,299
% Coverage out of our overall commercial portfolio 2021	70%
Emissions intensity (ton CO_2e / COP millones)	0.105
Data quality	3,773

Data quality level PCAF CO_2 emissions:



Measurement of Absolute Financed Emissions Commercial Loan Portfolio by Industries:

INDUSTRIES	DATA QUALITY LEVEL	SCOPES		EMISSIONS FINANCED ton CO_2e	EMISSION INTENSITY (ton CO_2e / M PESOS)
		SCOPE 1 & 2	SCOPE 3		
Industrial	3.79	●	●	1,155,126	0.30
Energy	3.99	●		512,511	0.18
Infrastructure	2.54	●	●	390,156	0.25
Agriculture	4.00	●		272,727	0.13
Oil, Gas, Mining[1]	2.73	●	●	150,376	0.22
Trade	4.00	●		111,513	0.02
Services	4.00	●		99,312	0.02
Construction	4.00	●	●	84,080	0.04
Transportation	4.00	●	●	59,544	0.05
Manufacturing	400	●	●	41,356	0.11
Food	4.00	●		11,745	0.05
Finance	3.99	●		980	0.00
Capital Investments	4.00	●		262	0.00
Total				2,889.687	0.1052

Notes based on PCAF standard:

- Industries subject to PCAF scope 3 inclusion requirement, since 2021 Oil, Gas and Mining and since 2023 Construction, Transportation, Manufacturing, Industrial and Infrastructure.
- Financed clients from all stages of the value chain of the different sectors have been included.
- Data quality level between 1 and 5 obtained from the calculation of the weighted average score of the weight of portfolio balances in the industry and classification of the CO_2 emissions data source.

Sustainable Financing. Business Metrics

(Amounts stated in COP billions, except for projections specified in COP trillions)

LINE	2019	2020	2021	2022	2023 PROJECTIONS
Green Building	546.6	672.4	769.1	1,162.5	1.8 trillions
Renewable Energies	26.5	167.2	19.6	46.8	52.0
Energy Efficiency	2.6	23.5	36.7	32.6	31.0
Sustainable Infrastructure	165.4	164.9	120.9	134.2	149.0
Clean Production	7.2	1.2	0.8	1.7	4.0
Eco-Vehicle	23.6	50.4	106.5	192.0	280.0
Green Mortgages	-	55.4	98.7	207.1	305.0
Discount Green Financing	597.4	659.0	587.0	556.3	569.0
FINAGRO Green Allocations	-	-	-	10.5	-
Sustainable Agriculture Certifications	-	-	-	594.7	-
Green Financing	1,369.2	1,794.1	1,739.3	2,938.6	3.5 billones
Low-Income Housing (Other)	2,577.4	3,493.2	3,797.8	4,491.0	-
Social Financing	6,647.6	7,307.4	8,128.3	9,737.9	11.2 billones
Total Sustainable Financing	8,016.8	9,101.5	9,867.6	12,676.5	14.7 billones

Based on the information gathered from our clients through the green line application form, we quantify the various environmental benefits of the sustainable projects we finance through green loans. These are our results:

PERIOD	EMISSIONS AVOIDED ton CO_2	RENEWABLE ENERGY GENERATED MWh/year	MWP INSTALLED CAPACITY
2022	5,232	22,749	20.7
Accumulated	887,278	92,488	43.2

Approximate data based on information reported by the clients.

Additionally, at the end of 2022, we had the following numbers of hybrid and electric vehicles with current loans from our Personal and Business Banking customers.

- 1948 hybrid vehicles loans
- 160 electric vehicles loans

Green Building projects financed with Green Bond resources (2017 issuance) are categorized based on Sustainable Building Certifications, as follows:

- **Edge Certification:**

  - 16 certified projects
  - 44 projects with preliminary certification
  - 2 projects applying for certification

- **Leed Certification:**

  - 4 projects certified as gold
  - 4 projects with preliminary certification

ECO-EFFICIENCY METRICS - OPERATION EMISSIONS MANAGEMENT

GOALS

As a result of our performance in Colombia, in 2022 we met the proposed goals:

INDICATOR	TARGET 2022	VARIATION*
Energy efficiency (reduction in energy consumption)	4.4%	250%
Clean energy generation (increase)	185%	227%
Water efficiency (reduction in water consumption)	8%	41%
Carbon footprint Scope 1 (reduction)	1%	35%
Carbon footprint Scope 2 (reduction)	4%	46%
Carbon footprint Scope 3 (reduction)	17%	58%
Carbon footprint compensation	80%	80%
Paper (reduction in paper consumption)	9%	48%
Waste management (branches/ offices that certified their recycling process)	62%	76%

CARBON FOOTPRINT

By implementing strategies aimed at reducing our carbon footprint and using renewable energy sources, we have reduced our carbon footprint by 46% compared to 2019, equivalent to avoiding the emission of 4,639 tons of CO_2eq.

Furthermore, in addition to reducing Scope 2 emissions through renewable energy consumption, we offset 100% of Scope 1 and Scope 3 greenhouse gas emissions from our operations.

Measurement of CO_2 emissions from our operation

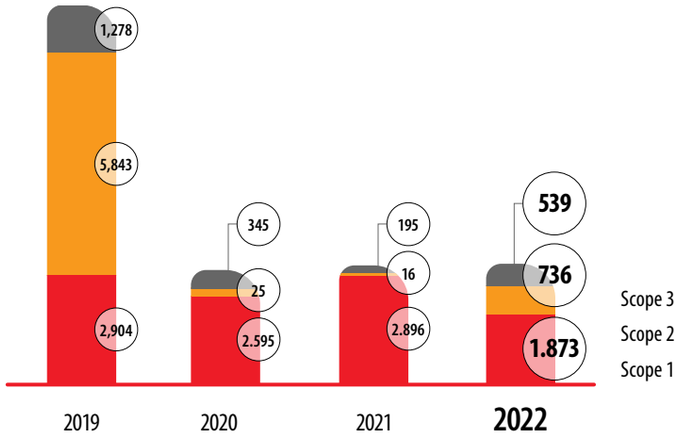
SCOPE	INDICATOR	2019	2020	2021	2022
Scope 1	Emissions from consumption of refrigerant gas for air-conditioning and power plant fuels (ton CO_2eq)	2,904	2,595	2,896	1,873
*Scope 2	Location-based electricity consumption emissions (ton CO_2eq)	5,843	5,989	3,537	2,976
	Market-based electricity consumption emissions (ton CO_2eq)	5,843	25	16	736
Scope 3**	Location-based electricity consumption emissions (ton CO_2eq)	8,747	8,584	6,432	4,850
	Market-based electricity consumption emissions (ton CO_2eq)	8,747	2,621	2,912	2,610
Alcance 3	Emissions from consumption of reams of paper and air travel by employees (ton CO_2eq)	1,278	345	195	539
Total carbon footprint	Total location-based carbon footprint (ton CO_2eq)	10,025	8,929	6,627	5,389
	Total market-based carbon footprint (ton CO_2eq)	10,025	2,966	3,106	3,149
Total carbon footprint per FTE	Location-based carbon footprint (ton CO_2eq/FTE)	0.99	0.87	0.65	0.53
	Market-based carbon footprint (ton CO_2eq/FTE)	0.99	0.29	0.30	0.31
Total carbon footprint m²	Location-based carbon footprint (Ton CO_2/m^2)	0.04	0.03	0.02	0.02
	Market-based carbon footprint (Ton CO_2/m^2)	0.04	0.01	0.01	0.01

* 2019, 2020 and 2021 Scope 2 figures were adjusted due to changes in annual emission factors and projected information on energy consumption of 3% for 2022, because when the report was published we had not received all power invoices from utility companies.

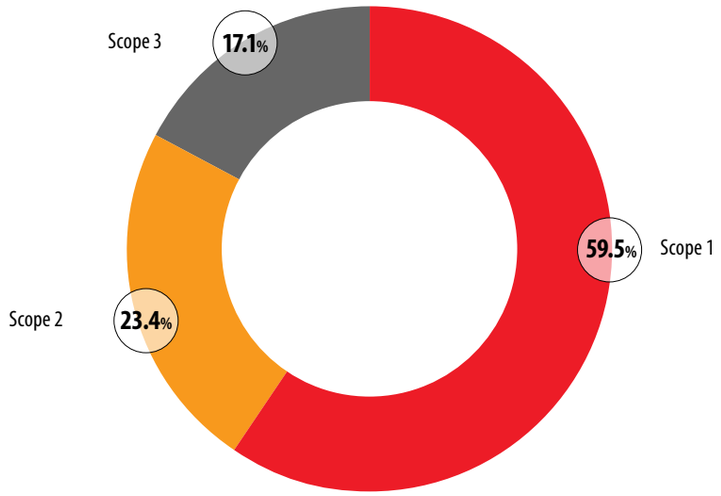
Additionally, Scope 2 emissions were offset for the energy consumption of our operation on the island of San Andres because it is outside the National Interconnected System (SIN).

Market-based carbon footprint

(ton CO_2eq)



Market-based Carbon Footprint Distribution



ENVIRONMENTAL OFFSETS

We offset 100% of direct greenhouse gas emissions by implementing reforestation and clean energy generation projects:

- 523 tons of CO_2eq from the SKCarbono Forestry Project, operating in 6 Departments of Colombia.
- 212 tons of CO_2eq from the Cucuana Hydroelectric Power Plant project, in the Department of Tolima, and registered as a **Clean Development Mechanism (CDM)**[3] since 2014.
- 1,767 tons of CO_2eq of carbon from the CO_2Cero Vichada forestry project, located in the municipality of Puerto Carreño, Department of Vichada.

In 2022, we acquired renewable energy certificates from the National Interconnected System (SIN), thereby reducing 3,323 tons of Scope 2 CO_2eq.

As part of our efforts to preserve biodiversity, we held the **"Planting with a Meaning"** activity, positively impacting four ecosystems across the Departments of Cundinamarca, Boyaca, Antioquia and the Coffee Triangle, planting 950 trees with the help of 1,130 people, including our employees, community members, officials from Government agencies, and people representing non-profit organizations.

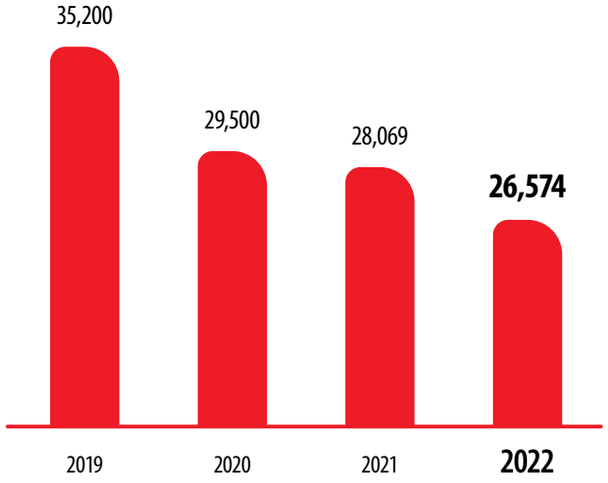
3 MDL (CDM): The Clean Development Mechanism is an insturment derived from the Kioto Protocol, which allows countries and companies comitted to reducing greenhouse gases to invest in emission reduction projects and thus, generate certified reductions.

ENERGY EFFICIENCY

We carried out energy efficiency initiatives to optimize energy consumption and promote best environmental practices.

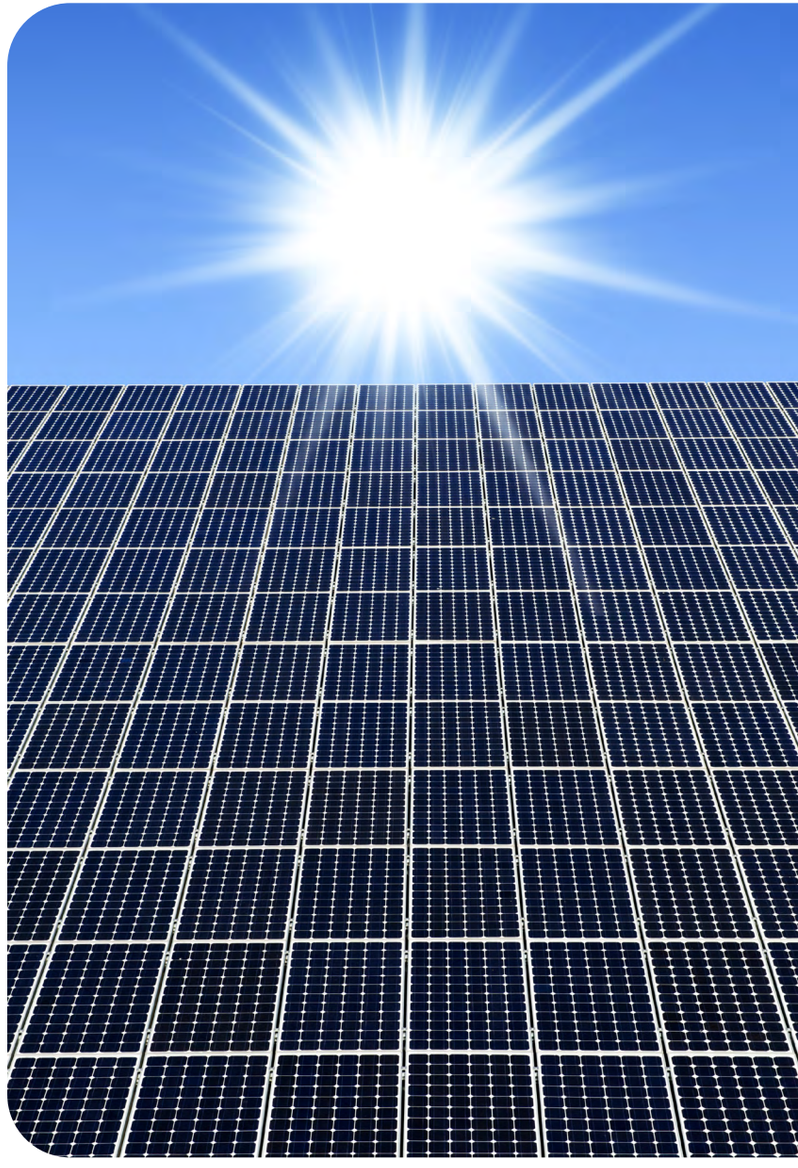
In line with our energy efficiency goals, we have saved 25% of energy consumption equivalent to 8,626 MWh since 2019, thereby avoiding the emission of 966 tons of CO_2eq.

This led us to earn the **Energy Efficiency Award** granted by Climate Action, in recognition of our "360 Project", whereby we have implemented measures to efficiently use natural and energy resources by renewing electromechanical equipment, managing utilities and clean energy, raising awareness among our employees through playful activities and our environmental leaders' program.



INDICATOR	2019	2020	2021	2022
MWh/FTE	3.47	2.89	2.75	2.62
MWh/m²	0.13	0,11	0.10	0.09
Clean energy generated for self-consumption (MWh)	118	53	140	194
Clean energy REC's (MWh) acquired	0	29,375	27,941	19,999

* We adjusted the energy consumption figures for 2020 and 2021 because, thanks to an audit process, there was an opportunity to adjust these total consumption figures. Likewise, we clarify that in the previous report, we presented projected figures for the year 2021, since we did not have complete information at the time of publication. The figures for the year 2022 have 3% data protection, since, at the time we generated the report, we did not have the record of all consumption due to differences in billing periods of energy providers.



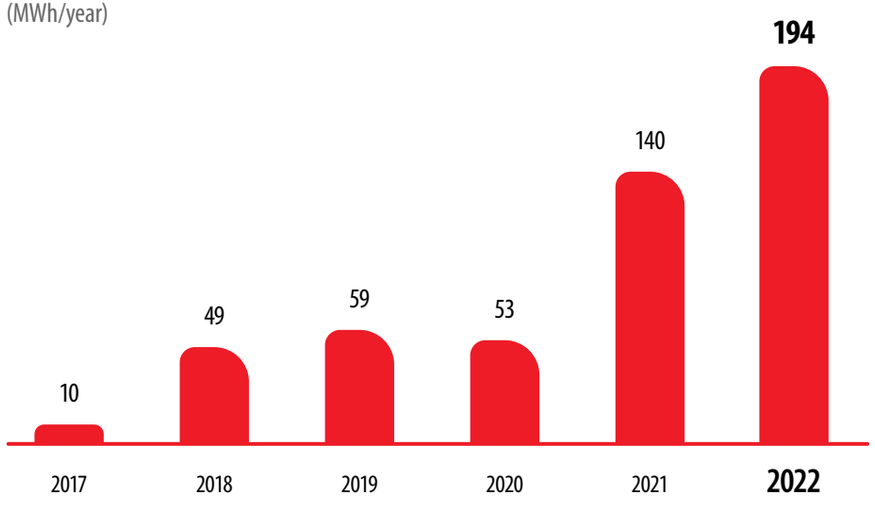
RENEWABLE ENERGY SOURCES

In 2022, we continued using renewable energy sources throughout our operations. We have successfully supplied 75% of our Colombian operations with renewable energy, equivalent to 20 thousand MWh, and we are in the process of acquiring the remaining non-conventional renewable energy, thereby reducing our Scope 2 emissions.

The 16 solar panel systems installed at our branches and administrative offices in Colombia enabled us to generate 194 MWh of clean energy, increasing generation by 227% compared to 2019, and avoiding the emission of 24 tons of CO_2eq during 2022.

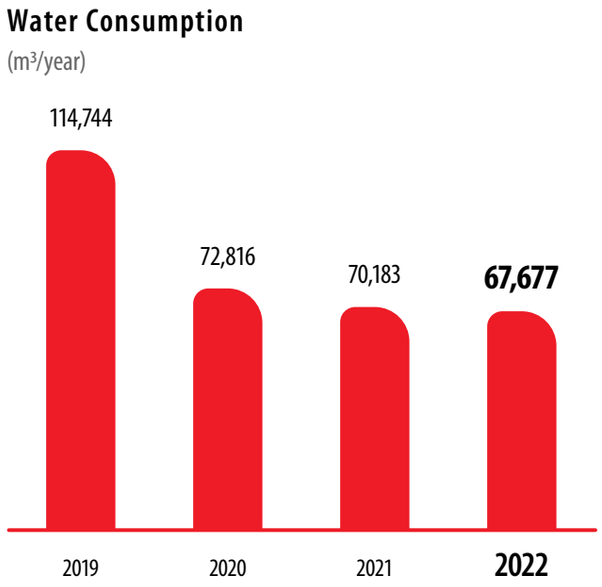
Self-Generated Energy

(MWh/year)



WATER RESOURCES MANAGEMENT

We have reduced water consumption by 41% since 2019, equivalent to 47 thousand m3 or 19 Olympic swimming pools. This has been achieved by continuing our specialized public utilities management project, whereby we monitor and control internal consumption, and by replacing 490 plumbing fixtures with highly efficient systems in 188 branches. Additionally, we encouraged our employees and vendors to improve their consumption habits by raising awareness about how to use and control the consumption of this vital resource.



Total water cosumption

INDICATOR	2019	2020	2021	2022
Water consumption (m³)*	114,744	72,816	70,183	67,677
m³/ FTE	11.3	7.1	6.9	6.7
m³/m²	0.4	0.3	0.3	0.2

* Ajustamos la cifra de consumo de agua de 2021, teniendo en cuenta que a la fecha de publicación del anterior informe se contaba con información proyectada. La cifra de consumo de agua de 2022 se presenta con 1,1% de datos proyectados, teniendo en cuenta la información disponible al momento de este informe.

COMPREHENSIVE WASTE MANAGEMENT

In 2022, we produced 1,734 tons of waste, 72% of which was recycled through partnerships with authorized waste managers who hold environmental licenses for proper treatment and recycling. For non-usable waste, our vendors disposed such waste appropriately.

MEASURING PAPER CONSUMPTION

Our **Paperless Bank** program has enabled us to advance towards document digitalization and consumption reduction, thereby saving 637 tons of paper, equivalent to saving 10,829 adult trees[4] from being cut down. The paper that we did use was reincorporated into the production chain.

GREEN BUILDING

In 2022, we refurbished 38 buildings using cutting-edge materials, furnishings, and water and energy efficiency, investing 9 billion COP. This projects is supported by international certifications.

4 One ton of recycled paper is equivalent to saving the lives of 17 adult trees. The conversion is obtained by multiplying 637 tons of recycled paper by 17 trees. Source: National Geographic, 2020. Why is it important to recycle paper? Retrieved from: *https://www.nationalgeographic.com.es/mundo-ng/por-que-es-importante-reciclar-papel_13220reciclar-papel_13220*

CIRCULAR ECONOMY

In 2022, we strengthened our circular economy strategy with actions focused on raw materials, design, production, reuse, repair, collection, recycling, and waste management.

- **Eco-Design**
  We strive to minimize negative environmental impacts by implementing a responsible approach to raw materials, design and production. We delivered 93 thousand credit cards made from 100% recycled PVC from different industries such as packaging, printing, and the automotive industry. In addition, our emblematic **Casita Roja piggy bank** is now produced with post-consumer recycled (PCR) plastic.

- **Collection**
  We compiled disused assets and goods for reuse. We participated in the toner reverse logistics program with Lexmark, whereby we properly disposed of 1,295 toner cartridges under a zero landfill and **zero incineration policy**.

- **Repair and Reuse**
  We refurbished 3.7 tons of furniture such as chairs, tables and others, which we reused in our headquarters and branches. We also donated 50 chairs to our Cultivarte location in Barranquilla, sold 3,319 assets to our employees and managed nearly 129 tons of materials from disused furniture.

- **Recycling and Waste Management**
  We included all recycling, recovery, treatment, destruction, composting and final waste disposal processes, in an effort to reduce and take advantage of the largest possible number of materials, and also to reduce the hazardous nature of the waste. In 2022, we expanded our facilities certifying their recycling process from 288 to 384 sites.

- **Waste Management Follow-up**
  We properly managed our architectural and maintenance vendors; 26 tons of waste were delivered to authorized companies and 57.5 thousand m3 of debris from remodeling and maintenance work at our sites were properly disposed of.

- **Other Actions**
  Under our **"Batteries, if you throw them away, you pollute"** program, in October we collected 5,878 obsolete batteries throughout the country, both from our operations and from our employees, properly disposing of them through our partner Batteries for the Environment.

  As part of our **circular economy strategy**, we joined Andi's 30/30 Vision initiative to continue properly handling our containers and packaging (E&E), contributing to the achievement of national goals, under Resolution 1407 of 2018 issued by the Ministry of the Environment and Sustainable Development.

Circular economy

In 2022, we strengthened our circular economy strategy with actions focused on raw materials, design, production, reuse, repair, collection, recycling, and waste management.

GLOSSARY

- **Climate Change:** Refers to long-term changes in temperatures and weather patterns. These changes may be natural; however, since the 19th century, human activities have emerged as a major driver of climate change, mainly because of the burning of fossil fuels, such as oil, gas, and coal, which produce heat-trapping gases. *(To learn more: click here)* United Nations

- **CDP:** Carbon Disclosure Project, a non-profit organization that manages the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts. *(To learn more: click here)*

- **Decarbonization:** Reduction of the proportion of carbon in energy consumption on a global scale. *(To learn more: click here)*

- **IDEAM:** Institute of Hydrology, Meteorology, and Environmental Studies of Colombia. *(To learn more: click here)*

- **Resilience:** Adaptive capacity of a living being when faced with a disturbing agent or an adverse state or situation.

- **Physical Risk:** Risks arising from the physical effects of increasingly severe and frequent climate and weather-related extreme events, such as droughts, floods, and hurricanes, and from progressive longer-term changes in weather patterns, such as rising average temperatures and changes in rainfall. These events may cause direct damage to assets and infrastructure, disrupt supply chains, or affect agricultural production, thereby reducing the value of assets and the profitability of companies. *(To learn more: click here)*

- **Transition Risk:** It stems from the process to adjust to a carbon-neutral economy and is driven by changes in policies, regulations, technologies, or market trends. Policy changes could, for example, include restrictions on carbon emissions, carbon pricing or more stringent energy efficiency standards. These changes may result in a rapid revaluation of a wide range of asset values through unanticipated or premature write-downs in carbon-intensive industries. *(To learn more: click here)*

- **TCFD:** Task Force on Climate-related Financial Disclosure, an organization that provides recommendations for more effective climate-related disclosures that could promote more informed insurance underwriting, credit and investment decisions and, in turn, enable stakeholders to better understand carbon-related asset concentrations in the financial industry. (*To learn more: click here*)

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