DAVIVIENDA TCFD REPORT 2021

Banco Davivienda S.A.

VIGILADO SUPERINTENDENCIA FINANCIERA DE COLOMBIA

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Banco Davivienda S.A.
TCFD REPORT 2021

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DAVIVIENDA

Our higher purpose

Enriching life with integrity

1. Letter from the CEO

HIGH LEVEL COMMITMENT TO OUR STAKEHOLDERS

Based on our higher purpose, *enriching life with integrity,* we address present and future challenges with responsibility and commitment, understanding that our approach must promote prosperity and sustainability to serve people and the planet. To this extent, climate change is a particularly important challenge in the Bank's sustainable strategy.

By strengthening our business model, we identify and mitigate the associated risks and leverage opportunities related to climate events and initiatives, considering that we are living in a defining moment in which our actions make a difference. Consequently, we help our clients to approach major economic, environmental, and social challenges related to climate change in the best possible way.

We developed a strategy that allows us to implement the necessary actions to address climate change, thus supporting our customers through more sustainable and responsible initiatives and investments, as well as through our operation. In 2011, we created our environmental policy and implemented the SARAS (Social and Environmental Risk Management System); thus embarking on the path towards effective management of environmental issues. Over the years, our practices have been strengthened and today we celebrate publishing this first Task Force on Climate-related Financial Disclosures (TCFD) report as a high-level commitment to our stakeholders.

The Bank is also committed to reduce its carbon footprint and to promote a culture of sustainability. These efforts have been recognized by the Dow Jones Sustainability Index (DJSI), where we excel, particularly in the environmental dimension. Furthermore, we participate in local industry initiatives that promote best practices. Therefore, this report is another step towards building trust with our stakeholders, ensuring them that we will continue to engage in businesses aligned with climate change mitigation and adaptation.

This first report presents actions on the 4 fronts recommended by TCFD: governance, strategy, risks, and metrics, which are the pillars underlying our climate change management strategy.

Our commitment will continue in the countries we serve, reaching more people and companies who are eager to partake in solutions aimed at jointly fulfilling our commitments and obligations in this area.

JAVER JOSÉ SUÁREZ ESPARRAGOZA
CEO Banco Davivienda S.A.

WE ARE COMMITTED TO REDUCE OUR CARBON FOOTPRINT AND PROMOTE A CULTURE OF SUSTAINABILITY.
CONSEQUENTLY, WE HELP OUR CLIENTS TO APPROACH MAJOR ECONOMIC, ENVIRONMENTAL, AND SOCIAL CHALLENGES RELATED TO CLIMATE CHANGE IN THE BEST POSSIBLE WAY.

2. Introduction

TOWARDS A LOW CARBON ECONOMY

Guided by our higher purpose, *enriching life with integrity*, we improve the lives of people and the planet by transforming our business models, while consolidating our long-term sustainability, with responsibility towards our stakeholders and awareness of the environment, addressing the challenges inherent to the financial sector. In 2021, we conducted a materiality assessment, identifying 8 topics that address the environmental, social and governance (ESG) issues of our strategy, including climate change, deemed as the most relevant.

We are committed to sustainable development and conceive crises as opportunities to shift paradigms and continue undertaking the challenges inherent to our industry and the financial sector as they pertain to climate change. We consciously strive to reduce CO_2 emissions across our operations and, as part of the indirect management of our business, we promote the financing of projects and activities focused on climate change mitigation and adaptation, as well as on the management of potential negative impacts.

Climate change is highly relevant within our industry, as it is directly linked to potential financial consequences; this fact is prompting important conversations on climate risks, whether physical or transitional, as well as accelerating strategic decision making, encouraging the business to allocate and channel funds towards activities contributing to accelerating the transition towards a low-carbon economy. Accordingly, we joined TCFD in 2020 and now hereby submit the first report disclosing our current status and our commitments to this issue of global concern.

Davivienda implements initiatives to manage climate change, such as reducing water and energy consumption, mitigating our carbon footprint, investing in sustainable construction, implementing non-conventional renewable energy projects (NCRE), and promoting a culture of sustainability among our employees. As part of our product and service offering, in 2014 we designed credit lines with environmental benefits, contributing to climate change mitigation and adaptation, we also focus on rasing awareness among our clients and generating positive impacts on their business investments.

We work towards complying with global standards and adopting best practices in climate change management. In 2014 we started reporting our climate performance through the Carbon Disclosure Project (CDP). Moreover, we are part of the Dow Jones Sustainability Index (DJSI). In 2020, we ratified our commitment by implementing the recommendations set forth by the Task Force on Climate-related Financial Disclosures (TCFD), which enables us to rely on better data to identify, manage and disclose the opportunities, risks and financial impacts derived from climate change.

This report outlines the mechanisms we have implemented to strengthen our climate strategy and identify opportunities for continuous improvement as part of our comprehensive management approach.

SINCE 2014, WE OFFER CREDIT LINES WITH ENVIRONMENTAL BENEFITS AND ADAPTATION, WHILE ALSO FOCUSING ON RISING AWARENESS AMONG OUR CLIENTS AND GENERATING POSITIVE IMPACTS ON THEIR BUSINESS INVESTMENTS.

KEY POINTS

Report structure and key points

Recommendation	Key points
1. Governance This chapter presents the governance structure established by the Bank, which is responsible for managing and controlling climate issues, and for implementing the main actions carried out.	
Board of Directors	• Roles and responsibilities • Conformation • Associated governance committees
Senior Management and responsible areas	• Roles and responsibilities • Areas involved in the definition and development of the strategy
Main management actions 2021	• Definitions of the Board of Directors and associated committees
2. Strategy Describes the climate strategy and its integration into the organizational strategy.	
Our strategy	• Organizational and climate change strategy. • SDG
Climate change management	• Direct management of CO_2 emissions in our operations • Eco-efficiency • Environmental products and programs as an opportunity in climate change management • Environmental and Social Risk Management System (SARAS)
3. Risk management Organizational risk management in climate-related issues.	
Comprehensive Risk Management	• Inclusion of climate change within the ERM (Enterprise Risk Management) framework. • Cross-cutting risks associated with climate change
Main management actions	• Description of main milestones • Methodology • Analysis of first pilots for the identification of physical and transitional risks
4. Objectives and targets It presents the goals and metrics we have defined to assess and manage the risks and opportunities associated with climate change, as well as to monitor progress and compliance.	
Internal objectives and targets	• Direct management of CO_2 emissions in our operations • Eco-efficiency
External objectives and targets	• Green Lines, portfolio balances • Products and programs, measurement pilots and impact indicators

3. Governance

We promote actions aimed at strengthening our organizational culture and comprehensive sustainability management approach.Although The Board of Directors spearheads our contributions to our stakeholders, we ensure the participation of all our employees.

Annual General Meeting
- Validates results (annual)

Board of Directors
- Provides guidelines
- Follows up on strategy and results (quarterly)

Presidential Committee
Strategic business decision making on demand

Quarterly

Corporate Governance and Sustainability Committee
- Proposes and reviews ESG policies, guidelines, and procedures. (quarterly)

Quarterly

Administrative Services Management
- Follow-up on the eco-efficiency strategy.
- Regional alignment
- Metrics and reporting

Sustainability Management
- Strategy formulation
- Data consolidation, analysis, and reporting
- Promotion and leadership in the adoption of practices
- Stakeholder communication

Vice Presidency of Credit Risk
- Product policy definition
- Environmental and social risk assessment in projects
- Certification of green products

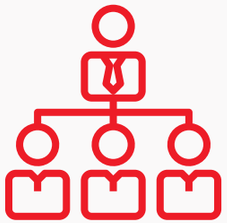
This organizational structure outlines our governance system and indicates the areas in charge of managing and making strategic decisions to address climate change.

The Board of Directors is the highest governance body for planning, control, and follow-up on climate change issues. Its role and duties include defining the strategy, monitoring, setting remuneration, and executing.

The Board of Directors recognizes climate change as a financial risk, given its impact on our stakeholders and our strategy. According to the 2021 materiality review, we identified the relevance of working on climate change issues, which was prioritized by senior management to mitigate risks and enhance opportunities related to this topic.

To materialize these guidelines, the Board of Directors relies on support committees; specifically, for climate change, the Corporate Governance and Sustainability Committee and the Corporate Risk Committee are in place. From the vice-presidencies and their managment, Senior management also plays a pivotal role, and our leaders promote actions and make decisions that allow us to implement the guidelines of their functions and responsibilities.

Committees supporting and reporting directly to the Board of Directors



Annual General Meeting

Board of Directors
- Audit Committee
- Enterprise Risk Committee*
- Corporate Governance and Sustainability Committee*
- Compliance Committee

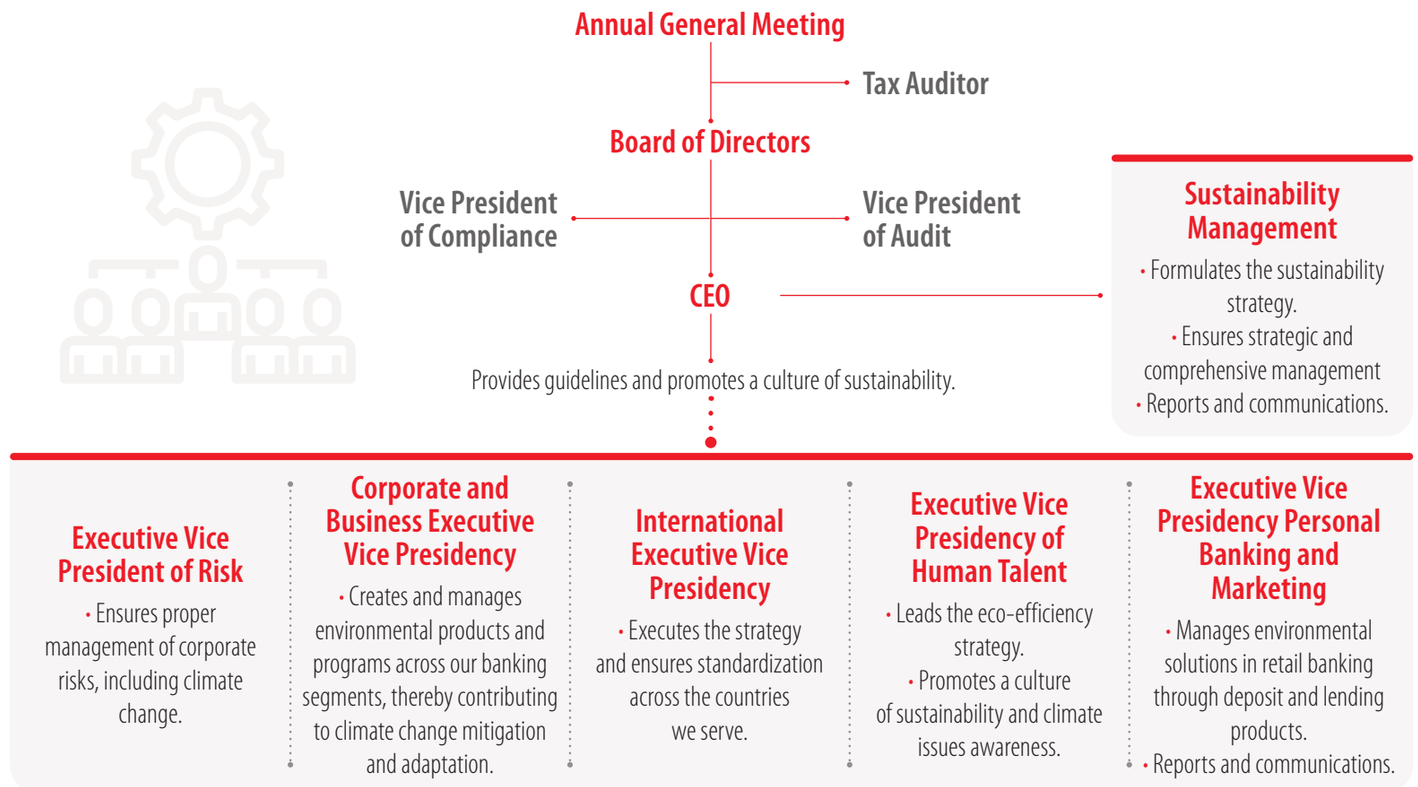
* Directly responsible for climate issues

The Board of Directors relies on supporting committees to fulfill its duties. These committees are responsible for reviewing, validating, and following up on climate change actions, as reported in the following:

- On a semi-annual basis, the Sustainability Department presents progress related to the goals and actions defined in direct and indirect management
- On a quarterly basis, the representative of the Board of Directors in the Corporate Governance and Sustainability Committee submits to the Corporate Governance and Sustainability Committee the definitions and progress achieved for follow-up and validation at this level
- On a semi-annual basis, the Corporate Risk Committee presents a management report on the performance of the Corporate Risk Management System[1], which consolidates, among others, the management of environmental, social, and climate change risks.

The Sustainability Department designs and oversees the comprehensive management of our sustainability strategy as it pertains to the 8 material topics established by the Bank. The areas responsible for monitoring and advancing our climate change agenda are the Sustainability Management, the Credit Risk Vice Presidency and the Administrative Services Management; these units articulate and integrate internal and business actions for the general approach to this topic at a tactical and strategic level.

The Strategic Risk and Planning Departments monitor and control business indicators and risk appetite jointly, in line with our organizational objectives. Similarly, the Administrative Services Department is actively engaged in implementing and monitoring the operational eco-efficiency strategy. We ensure the proper implementation of these strategies by consolidating, monitoring, and reporting progress on the strategy to the Sustainability and Corporate Governance Committee. Sustainability Management is responsible to brief the Board of Directors of the Bank and its subsidiaries on progress. These reports are released twice a year.



We identified the current state of our climate governance model, as well as the gaps and challenges we face. Accordingly, we designed a 5-year plan that will allow us to evolve and mature our governance model by strengthening functions and roles at different levels across the organization. Thus, we will improve our practices related to the Board of Directors' oversight of climate change-related risks and opportunities, as well as enhance senior management's responsibilities in the assessment and management of climate change-related risks and opportunities.

1 ERM: Enterprise Risk Management.

COMMITTEES

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

We established the Sustainability Committee in 2019, as the unit entrusted with proposing and reviewing current and future sustainability policies, guidelines, and procedures, ensuring compliance with international standards and voluntary agreements[2], which were submitted to the Board of Directors for approval. It was also responsible for monitoring progress on this front.

Simultaneously, the Corporate Governance Committee's functions included approving the annual report, analyzing potential candidates for the Board of Directors, monitoring the performance of its members, and establishing a remuneration policy for the Board of Directors and Senior Management. It was also charged with providing shareholders and the overall market with access to the Bank's corporate governance information.

In 2021, the Board of Directors consolidated the Corporate Governance and the Sustainability committees into a single committee, under a comprehensive ESG business perspective.

• Duties of the Corporate Governance and Sustainability Committee

It supports the Board of Directors and its efforts to oversee, review, and implement policies, guidelines, and procedures related to good corporate governance practices and sustainability standards, in accordance with national[3] and international[4] measures and standards, as well as voluntary agreements to be 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 and Market Banking, and the Legal Vice President. The Vice President of Credit Risk and the Director of Sustainability are permanent guests of this committee, which meets on a quarterly basis.

CORPORATE RISK COMMITTEE

It supports the Board of Directors and oversees the operation of the Enterprise Risk Management System (ERM) established for the Bank and its subsidiaries. It 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.

• Duties of the Committee related to climate change

Evaluate the harmonious functioning of the risk systems, ensure that the levels are maintained within the established risk appetite, and strengthen the risk management culture across the Bank. In relation to climate change risk, the committee follows up on the administration and management of climate risks for the scopes outlined, the improvements of the process and the definition and adjustment of the corresponding appetite.

2 Those in which both parties, i.e. the competent entity and the organization, voluntarily bind themselves to meet common sustainability objectives.
3 Code of Best Corporate Practices - Código País.
4 Dow Jones Sustainability Index.

MAIN MILESTONES

2019	2020	2021
Board of Directors		
• We defined our main areas of work for 2020	• Monitoring of strategy indicators • Presentation of climate change risk concepts: physical and transitional. • Submission of adhesion to the TCFD • Approval of 2021 goals	• Definition and integration of the Corporate Governance and Sustainability Committee • Approval of 2022 goals
Corporate Governance and Sustainability Committee		

• First Session of the Sustainability Committee
• Definition of strategic areas of work for 2020
  • Climate change management
  • Circular economy
  • Green building
• Strengthening of green credit lines
	• Monitoring of strategy indicators
	• Presentation of the main actions since 2012 in the climate change and associated risks agenda.
	• Pilot results of physical risks in the mortgage portfolio
	• Submission of adhesion to the TCFD
		• Establishment of the Integrated Committee
		• Ratification of adherence to the TCFD
		• Definition of 2021 work areas: climate change, sustainable finance, and responsible investment.
		• Strengthening the sustainability appetite indicator
		• Climate change macroplan

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

The areas responsible for climate change management actively participate in spaces facilitated by the government and related associations, as well as in the processes to establish regulations, changes, and new guidelines to ensure compliance and the incorporation of processes and reports. This commitment was reinforced by the Bank's senior management by issuing guidelines to advance in the identification of risks and opportunities related to climate change and to embed this perspective into the business model. Furthermore, senior management has incentivized the salesforce to enhance their performance in terms of managing and mobilizing resources towards this end, and in terms of raising awareness among our customers.

In 2021, with the leadership of the Financial Superintendence of Colombia (SFC) and the Colombian Banking Association (Asobancaria), the financial sector was able to harmonize methodologies aimed at strengthening climate strategies. This included the identification of eligibility criteria for projects yielding environmental benefits and contributing to climate change mitigation and adaptation, based on the Green Taxonomy.

We were actively involved in Colombia's Green Taxonomy test, led by the Financial Superintendence of Colombia and the Colombian Banking Association, sponsored by technical cooperation resources from the European Union. As part of this test, we proposed a classification of prioritized activities in construction (C1 - Construction of new buildings) and transportation (T5 - Private transportation of eco-vehicles) with respect to the distribution of resources by Davivienda.

The results of this pilot test will be instrumental in building sustainability capabilities across the Colombian banking sector, considering that the analyses, lessons learned, and recommendations derived from this exercise will facilitate the alignment of the sector's portfolios with the criteria set forth in the Green Taxonomy for Colombia. This process ought to be replicated in other financial institutions nationwide.

Also in the Colombian context, the Financial Superintendence of Colombia issued Circular 031, conveying instructions regarding the disclosure of information on social and environmental issues, including climate issues. We actively participated in the review and training cycle. For its implementation, we defined with the areas involved an action plan that we must comply with by 2023, the year established for issuers in Colombia.

POLICIES ASSOCIATED WITH CLIMATE CHANGE MANAGEMENT

The integrated management of our sustainability strategy is a function of the definition of associated policies.

Sustainability policy

Defines the strategic direction in terms of sustainability, based on the higher purpose upheld by Grupo Bolivar, and grounded on 3 core principles associated with ESG: transformation, responsibility, and awareness. (Click here to see the Sustainability Policy)

Environmental policy

It establishes guidelines to adequately manage and control the environmental and social impacts of our operation, our customers, and suppliers, effectively mitigating negative impacts, managing risks, and measuring KPIs. (Click here to see the Environmental and Social Policy)

Responsible Investment Policy

Defines the guidelines followed by Grupo Bolivar to incorporate ESG criteria in underwriting and decision-making processes relative to issuer selection. Governs the review and control of these aspects, including climate change management. (Click here to see the Responsible Investment Policy).

Internal control management on climate issues

Our Internal Audit contributes to the management of climate issues as follows:

- Reviews fulfillment of duties and the reports related to the sustainability strategy with respect to our various different stakeholders, including reports on climate change under GRI and DJSI standards and indexes. Also, the Corporate Governance and Sustainability Committee annually reviews and reports on best practices.

- Evaluation of the Internal Control System (ICS) of the Environmental and Social Risk Management Process. The Audit has recommended making environmental and social risk visible as part of the functions of the Corporate Risk Committee and integrating transversal elements of the organization's risk framework, such as tolerance and appetite, as well as the interrelation with credit, legal or reputational risks, among others.

4. Strategy

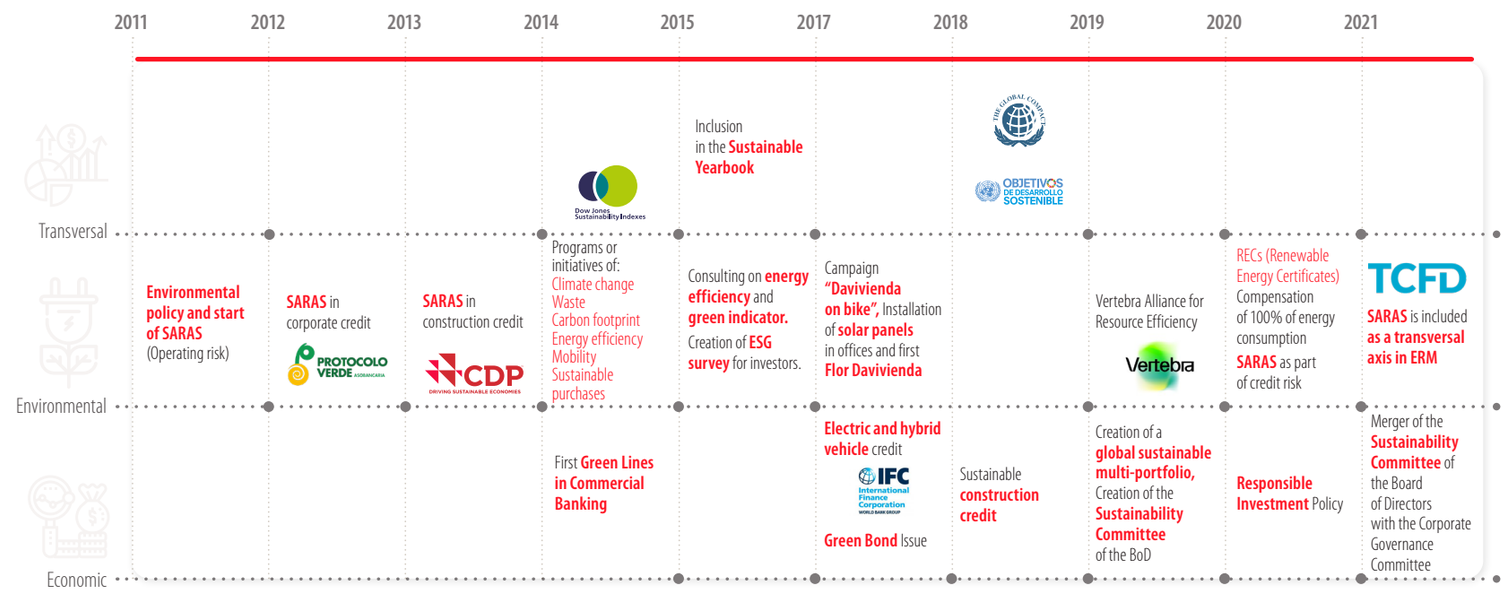
Within our organizational strategy, sustainable management excels as one of the 5 corporate strategic objectives. We strive to articulate efforts and guarantee the Bank's long-term sustainability, which is directly associated with the comprehensive development of our *core* business and operations.

SUSTAINABLE MANAGEMENT AT DAVIVIENDA

Upon completion of the materiality analysis, we prioritized climate change as the most relevant material issue, recognizing the role we play as a financial institution towards our stakeholders. Consequently, we are working to strengthen the climate strategy through joint management with other material issues, such as sustainable finance, sustainable funding sources, eco-efficiency, and circular economy, so as to address all these matters comprehensively.

As part of our climate strategy, we have deployed actions and set forth definitions to foster initiatives towards contributing to the fulfillment of the 2030 and 2050 global goals. Find our most relevant milestones below:

TRAVELED PATH



We achieve positive impacts on society and the environment, beyond our operations in the countries we serve.

Grupo Bolivar has adhered to the SDGs since 2017. Davivienda, in 2021, conducted a new review, integrating the materiality analysis and the findings made by the Colombian financial sector. As a result, we prioritized 5 SDGs:

• SDG 13 targets

In accordance with our climate management strategy and its underlying processes, we defined our contribution to the following SDG 13 - Climate Action targets:

- **Target 13.1:** Strengthen resilience and adaptive capacity to climate-related risks.
- **Target 13.2:** Incorporate climate change measures into national policies and plans.
- **Target 13.3:** Increase education and awareness on climate change.
- **Target 13.b:** Promote mechanisms to build capabilities for effective planning and management of climate change.

CLIMATE CHANGE MANAGEMENT

Based on our Environmental Policy, international benchmarks, external commitments, and, considering training and disclosure as cross-cutting matters, we developed our climate strategy as follows:

• Management through banking

- *Environmental and Social Risk Management* System *(SARAS)* (Click here): We assess climate change risks associated with our loan portfolio.
- *Environmental* products *and programs:* We identify opportunities, finance, and promote our clients' initiatives and projects on climate change mitigation and adaptation, and we support investment initiatives.

• Direct management of CO_2 emissions in our operations -Ecofficiency

- Our strategy goal in eco-efficiency is to achieve the efficient use of natural resources and contribute to climate change mitigation through initiatives that integrate a culture of efficiency and the use of technical and technological solutions in the organization.

Similarly, by integrating the elements that identify the climate change risks and opportunities, we have found that they have the potential to generate material financial impacts, such as:

- Increased income derived from product and service offerings
- Decreased direct and indirect operating costs
- Loss of income due to the impact of climate events
- Brand positioning due to reputational risk mitigation

OUR CLIMATE STRATEGY SEEKS TO GENERATE POSITIVE ENVIRONMENTAL, SOCIAL, AND FINANCE IMPACTS FOR A BETTER FUTURE.

CLIMATE CHANGE MANAGEMENT THROUGH BANKING

IDENTIFICATION OF CLIMATE CHANGE RISKS

The identification and evaluation of risks derived from climate change, whether physical or transition risks, are part of the SARAS Environmental and Social Risk Management System process. Furthermore, the Bank defines eligibility criteria for granting green credit lines in the Commercial and Retail banking businesses.

Davivienda identifies and defines climate change risks as follows:

- **Transition risks:**

Risks derived from the transition to a low-carbon economy, as a result from changes in regulations, technologies, and market trends, Davivienda has the next ones:

- **Regulatory and legal risks:** Risks derived from policies that seek to transform production models. These affect mostly carbon-intensive industries.
- **Technological risks:** Risks derived from the implementation of new technologies to transform production models, which may arise in experimental stages or have not been approved yet, or after the need to implement new, highly-expensive technologies.
- **Market risks:** Tied to changes in consumer demand, due to their perception of activities or products that they consider CO_2 intensive, or due to an increase in the cost of raw materials.
- **Reputational risk:** Associated to changing customer and social perceptions on how the organization is engaged in the transition to a low-carbon economy or to its detriment.

Transition risks identification

Transition risk type	Climate-related risks	Description of potential financial risk: customers and Bank	Timeframe		
			Short-term <4 years	Medium-term 4 to 10 years	Long-term >10 years
Regulatory or legall	Increase in greenhouse gas emissions prices	Possible financial impact to customers due to increased operating costs, higher insurance premiums, or increased investments to reduce emissions.	•		
		Increase in the Bank's lending costs due to its activity.		•	
	Increase in legal obligations due to the generation of emissions	Increased operating costs and expenses for customers.	•		
		Increased operating costs for the Bank due to the implementation of tracking 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.	•		
		Loss of value of guarantees and adjustment requirements to the Bank's balance sheet due to exposure to certain activities.	•		
	Exposure to litigation	Increased costs due to potential environmental litigation for customers for non-compliance with regulations.		•	
		Possible lawsuits against the Bank for not complying with climate change regulations in the business or supply chain.		•	
Technological	Substitution of existing products and services for options that generate lower emissions (CO_2)	Financial impact for customers due to early retirement and write-off of existing assets, need for capital expenditures.		•	
	Unsuccessful investments in new technologies	Customer spending on research and development (R&D) of new and alternative technologies.		•	
	Upfront costs for the 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 capacity or performance of clients with credit obligations.	•		

Transition risk type	Climate-related risks	Description of potential financial risk: customers and Bank	Timeframe		
			Short-term <4 years	Medium-term 4 to 10 years	Long-term >10 years
Market	Change in consumer behavior	For customers, reduced demand for goods and services due to changes in consumer preferences, which may lead to a decrease in sales.	•		
		For the Bank, possible deterioration in the payment capacity or performance of clients with credit obligations.	•		
	Uncertainty in market signals	Increased production costs for customers due to changes in input prices (e.g., energy and water) and output requirements (e.g., waste treatment).	•		
	Rising raw material costs	Sudden and unexpected changes in energy costs, affecting customers production processes.		•	
		The cost of energy consumed by the Bank may also be affected.		•	
	Change in income	Change in the mix and sources of revenue, resulting in a decrease in revenue for customers.		•	
		For the Bank, possible deterioration in the payment capacity or performance of clients with credit obligations.		•	
	Change in prices	Loss of value of guarantees and adjustment requirements to the Bank's balance sheet due to exposure in activities.		•	
Reputational	Change in consumer preferences	Reduced customer profits due to decreased demand for goods and/or services.	•		
		Loss of clients for the Bank because it is considered to be financing 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 disruptions).	•		
		Deterioration of the Bank's positive image due to possible lack of commitment when financing projects or activities that affect the environment.	•		
	Increased stakeholder concern	For clients and the Bank, reduced profits due to the negative impacts of required staff management and planning (e.g., attraction and retention of employees).	•		
	Investment exclusions	Reduced availability of capital for customers.	•		
		Decrease in interest to invest in the Bank.	•		

• Physical Risks

Risks generated by climate events, which may result in losses and damage to productive industries, infrastructure, assets, and communities. These are divided into:

> **Acute risks:** Extreme events.

> **Chronic (or incremental) risks:** long-term and gradual changes stemming from climate trends.

Physical risks identification

Type	Risk description	Description of potential financial risk: customers and Bank	Short-term <4 years	Medium-term 4 to 10 years	Long-term >10 years
Acute risks	Increase in the severity or frequency of extreme climate events (heat waves, torrential rains, hurricanes, etc.) that may cause adverse events, such as floods, landslides, or forest fires, among others.	Impairment or interruption of the operation or income from customers' activities.	•		
		Loss due to damage to the Bank's and customers' facilities and assets.	•		
		Deterioration or damage to collateral backing the loans, such as real estate.	•		
		Increased underwriting costs for clients and the Bank.	•		
	Business continuity disturbances due to events such as floods or hurricanes	Increased operating costs and loss of income due to interruptions in the Bank's operations.	•		
Chronic risks	Changes in precipitation patterns	Reduced revenues and higher costs of customers' productive activities.		•	
	Temperature increase	Increase in operating costs of productive activities (such as crops and livestock) of customers due to soil degradation, depletion of water resources, droughts, forest fires, death of livestock, among others.		•	
		Loss of value of client assets that have been pledged as collateral in areas of water scarcity.		•	
		Decrease in revenues from hydroelectric power generation customers		•	
		Regional displacement of people and economic activities.		•	
	Sea level rise	Impairment of the Bank's credit guarantees.		•	

Based on the identification and management of climate change risks, both physical and transitional, as part of our risk management approach, we have defined policies that must be embedded into our business strategy and decision-making processes across the board, so as to prepare ourselves in the event of potential emerging risks, as well as to seize opportunities.

IDENTIFICATION OF OPPORTUNITIES

• Environmental Products and Programs - Green Credit Lines

By integrating climate change into our strategy, we are able to boost new business, increase revenues, create and offer new products and services, mitigate emissions in financed productive activities, and enhance our reputation, as we become a driving force towards climate change adaptation and mitigation.

Consequently, the goal we have set out to achieve by 2030 is that our sustainable portfolio (environmental and social) ought to account for 30% of our overall portfolio. The following are products and services geared towards developing projects, acquiring assets, and conducting activities that yield environmental benefits, in line with climate change mitigation and adaptation. These criteria govern our offer of green credit lines for our corporate and retail banking clients:

Green credit offer 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 suppliers of equipment or products for renewable energy projects.	
Energy efficiency	Acquisition, replacement, redesign and/or renewal of equipment or systems, or contract of services and/or products in order to reduce energy consumption in each service unit.	•
	Manufacturers and suppliers of equipment and/or products for energy efficiency projects.	
	Clean transportation, modernization and/or replacement of vehicles.	
	Electric and hybrid vehicles.	
Cleaner production	Water efficiency: Investment that materially reduces water use per unit of production.	•
	Emissions reduction: Investment that reduces emissions through best practices.	
	Waste management: Facilities for collection, sorting and recovery of materials, recycling and composting.	
Sustainable infrastructure	Construction, repair, improvement, expansion, equipment, operation and/or maintenance of infrastructure for public services, urban development, city projects and sustainable transportation.	•
Sustainable construction, green buildings - green mortgages	Projects that meet green building standards or equivalent, with certifications such as EDGE, LEED, BREEAM or CASA Colombia.	•

We define as a goal for 2030 to have a share of the sustainable portfolio (environmental and social) equivalent to 30% of our total portfolio.

From the point of view of identifying the opportunities arising from climate change, the following has been defined:

- Follow up on existing green credit lines, their performance and growth
- Tracking new mitigation and adaptation trends and activities, as well as the emergence of new taxonomies that allow us to complement and update our green credit offering, as well as other products and services for our clients
- Analyze trends around methodologies, benchmarks, best practices, and metrics associated with climate issues
- Embed eco-efficiency activities and initiatives into internal operations, enabling us to reduce costs (e.g. energy) and use NCRE (non-conventional renewable energy sources)

We also leverage incentives to business units. These are indicators for commercial managers who advise and assist clients who benefit from loans to develop projects that yield environmental benefits, such as renewable energy, energy efficiency, cleaner production, or sustainable infrastructure.

These definitions allowed us to work in conjunction with each business line and establish budgets and goals for short-term green financing credit lines. We are also strengthening our capabilities to identify our medium- and long-term goals. By 2022, we added sustainable finance goals to the performance bonus dashboard to define performance-based variable compensations.

In an effort to seize opportunities, faithful to our commitment to deliver value, we maintain and manage resources from multilateral banks to finance projects that yield social and environmental benefits. These resources have allowed us to create strategies that support projects to mitigate the impacts and effects of climate change in Colombia.

The use of these funds also generated added value, contributing to the strengthening of skills, knowledge, and the identification of opportunities.

Resources obtained to finance projects with environmental benefit

(Figures in USD million)

	2017 **150**	2019 **335**	2020 **640**	TOTAL **1,125**
IFC	**150** Green Bond	**335** Women-led SMEs, VIS, Green Portfolio	**100** Women-led SMEs, VIS, Sustainable projects	**585**
BID			**220** SMEs led by women, SMEs, women-owned VIS, Green portfolio	**220**
OFID			**50** Women-led SMEs, VIS, Green buildings	**50**
FINDEV			**20** SMEs led by women, SMEs, women-owned VIS	**20**
DFC			**250** SMEs led by women, SMEs, women-owned VIS	**250**

Our responsible investment policy *(https://sostenibilidad.davivienda.com/en/)* recognizes that the environmental and social dimensions are fundamental. Therefore, as part of our processes to assess and set investment limits to issuers in the financial and real sectors, both local and international, we integrate environmental, social and governance (ESG) aspects, including climate change considerations.

Accordingly, our decisions to invest financial resources, whether our own or managed for third parties, includethese concepts. Likewise, we conduct similar evaluations for marketable assets, and we report on the results to our clients for decision-making purposes.

Aligned with the commitment to generate value, we maintain and manage resources from multilateral banks to finance projects with social and environmental benefits.

DIRECT MANAGEMENT OF CO_2 EMISSIONS ACROSS OUR OPERATIONS - ECO EFFICIENCY

The efforts that are included within our concept of eco-efficiency, are a set of programs and initiatives in the Bank's direct operations that promote the efficient use of natural resources.

Across our direct operations, we manage climate change by integrating a culture of efficiency and technological solutions to the organization; for example, the measurement and reporting of our carbon footprint, the use of non-conventional renewable energy sources, the energy and water efficiency program, waste management, sustainable construction, and the identification of circular economy strategies.

To develop these programs, we established investment strategies, goal alignment, management and non-monetary incentives linked to the strengthening of culture, knowledge acquisition, and adoption of practices beyond the workplace.

To strengthen our sustainability culture in Colombia, we reward employees who participate in the "Environmental Leaders and Managers" program, who, in addition to receiving training to conduct an energy audit in their homes, are certified by the World Energy[5] and by Vértebra, a Colombian company. This initiative recognizes the best saving practices implemented by our leaders in their workplaces and homes.

Ongoing projects and initiatives to strengthen our strategy

Project	Consulting	Target
Strengthening of the green portfolio and identification of a TCFD work plan	IDB Invest Consulting, green lines and TCFD	**1.** Support Davivienda to adhere to the recommendations of theTask Force on Climate-related Financial Disclosures (TCFD). The initial deliverable of this project is precisely this TCFD Report, along with the definition of the work plan to bridge the gaps over the next 5 years. **2.** Support Davivienda Colombia in the generation of more green financial operations **3.** Improve the system for identifying and monitoring the green portfolio.
Taxonomy harmonization in Colombia	Implementation of Green Taxonomy in Colombia • Test commercial bank • Metrix Finanzas	Test the implementation of the Green Taxonomy in Colombia for 2 of the Bank's existing green lines, identifying current status, gaps, and action plan.
Comprehensive eco-efficiency strategy	IFC Consulting	Establish an Operational Eco-efficiency Strategy, as well as the Supplier Development and Sustainability strategy 2021-2030 from 3 perspectives: suppliers, operational eco-efficiency, and Circular Economy. New projects: • 2023: Automation of office spaces • Lighting of common areas • Environmental leaders families Project continuity: • Continued Vertebra 2021-2024 • Purchase of 100% renewable energy consumption certification through REC[6]. • Renovation of air conditioners

IN OUR DIRECT OPERATION WE INCLUDE CLIMATE CHANGE MANAGEMENT THROUGH THE INTEGRATION OF A CULTURE OF EFFICIENCY AND THE USE OF TECHNICAL AND TECHNOLOGICAL SOLUTIONS.

5 Organization endorsed by the UN.
6 REC: Renewable Energy Certificate.

One of our objectives in the Strategy is to strengthen and encourage the knowledge and management of Senior Management and the entire organization in climate matters within the framework of our culture of sustainability.

A key objective of our sustainability culture is to create a specific program for this purpose. A milestone achieved was to provide special training, within the framework of the Green Banking - Renac program in 2019, for a team of Senior Management employees, including the Bank's President and Vice Presidents, who are directly involved in managing and identifying climate change risks, as well as in finding opportunities in renewable energies.

It is also essential to integrate the technical language associated with climate change, embedding it into our Enterprise Risk Management (ERM) system, highlighting present and future actions that will enable us to mobilize:

- Business decision making
- Focus on financial and human resources
- Investment decisions
- Strategic risk management
- New business opportunities

5. Risk management

The objective of our Enterprise Risk Management (ERM) system is to achieve our strategic objectives by managing risks in a way in which the business is able to grow and leverage opportunities, integrating long-term objectives, operations management, and internal controls.

The macro processes and business lines that are most relevant to the strategy, or that generate the greatest risk exposures, must be supported by specialized risk areas responsible for determining the effectiveness of risk management. This joint analysis of strategy, business units, and implicit risks shows that each unit has different risk dimensions and operational complexities.

Therefore, each business cycle has different dimensions, which are managed by specialized teams through risk verticals, whose function is to comprehensively assess strategic, technical, and operational risks. Simultaneously, the transversal risk teams are in charge of assessing common risks, regardless of their origin, across the board.

The most relevant macro-processes and lines of business in the strategy, or those that generate the greatest risk exposures, must be accompanied by the risk areas responsible for determining the effectiveness of this management.

General Framework

ERM

Higher Purpose

Enriching life with integrity

Strategy management

Strategic risks Technical risks Operational risks	Credit	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

Asset and liability management

Reporting - Money laundering prevention
Regulatory compliance - Internal control

Audit

Since 2021, we have incorporated climate change risk into our general risk management framework, together with the Environmental and Social Risk management practice established in 2011, with the purpose of integrating it into each of the main verticals. The first diagnostics and quantification exercises of our exposure to climate risks: physical and transition risks were carried out with the credit vertical.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM (SARAS)

Since its inception in 2011, SARAS has included policies and procedures for loan underwriting and assessment in the corporate, construction, business, and leasing segments, as well as in the evaluation of investment decisions and in the management of strategic suppliers. The methodology for environmental and social risk assessment is based on IFC standards, performance norms, and the exclusion list.

Taking into account the affinity of the topics, we established that climate change risk management would be developed within the SARAS framework, using tools already tested in the management system and test exercises to broaden the scope of the evaluation of these risks, initially in the loan portfolio.

With respect to climate change management, SARAS's functions include administering and managing the climate risks of the different banks, alerting senior management to relevant risks, and identifying green business opportunities associated with climate change mitigation and adaptation. It is also responsible for validating compliance with eligibility criteria for projects that yield environmental benefits, and training and raising awareness of environmental, social and climate change risks.

SINCE 2021, WE INCORPORATED THE RISK OF CLIMATE CHANGE TRANSVERSALLY INTO OUR GENERAL RISK MANAGEMENT FRAMEWORK.

PROGRESS IN CLIMATE CHANGE RISK MANAGEMENT

Some of our milestones in climate change risk management include:

2018

- We participated in the Natural Capital pilot project carried out by the Natural Capital Finance Alliance (NCFA), a partnership between UNEP FI and the Global Canopy Programme (GCP), financed by the Swiss Embassy. This allowed us to analyze the dependencies of ecosystem services of financed activities and climate situations existing in the regions, considering temperatures, rainfall and soil and water quality, among others.

2019

- We included the identification of the flood and landslide threat level in environmental and social risk evaluations of loan applications made by our clients in the Business and Construction segments. Threat information was provided by Seguros Bolivar (insurance company), leveraging the synergies existing between the companies of Grupo Empresarial Bolivar.

2020

- We developed a pilot test to identify current physical risks associated with the overall mortgage loan portfolio, classifying loans by flood and landslide threat levels.
- We analyzed and prioritized threats and physical climate variables associated with our various loan portfolios.
- We reviewed and analyzed to obtain a primary understanding of future climate change scenarios in Colombia.
- We identified regulations related to climate change that may lead to adjustments in productive sectors generating the most CO_2 emissions, identifying transition risk.
- We committed to integrating TCFD recommendations into our management model, joining a group of leading companies committed to taking action on climate change and considering how it may impact business.
- We participated in the Green Banking - Renac program, obtaining special training for a team of senior management personnel directly involved in the management and identification of risks associated with climate change and renewable energy opportunities.

SARAS DUTIES INCLUDE MANAGING THE CLIMATE RISKS OF THE DIFFERENT BANKS, ALERTING SENIOR MANAGEMENT OF RELEVANT RISKS, AND IDENTIFYING GREEN BUSINESS OPPORTUNITIES ASSOCIATED WITH MITIGATION AND ADAPTATION TO CLIMATE CHANGE.

- Through our sustainability culture program "Good things multiply", we raised awareness among our employees and trained them on the efficient use and importance of water, energy and biodiversity, as well as the importance of waste management.

2021

- We geo-referenced loans in the prioritized mortgage and construction loan portfolios.
- We increased the scope of the pilot test run to identify current physical risks by flood and landslide hazard levels, including other types of loans.
- For prospective analysis, we researched, integrated, and compiled data, such as data on climate variables, average temperature and precipitation in future climate change scenarios for Colombia.
- By using heat maps, we identify segments with high CO_2 emissions, to prioritize and visualize transition risks.
- Within the framework of our environmental risk appetite, we defined a threshold for recognizing exposure to the main carbon-intensive sectors as a proportion of our loan portfolio, which led us to identify clients in these sectors and to support them as they transition to a low-carbon economy.

Our approach has allowed us to advance in the understanding of climate change risks, despite the high degree of uncertainty. Our challenge is to continue researching, running exercises, and incorporating alternative insights, enabling us to compare, understand, and define work plans focused on overcoming limitations, improving, and optimizing procedures.

In this context, the databases, procedures, and tools developed up to the date of this report allow us to describe the methodologies followed for the identification, assessment, and management of physical and transitional risks derived from climate change, in accordance with the definitions of these risks described in the strategy chapter *(see risk definition table).*

METHODOLOGY

Methodology in relation to physical and transitional climate hazards

Stage	Description
Identification	Collection and consolidation of information to identify risk exposure within the defined scope.
Evaluation	Classification and evaluation of exposure to high, medium, and low risks.
Mitigation	Policies and procedures aimed at reducing the impact and probability of occurrence of risks.
Monitoring	Monitoring and benchmarking for policies and limits in risk management.
Report	Periodic risk status reports.

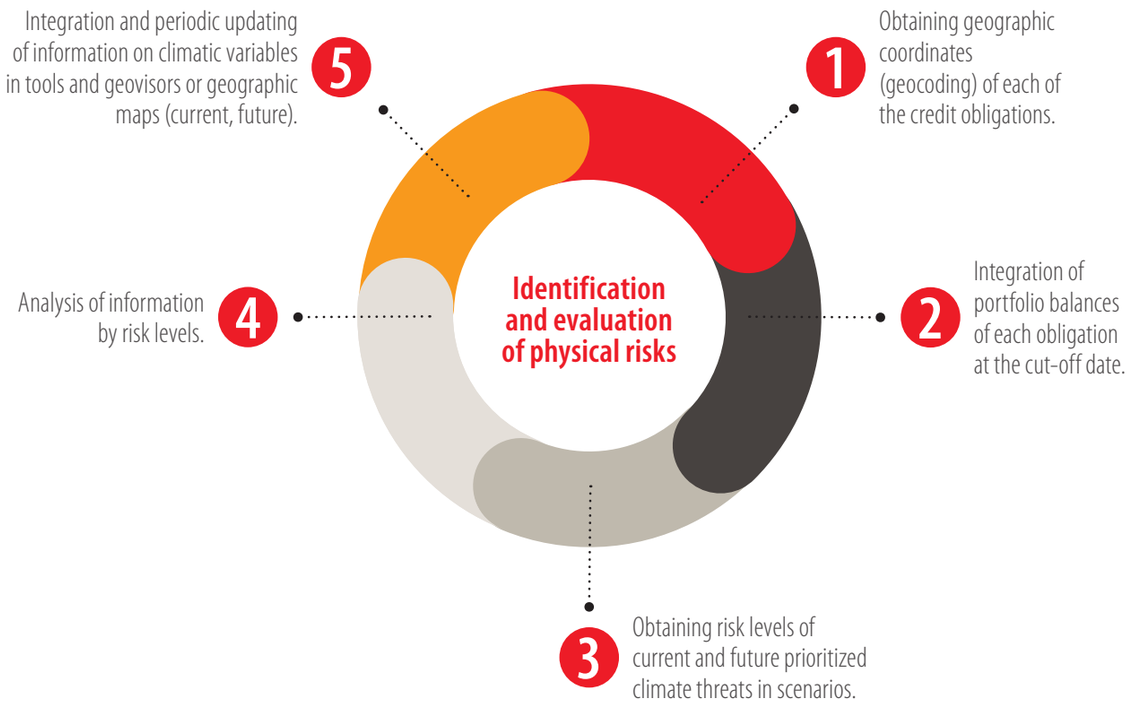
We have focused our efforts on identifying and assessing our exposure to climate change risk in order to address, in the coming years, the mitigation and monitoring stages.

From the perspective of managing risks related to climate change, we have identified our exposure to physical risks, based on the threat of events that may deteriorate the infrastructure underlying the activities or projects financed to our clients. As for transition risks, we consider them based on their share in our overall loan portfolio, focusing on the industries with the highest intensity of CO_2 emissions.

We have focused on the identification and evaluation of our exposure to climate change risk to address, in the following years, the mitigation and monitoring stages.

PHYSICAL RISK

In physical risk management, based on the pilot tests conducted, we defined and implemented the following procedures to support the risk identification and assessment stages:



THE IDENTIFICATION OF PHYSICAL HAZARDS INCLUDES CONSULTATION IN GEOGRAPHY TOOLS AND THE IDENTIFICATION OF BACKGROUND EVENTS SUCH AS FLOODS, MASS REMOVAL AND DROUGHT.

Scope of physical risk identification and assessment process:

Current	• Individual loan applications tied to sensitive projects or activities This information is considered by the Credit Approval Committee. • For current loan portfolios, based on the massive cross-referencing of obligations with geographic maps.
Future	• To integrate analysis variables, based on a forward-looking perspective, into outstanding loan obligations.

• Results in loan portfolio

We assessed loan applications, under our environmental and social risk methodology, in order to establish the risks. The analysis included queries to geographic tools and the identification of historic climate events, such as floods, droughts, and landslides.

In 2021, we assessed 307 loan applications tied to projects within our corporate, business and construction segments, equivalent to 23% of the commercial portfolio. In terms of our consolidated results, we identified that, with respect to the flood threat, 99.7% of the applications evaluated were at medium and low levels, and, for the mass removal threat, 99.6% were at medium and low levels due to susceptibility to these conditions.

Additionally, we conducted a pilot test analysis of the current flood and landslide hazard variables for the mortgage and construction portfolios. This consisted of obtaining the geographic coordinates of the client's main address for each loan within this portfolio, to then associate the level of flood or mass removal threat to each loan. We are currently analyzing and calibrating the results in order to incorporate them into our decision-making.

• Pilot test aimed at analyzing different scenarios

Scenario analysis allows us to rely on a forward-looking vision, consistent with an increase in climate-related physical risks, and to evaluate the financial implications of different assumptions, so as to inform strategic decision-making, foreseeing actions aimed at defining policies, criteria, and financial planning.

By using our existing databases and maps on current physical flood and landslide hazards, we identified the opportunity to use these insights through a pilot test exercise to integrate the data into future scenarios. Consequently, in Colombia, we analyzed the base information of the document "Third National Communication on Climate Change", published by Ideam[7], with the purpose of studying the adequacy of including it in the analysis of future climate scenarios.

That document published an average map built from data on climate behavior in different possible future climate pathways or trajectories, which are called "Representative Concentration Pathways" (RCP[8]), classified as follows:

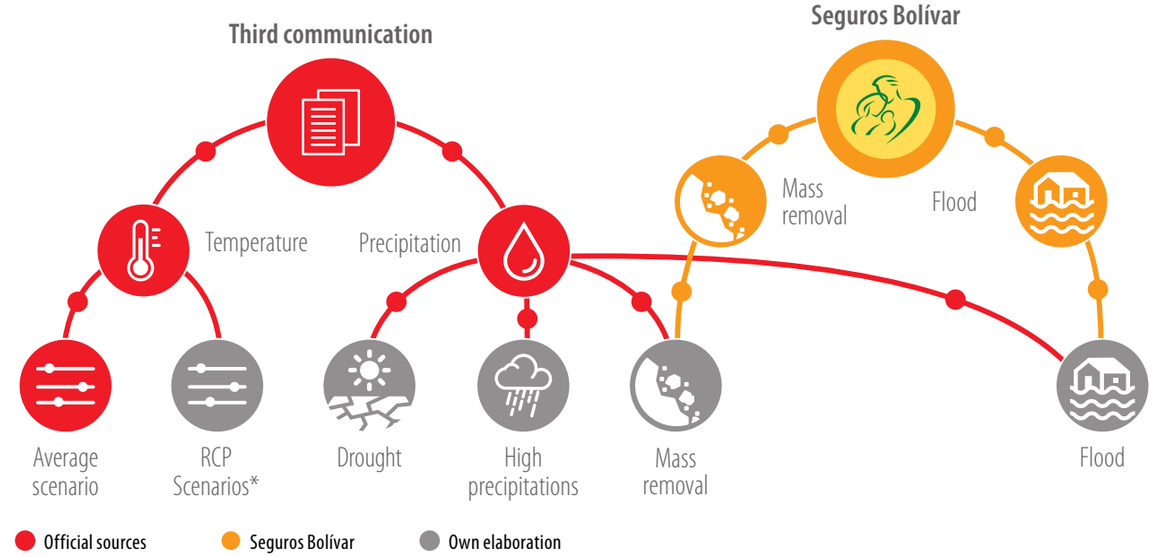
- RCP2.6: 2-degree warming
- RCP4.5: warming less than 2 degrees
- RCP6.0: warming that may exceed 2 degrees
- RCP8.5: warming up to 4 degrees

In turn, these possible paths are estimated for the 2011-2040, 2041-2070, and 2071-2100 periods.

These insights were possible thanks to the synergy between Davivienda and Seguros Bolivar. Subsequently, we integrated the data to build flood and landslide hazard layers for each of the aforementioned time periods, creating new maps for the analysis of geographic information that we will later cross-reference with portfolio balances.

The analysis of scenarios allows us to have a prospective vision consistent with increasing climate-related physical risks and assess the financial implications of different assumptions.

Integration of climate change scenarios



7 Ideam: Institute of Hydrology, Meteorology and Environmental Studies, in Colombia.
8 RCP: Representative Concentration Pathways.

These exploratory exercises have allowed us to obtain findings for consultation and discussion with internal experts in the areas of credit, risk, and business lines, thereby strengthening analyses to incorporate them into the different risk management systems in the following years.

- **Other alternative exercises**

At the end of 2021, we started an alternate pilot exercise with information from the *Worldclim.org* website, where the results of the models used for the climate change maps in each of the RCPs (different carbon dioxide or CO_2 concentration pathways) are published: RCP 2.6, RCP 4.5, RCP6.0, RCP8.5, for the time periods 2021-2040, 2041-2060, 2061-2080 and 2081-2100.

Taking into account that WorldClim has worldwide information, we believe that with this information we can generate layers of analysis for Colombia and the other countries where the Bank operates in Central America and the United States.

In 2022, we will focus on using this information to compare the preliminary results with the other exercises conducted, and to advance in the development of the most successful management model for these processes.

TRANSITION RISKS

Regarding transition risks derived from climate change, in accordance with the identification and definitions presented in the Strategy chapter, we conducted a pilot test to classify our commercial banking portfolio by economic industries and prioritizing based on the following variables:

1. Materiality according to share in the portfolio.
2. Industry prioritized and recommended by TCFD
3. Sensitivity to changes in regulations: we use Sectoral Mitigation Plans as reference. These are a set of actions, programs, and policies aimed at reducing greenhouse gas (GHG) emissions, from a baseline of projected emissions in the short, medium, and long term.
4. Consideration of existing regulations: we consolidated Colombian regulations related to climate change by industry, identifying restrictions or new requirements, as well as the set of ancillary public policies.
5. Sensitivity to changes in the market and technology: we include the Sectoral Mitigation Plans as references and, according to expert criteria, we qualify according to the possible changes in the industry derived from adjustments in the market and those required in technology.

Based on these results, we prioritized 11 industries to generate a heat map of the relative sensitivity of the productive sectors to transition risks: political or legal, technological, market, and reputational; the result of this assessment is presented in the chart below:

Proprietary methodology

Ranking	Industries	exposure as % of overall portfolio
Industries exposed to transition risks	Oil, Gas, Coal, Power, Energy, Iron, Steel, Plastics and Fuels	**3%**
Industries with medium and low sensitivity to transition risks:	Cement and Concrete, Transportation and Vehicles	**3%**
Other industries of the commercial, mortgage, and consumer portfolios		**94%**
TOTAL		**100%**

We will continue to identify, apply, and calibrate the methodology for climate risk management in order to strengthen the identification and measurement of climate risks and to propose mitigation and monitoring stages.

RISK APPETITE FRAMEWORK (RAF)

Our risk appetite framework considers the definitions of threshold, stakeholders, objectives, and risk metrics. Through these elements we define 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, together with the elements defined in the Bank's strategic plan. In this way, we connect the development of the organizational strategy and the search for profitability with the desired or tolerated risk levels.

Within the framework of environmental, social, and climate change risk management, we made progress in defining and proposing the environmental risk appetite, within the framework of exclusion lists and portfolio threshold, including metrics and appetite for climate change risks, as well as business growth proposals to take advantage of opportunities related to the financing of projects aimed at climate change adaptation and mitigation.

Our risk appetite framework considers the definitions of thresholds, stakeholders, objectives, and risk metrics.

6. Objectives and targets

Climate change requires commitment from governments, organizations, individuals and, in general, from all stakeholders to ensure that progress is made towards achieving the targets that will allow us to meet this ambitious global agenda. To attain significant results, it is key to establish a system based on metrics that will lead us towards the accomplishment of these objectives related to direct and indirect impacts. This system must be aligned with methodologies to evaluate and manage the risks and opportunities derived from climate change, and to assess compliance with the established targets.

This section shares advances made regarding indicators used to guide and measure our climate strategy performance, including the CO_2 emissions reports, as well as objectives and metrics used to to manage risks and opportunities associated with climate change, based on the objectives and commitments related to the management of financial resources for green lines and portfolio alignment.

Davivienda monitors the results of our internal operations by measuring our carbon footprint, the use of renewable energy in our facilities, our water efficiency program, and waste management. In business-related management, by including variables for climate change risk analysis into SARAS and the financing of climate change mitigation and adaptation projects.

CLIMATE CHANGE REQUIRES COMMITMENT FROM GOVERNMENTS, ORGANIZATIONS, INDIVIDUALS AND, IN GENERAL, FROM ALL STAKEHOLDERS TO ENSURE THAT PROGRESS IS MADE TOWARDS ACHIEVING THE GOALS THAT WILL ALLOW US TO MEET THIS AMBITIOUS GLOBAL AGENDA.

ECO-EFFICIENCY

Measurement of direct impacts - Eco Efficiency

Indicator	2019	2020	2021	Reduction compared to 2019
Scope 1 Emissions from consumption of refrigerant gas for air-conditioning and power plant fuels (Ton CO_2 eq)	**2,904**	**2,596**	**2,620**	**9.8%**
Scope 2 Emissions from electric energy consumption (Ton CO_2eq)	**7,005**	**4,894**	**4.668**	**33%**
Scope 3 Emissions from consumption of reams of paper and air travel of employees (Ton CO_2eq)	**1,278**	**345**	**247**	**80.7%**
Total carbon footprint (Ton CO_2eq)	**11,187**	**7,836**	**7,534**	**32.6%**

Goals with respect to 2019*.	2022	2023
Carbon footprint reduction Scope 1	1%	2%
Carbon footprint reduction Scope 2	4%	6%
Carbon footprint reduction Scope 3	17%	20%
Carbon footprint offsetting	80%	85%

* Baseline year for this measurement.

The target defined for the year 2022 is to reduce the total carbon footprint, by 5% compared to 2019, taking into account the atypical scenario of 2019 and 2020 and once we return to work models with greater presence, the reduction will not be as big as in these two years.

• Renewable energy

We began operating 10 solar panel systems installed between 2020 and 2021, completing a total of 16 photovoltaic generation systems in Colombia[9], with a total installed capacity of 291 kWp and an increase in clean energy generation of 165% with respect to 2020: 140.3 MWh of clean energy generated for self-consumption.

Measuring direct impacts - Renewable energy

Solar power generation	Indicator	2017-2019	2020	2021	Total	Share
Solar panels on office roof, for self-consumption	Number of systems installed	**6**	**9**	**1**	**16**	Since their installation, the photovoltaic systems have generated 253 MWh of energy for self-consumption, equivalent to avoiding the emission of 57.3 tons of CO_2e.
	Installed power (kWp)	**0**	**163.5**	**0**	**164**	
	Energy generated (MWh)	**59.3**	**53**	**140.3**	**253**	

Goals with respect to the year 2019*.	2022	2023
Clean energy generation at our sites (increase in kWh/year)	**185**	**190**

* Base year for this measurement

We are working to obtain certification of 100% renewable energy consumption through REC (Renewable Energy Certificates). Starting in 2021, we will annually offset 100% of our energy consumption through the purchase of renewable energy certificates (C-FER)[10].

9 Our photovoltaic system on the island of San Andres is temporarily out of service due to damage caused by hurricane Iota. We are in the process of repairing it in order to put it back into operation as soon as possible.

10 A renewable energy certificate (also known as a REC) is a tradable product created when an energy source is certified as renewable. By purchasing a certain number of RECs, the same amount of kilowatts consumed will be generated from renewable sources.

• Energy efficiency

We manage the efficient use of energy and implement actions to reduce energy consumption.

Target with respect to the year 2019*	2022	2023
Energy efficiency (consumption reduction)	**4%**	**6%**

* Base year for this.measurement.

Energy efficiency actions

Investments	**COP 10.1 billion**
Annual savings	**COP 1,509 million**
Annual CO_2	**400 Ton**

Water efficiency actions

Amount of investments	**COP 50.9 million**
Annual savings	**COP 6.5 million**

GREEN FINANCING

Metrics from the business

(Amounts in COP billions)

Business lines	2019	2020	2021	Goals 2022
Sustainable construction	**547**	**672**	**769**	
Renewable energies	**26**	**178**	**19**	
Energy efficiency	**3**	**239**	**207**	
Sustainable infrastructure	**165**	**597**	**537**	
Clean production	**7**	**1**	**1**	
Electric vehicles	**24**	**50**	**106**	
Green mortgages		**55**	**99**	
Green rediscount financing*	**597**	**-**	**-**	
TOTAL	**1,369**	**1,794**	**1,739**	**2,403**

* As of 2020, the amount of rediscounted green financing is distributed among each of the lines.

AS ONE OF OUR PRIORITY TARGETS FOR 2030, WE HAVE DEFINED THE ACHIEVEMENT OF CARBON NEUTRALITY IN OUR MANAGEMENT.

IN 2021, WE DOUBLED THE BALANCE OF OUR ELECTRIC AND HYBRID VEHICLES PORTFOLIO, GROWING BY 98% IN TERMS OF DISBURSEMENTS, REACHING A PORTFOLIO BALANCE TOTALING 104 BILLION COP.

• Impact measurements

Our target is to broaden the scope of these measurements to attain an overarching coverage, across our various banking segments and products. The following results were achieved in 2021:

Energy efficiency

Within our leasing line, we measured 2 outstanding solar photovoltaic projects, thus getting more companies to join these practices and contribute to the control of climate change in their respective industries.

- **El Trapiche de San Sebastián.** Installation of 195.3 thousand kwh/year, equivalent to the reduction of 78.7 kg CO_2 or the planting of 315 trees per year.
- **Cooperativa de Caficultores de Anserma,** Installation 123 thousand kwh/year, equivalent to the reduction of 46.7 kg of CO_2 or the planting of 187 trees per year.

Electric and hybrid vehicles

In 2021, we doubled the balance of our electric and hybrid vehicles portfolio, growing by 98% in terms of disbursements, reaching a portfolio balance totaling COP 104 billion. Consequently, emissions equivalent to approximately 302 tons of CO_2 per year have been reduced.

Green Bond

The resources of this Bond issued in 2017 have allowed us to finance mainly sustainable construction projects, on which we highlight the obtaining of the following benefits:

- Reduction of energy consumption between 16% and 46% with respect to traditional buildings
- Avoided emissions of approximately 10.5 thousand tons CO_2 eq per year.

We continue to advance in a comprehensive strategy that will allow us to improve metrics and achieve objectives in line with our work plan.

Once the current and historic metrics and measurements are fully set up, the challenge is to propose broader measurements with medium- and long-term objectives, both strategic and operational, that will allow us to perform in line with the challenges of the industry.

GLOSSARY

- **Climate change:** Refers to changes in the planet's temperature and weather patterns over the long term. These changes have always occurred naturally, but since the 19th century human activities have been the main driver, mainly due to deforestation and the burning of fossil fuels, such as coal, oil and gas, which produce heat-trapping gasses. *(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. *(CDP)*

- **Decarbonization:** Reducing the carbon share of energy consumption on a global scale. *(Robeco)*

- **Ideam:** Institute of Hydrology, Meteorology, and Environmental Studies of Colombia. *(Ideam)*

- **Resilience:** Capacity of a living being to adapt to a disturbing agent or an adverse state or situation. *(RAE)*

- **Physical risk:** Arises from the physical effects of increasingly severe and frequent extreme weather and climate-related events, such as droughts, floods or hurricanes, and from progressive longer-term changes in weather patterns, such as increases in average temperature and changes in precipitation. These phenomena can 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. *(Green Finance for Latin America and Caribbean)*

- **Transition risk:** Arises from processes geared towards a "carbon neutral economy" and may be driven by changes in policy, regulations, technologies, or market trends. Policy changes could be, for example, restrictions on carbon emissions, carbon pricing, or more stringent energy efficiency standards. These changes may result in the rapid repricing of a wide range of asset values through unanticipated or premature write-downs of "carbon-intensive industries". *(Green Finance for Latin America and Caribbean)*

- **TCFD:** Task Force on Climate-related Financial Disclosure, an international organization that makes 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 sector. *(TCFD)*

Banco Davivienda S.A.

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BANCO DAVIVIENDA S.A.

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