Sustainable Finance Policy
Banco de Occidente

Version: 2.0

TABLE OF CONTENTS

1. Sustainable Finance Policy 3

1.1 Generality: 3

1.2 Objective 3

1.3 Scope of application 4

1.4 National and international standards, frameworks and initiatives undertaken in environmental and social matters ..... Error! Bookmark not defined.

1.5 Our Sustainability Strategy 4

1.6 Sustainable business financing 5
1.6.1 Environmental and transition taxonomy 5
1.6.2 Social Taxonomy 8

1.7 Commitment to our customers 12

1.8 Integration of environmental, social and governance (ESG) criteria 12

1. Sustainable Finance Policy

1.1 Overview:

At Banco de Occidente, we adopt and promote environmental, social, and governance (ESG) principles across our activities, as well as in the financing of sustainable operations that contribute to a responsible environmental transition, strengthening our clients' competitiveness while improving environmental outcomes and societal well-being.

From this perspective, we seek to provide financing solutions that enable our clients to make decisions incorporating ESG criteria into their economic activities and projects. The positive impact that can be achieved through this type of financing is significant. We are not only contributing to Colombia's economic growth and stability but also fostering the adoption of more responsible and environmentally sustainable business practices.

In an economy transitioning toward a low-carbon model, the role of the financial sector is fundamental. We have both the capacity and the responsibility to channel resources toward projects and companies that promote sustainability, climate change mitigation, and adaptation. By offering sustainable financing solutions, we support innovation and the uptake of clean technologies, contributing to a more resilient and sustainable economy over the long term.

As a financial institution, we are committed to investing in the development of communities and municipalities, as this not only contributes to the economic growth of the country, but also improves the quality of life of its inhabitants. This financial support aims to promote social projects that address the needs of education, health, access to essential services, housing, etc., for various interest groups such as women, children, the elderly, minority groups, among others.

Our commitment to sustainability is not only reflected in our internal policies and practices, but also in the way we engage with our customers and the community at large. We are working closely with companies of all sizes and individual customers to help them achieve their business goals sustainably and responsibly. Offering sustainable financing lines is more than a business strategy, it is a commitment to the future of Colombia and the planet.

1.2 Objective

To establish the general guidelines that enable us to play an active role in the development of a more equitable, inclusive, and environmentally and socially responsible economy through the incorporation of ESG criteria into the financing of projects, assets, and working capital for clients within the Corporate Banking, Business Banking, SME Banking, Government, Institutional Banking, Structured Finance Unit, and Retail Banking segments.

1.3 Scope of application

These guidelines apply to all individual and corporate clients belonging to the business segments[1] and cover all operations in which we have a presence, identifying clients from the various economic sectors vulnerable to climate change, those that generate greater environmental and social impacts due to the development of their activities and those that may represent greater opportunities through the implementation of mitigation and adaptation measures.

1.4 Environmental and Social Standards, Frameworks and Initiatives Adopted

Banco de Occidente adheres to the following environmental and social standards, frameworks, and initiatives:

- Asobancaria Green Protocol.
- Asobancaria Social Protocol.
- United Nations Global Compact.
- United Nations Sustainable Development Goals (SDGs).
- United Nations Environment Programme Finance Initiative (UNEP FI) – Principles for Responsible Banking.
- Task Force on Climate-related Financial Disclosures (TCFD).
- Dow Jones Sustainability Index.
- Finance for Biodiversity Foundation.

1.5 Our Sustainability Strategy

Our sustainability strategy is designed to effectively integrate sustainability principles across all areas of our operations, aligning our practices with environmental, social, and governance (ESG) principles.

This strategy seeks not only to comply with current regulations and stakeholder expectations, but also to lead by example within the financial sector by generating a positive impact on society and the environment.

[1] Corporate, Business and SME Banking, Government, Institutional, Structured Finance Unit and Personal Banking.

The strategic pillars through which we drive our ESG initiatives, under our purpose of "Making people's development, business growth, and the country's transformation a reality," are:

Governance/Economic Aspect

- **Transparency**: We strengthen corporate governance with ethical and responsible practices.
- **Profitable growth:** We promote sustainable businesses that contribute to the economic, social and environmental development of the country.

Social Aspect

- **Our people**: We foster a work environment where we promote the comprehensive development of talent.
- **Generation of social value**: We create meaningful experiences for our customers and generate alliances for the development of the regions.

Environmental Aspect

- **Our Blue Planet**: We contribute to the mitigation and adaptation of climate change.

1.6 Sustainable business financing

At Banco de Occidente, we integrate environmental, social and governance (ESG) considerations at the core of our financial decision-making. Through our financing strategies, we support the transition to a low-carbon economy, strengthening our clients' competitiveness while generating a positive impact for our stakeholders. With this vision, we offer financing solutions that enable our clients to integrate ESG criteria into their business activities and projects. Beyond dedicated sustainable finance products, virtually any lending product within our portfolio may qualify as a sustainable financing solution when aligned with the criteria established by the Bank (see Annex 1 – Sustainable Portfolio).

With the aim of mobilizing resources in the different segments of the business[2] for the financing of economic activities, projects and assets that contribute significantly to the environment and society, we have developed our taxonomy based on the Green Taxonomy of Colombia, the taxonomy provided by IDB Invest and the Social Protocol of Asobancaria.

1.6.1 Environmental and transition taxonomy

[2] Corporate, Business and SME Banking, Government, Institutional, Structured Finance Unit and Consumer/Retail Banking.

It includes financing for the purposes of environmental protection and care, associated with climate change mitigation and adaptation, ecosystem conservation, and biodiversity, water protection, soil management, circular economy, among others.

Category	Subcategory	Definition	SDG contribution[3]
Energy Efficiency	• Energy efficiency in equipment or processes. • Heat recovery • Cooling and heating systems. • Fuel substitution • Cogeneration and thermal districts • Energy improvements in urban and/or rural infrastructure	Measures implemented with the aim of reducing energy consumption per unit of service or production with respect to a baseline; including the replacement or modernization of vehicles, equipment, and machinery. Manufacturers and/or suppliers of equipment or products intended for energy efficiency projects.	  
Renewable Energy	• Solar Energy • Wind energy • Geothermal energy • Biomass energy • Ocean energy • Hydroelectric power plants	Installation of fixed assets that allow the generation or productive use of energy from renewable sources (solar, wind, geothermal, biomass, oceanic and others). Manufacturers and/or suppliers of equipment or products intended for renewable energy projects.	  
Green buildings	• Construction of homes and/or new buildings • Renovation of homes and/or new buildings	Projects that comply with sustainable construction standards and have Edge, LEED, Casa Colombia or other applicable certifications.	

[3] Sustainable Development Goals. Our sustainability strategy has defined its contribution to specific SDGs, however, we are aware that through sustainable financing we can also contribute to other SDGs.

	• Sustainable urban developments		
Protection of biodiversity and natural resources	• Sustainable forest management • Ecosystem restoration and/or reforestation • Climate adaptation actions • Nature-based solutions	Financing of loans and investments related to construction, operation, maintenance, expansion, training and adaptation for the promotion of sustainable land use, preservation of biodiversity and marine protected areas	 
Sustainable water management	• Aqueduct, sanitary sewer and/or wastewater treatment systems • Efficient use of water	Projects related to studies, design, construction, operation, maintenance, expansion and adaptation for the efficient and sustainable use, sanitation and management of water.	  
Waste management	• Recycling of materials • Products with sustainable design and/or development • Environmental initiatives developed with food products • Waste treatment and disposal	Recycling, reuse and minimisation initiatives for the use of materials, which promote circular economies in any part of the production chain	  

Clean transport	• Hybrid vehicles • Electric Vehicles • Euro VI technology vehicles • Dedicated CNG vehicles • Infrastructure for sustainable transport	Financing of vehicles that are characterised by the use of zero- or low-emission energy or technologies	 
Sustainable agriculture	• Good livestock practices • Sustainable agriculture	The implementation of good environmental practices in agriculture and livestock, which in turn have the potential to reduce greenhouse gas emissions	 
Other sustainable investments	• Certified sustainable tourism • Energy Service Companies • Certified Sustainability Companies • Other initiatives with environmental impact not listed	Other investments that contribute to sustainability on different fronts	 

1.6.2 Social Taxonomy

It includes the financing of operations aimed at having a positive impact, offering well-being and improving the quality of life of the community or interest groups, for example: women, people with disabilities, minority groups, among others.

Category	Subcategory	Definition	SDG contribution[4]
Financing of companies that carry out activities with a social focus	Companies that finance or have included in their value chain activities, such as: • Productive activities of young people between 18 and 28 years of age. • Activities of women or women microenterprises with productive activities. • Activities with Older Adults (Women: Over 57 years old and Man: Over 62 years old). • Activities located in vulnerable areas5 • Microenterprises that work with vulnerable communities or in vulnerable areas • Projects or activities with small producers in agriculture and/or agribusiness • Projects or activities that promote the generation of employability for sexually diverse populations (LGBTQ+1) • Microenterprises in general	Companies that finance or have included in their value chain activities with a social focus that promote the improvement of the quality of life of traditionally underserved populations, generation of employability for vulnerable populations and any other activity that promotes the social development of the community. The financed company can serve this population with productive and consumer credits.	
SME (With a social focus)	• Financing of projects aimed at protecting	Financing for productive purposes as capital of	

[4] Sustainable Development Goals. Our sustainability strategy has defined its contribution to specific SDGs, however, we are aware that through sustainable financing we can also contribute to other SDGs.
[5] The 2018 DANE data on Multidimensional Poverty by Municipalities of Colombia is taken as a reference for the classification of vulnerable areas.

	employment and reactivating companies. • Financing of projects that contribute to the generation of formal employment, entrepreneurship and labor intermediation of vulnerable people and generation of entrepreneurship in the rural population.	work, investment in fixed assets and other types of financial services. SMEs are companies that have an annual turnover between COP700 million and COP 20,000 million according to local regulations.	
SME Women	Eligible expenses include the financing and/or refinancing of costs related to the operation or improvement of productive activity or activities whose objective is to promote equality and human rights throughout the value chain through equitable remuneration, promoting equality and non-discrimination at work, employment of disadvantaged groups, among other causes that seek to help the community.	Condition 1* a. Ownership: More than 50% of the shares are owned by women, and/or b. Address: b1. More than 20% of the shares are owned by women b2. have at least one woman on the governing body (valid legal representative) b3. They have at least 30% of the board of directors made up of women. *With a minimum of one year with this condition. Condition 2 More than 700 million to 30 billion (according to the segmentation defined by the bank)	

Affordable basic infrastructure	• Programs and projects that improve the conditions and quality of urban, regional and rural public transport, including improvement of infrastructure, interoperability, reliability of service and transport supply. • Projects for the construction or improvement of urban and rural access roads and land, river, and maritime transport conditions.	Financing and/or refinancing of costs related to transport infrastructure and access roads [6]	 
Essential services: affordable housing, education, health services, and water and sanitation.	• Financing of projects and programs) aimed at improving the quality of and access to basic, middle, and higher education for vulnerable children and young people. • Financing for construction, construction improvements and assets in the hospital sector aimed at public and/or private hospitals located in municipalities with multidimensional poverty. • Financing of actions and measures aimed at the acquisition, construction, repair, expansion, improvement, conditioning or leasing of social housing. • Financing of projects related to the improvement	Financing and/or refinancing of costs relating, but not limited to, projects that provide essential services (affordable housing, education, health services, and water and sanitation).	     

[6] It does not apply to paving or rehabilitation of routine roads within cities.

	of access, reliability and quality of basic drinking water treatment and distribution services, collection and treatment of wastewater.		

1.7 Commitment to our customers

To build strong and trusted relationships and promote a balanced approach to economic growth, environmental stewardship, and social well-being, Banco de Occidente adopts an integrated approach that enables us to mitigate sustainability-related risks and capitalize on sustainability-related opportunities, ensuring responsible and resilient operations in the face of global challenges. Accordingly, we seek to support clients through our Corporate Banking, Business Banking, SME Banking, Government, Institutional Banking, Structured Finance, and Retail Banking segments in identifying and understanding ESG-related risks and opportunities through the following actions:

- Providing information through our website regarding sustainable products and services, including eligible financing categories, our current sustainable finance portfolio, and the characteristics of the products offered.
- Maintaining a commitment to financial education, regulatory updates, and the implementation of technologies that facilitate our clients' adaptation to evolving market, regulatory, and sustainability-related requirements.
- Developing training and capacity-building initiatives aimed at Corporate, Business, and SME Banking clients, as well as strategic clients, with the objective of strengthening decision-making capabilities, enhancing risk management practices, fostering sustainable growth, and providing key tools to improve business competitiveness through updates on strategic and operational topics.

1.8 Integration of environmental, social and governance (ESG) criteria

Globally, there is a growing recognition of the need to incorporate environmental, social and governance (ESG) factors into financial decision-making processes. At Banco de Occidente, environmental considerations include risks related to climate change, sustainable management of natural resources and the environmental footprint. Social factors encompass issues such as human rights, working conditions and social equity. Accordingly, we have established guidelines and implemented practices aimed at ensuring that our direct lending activities generate a positive impact on both society and the environment.

In addition, to comply with legal obligations and Customer Due Diligence (CDD) and Know Your Customer (KYC) requirements, all Retail Banking and Corporate/Business Banking transactions are screened against restricted lists related to money laundering, drug trafficking, terrorism, and other illegal activities. Furthermore, detailed information is collected regarding customer identity, source of funds, economic activity, and other relevant aspects, recognizing transparency and ethical conduct as key governance considerations.

Within our Retail Banking segment, the Bank integrates ESG criteria into its financing schemes through the offering of products designed to encourage sustainable consumption decisions among individual customers. This integration is primarily achieved through financing products dedicated to sustainable activities that meet the criteria established under the Bank's Sustainable and Transition Taxonomy. In this way, ESG factors are explicitly incorporated into the credit origination process, promoting the allocation of capital toward activities aligned with environmental transition objectives and sustainable development, in accordance with the principles established in this Policy.

We are committed to managing the environmental, social, economic and governance risks related to our lending activity. This approach enables us not only to mitigate potential adverse impacts but also to direct financial flows toward economic activities that appropriately manage their impacts on society and the environment.
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To support this commitment, the Bank has implemented an Environmental and Social Risk Management System (ESRMS), aligned with our credit approval process, to identify, assess, and manage environmental and social risks. The EMRS applies to all our commercial lending operations, including projects evaluated in our Project Finance Unit.

Finally, in line with our commitment, it has been defined not to finance activities with a high environmental and social impact contained in the Prohibited Activities section of our Exclusion List. This list includes activities prohibited under applicable national laws and regulations, as well as those restricted under international conventions and agreements ratified by the host country, or activities subject to international phase-out commitments or global prohibitions. Other activities with a high environmental and social impact not prohibited by Colombian legislation could be financed only if the sum of their balance does not represent more than 5% of our total portfolio.

Gerardo José Silva Castro
President of Banco de Occidente

Daniel López Sierra
Sustainability Manager

Annex 1. Our Sustainable Portfolio

a. Personal Banking	b. Business Banking
Blue Planet Housing Credit	Green Builder Credit
Occiauto Blue Planet: Hybrid and Electric Vehicle Credit	Credit Foreign Trade and Working Capital Foreign Currency
UNICEF Card	
Free investment credit for solar panels (PP-Ordinary Portfolio and Personal Loan Quota)	

c. Financing sustainable projects or assets

Through our products managed in personal and corporate banking, such as free investment, ordinary portfolio, rediscount lines and foreign currency, we finance sustainable initiatives:

- We have a focus on SMEs led by women that meet the following conditions:

  a. Ownership: More than 50% of the shares are owned by women, and/or
  b. Address:
  b1. More than 20% of the shares are owned by women
  b2. have at least one woman on the governing body (valid legal representative)
  b3. They have at least 30% of the board of directors made up of women.

- Leasing Banca Empresas has a green line with which we finance projects and/or assets that promote sustainability practices within companies.

- We have lines of credit withthe objective of supporting the growth and development of small and medium-sized enterprises by financing the working capital needs and the promotion of foreign trade operations of this population.