

# **Sustainable Finance Policy**

## **Banco de Occidente**

**Version: 1.0**



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## Sustainable Finance Policy

### 1.1 General:

At Banco de Occidente we adopt and promote the principles of environmental, social and governance (ESG) sustainability in our activities, as well as in the financing of sustainable operations that contribute to a responsible environmental transition, contributing to the competitive strengthening of our clients and to the improvement of the environment and the well-being of society.

With this perspective, we seek to offer financing possibilities to our clients so that they can make decisions that involve ESG criteria in their economic activity or project. The positive impact we can achieve by offering this type of financing is significant. Not only are we contributing to Colombia's economic growth and stability, but we are also encouraging the adoption of more responsible and environmentally friendly business practices.

In an economy in transition to a low-carbon model, the role of the financial sector is fundamental. We have the ability and responsibility to channel our resources to projects and companies that promote sustainability and climate change mitigation and adaptation. By offering sustainable financing lines, we are driving innovation and the adoption of clean technologies, which in turn brings us closer to a more resilient and sustainable economy in 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 country's economic growth, but also improves the quality of life of its inhabitants. This financial support is aimed at promoting 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 relate to 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 objectives in a sustainable and responsible manner. Offering sustainable lines of financing is more than a business strategy; it is a commitment to the future of Colombia and the planet.

### 1.2 Objective

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To establish the general guidelines that allow us to play an active role in the construction of a fairer, more equitable and environmentally and socially friendly economy by incorporating ESG criteria in the project, asset and working capital financing operations of the Corporate, Business and SME, Government, Institutional, Structured Finance Unit and Personal Banking clients.

### 1.3 Scope of application

These guidelines are applicable to all individuals and legal entities belonging to the business segments<sup>1</sup> and cover all operations where we are present, 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 National and international standards, frameworks and initiatives undertaken in environmental and social matters

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

### 1.5 Our Sustainability Strategy

<sup>1</sup> Corporate, Business and SME Banking, Government, Institutional, Structured Finance Unit and Personal Banking.

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Our strategy is designed to effectively integrate sustainability principles into 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 expectations, but also to lead by example to the financial sector by promoting a positive impact on society and the environment.

The work fronts on which we focus to address our ESG initiatives, which are framed under our purpose of "We act to promote the development of our human talent, the sustainable growth of business and people and the conservation of our Blue Planet", are:

#### **Governance / Economic Aspect**

- **Transparency:** We strengthen corporate governance with ethical and responsible practices through commitment to ethics and compliance standards, comprehensive risk management, ESG commitments and adherence, and leadership on ESG issues.
- **Profitable growth:** We promote sustainable businesses that contribute to the economic, social and environmental development of the country by financing our clients in their transition to a low-carbon economy and projects with social impact.

#### **Social Aspect**

- **Our people:** We foster a work environment where we promote the integral development of talent by constantly improving the well-being and satisfaction of our employees, recruiting, developing and retaining talent, and respecting diversity, equity and inclusion.
- **Generation of social value:** We create meaningful experiences for our clients and generate alliances for the development of the regions through access to a broad portfolio of financial products, a differential value proposal for the client's experience, financial inclusion and business opportunities, benefits for projects aligned with sustainable practices and strengthening of social investment.

#### **Environmental Aspect**

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- **Our Blue Planet:** We contribute to the mitigation and adaptation of climate change by reducing our environmental impact through efficient and sustainable management of natural assets, reduction of our carbon footprint, climate risk management and decarbonization strategy.



## 1.6 Financing sustainable businesses

At Banco de Occidente, we integrate environmental, social and governance sustainability at the core of our financial decisions. Through our financing strategies, we promote the transition to a low-carbon economy, strengthening the competitiveness of our clients and generating a positive impact for our stakeholders. With this vision, we offer financing options that allow our clients to incorporate ESG criteria into their economic activities and projects. Not only do we have specific lines of credit, but in essence, any type of credit within our portfolio can be framed as a sustainable solution (see Annex 1 - Sustainable Portfolio).

With the objective of mobilizing resources in the different business segments<sup>2</sup> 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 Colombian Green Taxonomy, the taxonomy provided by IDB Invest and Asobancaria's Social Protocol.

### 1.6.1 Environmental and Transition Taxonomy










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

Category	Subcategory	Definition	SDG Contribution <sup>3</sup>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Energy efficiency in equipment or processes.</li> <li>• Heat recovery</li> <li>• Cooling and heating systems.</li> <li>• Fuel substitution</li> </ul>	<p>Measures implemented with the objective of reducing energy consumption per unit of service or production with respect to a baseline, including replacement or modernization of vehicles, equipment and machinery.</p> <p>Manufacturers and/or suppliers of equipment or</p>	 










<sup>2</sup> Corporate, Business and SME Banking, Government, Institutional, Structured Finance Unit and Personal Banking.

<sup>3</sup> 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.

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	<ul style="list-style-type: none"> <li>• Cogeneration and thermal districts</li> <li>• Energy improvements in urban and/or rural infrastructure</li> </ul>	products for energy efficiency projects.	
Renewable Energy	<ul style="list-style-type: none"> <li>• Solar Energy</li> <li>• Wind energy</li> <li>• Geothermal energy</li> <li>• Biomass energy</li> <li>• Ocean energy</li> <li>• Hydroelectric power plants</li> </ul>	<p>Installation of fixed assets that allow the generation or productive use of energy from renewable sources (solar, wind, geothermal, biomass, oceanic and others).</p> <p>Manufacturers and/or suppliers of equipment or products for renewable energy projects.</p>	  
Green buildings	<ul style="list-style-type: none"> <li>• Construction of new homes and/ or buildings</li> <li>• Renovation of homes and/or new buildings</li> <li>• Sustainable urban developments</li> </ul>	Projects that meet sustainable construction standards and have Edge, LEED, Casa Colombia or other applicable certifications.	 
Biodiversity and natural resource protection	<ul style="list-style-type: none"> <li>• Sustainable forest management</li> <li>• Ecosystem restoration and/or reforestation</li> <li>• Climate adaptation actions</li> <li>• Nature-based solutions</li> </ul>	Financing of loans and investments related to construction, operation, maintenance, expansion, training and adaptation for the promotion of sustainable land use, biodiversity preservation and marine protected areas.	 
Sustainable water management	<ul style="list-style-type: none"> <li>• Water supply, sanitary sewerage and/or wastewater treatment systems</li> </ul>	Projects related to studies, design, construction, operation, maintenance, expansion and adaptation for efficient and sustainable	

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	<ul style="list-style-type: none"> <li>• Efficient water use</li> </ul>	water use, sanitation and management.	 
Waste management	<ul style="list-style-type: none"> <li>• Recycling of materials</li> <li>• Products with sustainable design and/or development</li> <li>• Environmental initiatives developed with food products</li> <li>• Waste treatment and disposal</li> </ul>	Recycling, reuse and material use minimization initiatives that promote circular economies in any part of the production chain.	  
Clean transportation	<ul style="list-style-type: none"> <li>• Hybrid vehicles</li> <li>• Electric vehicles</li> <li>• Euro VI technology vehicles</li> <li>• Dedicated NGV vehicles</li> <li>• Infrastructure for sustainable transport</li> </ul>	Financing of vehicles characterized by the use of zero- or low-emission energy or technologies	 
Sustainable agriculture	<ul style="list-style-type: none"> <li>• Good livestock farming practices</li> <li>• Sustainable agriculture</li> </ul>	The implementation of good environmental practices in agriculture and livestock farming, which in turn have the potential to reduce greenhouse gas emissions.	 







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Other sustainable investments	<ul style="list-style-type: none"> <li>• Certified sustainable tourism</li> <li>• Energy services companies</li> <li>• Companies certified in sustainability</li> <li>• Other initiatives with environmental impact not listed</li> </ul>	Other investments that contribute to sustainability on different fronts	 
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### 1.6.2 Social Taxonomy

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 <sup>4</sup>
Financing of companies that carry out activities with a social focus.	<p>Companies that finance or have included in their value chain activities, such as:</p> <ul style="list-style-type: none"> <li>• Productive activities of young people between 18 and 28 years old.</li> <li>• Activities of women microenterprises or women with productive activities.</li> <li>• Activities with senior citizens (Women: over 57 years old and men: over 62 years old).</li> <li>• Activities located in vulnerable areas</li> </ul>	<p>Companies that finance or have included within 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.</p> <p>The financed company can serve this population with productive and consumer loans.</p>	   

<sup>4</sup> 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.

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	<ul style="list-style-type: none"> <li>• Microenterprises working with vulnerable communities or in vulnerable areas.</li> <li>• Projects or activities with small agricultural and/or agribusiness producers.</li> <li>• Projects or activities that promote the generation of employability for sexually diverse population (LGBTQ+1)</li> <li>• Microenterprises in general</li> </ul>		
SMEs (with social focus)	<ul style="list-style-type: none"> <li>• Financing projects aimed at protecting employment and reactivating companies.</li> <li>• Financing projects that contribute to the generation of formal employment, entrepreneurship and labor intermediation of vulnerable people and generation of entrepreneurship in the rural population.</li> </ul>	<p>Financing for productive purposes such as working capital, investment in fixed assets, and other types of financial services.</p> <p>SMEs are companies with annual sales between COP700 million and COP 20,000 million, in accordance with local regulations.</p>	    
Pyme Mujer	<p>Eligible expenses include financing and/or refinancing of costs related to the operation or improvement of</p>	<p>Condition 1* a.</p> <p>a. Ownership: More than 50% of the shares are owned by women, and/or</p>	

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	<p>the productive activity or activities whose objective is to promote equality and human rights throughout the value chain through equitable remuneration, promote equality and non-discrimination in the workplace, employment of disadvantaged groups, among other causes that seek to help the community.</p>	<p>b. Management:</p> <p>b1. More than 20% of the shares are owned by women.</p> <p>b2. have at least one woman on the board of directors (valid legal representative).</p> <p>b3. have at least 30% of the board of directors composed of women.</p> <p>*With at least one year with this condition.</p> <p>Condition 2 More than 700 million to 30 billion (according to the segmentation defined by the bank)</p>	   
Affordable basic infrastructure	<ul style="list-style-type: none"> <li>• Programs and projects that improve the conditions and quality of urban, regional, and rural public transportation, including infrastructure improvement, interoperability, service reliability, and transportation supply.</li> <li>• Projects for the construction or improvement of urban and rural access roads and land, river, and maritime transportation conditions.</li> </ul>	<p>Financing and/or refinancing of costs related to transportation infrastructure and access roads. <sup>5</sup></p>	 
Essential services: affordable housing, education, health services, and water and sanitation.	<ul style="list-style-type: none"> <li>• Financing of projects and programs) aimed at improving the quality of and access to basic, secondary and higher education for vulnerable children and youth.</li> </ul>	<p>Financing and/or refinancing of costs related to, but not limited to, projects that provide essential services (affordable housing, education, health services, and water and sanitation).</p>	 

<sup>5</sup> Does not apply to paving or rehabilitation of routine roads within cities.

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	<ul style="list-style-type: none"> <li>• Financing for construction, improvements in construction and assets in the hospital sector aimed at public and/or private hospitals located in municipalities with multidimensional poverty.</li> <li>• Financing of actions and measures aimed at the acquisition, construction, repair, expansion, improvement, refurbishment or leasing of social housing.</li> <li>• Financing projects related to the improvement of access, reliability and quality of basic services for the treatment and distribution of potable water, collection and treatment of wastewater.</li> </ul>		    
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## 1.7 Commitment to our clients

To establish strong trust relationships and promote a balance between economic growth, environmental stewardship and social well-being, we adopt an integrated approach that enables us to mitigate risks and seize opportunities in sustainability, ensuring a responsible and resilient operation in the face of global challenges. Therefore, we seek to support our clients in the different business segments<sup>6</sup> in understanding ESG opportunities and risks, through various actions such as:

- Information on our Web page on products and services with a sustainable approach, where we list the categories subject to financing as well as the current portfolio and its characteristics.
- Commitment to financial education, regulatory updates and the implementation of technologies that facilitate adaptation to changes in the environment. Through our “Maestros del Hacer” program, we offer a comprehensive training platform that

<sup>6</sup> Corporate, Business and SME Banking, Government, Institutional, Structured Finance Unit and Personal Banking.

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provides our clients and communities with tools to strengthen their financial knowledge and improve their economic decision-making capacity.

- Development of training spaces aimed at Corporate Banking, Business and SME entrepreneurs and strategic clients, with the objective of strengthening their decision-making capacity, optimizing risk management, promoting sustainable growth and providing key tools to improve the competitiveness of their businesses, facilitating the updating of strategic and operational issues.

### 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. For our company, environmental considerations include risks related to climate change, sustainable natural resource management and environmental footprint. Social factors encompass issues such as human rights, labor conditions and social equity. Therefore, we have established guidelines and developed practices that aim to ensure that direct lending operations generate a positive impact on the environment and society. In addition, in order to comply with legal obligations and customer due diligence, all operations of our Personal and Business/Corporate Banking are consulted in restrictive lists related to money laundering, drug trafficking, terrorism and other illegal activities, as well as detailed information such as identity, origin of funds, economic activity, among others, taking into account that transparency and ethics is one of the relevant factors in Governance.

We are committed to managing environmental, social, economic and governance risks related to our lending activity, which allows us not only to minimize their probability of occurrence but also to direct financial flows towards economic activities that appropriately manage their impact on society and the environment.

We implemented the Social and Environmental Risk Management System (SARAS), which is aligned with our lending process to address environmental and social issues and applies to all our commercial lending operations, including projects evaluated in our Structured Finance Unit (Project Finance).

Finally, in line with our commitment, we have defined not to finance activities with high environmental and social impact contained in the prohibited activities section of our exclusion list, which include those prohibited by host country laws or regulations or ratified international conventions and agreements, or that are subject to phase-out or prohibitions at the international level. Other activities with high environmental and social impact not prohibited by Colombian law could be financed only if the sum of their balance does not represent more than 5% of our total portfolio.

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**Annex 1. Our Sustainable Portfolio**

a. Personal Banking	b. Corporate Banking
Blue Planet Housing Loan	Green Builder Credit
Occiauto Planeta Azul: Hybrid and Electric Vehicle Credit	Foreign Trade and Working Capital Foreign Currency Credit
UNICEF Card	

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Free Investment Credit for solar panels (PP- Ordinary Portfolio and Personal Loan Quota)	
<b>c. Financing of sustainable projects or assets</b>	
<p>Through our personal and corporate banking products, such as free investment, ordinary portfolio, rediscount lines and foreign currency, we finance sustainable initiatives:</p> <ul style="list-style-type: none"> <li>We have a focus on SMEs led by women that meet the following conditions: <ul style="list-style-type: none"> <li>a. Ownership: More than 50% of the shares are owned by women, and/or</li> <li>b. Management: <ul style="list-style-type: none"> <li>b1. More than 20% of the shares are owned by women.</li> <li>b2. have at least one woman on the board of directors (valid legal representative).</li> <li>b3. have at least 30% of the board of directors composed of women.</li> </ul> </li> </ul> </li> <li>Leasing “Banca Empresas” has a green line with which we finance projects and/or assets that promote sustainability practices within companies.</li> <li>We have lines of credit with the objective of supporting the growth and development of small and medium-sized companies by financing the working capital needs and the promotion of foreign trade operations of this population.</li> </ul>	

#### **Our value offer for sustainable products**

<b>Credit for Hybrid and Electric Vehicles.</b> <ul style="list-style-type: none"> <li>• Preferential rates.</li> <li>• 100% financing of the vehicle.</li> <li>• Up to 84 months of financing.</li> <li>• Immediate approvals with Occiauto Digital.</li> <li>• Personalized accompaniment.</li> </ul>	<b>Sustainable Housing Credit for individuals</b> <ul style="list-style-type: none"> <li>• Special rate discounts</li> <li>• Applies to Mortgage Credit and Housing Leasing.</li> <li>• Accompaniment throughout the process</li> </ul>
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<p><b>Green Builder Credit for companies</b></p> <p>We will guarantee our commitment to sustainability and quality in construction by financing your projects that are certified in internationally recognized standards such as: EDGE - LEED - CASA.</p> <ul style="list-style-type: none"> <li>• Preferential rate in the reduction of up to 100 basis points in the spread on the current rate.</li> <li>• Rate benefit for long-term clients who finance their property with BO.</li> <li>• Specialized attention from the National Construction Credit Management.</li> <li>• Commercial alliance with Caribbean Cargo Agency.</li> </ul>	<p><b>UNICEF Credit Card</b></p> <ul style="list-style-type: none"> <li>• Welcome Bonus for \$40,000 which is donated to UNICEF's Wash program by the bank on behalf of the client.</li> <li>• Donation of 0.5% to UNICEF's Wash program by the bank on behalf of the client in contribution to the children of La Guajira in each purchase made.</li> </ul>
	<p><b>Green Leasing</b></p> <ul style="list-style-type: none"> <li>• Benefits: up to 100 PB on the contract rate.</li> </ul>
<p><b>Free investment credit for financing solar panels.</b></p> <p><b>Personal Loan:</b></p> <ul style="list-style-type: none"> <li>• Online approval in 5 minutes and paperless.</li> <li>• Up to 72 months financing</li> <li>• Benefit of 4bps discount on the rate</li> <li>• You can make extraordinary extraordinary payments.</li> </ul> <p><b>Ordinary Portfolio</b></p> <ul style="list-style-type: none"> <li>• Grace period to principal for 3 months</li> <li>• Terms of 30, 60, 90, 90, 180 or 360 calendar days, extendable for equal periods up to 7 years*, prior regulatory payment.</li> <li>• Variable rate indexed to the IBR.</li> </ul> <p><b>Active account with personal loan quota</b></p> <ul style="list-style-type: none"> <li>• Benefit of a 4 bps discount on the rate.</li> </ul>	<p><b>Foreign Trade and Foreign Currency Working Capital Loans</b></p> <ul style="list-style-type: none"> <li>• Preferential rate on working capital loans up to 1 year and foreign trade up to 6 months.</li> <li>• Applies to sustainable use (environmental and social) in foreign currency,</li> <li>• Accompaniment throughout the process</li> </ul>



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<ul style="list-style-type: none"> <li>• Choose the term you want from 12 to 72 months.</li> <li>• Fixed fee for all your uses.</li> <li>• Monthly portfolio management fee.</li> </ul>	
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