



# RESPONSIBLE INVESTMENT POLICY



**Corficolombiana**

Trabajamos e invertimos  
en el progreso del país

## 1. PURPOSE

The purpose of the Responsible Investment Policy is to establish the framework for the inclusion of principles of responsible and sustainable investment in the current and future investments of Corficolombiana. This policy reiterates the Corporation's commitment to the introduction, measurement and monitoring of environmental, social and corporate governance criteria (also known as ESG criteria) in decision-making and in the determination and management of risks, opportunities and matters related to investment management.

This policy guides the Corporation's actions to generate value for our shareholders, and in general to our stakeholders and society in general. In addition, it allows us to support affiliated companies in determining goals and objectives to improve their performance in managing environmental and social risks and impacts.

## 2. SCOPE

The Responsible Investment Policy is intended for Corficolombiana for its investment processes in equities and fixed income.

## 3. DEFINITIONS

**Equities:** Type of investment formed by financial assets in which return is uncertain because they are investments in ownership interests of Corficolombiana in listed and unlisted companies in five strategic sectors: infrastructure, energy and gas, agribusiness, hotel and financial.

**Controlled Investments:** Equity investments in which Corficolombiana has control in the terms of articles 260 and 261 of the Code of Commerce, and the regulations that modify, complement or substitute them.

**Non-Controlled Investments:** Equity investments in which Corficolombiana does not have direct or indirect control.

**Fixed Income:** Type of investment formed by financial assets in which the issuer agrees to pay a defined return in a specified period of time.

**Portfolio investments:** Equities portfolio in which Corficolombiana has a direct or indirect interest.

**Responsible Investment:** The PRI (Principles of Responsible Investment) defines responsible investment as “a strategy and practice for incorporating environmental, social and corporate governance (ESG) factors

into investment decisions and active ownership. Responsible Investment (RI) is an investment approach that explicitly recognizes the importance of ESG factors and the long-term health and stability of the market as a whole. The RI understands that generating long-term sustainable returns depends on stable, functional and well-governed social, environmental and economic systems.

**ESG:** Refers to environmental (E), social (S) and corporate governance (G) criteria.

**Material Issues:** Refers to the critical issues for the business and its stakeholders.

#### 4. CONTEXT: SUSTAINABILITY STRATEGY

Corficolombiana understands sustainability as the premise upon which it defines its actions and guides its decision-making processes. At Corficolombiana, sustainability refers to the commitment with the generation of economic, social and environmental value to guarantee the profitability of its shareholders and, in turn, to contribute to the well being and progress of current and future generations.

Regarding economic value, we seek opportunities and generate profitability in the short and long term for our stakeholders. The environmental value in Corficolombiana refers to the conviction of protecting, maintaining, preserving and developing the ecosystems in which we carry out our business activities. Social value refers to the contribution we make to our employees, society and the communities where our business is developed. We generate a better quality of life that promotes the capabilities of current and future generations.

Based on this purpose, we have consolidated our Sustainable Corficolombiana strategy, through which we define five fundamental pillars in which we frame all our actions:



Within this context of Corficolombiana's sustainability strategy, the Responsible Investment Policy has been defined as a fundamental guide for decision-making.

## 5. INVESTMENT STRATEGY

Corficolombiana's main line of business is equities investment in companies of the real and financial sector. The Corporation is a long-term strategic investor in capital-intensive sectors, focusing on sustainable investments in which it looks for the generation of stable and growing cash with low volatility. In addition, it invests in projects and companies in which it seeks to have a controlling position or significant influence.

Corficolombiana seeks to develop impact businesses that contribute in a lasting manner to the growth, progress and improvement in the quality of life of the community.

Corficolombiana, through its treasury area, also makes fixed income investments with an investment strategy that seeks to guarantee good returns based on high quality and sustainable investments with a rigorous risk evaluation and management process.

## 6. DECLARATION OF SUSTAINABLE INVESTMENTS<sup>1</sup>

Corficolombiana, an affiliate of Grupo Aval, and its Board of Directors declare that:

- We recognize the importance of ESG (Environmental, Social, Corporate Governance) aspects for the generation of value for society, our customers, shareholders, suppliers, employees and strategic allies, as well as for the mitigation of potential risks.
- We are committed to include ESG (Environmental, Social and Corporate Governance) parameters as core components in our investment evaluation and decision-making process, as well as the review of the same aspects in our affiliates, in order to maintain their profitability and sustainability.
- We ensure that all our projects are implemented with the highest environmental standards. We know, develop, care for and protect the natural wealth of the regions through our companies.

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<sup>1</sup> See the full text of the Declaration at <https://www.corficolombiana.com/documents/20123/44563/Declaraci%C3%B3nInversionesSostenibles.pdf/a617098b-be9e-42d5-ea3a-047c52e76d63?t=1594906140050>

- We work for the progress of the communities where we are present. Through our companies, we offer products and services that improve the quality of life, increase productivity, contribute to equity, and in general, help the community thrive.
- We are committed to generating an environment that motivates the high performance and development of our employees; within a framework of non-discrimination, respect and promotion of Human Rights.

The process of monitoring and managing our portfolio investments includes an assessment of risks and opportunities related to ESG aspects, as well as seeking synergies, economies of scale, and disseminating best practices among our investments.

- At Corficolombiana we work and invest in the progress of the country with the purpose of generating economic, social and environmental value, in a sustainable manner, in the five strategic sectors in which we invest: infrastructure, energy and gas, agroindustry, hotels and financial.

## 7. GUIDELINES

### 7.1. Integration of ESG aspects in portfolio investments

The analysis of investment opportunities mainly considers the best long-term value generation opportunities for our shareholders and including the analysis of environmental, social and corporate governance impacts of investments (ESG) to achieve a consistent management of risks and returns.

Portfolio investment decisions shall include an analysis of the material ESG criteria that apply according to the sector, region and size of each potential investment. This analysis will be made through the use of different sources of primary and secondary information.

### 7.2. Screening

As part of the evaluation of new portfolio investments, potential disputes over their environmental, social or corporate governance impact will be identified to determine the feasibility of the investment. Disputes will be understood as those situations that, although directly categorized in excluded activities or not, might adversely affect the environment, society or infringe the ESG criteria.

The evaluation process of new portfolio investments will include an analysis of those investment proposals that generate or may generate disputes due to their social, environmental and/or corporate governance

impact, assessing whether such disputes are structural or non-structural, the degree of severity, and their management by the companies. The analysis of disputes will take into account their materiality and impact.

Controversial activities will be understood as those that are highly exposed to the following practices (not excluding any other that Corficolombiana considers could have an adverse impact under ESG criteria) as listed below:

 Environmental	 Social	 Governance
Pollution Affection of water Deforestation Threats to protected ecosystems Affection of public health Resource depletion Climate change	Threats to vulnerable communities or government-declared minorities  Activities that limit the individual rights and freedoms of individuals  Affection of Labor Rights  Child labor	Corruption and Bribery  Lack of transparency in Corporate Governance  Misrepresentation of public information  Affection of the rights of shareholders

In any case, Corficolombiana has decided to exclude the following sectors from its investments: Production or distribution of nuclear weapons, and production of tobacco.

### 7.3. Controlled Investments

#### 7.3.1. Engagement

In its investment management, Corficolombiana will promote the principles of responsible investment trying to be an agent of change for the development of the country and society.

In this way, in the portfolio investments in which Corficolombiana has a controlling interest, the monitoring and support process of the companies' management shall include the definition of goals and objectives regarding the ESG impact, the evaluation of ESG criteria to identify risks, in addition to seeking synergies, economies of scale, and disseminating best practices among such investments.

To this end, general ESG indicators and criteria will be established to quantify and the opportunities and risks of investments in environmental, social and corporate governance issues, such as climate change management, environmental impact, human rights, ethics and transparency issues, risk management, human talent management, and social programs, among others. These matters shall be measured and reported. These matters shall be measured periodically and at least annually.

Additionally, Corficolombiana's engagement with its controlled investments is through constant interaction and feedback led by the Corporation's investment team. In addition, there is permanent contact through the Board members appointed in each investment of the Portfolio. This allows Corficolombiana to work on the alignment of its investment strategy with that of the Corporation, to follow up frequently, and to guide the course of its investments in ESG issues. In this way, the selection of Board members is key to safeguarding Corficolombiana's interests as a shareholder, achieving significant influence and ensuring progress on ESG issues.

The Corporation develops engagement activities with its controlled companies that seek to generate positive impacts for its stakeholders, including employees, suppliers, customers and communities, as well as the environment. These activities include matters such as interaction spaces, workshops, advice and training activities, and disclosure of information on relevant ESG issues.

### *7.3.2. Voting*

Through voting in the Board of Directors, Corficolombiana, as a shareholder, ensures the creation of long-term value in its investment portfolio and the alignment with its Corficolombiana Sostenible strategy. Board members assigned by Corficolombiana vote 100% of the shares to give signals of support or concern regarding corporate governance or business practices.

## **7.4. Non-Controlled Investments**

### *7.4.1. Engagement*

In portfolio investments in which Corficolombiana has a non-controlling position, the engagement takes place to maximize and preserve the value of such investments. It is sought that such investments consider sustainability as a source of value generation and adequately manage their ESG issues. In this way, a monitoring and management process in companies for ESG issues is established, in which these issues are evaluated using a tool created by the Corporation that includes fundamental issues in environmental, social, and governance management, such as climate change management, environmental impact, human rights, ethics and transparency, risk management, human talent management, and social programs, among others.

In addition, a letter will be sent annually to these companies addressed to the presidents of the investments updating them on Corficolombiana's strategy, its ESG measurement parameters and international measurement parameters.

Corficolombiana will hold meetings with the directors of the non-controlled companies to maintain constant interaction and feedback in order to work on recommendations on their ESG management, achieve

an alignment of the strategy of these companies with the five pillars of Corficolombiana Sostenible and keep them informed of the latest policies implemented by the Corporation.

#### *7.4.2. Voting*

In portfolio investments in which Corficolombiana has a non-controlling position with significant influence, through its position in the Board of Directors it will monitor the application of ESG criteria and propose to the Board to use parameters and criteria aligned with Corficolombiana's responsible investment policy and its Corficolombiana Sostenible strategy. In case the company carries out activities that are not compatible with this policy, the non-conformity will be recorded in the minutes of the Board of Directors.

In addition, in companies where Corficolombiana does not hold a position in the Board of Directors, Corficolombiana will prepare its own report and exhaustive analysis with public information that will provide the tools to vote in the Assemblies. In case the company does not publish the information before the Assemblies, the proposals will be voted against and a record will be made.

Corficolombiana will vote 100% of the shares to give signals of support or concern regarding corporate governance or business practices.

### **7.5. Fixed Income Investments**

In its fixed income investments, Corficolombiana shall include the principles of responsible investment, taking into account ESG criteria. In this way, fixed income investments will be promoted in issuers that are incorporating the ESG principles into their policies and strategies, such as, for example, corporate governance principles, protocols and agreements to develop responsible environmental and social practices and that promote sustainable development.

For the consideration of ESG aspects in fixed income investments, Corficolombiana will implement a process for the analysis of the issuers as part of the process carried out for risk management.

### **7.6. Capacities in Responsible Investment**

Corficolombiana will implement a training strategy for the team that participates in the processes of analysis and monitoring of investments, risk management and decision-making.

## 7.7. Policymakers

The approval of Corficolombiana's responsible investment policy is the responsibility of the Corporation's Board of Directors, and its implementation is the responsibility of the Corporation's Presidency through the Vice Presidency of Investments, the Executive Vice Presidency, the Vice Presidency of Treasury, the Vice Presidency of Governance, Risk and Compliance, the Vice Presidency of Investment Banking and the Sustainability Directorate. This policy shall be disclosed to the different stakeholders.

The different committees of Corficolombiana, according to their competence, will monitor and follow up on compliance with this Policy and will inform the Board of Directors on the progress. Additionally, a report on the management will be submitted in the Annual Sustainability Report of Corficolombiana.

The follow-up of compliance with the policy shall take place every year, reporting the results to the interested parties. The actions developed within the framework of the responsible investment policy shall be voluntary for the Corporation and do not constitute a regulatory or normative duty.

## 8. REFERENCE DOCUMENTS AND ANNEXES

Not applicable.

## 9. CHANGES AFTER THE CREATION OF THE POLICY

Date	Version	Nature of the Change
Nov-25/2020	1	Document creation. Approved by the Board of Directors, in accordance with Minutes No. 1936.

SUPERINTENDENCIA FINANCIERA  
DE COLOMBIA

VIGILADO

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