

Introduction

In the current context of transition to a low-carbon economy, financial institutions play a strategic role in mobilizing capital towards sustainable and climate-resilient activities. In this scenario, the measurement and application of the **Internal Carbon Price (ICP)** have become a key tool for managing risks, identifying opportunities and aligning financial decisions with global and national climate commitments.

This is an internal measurement that we use to incentivize the transition to more sustainable operations and portfolios, anticipate future regulatory impacts, and reinforce commitment to national and global climate goals, thereby improving long-term financial resilience.

Calculation of GHG emissions

Grupo Aval holding and its subsidiaries carry out the greenhouse gas (GHG) inventory under the methodology proposed by the Greenhouse Gas Protocol for scopes 1, 2 and 3.

It should be noted that in the report of the financed emissions of scope 3 (category 15: investments), Grupo Aval holding quantifies the emissions generated by the most relevant entities¹ in proportion to their controlling interest, considering financial materiality criteria.

Calculation of the Internal Carbon Price (ICP)

With the support of the global consultancy ERM, we have made the corresponding estimate of the Internal Carbon Price (ICP), based on an approach that combines:

- **Carbon shadow price:** referring to a hypothetical cost of carbon emissions.
- **Carbon tax:** related to the internal cost based on regulations and financial risks.

Grupo Aval's ICP includes the following variables:

- National Carbon Tax (according to Resolution 007 of 2024).²
- Risk Factor (aligned with Nationally Determined Contributions – NDCs).³
- Weighted Marginal Abatement Cost (CMA).⁴

Estimated ICP for Grupo Aval holding in 2025⁵ = COP 145,011 / t CO₂e ~ USD 35.8 / t CO₂e

¹ Banco de Bogotá, Banco de Occidente, Banco Popular, Banco AV Villas, Corficolombiana y Porvenir.

² Grupo Aval holding is not directly subject to the National Carbon Tax established by Law 1819 of 2016, which taxes the use or import of liquid fossil fuels such as gasoline, ACPM and natural gas in combustion activities. However, the inclusion of this variable in the calculation of the ICP is done for strategic purposes. The value established in Resolution 007 of 2024 is taken.

³ The risk factor is a component that represents a carbon tax projection for the year 2034, estimated with an annual growth of 5%. For the year 2024, 50% of this estimate is taken.

⁴ It reflects the approximate cost to reduce one ton of CO₂e in the different activities of Grupo Aval holding. It corresponds to a weighted value for scopes 1, 2 and 3, using sectoral references from the Partnership for Carbon Accounting Financials (PCAF) and FAO for agro-industrial activities.

⁵ The estimated Internal Carbon Price (ICP) for Grupo Aval for 2024 was updated for 2025 by applying Colombia's annual Consumer Price Index (CPI) variation for that year. Subsequently, the resulting value in Colombian pesos was converted into U.S. dollars using the average Representative Market Exchange Rate (TRM) for 2025.

This value does not necessarily imply an actual financial transaction but is used internally to assign a monetary value that reflects the economic, social and environmental impact associated with each ton of CO₂ emitted. In this way, the cost of carbon emissions is comprehensively estimated, providing guidance for strategic, investment, financing and climate risk management decisions.

Strategic application of the Internal Carbon Price (ICP)

As part of its commitment to climate action, Grupo Aval uses the ICP as a management tool that allows it to:

- Change internal behavior by assigning an internal monetary value to the carbon emissions generated by each of the business units.
- Promote the reduction of GHG emissions in Grupo Aval's internal operations and its financed emissions.
- Progressively analyze and evaluate the impact of financing and investment activities on the group's subsidiaries, aligning the financial portfolio with the transition to a low-carbon economy.
- Drive energy efficiency.
- Integrate climate risks and opportunities into strategic decision-making, promoting more responsible and anticipatory management.
- Comply with national and international climate regulations.

Alignment with Grupo Aval's Climate Strategy

Based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), now adopted and strengthened by IFRS S2 developed by the International Financial Reporting Standards Foundation (IFRS), and with the support of the global consulting firm ERM, Grupo Aval has designed a **2050 Climate Strategy**.

This strategy establishes a clear roadmap that defines guidelines, metrics and emission reduction and decarbonization objectives for both the holding company and its subsidiaries in its main business lines: banks, investments in the real sector and pension and severance administration.

This route is based on **4 strategic pillars**:



This approach will allow Grupo Aval not only to comply with current regulations, but also to actively contribute to the Sustainable Development Goals (SDGs), the Paris Agreement and Colombia's Nationally Determined Contributions (NDCs). Thus, the holding company is positioned to align itself with a more sustainable and resilient economy, strengthening its role as a key catalyst for climate finance.