

**Management report**  
from the CEO and the  
board of directors  
2020

## KEY INDICATORS:

**31,516**

jobs totalled Grupo SURA and its subsidiaries at the end of 2020. Preserving jobs was a clear goal from the beginning of the pandemic.

**COP 106,899 million****(USD 28.9 million)**

invested in social outreach initiatives by our subsidiaries and the SURA Foundation in 10 countries throughout Latin America.

**37.9 million**

clients throughout the region, of which 20.3 million corresponded to SURA AM and the remaining 17.6 million to Suramericana.

**COP 20.8 trillion****(USD 5,642 million)**

in consolidated operating revenues posted by Grupo SURA, this driven by growth in premiums and commissions.

**0.63%**

was the case fatality rate recorded for Seguros SURA Colombia's COVID patients, which was one-fifth of the average rate recorded in Latin America.

## Special greetings to each of our shareholders:

2020 will go down in history as an unprecedented year, that put us all to the test, as people, as a society and, of course, as an Organization. This global pandemic has reaffirmed the importance of being able to manage the present in the midst of uncertainty, while maintaining the same long-term vision that has guided us so well in the past. It also highlighted the important role that SURA's different lines of business play, today more than ever, in ensuring the well-being of people and the competitiveness of Latin American companies. All this, in an environment that has been particularly affected by the adverse effects that the COVID-19 pandemic has had on health, employment, industries, markets and on living conditions in general. That is why we, at SURA, are firmly committed to continuing to help with the region's economic and social recovery.

As this pandemic has evolved over time, **taking charge** has become a central premise. This means taking responsibility for helping to build collective solutions to the challenges we all share as a society. That is why each of the Companies that belong to the SURA Business Group decided right from the outset to preserve existing jobs.

**"Taking charge"** also meant, in our case, increasing our social investment by 13% last year, this channeled directly through our Companies as well as via the SURA Foundation in Colombia, Chile and Mexico. This amounted to COP 107 billion (USD 28.9 million), a sum which also represents the contributions of more than 14 thousand shareholders of Grupo SURA. These resources were

invested in a total of 10 countries in Latin America, namely in solidarity initiatives carried out in the health care, educational and cultural sectors, as well as others aimed at helping small- and medium- supplier and service provider companies, and ensuring the food security of families living in poverty. The employees of our Business Group made an especially valuable contribution to this endeavor, through their voluntary donations.

The response of our SURA Asset Management and Suramericana subsidiaries to the pandemic also meant accelerating different modifications in order to transform their operating models accordingly, this in order to guarantee our ongoing business continuity while abiding by the highest bio-safety standards. These affiliates and their subsidiaries in each country have built new bridges and channels in order to ensure greater proximity with each of their 37.9 million clients and subscribers. Here, they were able to provide their solutions, support and knowledge to the people and companies that have placed their trust in SURA as their insurer, their pension fund management firm, their health service provider, their savings manager, their investment manager and, always, as their firm ally in these uncertain times.

All this has been made possible by the invaluable commitment of more than 31 thousand employees that make up the Subsidiaries of our Business Group, who have demonstrated their ability to adapt to these exceptional times, working at great speed and with greater flexibility,

convinced of the strategy that guides each of our Companies and that are present in industries able to create real value for society.

All this is also the result of a historically prudent financial management, thanks to which it was possible to guarantee adequate levels of solvency and liquidity throughout 2020, to the point that none of Grupo SURA's subsidiaries required any additional capital injection in the light of the adverse effects that the pandemic had on our business performance.

All in all, the consolidated financial results obtained last year showed a capacity for resilience, since they proved to be much better than what we, at Grupo SURA, had originally projected at the outset of the pandemic, with positive indicators being recorded on all those fronts that depended on our business management performance. This reaffirmed the benefits of Grupo SURA's well-balanced portfolio, thanks to which our consolidated net income figure remained in positive territory at year-end, in spite of the adverse impact on the both the capital markets and Latin American economies, as we shall see in more detail later on.

## Impact of the pandemic

As we all know, Latin America ended the year with more than 500 thousand Coronavirus-related deaths, which was 28% of the world's total, this after 15.1 million cases were confirmed along

with a case fatality rate of 3.29%. Furthermore, according to estimates published by the International Labor Organization (ILO), 30 million people lost their jobs, this having a particularly adverse effect on the informal job market, especially women and young people.

On the other hand, the Economic Commission for Latin America and the Caribbean (ECLAC) estimated a 15-year setback in poverty indicators, a reality that affected 209 million people at year-end 2020. For their part, analysts surveyed by Focus Economics are forecasting an average decline of 7.3% for the region's GDP last year, with this expected to grow by 4.2% in 2021.

This has been a health, social and economic crisis without precedent for the planet. It has laid bare the profound vulnerabilities of our path towards greater development, with widening inequalities, increased job informality, business shutdowns, weaknesses in our hospital infrastructure as well as fiscal fragility. But these times of crisis have also shown us the great resilience of our Latin American people, their ability to respond quickly to adversity with their own creativity, solidarity and willingness to help.

That is why today our countries urgently need reforms to public policies so as to counteract poverty, promote equity and social justice, expand access to education, strengthen social protection systems, encourage the creation of formal jobs and facilitate the recovery of our productive systems.

Our indirect shareholders include 17 million Colombians, through their private pension fund savings.

### RELATED STAKEHOLDER GROUPS:

- Shareholders and Investors
- Employees and the Board of Directors
- Portfolio investments
- Communities
- The State

### RELATED SDGS



**Our Suramericana and SURA Asset Management subsidiaries have built new bridges and channels so as to remain much closer to each of their clients during the pandemic**

**Grupo SURA, SURA Asset Management and Suramericana prioritized the comprehensive health care of our people, from the physical, mental and financial standpoints.**

## How SURA is responding

Aware of this context, Grupo SURA, SURA Asset Management and Suramericana prioritized the comprehensive health care of our people, from the physical, mental and financial standpoints. Almost immediately, once the pandemic was declared, more than 90% of our employees in 10 countries switched to working remotely in order to abide by the lockdowns. At the same time, protective care measures were increased for front-line personnel, such as those providing in-person health care services, in the case of Seguros SURA Colombia. Psychological help lines were also set up to ensure optimal mental health among our human talent and their families.

Based on the conditions of each Company and the prevailing market environment, measures were taken to mitigate the economic impact on our sales force personnel and special payment plans were put in place to provide liquidity to small-and medium-sized companies, which conform the vast majority of SURA's 50,820 suppliers and service providers in Latin America. Now let's look at some of the more important endeavors on the part of Grupo SURA and its subsidiaries over this last year:

### ●● Grupo SURA

Since April 2020, the Holding Company has been evaluating the possible impact of the pandemic on issues such as dividend income, cash flow, debt management and potential capital needs of our core subsidiaries. We carried out stress tests in the face of different probable scenarios, based on models where we correlated projected impacts on the health of our people and the capacity of our health systems to deal with such, amid the economic slowdown triggered by a series of lockdowns as well as the adverse effects on the job markets. In order to accomplish precisely this, we pooled the specialized knowledge of the Suramericana, SURA Asset Management and Bancolombia staff with regard to risk management, public health, macroeconomics and financial management, complementing this with the input of various external consultants. Consequently, we discovered adequate levels of balance sheet strength while continuing to monitor the liquidity and solvency levels of our Portfolio Companies.

The knowledge gained from this analysis allowed us to take early measures in order to ensure the required cash flow for 2021 and, in so doing, fulfil our obligations and maintain Grupo SURA's liquidity. This is why, during the second half of the year, we placed an issue of bonds on the Colombian market worth COP 1 trillion (USD 265 million) so as to ensure sufficient resources to pay the amount of international bonds maturing in May 2021, for a total of USD 300 million.

This, together with several substitutions and renegotiations of our bank loans, allowed us to adjust our bond maturity profile to our cash flow, improve our borrowing costs by 110 basis points, increase the average maturity of our indebtedness from 5 years to 6.6 years, as well as increasing the natural hedging of our debt in

pesos; in fact, our dollar-denominated exposure dropped from 10% to 4% in 2020. It should also be noted that in 2020, we continued with our deleveraging strategy thereby reducing our net debt by COP 138,933 million.

Finally, it was a year of significant change for the Holding Company. There was an orderly transition with the Company's leadership. At its Annual Meeting held in 2020, the General Assembly of Shareholders appointed a new Board of Directors that included two new members, who with their knowledge and different insights have helped to make both this governing body and Senior Management more resilient, more able to quickly adapt to the current situation while prioritizing the analyses of the different impacts of the pandemic on our portfolio investments. Furthermore, adjustments were made to our organizational structure in response to our strategy.

### ●● **Suramericana**

Suramericana's insurance subsidiaries delivered more capabilities and knowledge to their clients by diversifying their portfolios in important areas such as health care, mobility, connectivity and competitiveness. Its subsidiaries in all nine Latin American countries where present were able to simplify their processes with regard to attending claims, making subscription conditions and premium payments more flexible, anticipating refunds due to reduced levels of risk, compared to those covered by certain insurance solutions, while including the pandemic in the coverage of its Health Care and Life Insurance policies, whereas this had not been previously contemplated.

### **GRUPO SURA:**

**Placed an issue bonds in Colombia worth COP 1 trillion to ensure its liquidity requirements in 2021.**

### **SURAMERICANA:**

**Has provided its specialized knowledge and advice to more than 100 thousand Micro and SMEs through its SURA Enterprise platform.**

Likewise, new on-line service channels were created and enhanced, these including our teleassistance facilities, so as to gain greater proximity with our 17.6 million policy-holders throughout the region.

At the same time, digital and training tools were provided for more than 22 thousand subsidiary insurance advisors; assistance and services were expanded for private individuals; and new solutions were developed in both the Life and Property & Casualty branches of insurance, this based on today's new landscape, which allowed us to not only to increase our client loyalty but also reach more segments of the population. Furthermore, the Empresas SURA (SURA Enterprises) platform helped more than 100 thousand Micro and SMEs by providing our specialized knowledge on fundamental issues so that they could remain competitive at this juncture.

More specifically, the Health Care (EPS) Occupational Health and Safety (ARL) and Voluntary Insurance subsidiaries belonging to Seguros SURA in Colombia have performed a decisive role in terms of their responsibility in monitoring the health of more than 12 million people. This involved expanding its telemedicine and face-to-face health care capabilities, recruiting another 2,408 employees during the pandemic, most of these for providing our expanded health care services, as well as accelerating processes and innovations with our client care and insurance model. In fact, the Company pioneered the oxygen therapy model in Colombia and provided 98 thousand PPE kits to its subscribers and policy-holders so as to reduce complications, hospitalizations and ICU admissions.

### SEGUROS SURA COLOMBIA:

Case fatality rate among its COVID patients came to one-fourth of the national average, at year-end 2020.

The Company allocated COP 1.35 trillion (USD 366 million) for tackling the pandemic on different fronts.

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In 2020, this Suramericana subsidiary provided more than 18.4 million COVID-19 related health care services and during the pandemic, 506 thousand new subscribers signed up with the EPS SURA Mandatory Health Care subsidiary, for a year-end total of 4.2 million. Driven by our overarching purpose of saving lives, it is worthwhile noting that the Company's own COVID case fatality rate came to just 0.63%, that is to say, a quarter of the that recorded nationwide (2.63%), and a third of the world average (2.18 %) and was lower than that recorded in developed countries such as Denmark and Norway.

Meanwhile, our Diagnostic Aids subsidiary, Ayudas Diagnósticas SURA, doubled its capacity with all of its nine laboratories processing 16% of the total COVID diagnostic samples taken in Colombia until December 31, 2020. For its part, ARL SURA provided 1.4 million advisory services in risk promotion and prevention as well as technical advisory services, designed to help its 4.3 million affiliated companies and workers reactivate the economy in a safe manner.

In this way, Seguros SURA Colombia and its subsidiaries allocated COP 1.35 trillion (USD 366 million) in 2020 for managing the pandemic on different fronts. However, the Coronavirus has tested the strength of our social protection systems and in so doing underscored the important role they play, since health is a determining factor for a country's competitiveness.



### SURA Asset Management

It is worth noting that this subsidiary, which is an expert player in the savings, investments and asset management industries, obtained positive levels of returns for its managed funds, which, although were lower than for 2019, were still encouraging for its 20.3 million clients in what was after all a complex and volatile environment for the markets, especially at the beginning and end of the year.

### SURA ASSET MANAGEMENT:

The number of advisory services provided to its clients in ensuring their financial health increased more than ten-fold.

The pension fund management subsidiaries belonging to SURA Asset Management, in all six countries where present, anticipated the payment of allowances at the beginning of the pandemic; they also reinforced their client care and advisory services. Similarly, they increased and scaled up their digital channels, with on-line transactions going from 73% to 94% of the total, these standing at 160 million at year-end 2020. They also responded swiftly to 3.2 million fund members who requested withdrawals of portions of their pension savings, in keeping with the recent regulatory changes introduced in Peru and Chile, this in order to meet their needs given the effects of the prevailing economic crisis. With regard to the legal reserve requirements covering its pension funds, the Company originally projected an average approximate return of 6% for 2020, whereas that effectively obtained came to almost 9%.

Furthermore, the procedure for our clients to withdraw their severance payments was expedited and made more flexible in Colombia, the same applied to those claiming unemployment insurance in Chile and Mexico, this so as to help

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### **SURA ASSET MANAGEMENT:**

In order to alleviate the situation of its fund members who lost their jobs, processes for severance fund withdrawals in Colombia and as well as unemployment insurance claims in Mexico and Chile were streamlined and made more flexible.

those who lost their jobs due to the pandemic. In order to help prevent job losses and any further deterioration to our business network, various types of financing funds were also made available, thereby providing liquidity to 1,282 small- and medium-size companies in Colombia, Peru and Chile.

As for SURA Investment Management, an expert investment management unit catering to the institutional segment, this ended the year with assets under management totaling USD 10.9 billion, having also launched several investment funds to leverage the long-term economic recovery and job creation in companies belonging to sectors such as industry, commerce, energy and infrastructure, this with a special focus on the Pacific Alliance member countries. It also bolstered its options for accessing more international clients with initiatives such as the new Variable Capital Investment Corporation (SICAV), domiciled in Luxembourg. It also acquired the trust fund management firm Gestión Fiduciaria in Colombia, which is now called Fiduciaria SURA, through which it shall be offering its portfolio of products to its local clients.

As for its investment business, previously known as its voluntary savings business, the subsidiaries of SURA Asset Management designed new savings solutions entirely handled on-line, in response to all those who regard this means as a way to prepare for unforeseen future events. Generally-speaking, the number of advisory services provided increased more than 10-fold, facilitating its clients with tools for ensuring their financial health and gauging market dynamics, this in addition to strengthening its communication

channels. It is worth highlighting the launching of the new “qiip” platform in Colombia, back in April, on the part of the pension fund management firm, Proteccion. This digital platform, for ensuring the financial well-being of the SURA AM clients, has been operating since 2019 in Mexico and at the end of 2020 it numbered 168,000 active users who receive free support in both countries.

Lastly, SURA Asset Management’s Retirement Savings subsidiaries contributed their knowledge and experience to the national discussions being held in Chile, Peru, Colombia, Mexico and El Salvador, regarding proposed pension reforms. These have taken on greater urgency now that we are in the midst of the pandemic, high levels of job informality and low savings, since these would ensure the ongoing sustainability of our pension systems, expand their coverage and guarantee streams of income in the long term, all this in the light of increased life expectancy rates among pension fund members.

All these measures illustrate how SURA Asset Management and Suramericana were able to drill down on their strategies in order to respond to the COVID-19 crisis, and how they prioritized their investments in projects geared to evolving, transforming and adapting their models to create added value for their clients in the face of the pandemic.



## CONSOLIDATED RESULTS GRUPO SURA 2020

### REVENUES:

COP **20.8** trillion

▽ **2.3%**

(USD **5,642** million)

### EXPENSE:

COP **18.9** trillion

△ **4.3%**

(USD **5,758.7** million)

### OPERATING EARNINGS:

COP **1.6** trillion

▽ **44.2%**

(USD **435** million)

### NET INCOME:

COP **336,237** million

▽ **80.4%**

(USD **91** million)

For more information, see Grupo Empresarial SURA's 2020 Special Report.

## Resilient levels of financial results

With regard to Grupo SURA's consolidated results, we would like to make special mention of the strength, resilience and business capabilities shown by both Suramericana and SURA Asset Management upon tackling the current pandemic, this together with the benefits of having diversified the lines of business that make up Grupo SURA's investment portfolio. This partially offset the impact of the volatility prevailing on the capital markets and its effect on the returns obtained on the proprietary investments held by both the insurance and pension fund management subsidiaries (namely the legal reserve requirements), as well as the drop in revenues received from Grupo SURA's associates via the equity method.

In the case of Suramericana, we would like to highlight a growth of 9.6% in written premiums which came to COP 18.7 trillion (USD 5,063 million), this driven by sales, client loyalty and incentive strategies for various Life, Health Care and Household Insurance solutions, as well as in plans, coverage and facilities for corporate clients. However, a higher claims rate for the Life Insurance subsidiary in Colombia, as well as higher health care expenses associated with the pandemic, produced a 45.8% drop in net income which stood at COP 211,431 million (USD 57.2 million).

For its part, SURA Asset Management recorded COP 2.3 trillion (USD 633 million) in fee and commission income, which was 2% more than for the

previous year, in spite of higher unemployment and regulatory changes in Chile and Peru. This demonstrates a resilient wage base for the Retirement Savings business as well as a robust contribution on the part of Inversiones SURA (formerly known as the voluntary savings business) as well as SURA Investment Management, whose fee and commission income increased by 19.2%. This contrasted with lower investment income from the legal reserve requirements covering the Retirement Savings business as well as the extra expense incurred with dealing with the pandemic, which explains the 40.5% drop in net income, which came to COP 431,381 million (USD 117 million).

Revenues received from Grupo Sura's associates via the equity method came to COP 362,495 million (USD 98.1 million) for a decline of 71.1%, mainly due to: Bancolombia, given the higher provisions on higher loan impairments, and Grupo Argos, due to various impacts of the current juncture, especially with regard to airport concessions. On the other hand, Grupo Nutresa did well with its main lines of business, posting growths in both its sales margin and net income.

Consequently, Grupo SURA's consolidated earnings showed operating revenues amounting to COP 20.8 trillion (USD 5,642 million), which were 2.3% lower than for the previous year. While costs and expenses showed a controlled growth (4.3%), based on greater efficiencies afforded by our subsidiary operating models. Thus, operating income totaled COP 1.6 trillion (USD 435 million) for a drop of 44.2%, while consolidated net income came to COP



336,237 million (USD 91 million), that is to say, 80.4% lower than for the previous year.

Chapter 5 of this Report provides more details on the financial results obtained by our subsidiaries, as well as Bancolombia, our industrial investments and those belonging to Grupo SURA's own portfolio that are still at a growth stage.

Finally, in Grupo SURA's separate financial statements, net income -on which the proposed dividend distribution was based- came to COP 579,967 million (USD 157 million), that is to say 37.8% lower than that obtained the previous year. This amount is higher than the final consolidated result, since in the separate financial statements dividends are recognized but not revenues from associates via the equity method. Against this backdrop Grupo SURA's priority for 2021 is to continue guaranteeing adequate liquidity and solvency levels, as well as to maintain its deleveraging strategy but at a slower pace, given the drop in dividend income due to the pandemic.

## Control architecture and legal aspects

Grupo SURA's Corporate Internal Auditing Department carried out its risk-based work plan, this under international standards. This plan was approved and supervised by the Board of Directors' Audit and Finance Committee which, in keeping with best practices, is made up entirely of independent members.

This Committee ensures objective and unrestricted audits on the part of our Internal Auditing Department and, based on the findings obtained and the weaknesses identified, provides feedback to Senior Management for the purpose of reinforcing the Company's Internal Control System.

During 2020, based on the audits conducted, it was concluded that there was reasonable adherence to institutional and legal principles and standards, and the deviations observed in complying with such do not represent any material risk whatsoever to either the Organization or its stakeholders. The recommendations issued have been attended in a timely manner by Senior Management and follow-ups were conducted by the Internal Auditing Staff, the Management Committee and the Audit and Finance Committee.

Therefore, and taking into account the level of maturity of the Company's Internal Control System, it can be concluded that Grupo SURA has an adequate system in place, which allows it to reasonably ensure the effectiveness of its processes, the reliability of the information produced, compliance with applicable rules and regulations and the safekeeping of its resources. Finally, upon considering the conclusions issued on a subsidiary level by their respective Internal Auditing staff and approved by the respective Audit Committees, it can be concluded that, for the Business Group as a whole, its Internal Control System responds to the Organization's expectations and needs.

With respect to legal matters, Grupo SURA hereby states that it has faithfully complied with all applicable intellectual property and copyright legislation, both in terms of its products as well as the software used for its normal day-to-day running. Also, the use of its brands and distinctive symbols have been duly registered before the corresponding authorities.

Similarly, in compliance with that stipulated in Article 29 of Law 222, the Company has drawn up the SURA Business Group's Special Report, which addresses the economic relations existing in 2020 between the Companies making up the Group. This report has been made available to the shareholders both at the Company Secretary's Office as well as on the Company's website. It can also be found as a digital appendix to the printed Annual Report. Furthermore, and pursuant to that provided by Law 1676 of 2013, the Company hereby states that did not obstruct the free circulation of invoices as issued by its vendors or suppliers.

**Conflicts of Interest Disclosures on the part of the SURA-Bancolombia Financial Conglomerate.** Pursuant to that stipulated in Decree 1486 of 2018, we hereby declare that in 2020 no conflicts of interest arose with the operations carried out by the entities that make up our Financial Conglomerate and its related parties, in accordance with that stipulated in the Policy adopted by the Companies belonging to the aforementioned conglomerate.

## Our road map

On the other hand, at the beginning of 2021 concluded the update of the strategic definitions that currently guide the decisions and direction of Grupo SURA. This new road map obeys a rapidly changing environment and is based on a vision that has been enriched by carefully listening to and talking constructively with different stakeholder groups, while serving the purpose of creating greater added value for our shareholders, our investments and society at large.

Consequently, we are delving into our understanding of the role we play as an Investment Manager, as we seek to build, develop and preserve a well-balanced portfolio with a long-term vision. Our capital allocation criteria ensures that we maintain a priority focus on the financial and related services sector, which includes stakes in industrial companies, which we consider to have a strategic importance and with which we share, in addition to our equity ties, the same philosophy in the way we do business.

We are mobilizing to drive our sustainable profitability, which recognizes the relevance of creating added value for our shareholders through investments that contribute to the harmonious development of society.

The driving force behind our strategic objective is to provide sustainable levels of profitability, that is to say, one which, in addition to recognizing the importance of creating added shareholder value by securing rates of return over and above the cost of capital, is based on the understanding that this level of profitability only makes sense, can only be sound and sustainable over the long term if the way we handle our portfolio investments, the relationship we have with our environment and the performance of each of our investments help drive a harmonious level of social development, in all those countries where we are present, thereby providing added value and a positive, integral impact on our various stakeholder groups. Chapter 3 of this Annual Report explains how we shall be moving forward to achieve this goal.

Today, Grupo SURA's strategy is based on our ability to develop our own knowledge and apply this to the lines of business that make up our core lines of investment in all those countries where these are present. This is undoubtedly a differentiating factor, which requires human talent with sufficient skills and willingness for developing their potential within our Organization, thereby furthering, in particular, our capacity to investigate. This knowledge should also be aimed pre-eminently at our capital and risk management functions so as to be able to consolidate a balanced portfolio.

Likewise, through consistent action, communication and liaising with our business environment, Grupo SURA seeks to maintain an ongoing conversation so that we may build trust and better respond every day to the

expectations of different members of society, including our clients: the Company's shareholders and investors.

Based on these strategic pillars, we are moving forward to tackle multiple challenges, not only being able to manage uncertainty as part of today's business dynamics, this with the required flexibility and resilience, but also to identify opportunities for long-term sustainable growth. With this road map, we believe that greater economic profitability shall always go hand in hand with the gradual development of the societies of which SURA forms part. That is why we would like to express our gratitude to our shareholders, investors, employees, suppliers, service providers and other stakeholders who have not only placed their trust in us but have wished to assist us along the way.

Many thanks to you all,

**Jaime Bermúdez Merizalde**  
Chairman of the Board of Directors

**Sergio Michelsen Jaramillo**  
Vice-Chairman of the Board of Directors

**Lina María Echeverri Pérez**  
**Maria Carolina Uribe Arango**  
**Alejandro Piedrahíta Borrero**  
**Carlos Ignacio Gallego Palacio**  
**Jorge Mario Velásquez Jaramillo**

**Gonzalo Alberto Pérez Rojas**  
Chief Executive Officer -  
Grupo SURA.