

TCFD REPORT 2021

Climate change is a phenomenon that affects society and the global economy, due to the financial impacts of the physical risks derived from extreme weather events and the need to move towards low-carbon economies, which will bring about substantial changes in all economic sectors.

Just as these factors driving change in industries represent risks, they will also be a source of opportunities through resource efficiency, design of new products and services, development of new markets, and investment opportunities in alternative energies and resilience.

Grupo SURA, as an investment manager, pays special attention to these climate-related risks and opportunities, mainly through its sustainable finance strategies, since the way it interacts with all sectors of the economy, through its investment portfolio, exposes it to a great diversity of risks associated with different industries.

Additionally, the Company recognizes the relevance of its role in the transition to a low-carbon economy, through informed investment decision-making and capital allocation based on its corporate principles and its purpose of generating sustainable profitability.

In this way, Grupo SURA adopts the disclosure recommendations of TCFD to report its 2021 management, as follows:

1. GOVERNANCE

The Sustainability Governance allows Grupo SURA to establish the necessary structure to develop its Climate Change strategy through the assignment of roles and responsibilities in different instances of the company.

The Board of Directors is the highest management body regarding issues related to Climate Change and is responsible for defining the general sustainability strategy that guides the practices of the Business Group. In this sense, it is responsible for ensuring that the company has the necessary resources for the management of Climate Change and monitors the application of policies, as well as the performance of the different metrics and indicators established for this purpose, including the management and monitoring of risks and opportunities in environmental matters, social and corporate governance.

The Board of Directors held 12 regular sessions during 2021, of which two addressed issues related to the Company's Climate Change strategy, and specifically, to the risk quantification project.

For the above, the Board of Directors relies on the **Sustainability and Corporate Governance Committee**, which held two sessions during 2021. Specifically, it made recommendations regarding the formulation of the work plan for the quantification of climate risks and the updating of the Sustainable Investment Framework Policy for the Business Group. In addition, the **Board's Risk Committee** assists the Board in overseeing, identifying and reviewing business risks including those related to climate and other sustainability risks, which could have a material impact on the performance of the Company.

Senior management monitors the progress of strategic objectives, including climate and sustainability-related objectives through internal management committees that share responsibility for managing various climate-related and other sustainability-related risks and opportunities. Additionally, Grupo SURA, being an investment manager with a long-term vision, focuses much of its climate change strategy on active ownership mechanisms, for which it has working tables and spaces for continuous dialogue with the companies in its portfolio. The committees and working groups are as follows:

Internal committees	
Chair Committee	<p>This committee is composed of the management team of Grupo SURA and has the participation of the following areas: Audit, Vice Presidency of Legal Affairs, Vice Presidency of Human Development and Society, Vice Presidency of Finance and Business Development.</p> <p>This committee meets once a month to follow up on the Compañía's strategy.</p>
Sustainability Committee	<p>This committee was created in 2021 and will start operations in March 2022. Its purpose is to:</p> <ul style="list-style-type: none"> - Articulate the application of the sustainability strategy defined by the Board of Directors, in the different processes of the Company. - Follow up on the work plans for the implementation of the sustainability strategy. - Define the topics that will be discussed in the different working groups with the Companies of the Business Group, Suramericana and SURA AM. - Validate ratings and closing gaps of indices or standards to which the management of the ESG criteria of the Companies, Suramericana and SURA AM is reported. <p>This committee is composed of the areas of Risk, Sustainability, Strategy, Communications, Legal Affairs, Compliance and Human Talent.</p>

Active ownership mechanisms	
Technical Working group on Sustainability	Instance of discussion and decision-making where methodologies are developed, good practices are shared and training activities of strategic interest are carried out with the subsidiary companies.
Sustainable Investment Working Group	Instance of knowledge exchange, development of methodologies and training activities for the incorporation of social, environmental and governance criteria in the processes of analysis and decision-making in the field of investment.
Environmental Management Working Group	Instance of development of methodologies and alignment of environmental metrics.
Technical Working Group of Human Talent	Instance of development of methodologies and alignment of Human Talent metrics.
Corporate Governance Board	Joint initiatives of subsidiary companies for the evaluation of Corporate Governance models and best practices.
Compliance Desk	Joint initiatives of the subsidiary companies for the development of the ethics and compliance model.
Regulatory Impact Desk	Instance of discussion and study on the impact of regulation on environmental, social and corporate governance matters.
Boards	Direct participation in the Boards of Directors of portfolio companies in which there is no controlling stake.

2. STRATEGY

Grupo SURA's climate change strategy is based on the Climate Change Action Framework that can be found [here](#). Within this framework, the commitment of the Company to implement initiatives aimed at achieving the global objectives of carbon-neutrality is established. Specifically, efforts focus on the quantification of climate risks, as well as on active and periodic dialogue with companies that represent a material investment in the portfolio, with the following lines of action:

- Include climate criteria in the design of products and solutions: this is done through the responsible investment working group based on the analyses of ESG gaps identified. During 2021, these were the results on this front:

Suramericana	USD 12.9 million for premiums for the sustainable insurance line (agriculture, sustainable construction, energy efficiency, renewable energy).
SURA Asset Management	It has 5 portfolios that incorporate instruments with better ESG performance and carbon risk. In 2021, the amount invested in these portfolios amounted to USD 986 million.
Bancolombia	Bancolombia Sustainable Line: USD 904 million was disbursed in 2021. Line of credit tied to sustainability indicators, for companies that demonstrate compliance with ESG objectives in exchange for an improvement in the interest rate: more than USD 452 million have been disbursed. Sustainable agro: USD 44.7 million was disbursed in 2021.

- Increase the participation of low-carbon assets in the investment portfolio: at SURA Asset Management, the securities invested in the five portfolios that incorporate carbon risk criteria went from USD 53.8 million to USD 986 million.
- Design and implement projects for the reduction of emissions:

<p>Suramericana</p>	<ul style="list-style-type: none"> - Change of LED luminaires - Technological renewal of equipment - Installation of solar panels - Digitalization of policies - Vehicle renewal. <p>This made it possible to reduce 176 tonnes of CO2 equivalent in 2021. Additionally, Seguros SURA Colombia is carbon neutral in Scope 2.</p>
<p>Bancolombia</p>	<ul style="list-style-type: none"> - Reduction of emissions Scope 1 + 2 by 11%, with an emission of 8,158 Ton CO2. - 75% of the energy consumption was renewable as a result of the self-generation of 872 MWh from the photovoltaic solar systems installed in some of the headquarters and 66,027 MWh from the purchase of REC certified renewable energy. <p>Thanks to the consumption of 100% renewable energy, the operation in Colombia is carbon neutral.</p>

- Advance the measurement and monitoring of climate change metrics that are relevant according to the sector: Grupo SURA has defined three priority metrics to measure progress in the proposed strategy. These metrics are ingresos by products that incorporate climate criteria; Scope 1, 2 and 3 carbon huella, and financial risk level derived from climate change (financial risk cuantification). For the measurement of scope 3, especially the financed emissions, a work plan for 2022 has been proposed, however, SURA Asset Management already has methodological advances in this regard. Additionally, the quantification of financial risk will be carried out in the first half of 2022.
- Include climate criteria in the investment analysis and underwriting processes: this process is monitored through the Sustainable Investment Board. During 2021, management focused on the following:

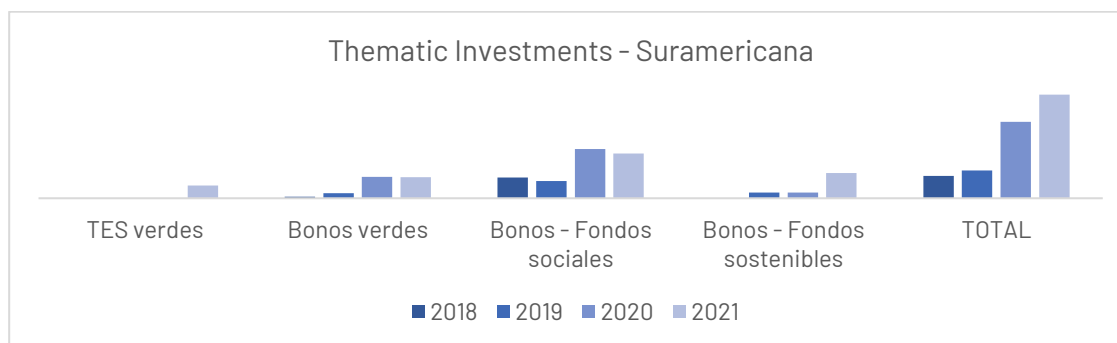
We have a **Sustainable Investment Framework Policy** that establishes general parameters to promote the incorporation of environmental, social and governance issues in the investment processes of Grupo SURA and subsidiaries. This policy was updated in 2021 in order to incorporate advances and trends in this area. The update focused on adding excluded sectors, establishing priority Environmental, Social and Governance (ESG) risks, and including recommendations on active ownership. Likewise, SURA Asset Management has specific policies for each of its businesses: Retirement Savings and Investment Management that were updated in 2021.

In line with this, SURA AM continued to advance environmentally sound product design in its third-party investment management business. Thus, it has managed to incorporate in five of its

portfolios, instruments that achieve more efficiency in ESG and carbon risk matters. These portfolios are composed of vehicles that replicate the performance of stock indices and positively weight companies that have good ESG performance. At the same time, they exclude companies involved with controversial activities or industries defined in the aforementioned policies.

Integration	USD 33,247 million
Thematic investment	USD 4,010.5 million
Screening	USD 35,116 million

For its part, Suramericana advanced in the design of tools for the sectoral analysis of issuers, based on the definition of critical sectors and the design of specific questionnaires that seek to determine the level of maturity of companies in the management of ESG matters. In addition, he deepened thematic investments, which consist of green bonds, social bonds and bonds from sustainable funds.



The amount invested in this type of instruments amounted to USD 46.7 million in 2021, achieving an increase of 36%.

On the other hand, Grupo Bancolombia has been consolidating its sustainable finance strategy to meet social needs and ratify its commitment to incorporate environmental, social and corporate governance (ESG) variables in the offer they provide to their customers. The figures associated with this offer are detailed on page 4 of this document.

In addition, Suramericana, through different observation methodologies and the prioritization of Megatrends such as "scarcity of resources" and "variability and climate change", has built different observatories of ESG trends, which are constantly disclosed to employees to appropriate the trends and their impact on the market. The above so that these aspects are taken into account in the commercial processes, subscription and accompaniment to customers.

The process of analysis of social and environmental factors continues to be implemented, especially for projects in the fields of engineering, compliance and ownership. Within this analysis, platforms such as GeoSURA are used, which contains information on environmental and social variables such as precipitation, flood zones, presence of armed groups, theft rates, among others. This analysis directly impacts the decision to accompany a project with construction, machinery and equipment solutions, compliance, agricultural insurance, civil liability, among

others. Among the variables used, georeferenced information was included from areas of environmental importance such as natural parks, reserves, among others, in order to control the underwriting of risks in these areas.

Regarding mobility insurance, a series of services and accompaniments are consolidated to encourage the purchase and use of electric vehicles. Among the services, the *Movi Advisor* service stands out, where the client is advised on the benefits and requirements to have an electric or hybrid vehicle.

In 2021, an analysis of the client portfolio was carried out to identify exposure to activities with high environmental impact. Based on this information, the aim is to reduce the emissions associated with the insurance activity. In addition, a plan was created to accompany large infrastructure projects to encourage the implementation of good practices in projects with high environmental and social impact. This plan includes a guide for the implementation of the Equator Principles in 4G and 5G projects, and a training on the implementation of GRI Standards.

Finally, Suramericana has a portfolio of insurance solutions that incorporate environmental criteria in their design, in order to encourage responsible behaviors.

- Participate in various scenarios for the strengthening of public dynamics in the field of Climate Change, through work with think tanks and think tanks, adherence to collective engagement mechanisms and cooperation in spaces for the exchange of knowledge:

Grupo SURA	<ul style="list-style-type: none"> - Participation in the Center for Sustainable Finance of Universidad de los Andes. - Public support for TCFD.
Suramericana	<ul style="list-style-type: none"> - Adherence to the Sustainable Insurance Principles.
Sura Asset Management	<ul style="list-style-type: none"> - Principles of Responsible Investment. - Reaffirmed commitment to efforts for the management of climate change risk and opportunities, through the signing from companies of the declaration of commitment to responsible investment that drives climate action within the framework of COP26 (Climate Initiative Investors Latam - ICIL)."
Bancolombia	<ul style="list-style-type: none"> - Net-Zero Banking Alliance - NZBA. - Glasgow Financial Alliance for Net Zero- GFANZ. - Principles of Responsible Investment. - Green Protocol Colombia: agreement that has given guidelines for financial institutions in Colombia to incorporate climate finance into their strategies, as well as the establishment of lines of action for the analysis of environmental risks and Eco-efficiency. - Equator Principles. - TCFD.

3. RISK MANAGEMENT

The management of climate change risks is part of Grupo SURA's general risk management process, contemplating the following stages for the treatment of this specific phenomenon.

Considering that Grupo SURA is an investment manager, the risks related to climate change are addressed based on the aggregate vision of the portfolio and its various perspectives, including, but not limited to:

- Direct exposure to the operations of portfolio companies.
- Industries and territories to which the revenues of the companies belong.
- Economic sectors of the investment portfolio.

The vision is incorporated within the different stages of risk management, as follows:

3.1. Identification

In order to identify possible climate risks that generate an impact on the company, an analysis of material exposures obtained through the aggregate vision of the portfolio is carried out, which is subsequently complemented by an external referencing that takes into account global standards and the vision of other comparable companies, to find the main threats and opportunities by industry.

It is important to consider the aggregate vision of the portfolio for referencing, as it allows to limit the sectors to be investigated and the risks identified. The purpose of this stage is to incorporate external visions into the identification process, taking into account the sectoral evaluations and analysis of different global entities and the specific analysis of companies with similar characteristics.

This identification must be reviewed and validated with the different corresponding instances both in Grupo SURA and in the companies to guarantee greater accuracy.

The risks identified are the following:

- Changes in the conditions of access to capital, due to exposure to carbon-intensive sectors.
- Changes in the value of securities (debt, bonds, stocks, among others) of the fossil fuel extraction sector due to their intensity in emissions.
- Volatility of the value of securities (debt, bonds, stocks, among others) due to stressed market conditions.
- Changes in the value of securities in carbon-intensive sectors (transport, cement, construction, infrastructure).
- Obsolescence of the sectors.
- Increase in public debt due to extreme weather events.
- Material changes in the value of commodities (including energy) and raw materials.
- Affection of own physical assets or of the clients by climatic events.
- Disruption of supply chains due to extreme weather events.
- Inadequate pricing of insurance of goods and agriculture affected by extreme weather events.
- Changes in production costs due to the carbon price.
- High GHG emissions offset requirements.

- Variation in mortality and accident rates, due to the spread of diseases and extreme weather events.

3.2. Selection of scenarios

The approach to climate change risk through scenarios allows to evaluate and estimate the impact derived from climate risks through the possible behavior of socioeconomic and climate variables in the future. Based on international standards and science-based scenarios, Grupo SURA takes 4 radiative forcing factors or target temperatures by the year 2100. From these scenarios, the projections of the variables proposed by NGFS (Network for Greening the Financial System) are taken as a reference, which are fundamental for the subsequent quantification or approximation of the financial impacts derived from climate risks. The selected scenarios are as follows:

Scenario 1: Carbon neutrality (1.5°) In this scenario, the global temperature is limited to 1.5°C through strict policies, innovation and achieving carbon neutrality by 2050.

Scenario 2: Divergent carbon neutrality (1.5°) Carbon neutrality in 2050 but with higher costs due to less coordination in the issuance of policies and mitigation measures.

Scenario 3: Delayed transition (2°) It assumes that the level of annual emissions remains constant until 2030. Shocks and more rigorous measures from this moment on to limit warming.

Scenario 4: National commitments (2.5°) It includes the effect of all countries' climate commitments, including measures that have not been implemented to date.

3.3. Prioritization

Based on the potential risk situations identified, it is essential to carry out a prioritization that allows selecting the risks whose impacts are subsequently quantified based on the chosen scenarios. This stage consists of both a quantitative methodology and a qualitative prioritization, which is carried out by experts and the areas involved in the process.

To carry out the quantitative prioritization, the parameters associated with each risk were identified, that is, the existing projections of variables that allow the subsequent quantification of the risk and prioritization variables were assigned, with their respective weight, which, when evaluated, resulted in the prioritized risks.

3.4. Quantification

Based on the prioritized risks and the parameters selected for each of them, the projection of socioeconomic variables and climate scenarios is carried out, in order to model the economic impact on companies through the measurement of the selected financial variables. The prioritized risks are the following:

- Changes in the conditions of access to capital, due to exposure to carbon-intensive sectors.
- Changes in the value of securities in carbon-intensive sectors (transport, cement, construction, infrastructure).
- Material changes in the value of commodities (including energy) and raw materials.
- Changes in production costs due to the carbon price.

3.5. Management, monitoring and reporting

After carrying out the quantification, for those risks that are material, management strategies must be defined, based on the document of climate risk management guidelines, in order to mitigate their impact if they materialize. Additionally, monitoring indicators should be established to evaluate changes in the state of risk and communicate relevant variations to different stakeholders.

4. METRICS

Throughout this document, the different metrics that are monitored in terms of climate change have been disclosed. The priorities for monitoring the strategy are:

- Carbon footprint Scope 1, 2 and 3.
- Revenue from products that incorporate climate criteria.
- Level of financial risk derived from climate change (Quantification of financial risk).

5. CHALLENGES 2022

- Quantify the level of financial risk derived from the identified and prioritized climate risks.
- Calculate the carbon footprint financed through investments.
- Continue to increase the amount of products with environmental criteria.
- Advance in the definition of a path to achieve carbon neutrality.