

CLIMATE CHANGE ACTION FRAMEWORK

Grupo Empresarial SURA

Grupo SURA recognizes the importance of having a clear Climate Change strategy to properly manage risks arising from this phenomenon and to promote the transition to a low-carbon economy. Thus, it determines this framework to state a clear position on this problem and to exercise its role as an investment manager and active owner through continuous dialogue with the companies in its portfolio and the exchange of knowledge regarding exposure to climatic risks.

This document comprises the following:

1. A commitment that allows various stakeholders to learn about the company's position on climate change and the main approaches to managing it.
2. A risk management process that provides a schematic understanding of how climate risk management should be part of the company's risk management system.
3. Climate risk management guidelines that allow the definition of management strategies associated with each type of climate risk identified.

CLIMATE CHANGE COMMITMENT

Climate change is a phenomenon that is affecting society and the global economy as a result 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 changes substantial in all economic sectors.

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

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

Additionally, the role of Grupo SURA is key to 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.

Scope

This framework applies to Grupo SURA as an investment manager, and its objective is to state the Company's position regarding climate risks, develop its understanding, determine approaches for its treatment, and strengthen the relationship with the other companies of the Business Group to align management.

Commitment

The approaches and processes promoted through this framework are geared towards aligning the company's strategy with the global commitments of Climate Change, whose objective is to maintain an increase in global temperature, which is in line with the ecosystem balance, through carbon neutrality by 2050.

In line with the above, for adequate management of the financial risks of Climate Change and achieving the aforementioned commitment, Grupo SURA addresses this management on four fundamental fronts: governance, risk management, strategy and metrics.

Governance

The Sustainability Governance allows Grupo SURA to establish the necessary structure to develop its strategy through the assignment of roles and responsibilities in different instances of the company. Grupo SURA is committed to managing issues related to Climate Change through the government defined for sustainability issues, as follows:

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

The Board of Directors must incorporate these criteria in the orientation and follow-up of the Company's strategy, in the monitoring of the financial statements, its risk management, and in the analysis and follow-up of any other issue that may be related or hindered. For the above, the Board of Directors relies on the Sustainability and Corporate Governance Committee.

On the other hand, the administration is responsible for the implementation of the sustainability strategy, specifically including climate change, guided by the Board of Directors, through the areas, and must facilitate the strengthening of capacities at the different levels of the Organization, climate oversight, reporting to the Board of Directors, among others. In addition, the administration has participation in the Board of Directors of the portfolio, as well as internal work and discussion groups and with the subsidiary companies. These instances are constituted as mechanisms for the accompaniment in the implementation of practices.

Risk Management

The objective of climate risk management is to have elements and information to contribute to decision-making and face the impacts of climate change on the company.

For this reason, Grupo SURA is committed to incorporating climatic risks into its risk management system and carrying out all the stages of the process: identification, evaluation, quantification, management and monitoring of risks and opportunities. The risks are analyzed from the perspective of an investment manager, who must ensure the sustainability of its portfolio. Therefore, Grupo SURA develops the stages of risk management from various complementary perspectives, including, but not limited to:

1. Direct exposure from the operations of the portfolio companies.
2. Exposure Industries from which the companies' revenues come.
3. Economic sectors of investment portfolios.

Grupo SURA will carry out updates every three years or sooner, if deemed necessary. It will do this by following the process outlined in the Climate Risk Management Guidelines document.

For the quantification of the prioritized risks, Grupo SURA undertakes to model them under different scenarios, in which it includes, at least, a 2°C scenario, in accordance with the practices defined by TCFD.

Metrics

Based on the identification, analysis and evaluation of climate risks and opportunities, Grupo SURA is committed to defining measurable and achievable climate management metrics and objectives, based on the recommendations of best practices and international benchmarks in the sector. Finally, it undertakes to follow up on the metrics and objectives, evaluating their compliance on a regular basis. The metrics you will focus on are the following:

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

Strategy to manage climate risks

Grupo SURA is an investment manager with a long-term vision, which is why its impact and climate risks are found largely in the way in which the companies in its portfolio manage them. For this reason, with the sustainable finance approach and in response to the need to manage these risks, the company is committed to its own operation and through active and periodic dialogue with the 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.
- Increase the participation of low-carbon assets in the investment portfolio.
- Design and implement projects to reduce emissions.
- Advance the measurement and monitoring of climate change metrics that are relevant according to the sector.

- Include climate criteria in the investment and underwriting analysis processes..
- Participate in various scenarios for the strengthening of public dynamics on Climate Change, through work with centers and think tanks, adherence to collective engagement mechanisms and cooperation in spaces for the exchange of knowledge.

Disclosure

In line with the foregoing, Grupo SURA undertakes to prepare periodic reports, through the different financial and non-financial reports of the Company, with the purpose of informing the different interest groups, about governance, risk management, strategy and metrics used to manage the risks and impacts related to climate change.

Commitment Management

The approval of the Commitment is led by the Board of Directors, following the recommendation of the Sustainability and Corporate Governance Committee, or entities acting as such. Any modification is approved by these same governing bodies.

CLIMATE RISK MANAGEMENT PROCESS

The management of climate change risks is part of the overall risk management process of Grupo SURA, contemplating the following stages for the treatment of this specific phenomenon:

1. Identification
2. Setting Selection
3. Prioritization
4. Quantification
5. Risk Management

Taking into account 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 from the operations of the portfolio companies.
- Industries and territories to which the company's income belongs.
- Economic sectors of the investment portfolio..

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

1. Identification

In order to identify possible climatic risks that generate an impact on the company, an analysis of material exposures obtained through the aggregate vision of the portfolio is conducted, which is later complemented with an external reference 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 view of the portfolio for benchmarking, as it allows the sectors to be investigated and the risks identified to be delimited. The purpose of this stage is to incorporate

external views in the identification process, taking into account the sectoral evaluations and analyzes 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 precision.

2. Setting Selection

The approach to climate change risk through settings or scenarios allows evaluating and estimating the impact derived from climate risks through the possible behavior of socioeconomic and climate variables in the future. Starting from international standards and science-based scenarios, Grupo SURA takes three radiative forcing factors or target temperatures for the year 2100. From these scenarios, the projections of the variables proposed by NGFS (Network for Greening the Financial System) are taken as reference, which are essential for the subsequent quantification or approximation of the financial impacts derived from climate risks.

3. Prioritization

Based on the potential risk situations identified, it is essential to perform a prioritization that allows selecting the risks whose impacts are subsequently quantified based on the chosen scenarios. This stage is made up 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 must be identified, that is, the existing projections of variables that allow the subsequent quantification of the risk. Additionally, it is essential to establish the prioritization variables, with their respective weight, which, when evaluated, yield the prioritized risks as a result.

4. Quantification

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

5. Management, monitoring and reporting

After performing the quantification, for those risks that are material, management strategies must be defined, based on the climate risk management guidelines document, in order to mitigate their impact if they materialize. Additionally, monitoring indicators must be established that allow changes in the risk status to be evaluated and the relevant variations to be communicated to the different interest groups.

CLIMATE RISK MANAGEMENT GUIDELINES

As part of the process of managing the risks derived from climate change, in addition to carrying out the identification, evaluation and quantification process, it is necessary to establish management guidelines for the risks identified as material after the quantification process

This document aims to establish cross-cutting and specific guidelines based on the typologies of identified and evaluated risks that must be complemented and detailed to a greater extent when periodic quantification is carried out and, consequently, the definition of the materiality of each risk.

Taking into account the above, based on the risks identified, the following cross-cutting guidelines and by type of risk are defined:

Cross-cutting guidelines

For all types of risks it is necessary to:

- Periodically quantify the level of exposure to climate risks, in order to identify their materiality.
- Implement measures to promote the mitigation of climate risks in the portfolio companies.
- Follow up on the commitments and plans established for its mitigation.

Guidelines by type of risk

Financial risks: Are all those risks that imply changes or shocks in the value of the investments and in the conditions of access to debt and capital. To manage this type of risk, the following activities must be carried out:

- If the risks turn out to be material after the quantitative analysis, the company must take measures to mitigate the risk through the review of the composition of its portfolios, the evaluation of new investment alternatives and the exclusion of assets with high climate risk

Business model risks: It refers to all those events that may mean a potential change in business conditions for the company, such as the change in its cost structure, changes in consumer preferences or the obsolescence of the sector. To manage this type of risk, the company must:

- Analyze the economic, social, environmental and regulatory environment in a structured and periodic manner to identify and anticipate potential threats or opportunities in current and future business models for the sectors that have a material participation within the investment portfolio or within the clients that contribute to the company's revenue.
- Design and promote new businesses, products and processes that promote resilience to external changes, caused by physical or transition factors, that may put at risk the company's own business model and that of the relevant third parties with which the company is related.
- Incorporate new investments in the portfolio that are aligned with the trends analyzed and that allow the company to mitigate the risks in its own business models and those of its portfolio.
- Promote and contribute to research processes that allow finding resilient alternatives for different industries through actors from the academic and scientific community.

Operational risks: Refers to all those climatic risks that affect the operation of the company and the third parties with which it is related, such as the interruption of supply chains, the affectation of physical assets due to extreme climatic events and the impacts on the people's health. Thus, it is proposed to manage these risks as follows:

- In the operational risk analysis processes, incorporate climate information in the review of vulnerabilities due to external factors in the operation.
- Periodically analyze the exposure of the company's assets to areas of high climate risk.
- Design business continuity plans taking into account impacts derived from climatic events.
- Mitigate risk through the incorporation of resilient design criteria in current and future infrastructure that is located in high-risk areas in the face of extreme weather events..
- Promote the inclusion of resilience criteria in the design of client infrastructure and investments for those cases in which a high exposure is identified.

Regulatory risks: Refers to all those regulatory changes that may impact the structure of costs and expenses of the company and its investments. To manage these risks, the company must:

- Analyze, systematically and periodically, the regulatory trends associated with climate change issues, related to its sector and the material sectors of its portfolio.
- Determine the priority of the risks identified, taking into account those regulatory trends that may materially change the structure of costs, expenses or the business model of the company and its investments to anticipate management measures.
- Maintain a public policy feedback process that allows progress towards a low- carbon economy in an organized and fair manner.

ANNEX 1: IDENTIFIED RISKS

Financial risks

- Changes in the conditions of access to capital, due to exposure to carbon- intensive sectors.
- Changes in the value of securities (debt, bonds, shares, among others) of the fossil fuel extraction sector due to their intensity in emissions.
- Volatility of the value of securities (debt, bonds, shares, among others) due to stressed market conditions.
- Changes in the value of securities in carbon-intensive sectors (transport, cement, construction, infrastructure).
- Increase in public debt due to extreme weather events..

Business model risks

- Obsolescence of sectors.
- Changes in the cost of production due to material variations in the value of commodities (including energy) and raw materials..

Operational risks

- Inadequate pricing of property and agriculture insurance affected by extreme weather events..
- Disruption of supply chains due to extreme weather events.
- Affectation of own physical assets or those of clients due to climatic events
- Variation in mortality and accident rates, due to the spread of diseases and extreme weather events.

Regulatory risks

- Changes in production costs due to the carbon price
- High requirements for compensation of GHG emissions.
