# SUSTAINABLE INVESTMENT POLICY FOR SURA ASSET MANAGEMENT'S RETIREMENT SAVINGS BUSINESS

# Contents

# 1 Introduction

At Sura Asset Management S.A. ("SURA AM") we frame sustainable development under a long-term perspective, which considers both financial and Environmental, Social and Corporate Governance ("ESG") aspects in the way we develop our businesses.

Our corporate purpose includes the Retirement Savings business, in which the Pension Fund Administrators and Retirement Savings Fund Administrators in which we have a stake (the "Companies") manage investment portfolios on behalf of their affiliates, with whom they maintain the fiduciary duty to seek the best return on their resources, at reasonable risk, under standards of excellence and good industry practices.

We understand that the financial performance, business development and value generation of the companies, projects and structures in which the Companies invest can be impacted, both positively and negatively, by their behavior in ESG variables. Potential opportunities and risks may arise from the good or bad management of these variables, thus affecting the fulfillment of the fiduciary duty, for which they must be adequately valued in the investment decisions made in the Investment process by each of the Companies. To this extent, aware of the challenges inherent in the investment types and processes involved in the different asset classes and businesses, the Companies will incorporate ESG criteria in the review of investment opportunities, whenever the nature of the business and market allow it; and understanding the inherent nature of each industry in relation to these criteria.

This document defines the sustainable investment framework for the Companies and the general guidelines for its implementation, consistent with the principles of the Responsible Investment Framework Policy of Grupo de Inversiones Suramericana S.A. ("Grupo SURA"). Its content is inspired by the United Nations Principles for Responsible Investment ("PRI"), best market practices, international protocols and various trade initiatives, including those led by multilateral and supranational entities and associations that promote sustainable investment.

The contents reflected here are of the own creation of the teams that participate in the investment process and the sustainability teams, of the Companies; and were reviewed and approved by the Board of Directors of SURA AM, with the recommendation of its Sustainability and Corporate Governance Committee of the Board of Directors of SURA AM. The Policy is in force from the date indicated at the end of the document, its implementation will be carried out gradually, according to implementation plans in each of the Companies.

## 2 Scope and Goal

This Policy will be applicable to all the investment processes of the Companies, as a guide for the incorporation of ESG criteria in the management of portfolios and their respective investment processes for the definition of the governance in terms of sustainability that applies to these processes as a mechanism for communication with collaborators and stakeholders regarding our vision and commitment to the incorporation of sustainable investment practices.

The adoption of these criteria in the investment process aims to identify aspects that, in addition to financial risks, could impact the value of an investment and therefore harm the long-term performance of the portfolios managed by the Companies. They also serve as a tool to recognize assets with the potential to generate an attractive return, at a reasonable level of risk. With this, a better understanding of the Companies' teams of the risk-return profiles of their investments is intended, seeking to generate positive impacts for stakeholders.

If any mandatory regulatory provision establishes or orders stricter terms than those established herein, such regulatory provisions shall prevail.

## 3 Sustainable Investment Framework

Sustainable investment incorporates environmental, social and corporate governance criteria in the assessment of investment and/or financing opportunities, asset management and the development of investment strategies, aiming to improve risk management, seeking returns in long-term sustainable business models and promoting the evolution of the profile of the capital under management in line with sustainability objectives.

The ESG criteria that Sura AM considers to be Environmental, Social and Corporate Governance, and are considered in the investment decisions are:

- Environmental factors: related to the use of natural resources, impact on ecosystems and biodiversity, waste, water and wastewater management, waste disposal, garbage management, emission generation or climate change.
- Social factors: related to human and labor rights, the well-being and interests of people and communities, diversity and inclusion.
- Corporate governance factors: related to policies, structure and operation of governing bodies, shareholder rights, control environment, standards of conduct and ethics, and way of conducting business.

It is worth mentioning that climate change and the actions to mitigate it, even though, recognized within the criteria of Environmental type, bring risks and opportunities with them that can be extended to social and economic factors, therefore, at SURA AM we see it as a cross-cutting issue.

The framework of action for the sustainable investment processes of the Companies is based on four pillars with a cross-cutting focus on climate change:


The ability to implement ESG criteria in investment decision-making varies depending on multiple factors such as: the class and economic sector to which the asset in which it is invested belongs, the market in which the assets are traded, the discretion in the implementation of the decisions and the regulatory context. The Companies shall incorporate ESG criteria into their investment management processes according to the levels and approaches addressed in this section and in accordance with the regulations in force in the corresponding jurisdiction.

The teams that participate in the investment management process are not limited to the people who are part of the Investments; Legal teams with a focus on investments, Sustainability and/or Investment Risks, who due to their roles and positions have participation in the evaluation and implementation of investment decisions in each of the Companies.

### 3.1 Exclusions and Disputes

Many issues are not easily defined as an exclusion due to interrelated risks in the environmental, social, governance and economic dimensions. For these cases, a methodology has been developed to analyze controversial issues and, after this process, exclusion or engagement decisions are made.

SURA ASSET MANAGEMENT

In the case of internally managed investments, i.e. investment decisions
(buying, selling, holding, reallocating, over/under weigh) are the responsibility of the Companies' teams; sectors, activities or investments that are not in accordance with Grupo SURA's Framework Policy for Responsible Investment, the contents of this Policy or the commitments of Grupo SURA and its subsidiaries to sustainable development will be excluded, and, where appropriate, the mandatory regulations in the corresponding jurisdiction. To this extent, in internally managed investments, the Companies will refrain from investing in companies, projects and/or vehicles that have a direct link[1] with the businesses or activities listed below:

- Business of production and/or marketing of pornography,
- Business of planting, production, manufacture and/or marketing of tobacco,
- Coal mining and sale business,
- Business of production and/or marketing of controversial weapons[2],
- Production or trade of any product or activity considered illegal or illicit under local laws.
- Sovereign debt issued by countries subject to general embargoes for arms sales to their governments or freezing of their international assets, by the United Nations.

The sovereign debt exclusion indicated in the above list shall not apply to those cases where Companies are required to make investments in instruments issued by the Governments, Central Banks, Ministries of Treasury/Finance (or equivalent) of the jurisdictions in which they have a direct presence. In the event of this situation, the guidelines for controversial investments indicated in the section on *Government* of this document should be followed.

In addition, Sura Asset Management has an annex to this policy, "Appendix - Sensitive Economic Activities SEA", which defines the approach of the group's companies for the evaluation of investments in activities or economic sectors that, due to their potential impacts on the environment, society, particular challenges in corporate governance issues or close links with factors that contribute negatively to climate change, are considered sensitive, and require additional considerations in investment decisions.

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[1] Public information or information obtained from interest groups or dialogues with management will be used to map the generation of income (or a representative indicator of the operation, according to the industry or activity, in cases where the required income detail is not available) of the company, project and/or vehicle from different lines of business and/or activities; it will be understood that there is a direct link when 10% or more of the income (or the representative indicator) is related to the activity.

[2] Cluster weapons, nuclear weapons, anti-personnel mines, chemical weapons, biological weapons, incendiary bombs, depleted uranium munitions.

In the case of externally managed investments, specifically in alternative asset strategies where applicable, or in mandates, the exclusions established above will be incorporated, and as applicable, in the contracts, legal documents or complementary letters to the investment commitment. These exclusions will be applied according to the type of asset and investment strategy of the respective vehicle. In the case of traditional asset strategies, the list of exclusions will be applicable when the vehicle's main objective is to invest in the sectors or activities listed therein.

#### 3.1.1. ESG Dispute Assessment

In the stage of ESG criteria analysis, company teams will be able to detect the existence of ESG controversies, which may be associated with cases of specific behavior in the issuers, projects, managers, administrators or vehicles assessed, or by their participation in economic activities that are considered sensitive, as further below:

- Specific controversies: Incidents, sanctions or investigations that arise from causes associated with non-compliance with the Principles of the United Nations Global Compact or another similar internationally recognized scheme. It includes, but is not limited to:
    - Violation of human rights.
    - Discrimination (racial, sexual, religious, among others).
    - Violation of the right to freedom of association and collective bargaining.
    - Child labor forced or carried out under duress.
    - Effects on public health, animal welfare or water security (quality and access).
    - Negative impacts derived from bioscience.
    - Threats to vulnerable communities and/or minorities.
    - Pollution and/or deterioration of ecosystems (and non-compliance with applicable environmental regulations).
    - Affecting the rights of shareholders.
    - Falsehood in public information.
    - Lack of transparency in corporate governance.
    - Corruption, including extortion and bribery.
    - Money laundering and terrorist financing.
    - Anti-competitive practices.

- Controversies by sector or economic activity: Economic activities that, due to their potential impacts on the environment, society, particular challenges in corporate governance issues or close links with factors that contribute negatively to climate change, are considered sensitive, and require additional considerations in investment decisions. A company, project and/or vehicle shall be deemed to be directly linked to a controversial activity when 10% or more of the revenues, or the representative indicator of its business, as defined for each case in the annex "Sensitive economic activities", is related to the activity.

In the investment decisions and monitoring made to existing investments, the Companies' teams will incorporate mechanisms to identify the link between the investment and controversial practices included in the above, highlighting that in internally managed investments the evaluation will be made to the issuer, project or administrator.

In externally managed investments, disputes by sector or economic activity will be activated when investments are made in vehicles whose main objective is to invest in the activities that are part of the annex "Sensitive economic activities"; while ESG specific controversies will apply to the manager.

ESG controversies will be analyzed in greater depth to determine their criticality, as well as to identify aggravating or mitigating factors, in each of the Companies. In the case of investments in controversial assets due to ESG incidents, as described above, the Companies will carry out an analysis of each case, considering at least the following points:

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| **Severity of the Controversy:** Which is the of the impact of the materialized risk Is it a case that affects only a portion of the Company/Manager or is it a generalized effect? | **State of thwe Controversy:** Is the controversy still active? Has a remediation plan been activated by the Company/Manager? |
| **Type of Controversy:** Is the controversy a result of a structural theme in the Company/Manager? Or is it a result of a misfortunate situation or actions from the employees/suppliers/etc? | **Response from Company/Manager:** Is there a response from the Company/Manager? Which are the corrective actions to be implementedto solve the controversy and avoid it happens againin the future? |

In the case of investments in controversial sectors or economic activities, each of the Companies will use as a reference, a general framework of action for each controversial sector or activity, previously approved by its Investment Committee, or the governing body that each one delegates to resolve cases of controversial and/or excluded investments subject to which investments in assets of those sectors or activities can be made, without each case having to be escalated to that instance.

The framework of action will be aligned with the contents established in the annex "Sensitive economic activities" that is part of the Policy, will include a list of minimum aspects to be verified in the way the issuer/project conducts its business to mitigate the risks of the controversial activity and will be reviewed at least every year, until such time, as the activity or sector is no longer considered controversial; In any case, the applicable body shall be notified, at the meetings in which it is held, of a list of the new investments[3] made in assets in controversial sectors or activities and compliance with the applicable framework of action.

### 3.2 Engagement

Companies will use engagement, as a mechanism to influence the companies and vehicles in which they make investments, both internally and externally[4], with the resources of the funds they manage; also seeking a positive impact for the environment, society or their stakeholders. These activities may be oriented, among other aspects, to: promoting strong corporate governance in companies, generating conversations around ESG performance of investments; promoting good practices or closing ESG gaps; promote good disclosure of the management of sustainability issues; follow up on controversial cases; establish commitments for improvement; or require actions to manage specific issues that are considered critical according to its sectoral materiality analysis; aspects that may affect the ability of assets to create value in the long term.

Below is a table by sector where, according to the dimensions, the following categories to be considered in the materiality analysis are highlighted. ESG materiality analysis is understood as the process by which ESG-related topics are identified and evaluated that are most relevant or "material" to a particular sector/business and its stakeholders, and that can therefore have a significant impact on financial performance, reputation, risks and opportunities. and/or long-term sustainability. It is noted that this list is in accordance with the sectors of the Companies' portfolio, although it is not exhaustive, so each Company must carry out its own analyses according to its investments.

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[3]The change in the balance of the investment in an existing asset is not considered a new investment.

[4] In this case, engagement activities may include the managers or administrators of the vehicles in which they are invested.

| Sector | A | S | G |
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| Financials | | Selling Paractices & Product Labeling | Product desing & lifecycle management<br>Business Ethics<br>Systemic Risk Management |
| Industrials | | Product Quality and Safety | Product desing & Lifecycle Management<br>Business Ethics |
| Utilities | Air Quality | Employee health & Safety<br>Emergency Management | |
| Materials | GHG Emissions<br>Air Quality<br>Energy Management<br>Water & Waste Management<br>Waste & Hazarsdous Material Management<br>Ecological Impacts | Human Rights & Community Relations<br>Labor practices<br>Employee health & Safety | Product desing & Lifecycle Management<br>Business Ethics<br>Competitive Behavior |
| Communication Services | | Customer Privacy | End of life management of products<br>Systemic Risk Management |
| Energy | GHG Emissions<br>Water & Waste Management<br>Waste & Hazarsdous Material Management<br>Ecological Impacts | Employee health & Safety | Business Ethics<br>Management of the legal & regulatory<br>Environment<br>Critical Incident Risk Management |
| Consumer Discretionary | | Data Security<br>Workforce Diversity & Inclusion | |

In the case of corporate fixed income and equity issuers, in which there is direct exposure to the portfolios managed directly by the different companies of Sura Asset Management, the guidelines for such issuers can be found in the document "Corporate Engagement Guidelines".

The material issues identified in the Error process ***¡Error! No se encuentra el origen de la referencia.*** (3.1.1. of this document) and

3.3.1 ESG (3.3.1 of this document), the information obtained from asset issuers and/or fund managers, that delivered publicly or to groups of investors generated by external ESG information providers or by various stakeholders, they will be an input to prioritize the themes and actions promoted with the engagement actions; this with the purpose of accompanying and promoting transformations for improvement, before opting for divestment processes.

The engagement activities will be carried out by the Companies' teams, with the possibility of receiving advice or synergies with the SURA AM teams, which could also include participation in and/or support for third-party initiatives (including unions, regulatory, academic, investor groups or interest groups), or the delegation of representation to a third party; in all cases with the possibility of having advice from independent third parties.

For each engagement activity carried out, companies must define specific Key Performance Indicators (KPIs) and follow up and monitor them. In addition, the Companies may participate in individual or collective initiatives, aimed at various actors in the financial markets, with the aim of promoting good practices in sustainability, even in cases where there are no investments in the assets to which these actions are directed.

Sura Asset Management has a document containing the "Corporate Engagement Guidelines" whose content is the objectives, engagement approaches, disclosure and updating.

With respect to ESG voting issues, this is conceived as the exercise of voting rights in the resolutions of management and/or shareholders/investors to formally express some approval (or disapproval) on relevant matters related to ESG. To this end, the Companies must have the definition of criteria for ESG resolutions, as well as guidelines and/or voting processes on ESG issues in the assemblies or decision-making bodies of the issuers and managers of their portfolios, considering their strategy, regulatory requirements and the sectoral or thematic prioritization defined.

### 3.3 ESG Integration

Principles for Responsible Investment (PRI) defines integration as the inclusion of ESG factors explicitly and systematically in investment analysis and decisions. ESG integration considers the analysis of material factors, from a financial point of view, in the qualitative and/or quantitative evaluation of investment opportunities. The Companies will develop capabilities that will allow them to advance in the integration of ESG criteria in their investment processes. For the development, evaluation and monitoring of the content referred to in this section, information obtained from external providers will be used; internal development questionnaires; information provided directly by the companies or vehicles in which investment or plan to invest, including their managers or administrators; content generated by interest groups; spaces for interaction with issuers, managers, administrators or other stakeholders; own or external materiality matrices; or general sources of public information.

#### 3.3.1 ESG Criteria analysis

In internally managed investments, an analysis of ESG criteria will be carried out, with the aim of obtaining a more complete understanding of the assets invested in and the businesses that support them, their ability to develop value in sustainable business models, the strengths and risks to which they are exposed and the policies or mechanisms they use to mitigate them.

In accordance with the above, and in conjunction with the traditional analysis approach of each of the Companies' investment processes, the financial analysis of the investments will be added with the evaluation of environmental, social, governance and climate change criteria that are material, to be incorporated into the qualitative and/or quantitative processes, in evaluation of investment opportunities, both in fixed income and in equities.

For fixed income, the ESG risk assessment is incorporated as a variable within the internal model used to assign a credit risk rating to each debt issuer. The result of the ESG analysis may change the issuer's internal credit rating and the corresponding decision-making. In all cases, in the event of a high ESG risk, the case is escalated to the corresponding governing bodies.

The level of ESG risk of each issuer in the fixed income and equity portfolios is periodically reviewed, and controversies are controlled, and if there is any issuer that involves any controversy, it is analyzed according to the guidelines described in this Policy and the criteria defined in the Companies. In cases where it is not possible to apply this analysis, the reasons that prevented it from being applied shall be documented. In cases where it is not possible to apply this analysis, the reasons that prevented it from being applied shall be documented.

Furthermore, SURA AM has a Center of Excellence for Funds & Managers of traditional assets whose main objective is to achieve regional synergies in the investment process in the asset class, incorporating good practices and the best market standards both in the selection and in the analysis and monitoring of international managers and their respective vehicles aligning teams around common criteria, metrics, and parameters. ESG elements are a fundamental component within this regional synergy.

ESG integration at the management level is deployed through the inclusion of variables associated with sustainability in the Due Diligence of new managers, so that ESG factors are an integral part of the model of selection, study and scoring of managers, with a specific category referring to the evaluation of ESG performance. Regarding funds, ESG integration is ongoing, where work is being done on the adoption of a questionnaire that will allow the review of ESG issues in the funds of interest.

Going deeper into ESG integration of managers, it is important to mention that the adoption of ESG dimensions within the evaluation of international managers allows:

○ Comply with the regional sustainable investment policies in force.

○ Improve and make more comprehensive the processes of evaluation, selection and monitoring of managers, by considering ESG elements in each of these phases.

○ Complement the knowledge of managers through an understanding of their ESG capabilities, differentiators and challenges.

Likewise, it is relevant to mention that the review of the ESG performance of international managers is carried out through the testing of several components (including the sustainable investment framework, corporate sustainability and ESG impact measurement and disclosure), which allow us to understand the manager's convictions in terms of sustainability, resources and processes dedicated to this issue as well as its situation in relation to ESG disputes.

### 3.4 ESG-focused thematic investing

If market conditions, regulation, risk profile, return and composition of the funds under management and of the assets in which they invest allow it, the Companies will seek to invest in companies, projects and structures that, in addition to having attractive potential returns, at an adequate risk, have a positive impact on specific environmental and/or social aspects.

This category will include investments, internally or externally managed, in companies, projects, or structures that develop their businesses, or invest the resources managed by them (in the case of external management), in a way that is considered sustainable, including, but not limited to: vehicles/companies with outstanding ESG assessments in their industry/geography, or with lower environmental footprints than their peers or benchmarks; assets that seek to generate improvements in ESG performance or have specific social or environmental impacts, such as Green, Social or Sustainable bonds, or sustainability-linked bonds; or vehicles with sustainability labels such as: *ESG Aware*, *SRI, Low Carbon*, Social, *ESG Screened*, *Gender Diversity*, *ESG activist funds*, or vehicles that explicitly pursue specific and measurable objectives of positive impact in the social and/or environmental sphere.

In these cases, the "Taxonomy of Sustainable Investments of SURA Asset Management" will be used as a classification guide. Such taxonomy is an internal development that is used for the profiling of the investments made by the Companies on behalf of the managed funds, so that thematic investments with an ESG focus can be objectively classified. This taxonomy is referenced in global standards including, but not limited to: *The European Union Taxonomy*, *Climate Bonds Initiative*, *International Market Association Principles (ICMA)*, *Principles for Responsible Investments (PRI)* and, globally recognized ESG data providers; and the qualifications or certifications obtained from ESG rating or information providers, third-party certifiers, or internal assessment models. In these investments, the ESG standard described in the sections of *and controversies*, Engagement and *ESG Integration. With respect to ESG voting issues, this is conceived as the exercise of voting rights in the resolution of management and/or shareholders/investors to formally express some approval (or disapproval) or relevant matters related to ESG. To this end, the Companies must have the definition of criteria for ESG issues in the assemblies or decision-making bodies of the issuers and managers of their portfolios, considering their strategy, regulatory requirements and the sectoral or thematic prioritization defined.*

## 4 Government

The Sustainability and Corporate Governance Committee of the Board of Directors of SURA AM will be the forum in which strategic and general guidelines will be discussed and given regarding the incorporation of ESG criteria into the different investment processes of the Companies, including the presentation of this Policy, or its adjustments, for approval by the Board of Directors of SURA AM. The monitoring and coordination of the implementation in the Companies of the contents indicated in this document will be the responsibility of the ESG Affairs Committee of SURA AM, which in turn is responsible for authorizing the participation of the subsidiaries in local or international initiatives related to corporate sustainability or sustainable investment matters.

In each of the Companies, its Investment Committee or equivalent governing body, in coordination with the other governing bodies that participate in the investment process, and in accordance with the regulatory provisions and powers and design of its internal processes, will be the body responsible for ensuring the implementation of the contents of this Policy, taking into consideration the particularities of the company and the jurisdiction in which it operates, including monitoring progress and coordination with internal teams and other local government bodies regarding the analysis of disputes. The implementation of the content in each of the Companies will be responsibility of the teams that participate in their investment processes, according to the definitions of roles that are established in each of them.

In the case of disputes, described in point 3.1, the Investment Committee of each of the Companies, or the body to which it delegates the revision, will review each case and may decide on one of the following actions:

- Make/maintain the investment,
- Make/maintain the investment, conditioned on improvement/change actions by the issuer, including definitions regarding the monitoring of those actions and implementation deadlines,
- Make/hold the investment, subject to an exposure limit or investment horizon,
- Refrain from investing or increasing exposure,
- Carry out an orderly disinvestment process, if market and business conditions allow it.

Investments that are held in the portfolios in sectors or activities of exclusion or that have activated any type of controversy, in each of the Companies will be monitored at least annually, until the event that gave rise to the controversy has been resolved. The analysis and conclusions of this process will be documented.

In any case, all the events analyzed by the Companies' bodies that have triggered a dispute or are an exclusion will be documented and reported to the regional Investment and Risk

Committee of SURA AM in the sessions in which it is convened. In addition, the Companies will establish mechanisms for documenting the information used in the ESG investment analysis, including conclusions and internally developed materials for decisions.

## 5 Disclosure and updating

SURA AM's Sustainability Department will be responsible for the administration of this Policy and to that extent will manage its updating and will coordinate with the areas involved in its ratification in the Companies; it will also be responsible for coordinating its dissemination, both within the Companies and to external stakeholders.

This Policy will be reviewed at least once a year.

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| **Date of creation** | October 26, 2018 |
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