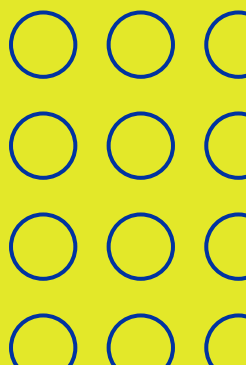


# Annual Report 2022



## INTRODUCTION

We have closed a challenging year for SURA Asset Management S.A. (hereinafter "SURA AM" or "The Company") and its different business lines. A year marked by different external dynamics that impacted us, such as the international situation, regulatory changes in some countries in the region, high market volatility, among others. However, all these situations also brought the opportunity to question and rethink many aspects of the business management and opportunities for the Company in such a volatile and changing environment.

During 2022, the financial markets experienced significant volatility that shaped the investment landscape throughout the year. High global inflation, hikes in interest rates, the Ukraine-Russia conflict, among other elements, affected the results of the investment portfolios. Despite this, and thanks to the management of our teams, we closed the year with Assets Under Management (AUM) of \$140 billion, belonging to our nearly 23 million clients.

During 2022, the region experimented relevant changes in the political arena: the beginning of Gabriel Boric's government in Chile, the victory and beginning of Gustavo Petro's government in Colombia, and the return of Lula da Silva in Brazil, shifted the political spectrum in Latin America towards a center-left and left-wing tendency. This has led to changes proposed in these countries' economic models, for example, Chile and Colombia are debating reforms, including pensions.

For SURA Asset Management, the relevance of its businesses should not be subject to political changes, that's why we have always opted for the dialogue and the construction of better pension systems in the region focused on the welfare of the people and savings for old age. In this sense, we are communicating and being proactive to offer solutions based on the knowledge we have about the management of pension funds.

All these events, in addition to other relevant milestones, led us to rethink the strategy of SURA Asset Management. We understand that the strategy is organic and that it requires constant review for it to evolve, so to continuously measure the different trends, read the environment, understand competitive capabilities, we must permanently and consistently oversee and monitor the issues that impact us as an organization.

In 2022, together with the teams of the region, we set the task of reviewing the processes and dynamics of the business management to reorganize the way we operate today. In this way, we were able to advance in the strategic design of SURA Asset Management, always aimed at creating value for our shareholders and clients.

In line with the above, the organization has considered two lines of business: (i) the Savings and Retirement Ecosystem, which allows us to coordinate between businesses for the accumulation and decumulation stage of people's pension savings, and (ii) the voluntary businesses, i.e., the management of savings and investments made voluntarily by individuals, companies and institutions. During 2022 we integrated the two voluntary businesses,

Inversiones SURA, which manages the savings and investments of individuals, and SURA Investment Management, which manages the investments of companies and institutions, into a single line of business called SURA Investments. This integration of both businesses will allow us to deliver a better value offer to our clients, both individuals, companies and institutions.

Our purpose is to accompany our clients in building their financial wellbeing and equity goals. We will do this through our strategic imperatives: (i) sustained profitability and higher performance for each business, (ii) solid reputation and trust, (iii) excellence in the investment process and risk management, (iv) with talent and a transforming culture, and (v) an appropriate corporate governance model.

With the consolidation of the new company in 2022, ASULADO Seguros de vida S.A., as a result of a spin-off process of AFP Protección, the company was born with the objective of supporting the sustainability of the pension system in Colombia as part of the Savings and Retirement Ecosystem, leading to relevant changes in the structure of SURA Asset Management's businesses. SURA Asset Management now became the controlling company of this AFP with a 52.9% participation of the total shares of this entity.

2022 left us with many lessons learned and significant changes to continue advancing in the development of our businesses. Our team has demonstrated resilience to face the challenges and adapt to change. At SURA Asset Management we will continue to be a sustainable Company focused on generating value for our shareholders and clients.

## ENVIRONMENT AND MARKET

2022 was highly challenging for the economies, with not the same impacts on markets, but more persistent than those during the height of the pandemic. In January, we began the year knowing we were going to experience a slowdown and possible transitory inflationary pressures resulting from disruptions in supply chains that had persisted since 2020. However, the conflict in Ukraine and the rigorous mobility restrictions in the Chinese economy aggravated the inflationary trend in countries around the world.

As a result, economies slowed down above market expectations at the beginning of the year. Global inflation reached its highest levels in recent decades, and at the same time, central banks began an accelerated process of stimulus withdrawal. The effect on the markets was negative and the behavior of the fixed income in the United States stood out leading to a year with the lowest profitability since the 70's, the same decade in which the US reached inflation levels of up to 14% and a monetary policy rate close to 18%.

What can be expected in 2023? It is clear, at least for now, that a further slowdown in economies is inevitable, perhaps exacerbated by the continued withdrawal of stimulus, but amid this, some positive aspects stand out. The volatility and uncertainty that reigned during 2022 should subside during 2023. Economists and market players appear to have already

incorporated these recessionary aspects into their projections, leaving little room for negative surprises and further downward trends in the expectations on revenue growth, which should favor risk assets such like equity funds.

For long-term investors, there is now a very attractive alternative to investing. For decades, lenient monetary policies and liquidity injections by central banks kept yields on these assets artificially low. Today, due to the withdrawal of stimulus, we are experiencing very significant return rates for assets that have basically zero risk of default. As an example, a couple of months ago, almost \$18 trillion issued in debt had a negative yield: basically, it pays to lend money, forcing investors to increase their risk exposure to raise their expected return. Today, that same number is around \$1.5 trillion. While still a large number, it is much lower compared to what was seen before. The positive aspect is that investors can now turn to assets with increasingly better returns and without incurring in greater risk, an opportunity not seen in many years.

Latin America has not been exempted from this reality. Although the volatilities and fluctuations inherent to our region will prevail, three aspects can be potentially interesting:

- **Central banks with a much more mature monetary policy.** After more than twelve months of consecutive hikes in the intervention rate, it is very likely that 2023 will be the year, as in developed countries, when central banks will allow themselves to pause, as we are already seeing in Brazil and Chile. The price of these assets, as we saw above, should also improve with monetary policy reflected in prices. Even today, short-term investors can find sovereign debt at maturities shorter than two years, with double-digit returns in some cases, such as Colombia.
- Although we cannot avoid the slowdown, **Latin America could continue to be an example of active resilience**, as we saw this year. In general, our demographics, characterized by a much larger population base, guarantees higher consumption levels, which will continue to drive growth data, Colombia is a true representative in this regard. Finally, after the pandemic, this will be the first year without presidential elections, which will remove volatility from the markets.

During this year, the yield in Latin America was around 10% (measured in USD) against a proportionate drop from the other global stock markets, reflecting the positive fundamentals previously mentioned. Does this mean that 2023 should be aligned with the global loss in risk assets? Not necessarily, capital markets remain at extremely attractive entry levels and, most importantly, fundamentals should prevail by 2023. Clearly, the main risk here is how strong and sustained next year's slowdown might be, as this could be a major burden for the sustainability of the positive trend.

- **Currencies also showed some resilience** in 2022, with a devaluation of around 1% (or an appreciation of 3% if we exclude Colombia), amid a dollar reaching its highest levels since 2002, compared to the world's major currencies (euro, pound, Canadian dollar, yen, etc.). With the end of the sharp hikes in the monetary policy rates in 2023 by the FED, we are likely to see an end to the dollar's strength, giving currencies an additional boost. However, they may have less room left to strengthen compared to the region's own capital markets or, certainly, what is left for sovereign debt. Clearly, the Colombian peso has the most space to strengthen, together with the fundamentals, currency appreciation will only be possible if it is accompanied by a moderation in the government's political discourse.

## REGULATORY ENVIRONMENT

The following is a review of the main regulatory news and changes which impact SURA Asset Management's businesses in the countries where it operates.

### CHILE

In November 2022, the President of the Republic presented a bill, to be discussed in the Chamber of Deputies, for the creation of a mixed pension system and a contributory social insurance. For the time being, the bill has been approved by the Labor Commission of the Chamber of Deputies and will be discussed in full in said Chamber once its recess ends in March 2023.

### COLOMBIA

Since the beginning of 2022, by provision of the Ministry of Labor, pensions in the country are being readjusted, depending on the Legal Monthly Minimum Wage in Force (SMLMV). For pensions with a lower monthly amount, the pension allowance will be of one million pesos; for those higher than the SMLMV, the readjustment will be of 5.62%, in accordance with the increase of the Consumer Price Index, and the pensions higher than the SMLMV in 2021 and that upon applying the CPI are lower than the Minimum Wage in 2022, will immediately remain with the value applied for 2022.

### EL SALVADOR

In December 2022, the Integrated Pension System Law, (LISP), the Law for the Creation of the Salvadoran Pension Institute (ISP) and the Special Law for the Issuance of Pension Obligations Certificates and the Dissolution of the Pension Obligations Trust were approved and entered into force. The above regulations have the following relevant effects: (a) 30% increase in pensions, (b) establishment of a fixed minimum pension for old age, (c) creation of the Salvadoran Pension Institute that will replace the current National Pension Institute for Public Employees (INPEP) and (d) the creation of a new mechanism for indebtedness of the Salvadoran State with the funds administered by the pensions.

The reform of the pension system increases the administration fee by 0.1%, leaving it at 1%, and eliminates the cost of disability and survival insurance fee. It also eliminates the withdrawal of advances for contributing workers.

### **MEXICO**

In the first quarter of 2022, different amendments were issued to the general provisions to which the Retirement Fund Administrators (AFORE) must be subject in operational matters. Among the changes is the modification of the requirements for commercial agents to transfer and register clients by creating the Pension Advisor, seeking to reduce the costs of having Promoter Agents and Service Agents. This allows Operating Companies to keep digitalized service files electronically, it shortens the time for storing information and non-substantial elements for 10 years before and after the client's account management.

### **PERU**

In the second semester of 2022, a bill was submitted to the Congress of the Republic to establish shared losses between affiliates and Retirement Fund Administrators. The bill provides that the monthly losses of members' funds will be shared by 50% when the average annual return does not reach at least 12%. Likewise, no commission would be charged if no profitability is generated during the month. The project is under discussion within the Economy, Banking, Finance and Financial Intelligence Commission.

### **URUGUAY**

In the second half of 2022, the Executive Branch submitted for discussion in Parliament, the Bill to create the Common Pension System. For the time being, the Bill has been approved by the Senate and has been submitted to the House of Representatives.

Among other issues, it considers the modification of the minimum retirement age from 60 to 65 years, a new distribution of workers' contributions between the Social Security Bank (pay-as-you-go pillar) and the Pension Savings Fund Administrators (individual capitalization pillar), at 10% and 5%, respectively. This changes the previous distribution which was in equal parts to the extent that the worker so decided for the first contribution band, in which the great majority of the country's workers are. It also introduces a new way of determining the amount of the pension and the mandatory inclusion of new contributors in a Pension Savings Fund Administrator.

## **SUSTAINABILITY**

Keeping the trust with the stakeholders is fundamental in the countries of this region, therefore, during 2022, we strengthened two of our sustainability focuses: (i) "We Take Care of the Resources" and (ii) "We Build Capabilities for Development."

## **WE TAKE CARE OF THE RESOURCES**

We are aware that investment decision-making requires a comprehensive vision that, in addition to the financial criteria, incorporates environmental, social and corporate governance aspects, in order to better consider the risks and opportunities inherent to each investment, and thus contribute to the strategic guideline of "Excellence in investment management," fulfilling our fiduciary duty with our clients, and with one of our four focus actions in sustainability: "We take care of the resources," with a focus on the environment and the development of the society that considers the issues related to climate change.

The achievements in this area were:

- Update of the due diligence model for traditional investment fund managers in international markets, which explicitly includes a module to assess the ESG performance (both in their operation and in their role as investment managers) of the managers of this type of vehicles.
- Continuing with the engagement campaigns with the most carbon-intensive emitters or entities that develop their businesses in key emission-intensive sectors.
- Capabilities were built to have carbon measurements in the portfolios managed by companies that develop pension and asset management businesses, having, by the end of 2022, a first exercise to measure emissions financed and carbon intensity per million dollars invested, initially limited to the scope of data available on the MSCI platform.

## **WE BUILD CAPABILITIES**

The Financial Education and Inclusion initiatives are an effort to create an environment for growth, transformation and the sustainability of SURA Asset Management's businesses, for a better understanding by the clients and stakeholders about the different financial services and products they can use, as well as the fundamental concepts needed for the proper management of their personal finances.

The achievements in the region were:

### **PERU**

In 2022, we implemented the project Talento Imparable, in alliance with Microsoft, LHH DBM Peru, EUNO and other entities. This initiative seeks to strengthen the employability of young people who are starting or are in the process of consolidating their professional careers.

### **CHILE**

The continuity of the three ongoing initiatives for several years now, Sucursal Inclusiva, Inclusion Laboral Pensionados and Bancarización de Pensionados, is noteworthy.

### **PROTECCIÓN**

- In 2022, 14 million users have been impacted by the education programs open to the public of the Universidad Protección.
- New inclusion protocols for service channels in accordance with regulations.

- The development of specific functionalities, specifically designed for users with disabilities to better navigate the website.

### **MEXICO**

One of the main achievements during 2022 was the incorporation of the Calculadora de Pension, a projection tool that lets people know in advance an estimate of what they will receive in severance or old age pensions and thus take immediate action to improve the amount to be saved.

### **EL SALVADOR**

- Promotion of self-services and digital services for the management of procedures and customer requirements.
- Promotion of voluntary pension savings through a plan that allows individuals, pension affiliates or independent workers, to enter the world of investments with an accessible entry amount compared to other competing products.

### **URUGUAY**

AFAP SURA developed and presented the book "Economia para Matias", an editorial and audiovisual project created by the economist Javier de Haedo and promoted by the Observatorio de la Coyuntura Economica of the Universidad Catolica del Uruguay.

## **SHORT AND MEDIUM-TERM CHALLENGES**

### **Financial Education**

1. Strengthen our clients' soft skills, employability, financial competencies and knowledge of the private pension system.
2. Build trust in the private pension system among the general population.

### **Financial Inclusion**

1. To be able to increase the use of digital platforms and stay in close contact.
2. Work on the development of segmented value offers, by business and by AUM, to provide each client with what they need and the appropriate information for their objectives.
3. Continue creating alliances that position us as a relevant player in the savings arena throughout the region.



## BUSINESS DEVELOPMENT

### SAVINGS AND RETIREMENT

According to the Inter-American Development Bank <sup>1</sup>, Latin America by the end of 2022, recorded a total recovery of employment, reaching levels above those recorded in the pandemic, creating more than 8 million. As a sign of the recovery in employability, total revenues closed at \$772 million, with a growth of 7.3%, driven not only by the growing employability reflected in the 8.0% growth of contributors, but also by the growth of the cumulative wage base for the entire region of 15.3% compared to 2021.

The growth of the total income of 102.9% of AFP Proteccion in Colombia stands out because of the good performance in collection, 15.9% compared to the previous year, and the positive behavior of commissions for the Cesantias product, despite the volatility of the capital markets during 2022. In line with the good performance of Proteccion's collection, the average contribution closed at 46.6%, with a growth of 106 basis points compared to 2021. Likewise, the good performance of revenues in the case of Uruguay and Chile with a growth of 11.9% and 11.7% respectively stand out.

The year closed with 20.7 million members, growing by 7.5%, of which 8 million correspond to contributors, reflecting a contribution rate of 39%, remaining stable with respect to 2021. It is worth highlighting the growth in affiliates in AFP Integra, Peru, of 18.2 % in affiliates and 17.5% in contributors, because of the good performance at the end of the year with the fifth bid awarded to said administrator, where more than 858,000 people were enrolled with a weighted contribution rate of 52%.

Through our customer service and relationship model, we received good comments from our customers, which were reflected in a stable NPS (Net Promoter Score) result of 37% in satisfaction compared to 2021. The strengths identified by our customers are service, timely information and quality service, reasons why they recommend our brand. Regarding our relationship, AFORE SURA in Mexico ranked #3 in the industry in the Afores' attributes and services meter (+Más Afore) conducted by the National Commission of the Retirement Savings System (CONSAR). At SURA Asset Management we are convinced that our priority focus will always be the client and, therefore, we will continue to work to improve our service while working to build a pension system that achieves its main objective of providing financial wellbeing in old age.

In line with our digital progress in recent years, our digital channels had a consolidated participation of 98% in service transactions, with automation of new options and the use of sentiment analysis in our call centers to identify new and better service opportunities, as in the case of AFP Capital, in Chile. In particular, the work of AFP Crecer, in El Salvador, stand out for incorporating digital alternatives within its architecture, maintaining remote affiliation in the generation of new businesses and achieving the authorization of the digital affiliation process with electronic signature.

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<sup>1</sup> Labor Market Observatory. Monthly journal. Nov 2022. Inter-American Development Bank

2023 will be a challenging year in pension matters throughout the region since different structural changes are being discussed in the pension systems where SURA Asset Management is present.

This highlights the importance of continuing to promote spaces for dialogue that allow us to have conversations on the importance of savings and the need to have a comprehensive vision of social security. Modernizing the system does not mean going back to the past; it means understanding the new realities to improve and enable each actor to bring forward a positive experience from which to start from. We will continue to promote a public-private collaboration with a collective intelligence and awareness so that we can all serve society with the common purpose of seeking financial wellbeing in old age.

### **INVERSIONES SURA**

2022 was challenging for the investment business, mainly due to the performance of the markets. At the end of the year, assets under management in the retail segments totaled \$10.8 billion, which reflects a decrease compared to the previous year. This is mainly explained by the performance of the markets. The institutional business reached \$840 million in assets under management, with a performance similar to that of the retail segments.

This behavior of assets impacted the net income of the business, which reached \$129 million, a decrease of 2% compared to the previous year, a decrease that also affected operating profitability with \$27 million. Despite this, the trend continues to be positive in the medium term if we consider that for 2020 it was \$15 million and in 2019, \$10.5 million.

The challenging environment forced us to focus our efforts on delivering an adequate advice to our clients, given the scenario of high volatility and negative portfolio returns. In this sense, initiatives were deployed to mitigate this impact, such as:

- Expansion of the Offshore offer with the launching and kick-off of operation of the Registered Investment Advisor (RIA) in the United States (Inversiones SURA Corp.).
- Structuring and launching of products to counteract the increase in inflation and the rise in interest rates, as well as products that would allow a decrease in correlation with markets and high levels of volatility.
- Monitoring and management of the suitability of the advice we provide to our clients, and implementation of commercial actions to advance in the alignment of portfolios to the risk profile and the different investment objectives of our clients.
- Deployment of tools for our advisors, including permanent market updates and training, to contain and manage the uncertainty of our clients, seeking proximity.
- Increased contact and support to clients, intensifying events and expanding channels and contact frequency.

The dynamics of customer growth continues to be very positive, with an increase of 11.7% compared to 2021, reaching 2.202,493 by the end of 2022.

There's a slight decline regarding the relational NPS, from 37% in 2021 to 14% in 2022. This is associated to the profitability of our clients' investments, as a result of the aforementioned market situation. However, the service shows some strengths regarding how contracting and managing requirements is user friendly.

### **SURA INVESTMENT MANAGEMENT**

SURA Investment Management obtained an annual gross revenue of \$74.5MM, with a YOY net income growth of 14.5%, and AUM of \$12.2 billion, with a growth of 16.8% since 2021. The operating result was in line with the plan (USD -3.8MM), maintaining the growth curve, but with a lower operating result compared to 2021, which was USD -8.0MM.

The Company closed the year with AUM with positive alpha of 80.8%, 510 clients, 31 Wealth Managers, 23 Institutionals, 423 corporates and 33 insurance companies, closing with an NPS of 69 points.

SURA Investment Management has adapted and transformed as an organization to respond to the environment, seeking opportunities as experts in investment solutions, incorporating new alternatives and developing new capabilities to serve its clients.

To be highlighted in 2022 are the consolidation of the third-party fund distribution business through asset managers such as LGT and Hines, the deployment of the Luxembourg platform, the redefinition of the value offer for Corporates in Mexico and changes in the operating model, obtaining YOY growth in AUM and Revenues (+7.6%).

The business began 2022 continuing the strategy, strengthening capabilities and seeking returns and ended with all the efforts on its integration with Inversiones SURA.

## **FINANCIAL RESULTS**

SURA Asset Management's results in 2022 presented a positive evolution in the operational component, isolating non-manageable effects such as the reduction of the commission rate in the pension business in Mexico and the negative returns of the financial markets at a global level. These impacts were mitigated by an increase in the Salary Base, as a result of the good performance of the labor markets in the region; the efforts in operational efficiency, which allowed for expense containment; and the higher returns achieved by the SURA Asset Management's Investment teams.

The 2022 financial statements are affected by a change in the consolidation of AFP Proteccion and the incorporation of the insurance company Asulado in the last quarter of the year. The 2022 results include ten months of equity method of AFP Proteccion and two months of line-by-line consolidation of AFP Proteccion and Asulado. While in 2021 the net result of AFP Proteccion was incorporated in the financial results of SURA Asset Management as equity method and Asulado did not exist.

The wage base increased 12.3% in 2022, driven by a higher wage growth as a result of high inflation levels and higher employability rates in the labor markets. The average contributor salary increased 6.0% compared to 2022, while the contribution rate improved 200 basis points. On the other hand, SURA Asset Management's consolidated AUM decreased 0.3%, affected by negative investment returns and extraordinary withdrawals in Peru (\$ 2,537 million). These impacts were offset by contributions to the individual accounts of contributors in the Savings and Retirement business, and the generation of alpha by the investment teams.

Fee income (\$667 million) decreased 2.1% in 2022. When the effect of the consolidation of AFP Proteccion stabilizes, fee income decreased by 8.3%, affected by a 26.4% decrease in the Savings and Retirement segment, which is commissioned by AUM, where, in addition to the effect of negative returns and extraordinary withdrawals in Peru, there was a regulatory reduction in the commission rate in Mexico, from 0.83% in 2021 to 0.57% in 2022 with an impact of \$70 million. Fee incomes from the segment that commissions on a salary basis, had a positive performance, benefited by the dynamics of the salary base, while fee incomes from the voluntary segment (Inversiones SURA and SURA Investment Management) presented a growth of 8.3% or 1.03% when the impact of the consolidation of the Voluntary Pension business of AFP Proteccion is normalized.

Reserve Requirements presented a result of \$8.6 million in 2022, lower than in the previous year, when it amounted to \$40.4 million. The low performance of the Reserve Requirements was in line with the evolution of the global financial markets, which were affected by the increase in interest rates by the US Federal Reserve -FED-, in an attempt to control the high levels of inflation, the political uncertainty in Europe and a lower dynamism of the Chinese economy.

Despite the challenging environment, SURA Asset Management's investment teams achieved higher returns for clients. 97% of AUM managed in the Savings and Retirement business achieved alpha in the last 12 months, while the voluntary business achieved alpha on 80% of the traditional assets under management.

Operating income amounted to \$238 million in 2022, representing a 13.2% drop compared to 2021. The impact of the drop in fee income and Reserve Requirements was mitigated by a 2.0% growth in operating expenses, a level lower than the weighted average inflation in the countries where SURA Asset Management operates (10.4%). The expense containment was achieved thanks to the efforts in operating efficiency, channel optimization and lower variable commercial expenses, as a result of the drop in the net commercial flow.

SURA Asset Management's financial debt decreased from \$883 million in 2021 to \$876 million in 2022. The company's hedging of 93% of the nominal amount of bonds issued in dollars (\$850 million), recorded an active position of \$197 million at the end of 2022. The leverage ratio (Gross Debt + Coverage) / EBITDA was 2.4x below the target range of 2.5x to 3.0x, which is consistent with international debt ratings by Fitch (BBB, 2 notches above investment grade) and Moody's (Baa1, 3 notches above investment grade).

The net financial expenditure of the financial income, grew by 12.7%, affected by the impact of the devaluation of the Colombian peso on the coupons of USD-denominated bonds and the

impairment of an own investment. The exchange difference income, had a drop from \$26.4 million in 2021 to \$1.5 million in 2022, mainly explained by the devaluation of the Colombian peso in the passive position in USD (7% of the nominal of the bonds issued in USD and coupons that are not hedged) and the lower devaluation of the Chilean peso in 2022 compared to 2021 and its impact on the active cash position that the company has in Chile.

Net income after minority interest amounted to \$91.2 million in 2022, down 43.8%. The latter line was affected by the lower dynamics of the fee income, the lower level of reserve requirements and the fall in income from exchange differences. The positive increase of the salary base, the higher returns achieved by the investment teams, expenditure containment and a 28.2% drop in taxes mitigated the adverse effects on the result.

## CORPORATE GOVERNANCE AND COMPLIANCE

Corporate Governance remains and continues to consolidate as a fundamental asset for SURA Asset Management and its subsidiaries and is an essential part of its strategy and business development.

By strengthening its ethics and Corporate Governance, SURA AM seeks to consolidate a culture based on its corporate principles, which will allow for the implementation of a sustainable and long-term strategy, focused on its clients and considering the stakeholders, but with a clear ethical, social, economic and environmental commitment. To this end, it is essential to continue focusing on the consolidation and implementation of Corporate Governance standards across the organization and the subsidiaries.

During 2022, we continued to work on strengthening and monitoring the Corporate Governance bodies at the regional level, seeking to achieve greater homologation in the activities and processes that are executed at the local level, in accordance with guidelines issued regionally, as well as to strengthen the use of technological tools that enable processes to operate automatically, more efficiently and with higher levels of information security.

During the year, the following milestones or relevant achievements in SURA AM's Corporate Governance and Compliance processes stand out: (a) meeting and training instances for independent directors of the Boards of Directors of SURA AM and subsidiaries throughout the region; (b) joint work with local Secretariats to strengthen Corporate Governance and its functions; (c) strengthening the use of a technological management tool of the General Secretariat (Gobertia), both for Boards of Directors of SURA AM and subsidiaries and for certain governance instances of the administration; (d) launching of the technological tool for corporate management (Dilitrust) and beginning of the integration of the technological platforms (Gobertia and Dilitrust), in response to the merger of both companies; (e) annual, regional and virtual training courses on Ethics and Corporate Governance for all employees of SURA AM, and (f) regional virtual annual course on Risk Management for all employees of SURA AM.

Additionally, during 2022, the following relevant situations stand out, which will also represent challenges for 2023 in terms of the implementation of the Corporate Governance and Compliance processes of the companies: (i) implementation of the Corporate Governance of the SURA Investments business unit and its companies. This includes the review of the strategic and business control instances, value generation for local businesses and coordination in relation to strategic decision making, and (ii) implementation and strengthening of corporate governance in the following subsidiary companies that were incorporated during 2022: (a) Asulado Seguros de Vida S.A., a Colombian insurance company, and (b) Inversiones Sura Corp, a foreign entity domiciled in Florida, USA, licensed to act as a Registered Investment Advisor.

On the other hand, during the last quarter of the year, the acquisition of additional shares of AFP Proteccion by SURA AM stands out. By virtue of the latter transaction, SURA AM increased its participation in the capital of Proteccion to 52.91% of the subscribed and outstanding shares of that company, thus creating a situation of control by SURA AM with respect to Proteccion and AFP Crecer in El Salvador, a subsidiary of Proteccion.

Regarding Compliance initiatives, during the second half of 2022, employees and directors of SURA AM and its subsidiaries and affiliates completed the annual virtual course on Corporate Governance, Conduct and Ethics. This study material was developed, as every year, with the objective of reinforcing the ethical principles that should govern the actions of SURA AM employees, regardless of their function or place of work, and ended the year with a compliance rate of 96% throughout the region.

Also noteworthy is the progress of the project to implement the Regional GRC Solution for the Regulatory Compliance Management (RCM) module, for which the design stage was completed, carried out in collaboration with the Compliance areas of each country. Additionally, we are working on the standardization of the Compliance framework policy at a regional level.

Finally in 2022, the Ethics Line was integrated under a single regional guideline, with decentralized activities specific to the countries, achieving efficiency and structural consolidation, processes and technological platform. Common issues were analyzed with Grupo SURA and Suramericana S.A., reaching agreements for a standardized management. In collaboration with each of the countries, an analysis of local guidelines and procedures was carried out and as a result, the SURA AM Regional Ethics Line Policy was created, establishing the minimum principles and controls applicable to the Ethics Line as a confidential and secure communication channel at the service of employees, consultants, clients, suppliers and other stakeholders, with the objective of reporting possible irregularities that violate the Company's ethical principles.

Further details and figures regarding corporate governance and compliance management can be found in the Annual Corporate Governance Report for the year 2022 in the SURA Asset Management website, Corporate Governance section: <https://www.sura-am.com/en/about-us/corporate-governance>.

## RISK MANAGEMENT AND INTERNAL CONTROL

Aware of the importance of managing in a timely and efficient manner the risks to which SURA Asset Management's operation may be exposed to, a Risk Management Framework has been established in accordance with the Company's needs (Operation Risks). This framework follows an identification, assessment, management and monitoring cycle, accompanied by a communication scheme and an appropriate Corporate Governance. This Risk Management Model is ongoing since the inception of SURA Asset Management, which allows for achieving high levels of commitment in the organization in risk management and strengthening, through continuous improvement and the adoption of international best practices, a robust and shared basis for all members of SURA AM.

During 2022, a lot of work was done on different fronts, highlighting the following achievements:

- **Investment Risk:** this group consolidates risks due to negative impacts on the value of investments made with third-party assets and/or own investments. The management of these risks is conducted directly by the operating units in which SURA Asset Management has participation, in which they use mechanisms to measure, monitor and manage the risks associated with market movements, credit risk, liquidity risk, among others.

During 2022, activities were prioritized in the asset management business, aimed at building internal risk policies, which include the experience of internal teams and the lessons learned during the existence of SURA Investment Management, which will achieve an orderly, coordinated and standardized management of the risks assumed; these policies are applicable initially to the funds within the group of fixed income products of traditional markets.

In the case of the Inversiones SURA business, it is worth mentioning the strengthening of the standards used by some local teams in the assessment and recommendation to retail clients of alternative vehicles managed by third parties, mainly for the initial evaluation due diligence processes.

Regarding due diligence capabilities for international managers of traditional funds, all business teams participated in the construction of a new due diligence that will enable assessing the sustainability performance (corporate and sustainable investment) of this type of entities. The request for information began with the most relevant, in terms of amount invested in this category; in addition, the relevant corporate events that occurred with some managers were monitored, which resulted in preventive actions to halt investments in the funds of two international management companies and monitor the evolution of relevant investigations in two others.

- **Progress in emerging risks:** during 2022, progress continued to be made in the implementation of the contents of the sustainable investment policies by the teams of the Savings and Retirement business and SURA Investments. Three fronts stand out in terms of sustainable investment: (i) the beginning of the measurement under standardized KPIs of the carbon footprint and carbon intensity of the portfolios managed by the local teams, based on the data available in the ESG data provider's system and access to direct information from the entities in which investments are held; (ii) strengthening of specific engagement activities with some issuers, through requests for information on risk management programs and climate change opportunities, to be disclosed at their shareholders' meetings; direct conversations with issuers to evaluate their performance in climate change objectives, and the involvement in collaborative engagement initiatives such as Climate Action 100+ by some of the subsidiaries; (iii) formalization of the DDQ of ESG performance of traditional international asset managers, which allows us to feed the ESG performance evaluation module of these entities and thus advance in the implementation of the guidelines established in the sustainable investment policies of our companies.

The management of technological, information security and cybersecurity risks, as well as their treatment, remains focused on being a strategic risk, considering the impacts it could cause in operational, financial and reputational losses for the Company. In 2022, the Corporate Information Security and Cybersecurity Model was strengthened through the modernization of the Governance and Labor Framework to develop the necessary capabilities and mitigate the risks faced by the Company, derived from the threatening landscape of the global environment and the requirements of the development and operation of the company.

Strategic risk management is part of the Company's strategic planning process, where SURA Asset Management analyzes trends and the environment from the different aspects that affect the businesses under management. And while working on the objectives and the strategy with senior management, the different strategic risks affecting SURA Asset Management are outlined. During the year, the strategic risk of business transformation was analyzed in depth through the pension reforms presented in the different countries, where the implications of these reforms for the Savings and Retirement business were analyzed.

Finally, it is worth mentioning a virtual course for the Company's employees, called "Juntos en Gestion de Riesgo," in which they were able to internalize different topics, strengthen their knowledge and reflect on the implications that our actions have within SURA AM in terms of risk management.



## INTERNAL AUDIT

The Corporate Internal Audit Unit (UAC) supports the achievement of SURA Asset Management's business strategy. Based on an annual risk-based plan, it performs assurance and consulting work to evaluate the effectiveness of the Internal Control System (ICS) objectively and independently, providing valuable opinions and recommendations that contribute to the continuous improvement of the organization's Risk Management, Governance and Control processes.

Additionally, the UAC has a Strategic Management that promotes the transformation of the task, through the automation of tests and continuous auditing, digitalization of its processes, training and talent development, and the maturity of organizational self-control.

The UAC reports on its responsibilities to the Audit Committee and administratively to the CEO, thus maintaining a highly objective performance and independence from Management.

### **MANAGEMENT 2022**

During 2022, UAC implemented several changes in its structure, thus responding to the constant evolution of the business. These changes were aimed at seeking synergy and efficiency for its processes, while maintaining adequate coverage of the organization's main risks and the processes that support the Company's strategic objectives.

To achieve this objective, a new corporate role was added to the UAC team to enhance data analytics, work automation and the digitalization of audit processes throughout the region. Additionally, two Regional Audit Centers (CAR) were created for the Investment and Information Technology areas, both made up of specialist auditors from different locations who, through standardized processes, were able to optimize their resources, generate knowledge synergies and as a result, expand the coverage of risks and the number of tasks with a regional approach.

Another technological investment is the project to implement an integrated Risk Governance and Compliance (GRC) platform to implement a solution that allows for an integrated model of audit, risk, compliance and information security processes, among others, to strengthen SURA Asset Management's Internal Control System, allowing for better monitoring, control and information for decision making.

An important milestone for the UAC in 2022 was obtaining the quality certification on audit processes by the Global Institute of Internal Auditors (IIA), valid for 5 years, where the application of the profession's high standards are recognized, as well as the efficiency and effectiveness in the execution of the mission, objective, authority, responsibilities and reporting lines.

A constantly changing and threatening environment demands for Internal Audit areas to provide support to the organization to anticipate the identification and management of risks

that may jeopardize the achievement of the organizational strategy. From our role, we continue to advance in a well-planned path of transformation, incorporating additional improvements in our processes, with high standards and world-class practices, evidencing progress in effective collaboration with the different stakeholders.

## LEGAL STATEMENTS

Regarding the legal aspects, SURA Asset Management certifies that it fully complies with intellectual property and copyright regulations. Likewise, the use of products such as software that the Company uses for its normal operation is in accordance with the regulations on intellectual property and copyrights in force in our legislation, and its trademarks are registered with the competent authorities. The Company has sufficient evidence to make these statements, supported by the satisfactory results of internal audits, as well as the execution of contracts for the licensing and development of software, the acquisition or copyrights licenses and resolutions of the Superintendency of Industry and Commerce that accredit its trademark registrations, among others.

Additionally, and in compliance with the provisions of Law 1676 of 2013, the Company declares that it did not affect the free circulation of invoices issued by the Company's vendors or suppliers.

### **IGNACIO CALLE CUARTAS**

CEO SURA Asset Management 2022

**SPECIAL REPORT SURA BUSINESS GROUP 2022**

**SPECIAL REPORT SURA BUSINESS GROUP 2022  
SURA ASSET MANAGEMENT S.A. -Subsidiary Company-**

In accordance with the provisions of Article 29 of Law 222 of 1995, we present the Special Report of the Grupo Empresarial SURA, which contains the most important operations concluded during the 2022 fiscal year, between SURA AM and the companies that make up the Business Group.

**a. Composition of the SURA Business Group**

Controlling Company (Parent Company): Grupo de Inversiones Suramericana S.A.

Company reporting the Business Group Report: SURA Asset Management S.A.

**b. Statements and Legal Compliance**

- Grupo Empresarial SURA, as of December 31, 2022, was comprised of 81 companies (hereinafter the "Companies.")
- During the reported period, the Companies carried out eventual transactions among themselves, and both these, as well as those entered into with third parties, were agreed upon in the best interest of each of the Companies, and seeking to be carried out under competitive market conditions that recognize the synergies as a Business Group and protecting the contractual balance.
- The operations and decisions of the companies of Grupo Empresarial SURA were not adopted by influence or under the exclusive interest of its Parent Company. Furthermore, they were made, or not made, with the objective to generate value for the entire Group, in the best interest of the controlled companies involved in the operations.
- The most significant transactions entered into between the companies of Grupo Empresarial SURA comply with the applicable legal provisions of the "Framework Policy for Transactions between Related Parties" and other internal rules and are duly reflected in the financial statements of the companies.

<b>SURA BUSINESS GROUP</b>	
<b>COMPANY</b>	<b>COUNTRY</b>
GRUPO DE INVERSIONES SURAMERICANA S.A. (holding)	<b>COLOMBIA</b>
SURAMERICANA S.A.	<b>COLOMBIA</b>
ARUS HOLDING S.A.S.	<b>COLOMBIA</b>

INVERSIONES Y CONSTRUCCIONES ESTRATEGICAS S.A.S.	<b>COLOMBIA</b>
SURA ASSET MANAGEMENT	<b>COLOMBIA</b>
SURA VENTURES S.A.	<b>PANAMÁ</b>
SURA IM GESTORA DE INVERSIONES S.A. MEXICO	<b>MEXICO</b>
SEGUROS GENERALES SURAMERICANA S.A.	<b>COLOMBIA</b>
SEGUROS DE VIDA SURAMERICANA S.A.	<b>COLOMBIA</b>
OPERACIONES GENERALES SURAMERICANA S.A.S.	<b>COLOMBIA</b>
EPS Y MEDICINA PREPAGADA SURAMERICANA S.A.	<b>COLOMBIA</b>
DIAGNOSTICO & ASISTENCIA MEDICA S.A.S. IPS	<b>COLOMBIA</b>
SERVICIOS DE SALUD IPS SURAMERICANA S.A.	<b>COLOMBIA</b>
SERVICIOS GENERALES SURAMERICANA S.A.S.	<b>COLOMBIA</b>
CONSULTORIA EN GESTION DE RIESGOS SURAMERICANA S.A.S.	<b>COLOMBIA</b>
SEGUROS SURAMERICANA S.A.	<b>PANAMA</b>
SEGUROS SURA S.A.	<b>REPUBLICA DOMINICANA</b>
SEGUROS SURA S.A.	<b>EL SALVADOR</b>
SEGUROS SURA S.A SEGUROS DE PERSONAS	<b>EL SALVADOR</b>
SERVICIOS GENERALES SURAMERICANA S.A.	<b>PANAMA</b>
ARUS S.A.	<b>COLOMBIA</b>
ENLACE OPERATIVO S.A.	<b>COLOMBIA</b>
HÁBITAT ADULTO MAYOR S.A.	<b>COLOMBIA</b>
ACTIVOS ESTRATEGICOS SURA A.M.	<b>COLOMBIA</b>
SURA ART CORPORATION S.A.	<b>MEXICO</b>
AFP INTEGRAL S.A.	<b>PERU</b>
FONDOS SURA SAF S.A.C	<b>PERU</b>
AFORE SURA, S.A. DE C.V.	<b>MEXICO</b>
PENSIONES SURA S.A. DE C.V.	<b>MEXICO</b>
ASESORES SURA, S.A. DE C.V.	<b>MEXICO</b>
SURA INVESTMENT MANAGEMENT, S.A. DE C.V.	<b>MEXICO</b>
AFAP SURA S.A.	<b>URUGUAY</b>
SURA ASSET MANAGEMENT CHILE S.A.	<b>CHILE</b>
SURA SERVICIOS PROFESIONALES S.A.	<b>CHILE</b>
SURA DATA CHILE S.A.	<b>CHILE</b>
CORREDORES DE BOLSA SURA S.A.	<b>CHILE</b>
ADMINISTRADORA GENERAL DE FONDO SURA S.A.	<b>CHILE</b>
SEGUROS DE VIDA SURA S.A.	<b>CHILE</b>
AFP CAPITAL S.A.	<b>CHILE</b>
ADMINISTRADORA DE FONDOS DE INVERSION S.A.	<b>URUGUAY</b>
SURA ASSET MANAGEMENT MEXICO, S.A. DE C.V.	<b>MEXICO</b>
SUAM CORREDORA DE SEGUROS S.A. DE C.V.	<b>EL SALVADOR</b>
SURA ASSET MANAGEMENT URUGUAY SOCIEDAD DE	<b>URUGUAY</b>

INVERSION SA	
PROMOTORA SURA AM, S.A. DE C.V.	<b>MEXICO</b>
SURA ASSET MANAGEMENT PERU S.A.	<b>PERU</b>
DISGELY S.A.	<b>URUGUAY</b>
CORREDOR DE BOLSA SURA S.A.	<b>URUGUAY</b>
SURA INVESTMENT MANAGEMENT COLOMBIA S.A.S.	<b>COLOMBIA</b>
SURA RE LTD.	<b>BERMUDA</b>
SOCIEDAD AGENTE DE BOLSA SURA S.A.	<b>PERU</b>
SURA IM GESTORA DE INVERSIONES S.A.S.	<b>COLOMBIA</b>
SEGUROS SURA S.A.	<b>BRASIL</b>
SEGUROS GENERALES SURAMERICANA S.A.	<b>CHILE</b>
SEGUROS DE VIDA SURAMERICANA S.A.	<b>CHILE</b>
CHILEAN HOLDING SURAMERICANA SPA	<b>CHILE</b>
INVERSIONES SURAMERICANA CHILE LIMITADA	<b>CHILE</b>
SERVICIOS Y VENTAS COMPAÑIA LIMITADA	<b>CHILE</b>
SEGUROS SURA S.A.	<b>ARGENTINA</b>
ASEGURADORA DE CREDITOS Y GARANTIAS S.A.	<b>ARGENTINA</b>
ATLANTIS SOCIEDAD INVERSORA S.A.	<b>ARGENTINA</b>
SANTA MARIA DEL SOL S.A.	<b>ARGENTINA</b>
SEGUROS SURA S.A DE C.V.	<b>MEXICO</b>
SEGUROS SURA S.A.	<b>URUGUAY</b>
SURA SAC LTD	<b>BERMUDA</b>
SURA ASSET MANAGEMENT ARGENTINA S.A.	<b>ARGENTINA</b>
NBM INNOVA S.A. DE C.V.	<b>MEXICO</b>
GESTIÓN PATRIMONIAL SURA, ASESORES EN INVERSIONES, S.A. DE C.V.	<b>MEXICO</b>
INVERSIONES SURA BRASIL PARTICIPAÇÕES LTDA	<b>BRASIL</b>
SURAMERICANA URUGUAY S.A.	<b>URUGUAY</b>
NBM INNOVA S.A.S.	<b>COLOMBIA</b>
PROYECTOS EMPRESARIALES AL SURA S.A. DE C. V	<b>MEXICO</b>
AM SURA SICAV	<b>LUXEMBURGO</b>
SOCIEDAD TITULARIZADORA SURA S.A.	<b>PERU</b>
FIDUCIARIA SURA S.A.	<b>COLOMBIA</b>
VINNYC S.A.	<b>URUGUAY</b>
RUSSMAN S.A.	<b>URUGUAY</b>
VAXTHERA S.A.S.	<b>URUGUAY</b>
INVERSIONES SURA CORP	<b>ESTADOS UNIDOS</b>
SURA CHILE S.A.	<b>CHILE</b>
ASULADO SEGUROS DE VIDA S.A.	<b>COLOMBIA</b>
ADMINISTRADORA DE FONDOS DE PENSIONES Y CESANTIAS PROTECCIÓN	<b>COLOMBIA</b>

**c. Transactions entered into between SURA Asset Management (consolidated) and the other companies of the Grupo Empresarial SURA**

SURA AM consolidated companies that carried out transactions with other companies of the SURA business group:

\*Figures expressed in thousands of U.S. dollars.

Company	Country	Operations with the business group			
		Active accounts	Passive accounts	Revenue	Expense
Sura S.A.	Chile	-	-	48	-
Administradora General De Fondos Sura S.A.	Chile	38	-	705	152
AFP Capital S.A.	Chile	-	-	10.296	-
Sura Investment Management Colombia S.A.S	Colombia	-	-	615	26
Sura Asset Management S.A.	Colombia	55	28	140	1.720
Administradora De Fondos De Pensiones Y Cesantia Proteccion S.A	Colombia	154	114	109	246
Sura Investment Management S.A. De C.V.	Mexico	30	-	282	27
Afore Sura S.A. De C.V.	Mexico	-	-	1	112
Gestión Patrimonial Sura Asesores En Inversiones S.A De C.V.	Mexico	-	-	-	4
NBM Innova S.A De C.V	Mexico	-	-	-	3
Proyectos Empresariales Ai Sura S.A. De C.V.	Mexico	-	-	-	8
Sura IM Gestora Mexico S.A. de C.V.	Mexico	-	-	-	1
Fondos Sura SAF S.A.C.	Peru	-	-	-	866
Sura Asset Management Peru S.A.	Peru	-	-	54	-
AFAP Sura S.A.	Uruguay	-	5	-	-
Sura Asset Management Uruguay Sociedad De Inversión S.A.	Uruguay	0	-	1	-

Disgely S.A.	Uruguay	0	-	0	-
Corredor De Bolsa Sura S.A.	Uruguay	9	-	93	-
<b>Total</b>		<b>287</b>	<b>147</b>	<b>12.345</b>	<b>3.165</b>

**d. Grupo Empresarial SURA consolidated operations**

Consolidated information on transactions between all the companies of the Grupo Empresarial can be consulted in the Grupo Empresarial Special Report published by Grupo SURA.

Among the operations recorded there are loans between related companies with contractually agreed terms and conditions and interest rates, provision of financial, administration, IT and payroll services, leases and subleases of offices and commercial premises, re-invoicing of utilities, insurance policies, among others.

# Annual Report 2022

SURA Asset Management

[www.sura-am.com](http://www.sura-am.com)

