

# **CORPORATE ENGAGEMENT GUIDELINES FOR INVESTMENTS IN CORPORATE FIXED INCOME AND EQUITIES**

## **CONTENTS**

1. Introduction
2. Engagement Process Goals
3. Engagement approach
4. Disclosure and Updating
5. Implementation.

### **1. Introduction.**

In connection with the contents defined in the Engagement approach of the Sustainable Investment Policy, respective of each business, this document defines the guidelines for implementing the relationship and engagement processes on Environmental, Social and Corporate Governance (ESG) topics with corporate fixed income and equity issuers, in which there is direct exposure in the portfolios managed directly by the different companies of Sura Asset Management.

### **2. Objectives of the engagement process.**

- The active ownership approach has a series of objectives, in alignment with our fiduciary duty and seeking a positive impact on environmental factors (natural resources, ecosystems and biodiversity, generation of emissions, climate change, among others), social factors (human rights, labor, welfare) and Corporate Governance by companies (policies, structure, operation of governing bodies) to understand in greater depth the business models of companies in which we invest and their long-term value levers to strengthen our investment processes.
- Promote greater disclosure of companies' ESG performance through accurate, consistent, and comparable data.

- Accompany and promote ESG best practices in companies, to prevent and mitigate investment risks, and
- Build long-term relationships with the companies in which we invest to communicate detailed, timely and accurate information to our clients.

### **3. Engagement approach.**

From this approach, activities will be carried out aimed at generating dialogues around the promotion of good sustainability practices, monitoring highly critical ESG controversies, evaluating the performance and climate disclosure of investments and/or influencing companies to establish commitments to manage aspects that may affect the ability of assets to create value in the long term.

The scope of this approach corresponds to direct investment in public corporate fixed income assets and direct investment in equities.

Sura Asset Management's ESG Affairs Committee is the body in charge of coordinating engagement initiatives when several Sura Asset Management companies coincide in the same issuer, whether fixed income or equity. This governing body is made up of the following Corporate Vice Presidents of SURA AM: (i) Human Talent, Sustainability & Communications, (ii) Investments & Investment Risks, and (iii) Legal, Compliance, Operational Risks & Technology.

If once the engagement has been deployed, it does not work, it may be due to 2 reasons. First, even if all the actions have been carried out correctly, it is possible that the strategy is not generating the expected results, which would cause us to review and adjust it. Second, if the company showed initial commitment but failed to deliver on agreed implementations, divestment would need to be considered, as a lack of commitment could undermine trust and limit the potential for collaboration in the future.

#### **3.1.Types of Engagement.**

##### **3.1.1 Reactive Engagement.**

It is activated based on the identification of highly critical ESG controversies, as defined in the ESG Integration section of the Sustainable Investment policy applicable to each SURA Asset Management business. Its main objective is to deepen the understanding of the impacts derived from incidents, sanctions or investigations that arise from causes associated with non-compliance with the principles of the United Nations Global Compact; it also seeks to evaluate what measures the company involved has taken, and whether

these were effective in mitigating, correcting or compensating for the adverse impacts caused.

The dialogue is led by the teams directly involved in the management of investments and risks in each of Sura Asset Management's companies, in charge of identifying ESG controversies and assessing their level of criticality. The formal initiation of dispute management must be reported to Sura Asset Management's "ESG Affairs Committee" and it will determine the periodicity of reporting the case for monitoring.

Each Business Unit<sup>1</sup> is responsible for establishing the mechanisms, frequency and escalation measures in cases where the company does not disclose information during the *engagement* process that allows evidence of mitigation plans and implementation of new practices to avoid subsequent adverse impacts associated with the controversy.

### **3.1.2 Proactive Engagement.**

With climate change being one of the priority thematic focuses in our sustainable investment strategy and understanding the relevance of aligning capital flows with climate objectives, it is imperative to understand and analyze how the companies in which we invest are advancing in the "Just Transition"<sup>2</sup> towards a low-carbon economy. This dialogue is activated to analyze how companies are progressing in the climate transition, to learn more about their decarbonization goals and plans, as well as their exposure to the risks and opportunities arising from climate change.

Each Business Unit determines the team in charge of carrying out proactive engagement. The formal initiation of a dispute must be reported to the ESG Affairs Committee of Sura Asset Management, and it will determine the periodicity of reporting the case for monitoring.

Each Business Unit is responsible for establishing the mechanisms, frequency and escalation measures in cases where it is not possible to demonstrate commitment and improvements on the part of the company in the face of climate change issues.

### **3.1.3 Collaborative Engagement.**

This dialogue is activated to join forces with other investors or associations to promote greater dissemination of sustainability issues on a regular and consistent basis, as well as to influence the positive transformation of corporate practices on issues relevant to the region and the industry.

<sup>1</sup> A Business Unit is understood to be the subsidiary companies or affiliates of SURA AM that due to their activity are applicable to this policy given their relationship and influence activities with fixed income and equity issuers that are part of the assets they manage for their clients.

<sup>2</sup> Just Transition is understood as one that seeks to maximize the social and economic opportunities of climate action, while minimizing and managing employment challenges.

The decision to start or join a collaborative engagement initiative will depend on the following factors:

- ESG topic of engagement
- Sector to which engagement is aimed
- Senders to whom the engagement is directed
- Trust and alignment in the objectives of engagement with the other participants of the initiative

Each Business Unit must present the collaborative engagement initiative to the ESG Affairs Committee, and this will be the body in charge of authorizing the start of engagement by the Business Unit, ensuring the issues of reputation, Sura brand and convenience of participating in the initiative.

If collaborative engagement is carried out effectively, it helps company boards understand the underlying reasons for investor concerns, while respecting that it is their duty to run the company. They are therefore in a much stronger position to act, rebuild trust, and develop their long-term strategy on behalf of all stakeholders.

#### **4. Disclosure and Updating.**

SURA Asset Management's Sustainable Investment team will be responsible for the administration of these guidelines and to that extent will manage their updating, coordinate their ratification and implementation, and will be responsible for coordinating with the Business Units the implementation of related policies in each Sura Asset Management company.

#### **5. Implementation.**

The provisions herein are in force as of February 8, 2023, after their approval by the Board of Directors of SURA Asset Management. Each Business Unit must incorporate the necessary adjustments for the implementation of these guidelines in its operation, submit them to the ESG Affairs Committee of SURA Asset Management for non-objection and subsequently take them to the internal governance body responsible for approving policies of this nature. The Business Units shall prepare an implementation plan for these guidelines, to be submitted to the ESG Affairs Committee of SURA Asset Management for

approval, no more than six (6) months after the date indicated at the beginning of this section. Any changes will be applicable prospectively, upon approval.

1 A Business Unit is understood to be the subsidiary companies or affiliates of SURA AM that due to their activity are applicable to this policy given their relationship and influence activities with fixed income and equity issuers that are part of the assets they manage for their clients.

2 Just Transition is understood as one that seeks to maximize the social and economic opportunities of climate action, while minimizing and managing employment challenges.