

## Responsible Investment Policy

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## 1. INTRODUCTION

Fiduprevisora S.A. is a mixed-capital company, operating indirectly at the national level and subject to the regime for industrial and commercial state enterprises under Article 70 of Decree 919 of 1989. It is linked to the Ministerio de Hacienda y Crédito Público, with its establishment authorized by Decree 1547 of 1984. Its main office is located in Bogotá, the capital district of the Republic of Colombia, and it also has a national presence.

The fiduciary is aligned with government commitments for sustainable growth and development, acting as an ally in the country's development. It endorses institutional policies that align with Colombia's environmental goals, achieving a balance between growth, sustainable development, the well-being of the population, and environmental conservation. This aims to mobilize resources for the transition to a resilient, sustainable, and low-carbon economy by 2030.

Colombia incorporates considerations recognized by the Paris Agreement and the Sustainable Development Goals, being a nation that undertakes concrete actions to combat climate change, promote human rights, intergenerational equity, just transition for the workforce, gender equality, empowerment of women, and a differential approach to ethnic communities and vulnerable populations. Additionally, it focuses on ecosystem integrity, biodiversity protection, food security, poverty eradication, and sustainable production and consumption. Therefore, Fiduprevisora joins these governmental efforts and aims to contribute in the short, medium, and long term to achieving the country's environmental, social, and governance goals.

Fiduprevisora S.A., recognizing that Colombia has made progress in creating a favorable environment for the implementation of innovative sustainable financing initiatives with a significant environmental and social impact, is committed to channeling resources toward green investments, enhancing the country's competitiveness on a path resilient to climate change, with low-carbon growth in line with international commitments.

As of 2023, the fiduciary became a signatory of the Principles for Responsible Investment (PRI), a proposal supported by civil society and the United Nations (Financial Initiative of the United Nations Environment Programme, UNEP FI, and the Global Compact). This initiative consists of a set of criteria and recommendations developed by and for investors to incorporate ESG criteria into their decision-making processes, thereby contributing to the development of a sustainable financial system.



Having been accepted as a signatory of the PRI, Fiduprevisora committed to having a team capable of implementing responsible investments, continuously monitoring compliance with policies by senior management, defining policies, formalizing ESG foundations, and ensuring that the policies will progressively cover a high percentage of the managed assets.

With these actions, the entity consolidates itself within an independent global network that takes on a commitment to society and the various participants in the markets, making its management visible in the incorporation of ESG elements, in analyses, and in investment decision-making. It takes an active role in the transformation of the capital markets, including ESG criteria in institutional and corporate governance policies, serving as an example among entities in the executive branch, complying with the parameters of Colombia's green taxonomy, and reporting on the activities and progress in implementing the principles.

Our purpose as a company is to dedicate effort and resources to meet the needs of our clients in managing their portfolios, providing trust, security, and clear, precise, transparent, and accurate financial advice, delivering services with quality and added value, always seeking to grow the expected returns for clients and shareholders, as well as the well-being of our employees, strengthening the policies that frame the fiduciary as a family-responsible company (EFR) and prohibiting any act of discrimination.

In line with our purpose of being protagonists in the economic and social development of the country, through the transparent management of resources, the Fiduciaria takes sustainability as part of building a better future for our clients, collaborators, and stakeholders in creating long-term value. Within the institutional vision, Fiduprevisora S.A. is projected in a financially efficient and sustainable global financial environment for the creation of long-term value. Responsible investment will benefit both the environment and society as a whole and will position Colombia within the framework of environmental commitments agreed upon internationally.

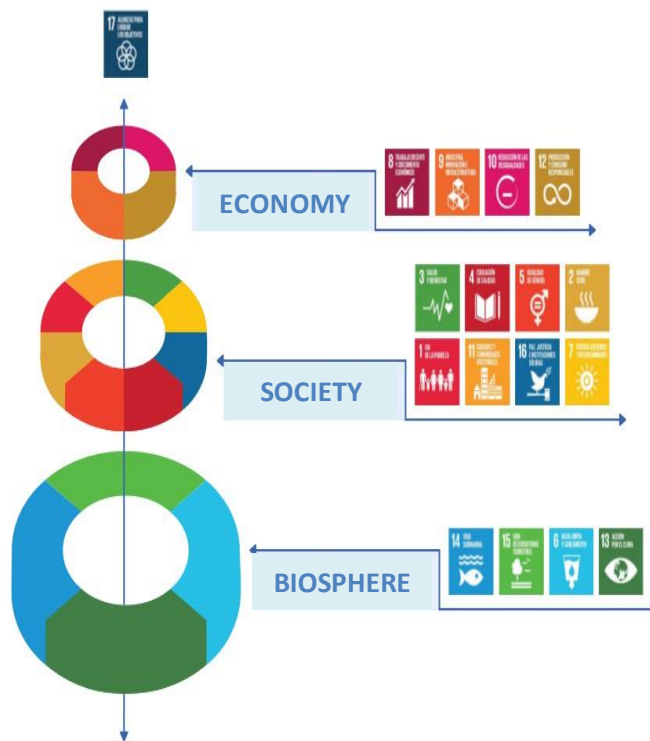
In the context of various international initiatives recognizing the need to provide a progressive and effective response to the effects of climate change, such as the Paris Agreement and the Agenda for Sustainable Development, the Fiduciaria considers it relevant to incorporate environmental, social, and governance criteria into its investment processes as long as there are available assets to invest in, thus fulfilling our value proposition.

Therefore, as of this date, Fiduprevisora S.A. commits to actively promoting the adoption of ESG principles and providing inter-institutional collaboration to promote good corporate governance, integrity, and accountability, embracing responsible investment as the foundation of fiduciary market practices in the country.

The institutional commitment encompasses the interconnection of the economic, social, and environmental axes of the 17 Sustainable Development Goals, which Colombia has committed to achieving by 2030 in its medium-term agenda.



The following outlines the purpose of interrelating the objectives that unify the Global Compact and align with the purpose of this policy, which will strengthen the support framework of the fiduciary in achieving the national objectives and economic development of the country:



Source: Stockholm Resilience Centre (2016), Contributions to the 2030 Agenda: How the Stockholm Resilience Centre contributed to Sweden's 2030 Agenda report in 2016, available at: <https://www.stockholmresilience.org/research/research-news/2017-02-28-contributions-to-agenda-2030>.

**2. DEFINITIONS:** The definitions presented below were taken from the glossary provided in Colombia's Green Taxonomy, serving as a roadmap for sustainable investments:

- **Economic activity:** Economic activities are all the processes that take place to obtain products, goods, and/or services intended to meet needs and wants in a particular society (Adapted from DANE).
- **Assets:** These refer to the resources, rights, and properties that businesses own, which can generate profits or provide economic benefits to the company.
- **Adaptation:** This refers to activities that aim to lessen human and natural vulnerability to the impacts of climate change and the risks associated with it. Additionally, it includes efforts to enhance, sustain, or increase adaptive capacity and resilience (OECD, 2011).

- **Biodiversity or biological diversity:** The Council on Biological Diversity defines it as “the variability of living organisms from any source, including, among others, terrestrial and marine ecosystems, other aquatic ecosystems, and the ecological complexes of which they are part; it encompasses diversity within each species, between species, and of ecosystems.”
- **Climate change:** This refers to climate transformations attributed to human activities that directly or indirectly alter the composition of the global atmosphere, adding to its natural variability observed during comparable periods (UNFCCC; 1992). According to the IPCC, climate change can be identified (for example, through statistical evidence) by changes that persist over long periods of time (decades or longer) in the average values of climate properties and/or their variability. Climate change may result from natural internal processes, external forcing, or persistent human-induced changes in atmospheric composition or land use (IPCC, 2012).
- **Natural Capital:** This refers to the inventory of renewable and non-renewable natural resources (such as plants, animals, air, water, soils, and minerals) that come together to provide a flow of benefits to people, even if they do not necessarily own the asset (adapted from the Natural Capital Protocol).
- **Carbon capture:** Direct air carbon dioxide capture and storage (DACCS) is the chemical process of capturing CO<sub>2</sub> directly from the ambient air and subsequently storing it. This is also known as direct air capture and storage. Carbon dioxide capture and storage (CCS) involves separating (capturing), conditioning, compressing, and transporting a relatively pure stream of carbon dioxide (CO<sub>2</sub>) from industrial sources and energy-related sources to a storage site for long-term isolation from the atmosphere. This process is sometimes referred to as “carbon capture and sequestration.” Carbon dioxide capture and utilization (CCU) is the process of capturing CO<sub>2</sub> and then using it to create a new product. If CO<sub>2</sub> is stored in a product for a relevant timeframe for climate purposes, it is referred to as carbon capture, utilization, and storage. Only when combined with CO<sub>2</sub> recently removed from the atmosphere can the carbon capture, utilization, and storage process result in carbon removal. This process is also known as “carbon capture and utilization.”
- **Co-benefits:** These are the benefits of policies that are implemented simultaneously for various reasons, including climate change mitigation. Most policies designed to address greenhouse gas mitigation also serve other purposes that are often equally important, such as development, sustainability, and equity. The term “joint impact” is also used more generally to cover both positive and negative aspects of these benefits.

- **Air pollution:** This refers to the degradation of air quality that negatively impacts human health or the natural or built environment due to the introduction of substances (gases, aerosols) into the atmosphere—through natural processes or human activities—that can have direct harmful effects (primary pollutants) or indirect effects (secondary pollutants).
- **Nationally Determined Contributions (NDCs):** This term is used under the United Nations Framework Convention on Climate Change (UNFCCC), whereby a country that has joined the Paris Agreement specifies its plans to reduce emissions. NDCs from some countries also address how they will adapt to the impacts of climate change, the type of support they need from other countries, and the support they will provide to others in pursuing low-carbon pathways and enhancing climate resilience. According to paragraph 2 of Article 4 of the Paris Agreement, each Party is to prepare, communicate, and maintain successive NDCs they aim to implement. Prior to the first session of the Conference of the Parties held in Paris in 2015, countries submitted their intended nationally determined contributions (INDCs).
- **Sustainable development:** According to Law 99 of 1993, sustainable development is defined as achieving economic growth, improving quality of life, and enhancing social well-being without depleting the renewable natural resources upon which it relies or harming the environment or the rights of future generations to use those resources to meet their own needs.
- **Energy efficiency:** This refers to the ratio between the energy output of a conversion process or system and its energy input.
- **Emissions:** In the context of climate change, emissions refer to the release of greenhouse gases and/or their precursors and aerosols into the atmosphere over a specific area and time period.



- **ESG Factors:**

- **Environmental Factor (E):** In investment management, incorporating environmental factors means weighing these variables in the analysis of investments from issuers in sectors deemed a threat to environmental sustainability and/or that have implemented policies, programs, or tools to mitigate greenhouse gas emissions, manage water resources, land use and biodiversity, waste management, and pollution, among others.
- **Social Factor (S):** Incorporating social factors in investment management entails ensuring that issuers have a positive impact on society across various issues, such as human rights, diversity, inclusion, community health and safety, the abolition of modern forms of slavery and child labor, fair labor conditions, and appropriate relationships with employees, among others.
- **Corporate Governance Factor (G):** In investment management, incorporating corporate governance factors involves analyzing aspects such as the structure and oversight bodies, executive compensation, diversity and composition of the Board of Directors, the presence of policies or codes that ensure financial stability, as well as the transparency and adherence to disclosure standards of issuers.

- **Greenhouse Gases:** This group of gases contributes to global warming and climate change. The Kyoto Protocol currently covers seven greenhouse gases: non-fluorinated gases, which include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), and nitrous oxide (N<sub>2</sub>O); and fluorinated gases, which include hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>). Converting them into carbon dioxide equivalents (CO<sub>2</sub>e) allows for comparison and determination of their individual and total contributions to global warming.
- **Greenwashing:** This term was coined in 1986 by Jay Westerveld in a critical essay to describe misleading corporate environmental claims. The Cambridge Dictionary defines it as the behavior or activities of companies that make the public believe they are doing more to protect the environment than they actually are.
- **Investment:** An investment is an activity that involves dedicating resources with the aim of obtaining a benefit of any kind
- **Responsible Investment:** The Principles for Responsible Investment (PRI) define responsible investment as a strategy and practice for incorporating environmental, social, and governance (ESG) factors into investment decisions and active ownership. Additionally, it complements traditional financial analysis and portfolio construction techniques





- **Mitigation:** This refers to activities aimed at stabilizing greenhouse gas emissions in the atmosphere at a level that prevents harmful interference with the climate system as established by the UNFCCC. It includes actions that promote efforts to limit emissions or assist in the sequestration of these gases (OECD, 2011).
- **Resilience:** This is the capacity of ecosystems to absorb disturbances without significantly altering their natural structural and functional characteristics; in other words, it is the ability to return to a state similar to the original once the disturbance has ended.
- **Sustainability:** This is the awareness that nature and the environment are not an inexhaustible source of resources, making their protection and rational use necessary. It aims to promote social development by seeking cohesion among communities and cultures to achieve satisfactory levels of quality of life, public health, and education.
- **Colombia's Green Taxonomy:** Colombia's Green Taxonomy is a classification system for economic activities and assets that make substantial contributions to achieving environmental objectives, which align with the commitments, strategies, and policies outlined by Colombia in environmental matters. The Taxonomy incorporates a set of definitions aimed at supporting various public and private sector actors, such as bond issuers, investors, financial institutions, and public entities, in identifying and evaluating investments that can contribute to meeting environmental objectives and can be considered green or environmentally sustainable in Colombia.

### 3. FIDUCIARY STATEMENT

Fiduprevisora S.A. aims to achieve the maximum return in the management of its managed portfolios while simultaneously seeking a positive impact on the sustainable development of various sectors of society, thereby adding value to government policies and the country's development.

In this regard, this responsible investment policy will incorporate the three (3) factors of responsible investment set forth by the Principles for Responsible Investment (PRI):

1. **Environmental Factor:** Fiduprevisora S.A. recognizes the importance of acknowledging the impact of investments on the environment and will evaluate issuers based on their level of commitment to the following components, when applicable:
  - Mitigation and/or adaptation to climate change





- Conservation of biodiversity
- 2. **Social Factor:** Fiduprevisora S.A. acknowledges the importance of various social issues and therefore will not incorporate issuers that have a negative impact on communities regarding human rights violations, child exploitation, forced labor, discrimination, sexual exploitation, human trafficking, and infringement of workers' rights.
- 3. **Governance Factor:** Fiduprevisora S.A. will select issuers or managers that adhere to the highest standards of corporate governance, investor relations, and information disclosure.

Below is an illustrative list of the ESG factors that will be considered in the selection of sustainable investments:

## Environmental Factors

Combatting and preventing  
climate change

Mitigation of resource depletion

Prevention of toxic  
waste and residue  
generation

Decontamination

Prevention of deforestation

## Social Factors

Promotion of  
human rights

Abolition of modern forms  
of slavery

Abolition of  
child labor

Optimal working  
conditions

Positive relationships with  
employees

## Governance Factors

Prohibition of  
all forms of  
bribery and  
corruption

Fair compensation practices for  
the executive team

Diversity and structure of the boards  
of directors

Appropriate tax  
strategy



### 3.1. Excluded Activities

- This responsible investment policy will exclude issuers whose activities involve:
  - The production or marketing of any product or activity deemed illegal under national or international laws, conventions, and agreements to which Colombia is a party, or those prohibited by corporate regulations.
  - Deforestation or degradation of forests.
  - The production of nuclear, chemical, and/or biological weapons, as well as landmines.

### 3.2. Responsible Investment Principles – PRI

Fiduprevisora S.A. embraces the six (6) principles of responsible investment established by the PRI as follows:

#### 1. Fiduprevisora will incorporate environmental, social, and governance aspects into investment analyses and decision-making processes.

The asset manager will strive to carry out the following activities:

- It will favor investments that include environmental, social, and governance aspects, integrating this focus into investment policies, provided that their profitability is high and represents benefits for society and its shareholders.
- Will support the development of tools, metrics, and analyses related to environmental, social, and governance (ESG) aspects.
- It will evaluate the capabilities of investment managers in relation to the incorporation of environmental, social, and governance (ESG) issues.
- It will analyze the capabilities of external investment managers regarding the incorporation of environmental, social, and governance (ESG) issues.
- It will request investment service providers (such as financial analysts, advisors, brokers, research firms, or rating agencies) to integrate ESG factors into the research and analyses they conduct.



- It will encourage academic research related to ESG aspects.
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- It will promote training on ESG topics within the asset manager, especially for the areas that are part of the Asset Manager.

## **2. Fiduprevisora S.A. will integrate environmental, social, and governance (ESG) issues into its institutional practices and corporate governance policies.**

In this regard, the asset manager will develop and communicate this policy based on the following parameters:

- It will engage the highest social and decision-making body of the company, as well as senior management, in the adherence to ESG parameters and principles.
- It will integrate ESG policies and principles with internal procedures to remain consistent with the responsibility of being signatories of the PRI.
- It will develop corporate governance standards that include ESG principles.
- It will undertake engagement activities with companies to address ESG issues.
- It will participate in collaborative initiatives within the asset manager sector.

## **3. Fiduprevisora S.A., will adequately communicate environmental, social, and governance issues.**

- Fiduprevisora will request standardized reporting on ESG matters.
- Fiduprevisora will integrate ESG issues into annual financial reports.
- In bidding processes, Fiduprevisora will award additional points to suppliers that adopt or adhere to relevant international norms, standards, or initiatives (such as the UN Global Compact).

## **4. Fiduprevisora S.A., will promote the acceptance and implementation of the Principles for Responsible Investment within the investment sector.**

- In this regard, when goods or services are sought for the Asset Manager of Fiduprevisora S.A., inquiries will be made regarding compliance with ESG principles, and based on a cost-benefit analysis, options will be selected that adhere to these principles.
- Portfolio management, monitoring procedures, and performance indicators will be aligned to reflect ESG principles over the long term.



- The expectations of Fiduprevisora S.A. regarding compliance with ESG policies will be communicated to investment service providers.
- Efforts will be made to develop tools for conducting comparative assessments of ESG integration.
- Fiduprevisora S.A. will support the development of policies and regulations that facilitate the implementation of ESG principles.

## 5. We will work collaboratively to enhance our effectiveness in applying the Principles.

- Fiduprevisora S.A., will support and actively participate in networks and information platforms to share tools and collective resources that promote ESG principles, using investor reports as a source of learning.
- Fiduprevisora S.A. will support appropriate collaborative initiatives.

## 6. We will provide reports on our activities and progress regarding the application of the Principles, ensuring transparency for our investors and stakeholders.

- Fiduprevisora S.A. will disclose how ESG issues are being integrated into investment practices.
- Fiduprevisora S.A. will report on the progress and achievements related to the Principles for Responsible Investment through a "comply or explain" approach.
- Fiduprevisora S.A. will seek to determine the impact of ESG Principles.
- Fiduprevisora S.A., will enhance reporting to raise awareness of ESG issues.

### 3.3. Forecast PRI

Fiduprevisora S.A., will integrate ESG parameters into the investment evaluation processes, potentially including the following aspects, depending on the available information for different asset classes. Likewise, efforts will be made to incorporate ESG parameters into internal ratings assigned to investments, which will be used to approve and review investment quotas:

- **Fixed Income and Equity Issuers:** An evaluation will be conducted based on the country code survey (an initiative by the Superintendence of Finance of Colombia aimed at establishing a code of best corporate practices).

Additionally, environmental and social criteria will be assessed in the analysis, which includes the presentation of Sustainability Reports and membership in Sustainability Indices.

- **External Sovereign Issuers:** Measurement variables related to corruption and transparency will be included.

- **ETFs and Mutual Funds with Underlying International Fixed or Equity Income:** ESG criteria will be evaluated within the due diligence questionnaires conducted with fund managers.

Furthermore, ESG criteria developed by external providers will be incorporated into the rating of each fund/ETF.

- **Private Equity Funds and Real Estate Funds:** ESG criteria will also be evaluated in the due diligence questionnaires conducted with fund managers.

The results of the responses provided by the manager will be included in the internal rating of each fund to determine the investment quota.

### 3.4. Scope

The responsible investment policy will be implemented in the management of the company's own resources, Collective Investment Funds, and third-party portfolios managed by Fiduprevisora S.A., as well as in the selection of strategic partners for the management of Private Equity Funds.

### 3.5. Active Ownership and Engagement

Considering our goal of incorporating environmental, social, and governance (ESG) factors into our daily activities, frameworks, and pursuit of tangible results in society, we declare our commitment to promoting best practices in the financial sector.

This is part of the overarching guidelines of the responsible investment principles to which we adhere. In cases where the asset manager or managed portfolios hold a majority stake and exercise voting rights over another company, we will actively engage as a principal shareholder and influence the adoption of good corporate practices. When the asset manager holds a minority stake, it will support initiatives aimed at improving these practices.



Similarly, we will apply Colombia's green taxonomy for selecting financial assets and ensuring environmental sustainability. Regarding our proactive participation, we will monitor public ratings or scores of ESG factors for equities and fixed-income securities in portfolio construction. In this context, we will seek to influence issuers in ESG practices by informing them that their ESG profile has a direct impact on our investment decisions.

We will also report positively on performance in the country code survey promoted by the national regulator in the asset selection process. Through our actions, we aim to promote better management and disclosure of ESG issues in the market, ensuring that information related to environmental, social, and governance matters is publicly available.

In the event that a significant issue related to ESG is identified that negatively impacts our portfolios, we will analyze the specific situation and communicate our position to the involved issuers. If the asset manager holds fixed-income securities in the portfolios it manages and is called to decision-making assemblies, it will participate when appropriate..

### 3.6. Integration

In the investment decision-making process, Fiduprevisora S.A. will identify ESG variables within the universe of assets in which it invests or proposes to invest. The identification of these variables will allow for their integration into traditional financial analysis regarding strategy and risk management, as well as into investment recommendations. The methodologies for analyzing ESG factors will be evaluated in the committees designated to oversee the responsible investment policy.

## 4. GOVERNANCE STRUCTURE

**4.1. Policy Approval.** The responsible investment policy is approved by the Board of Directors of the entity.

**4.2. Policy Review.** The Board of Directors is responsible for monitoring compliance with the responsible investment policy. The executive management is committed to reviewing its compliance annually or whenever substantial changes are deemed necessary.

**4.3. Oversight Bodies.** The monitoring of the responsible investment policy will be conducted periodically in the committees designated for analyzing the evolution of investment portfolios.



- **Investment Committee:** Within the asset allocation process and evaluation of investment strategies, the committee will incorporate ESG factors into its analyses and investment evaluations when recommending assets for portfolio structuring.
- **Risk Committee:** The committee will approve methodologies used to allocate investment quotas for different instruments, which may include one or more variables related to ESG factors.

## 4.4. Areas of Implementation

### 4.4.1. Vice Presidency of Investments

The Vice Presidency of Investments will be responsible for:

- ✓ Analyzing ESG factors and integrating this information into the investment analysis and decision-making process.
- ✓ Carrying out the necessary actions to maintain PRI certification.
- ✓ Ensuring compliance with the limits established in the investment policy.
- ✓ Collaborating with the EFR committee and the Human Talent Management to conduct training related to responsible investment.
- ✓ Presenting updates to the responsible investment policy for approval by the Board of Directors.

### 4.4.2. Risk Management

The Risk Management team will be responsible for:

- ✓ Proposing various methodologies to the Risk Committee for approval, through which ESG factors will be incorporated into the assessment of investment quotas for different instruments.
- ✓ Presenting investment quotas to the committee for approval according to the approved schedule for each period.





✓ Monitoring compliance with the limits, policies, and responsibilities defined for portfolio management, and reporting compliance to the Risk Committee and the Board of Directors..

## 5. METHODOLOGIES

The methodologies for integrating ESG factors into the investment decision-making process will be defined in the various manuals of the Vice Presidency of Investments and the Risk Management team.

## 6. DISCLOSURE OF INFORMATION

The asset manager will communicate information about the integration of ESG factors in investment management to the different stakeholders.

