2024

FINANCIAL IMPACT ASSESSMENT REPORT ON THE RISKS ASSOCIATED WITH CLIMATE CHANGE

START

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INTRODUCTION

Since its creation, Solunion has continuously consolidated its commitment to transparency and its defense of a sustainable and environmentally friendly growth model. Continuing with this commitment, addressing the problem of climate change and making progress in the transition to a low-carbon economy is a challenge.

In line with the Paris Agreement and the goal of limiting the temperature increase to below 2°C, we are committed to accelerating the reduction of our carbon footprint and disclosing climate change-related information in a transparent manner.

In this way, this report on the Company's management of climate change is developed, following the guidelines of the *Task Force on Climate-related Financial Disclosures (TCFD)* created by *the Financial Stability Board*. The report is structured in the four pillars shown in Figure 1:

Governance, Strategy, Risk Management and Metrics and Objectives. Through this structure proposed by the TCFD, Solunion discloses the risks and opportunities of climate change and its integration into the Company's business and activities.

We are certain of how important it is to disclose with full transparency the global trends that will influence our Company's performance in the short, medium and long term, in order to promote best business practices and contribute to the development of a better and more sustainable world.

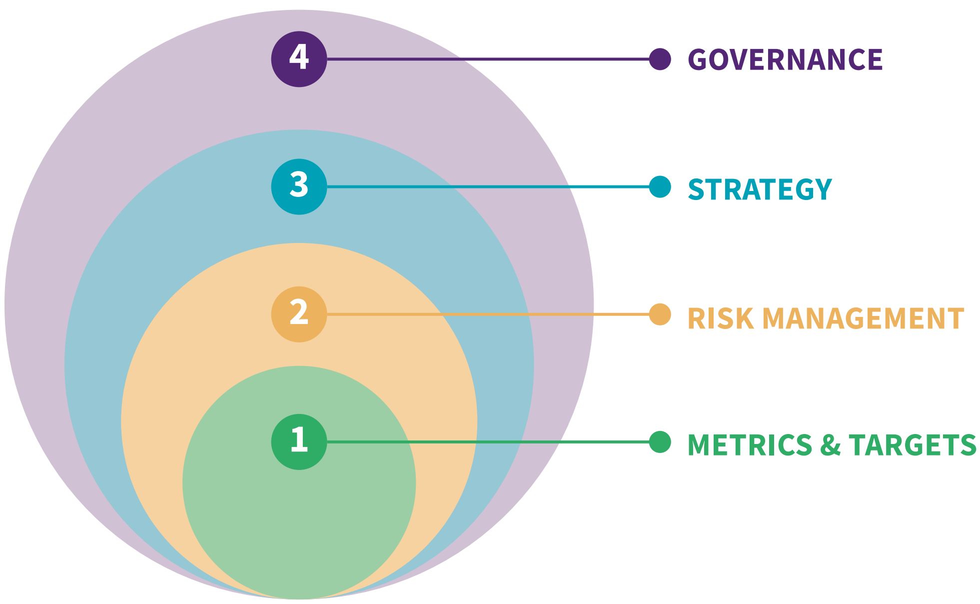


Figure 1. TCFD axes. Source: Financial Stability Board - TCFD.

The TCFD structures its recommendations under 4 pillars:

1. **Governance:** Disclose the organization's governance of climate-related risks and opportunities.

2. **Strategy:** Disclose actual and potential impacts of climate-related risks and op-portunities on the business, strategy, and financial planning of organizations where such information is material.

3. **Risk management:** Disclose how the organization identifies, assesses, and manages climate-related risks and opportunities.

4. **Metrics and targets:** Disclose targets and metrics used to assess and manage relevant climate-related risks and opportunities where such information is material.

2 EXECUTIVE OVERVIEW

GOVERNANCE

The Board of Directors is responsible for establishing the Group's control, Social Responsibility and Sustainability Policy, Risk Management Policy, Risk Appetite Framework and Audit Policy, identifying the main risks faced by the company, including those arising from climate change.

STRATEGY

At Solunion, the integration of ESG risks, including climate change, together with the traditional risks of the insurance business, is carried out naturally in the management and control processes we have established, providing long-term solutions.

ESG risk and opportunity management assists in decision making in areas such as underwriting, investment, product and service innovation, safety, day-to-day management and service delivery, and are key to building stakeholder confidence.

RISK MANAGEMENT

Solunion has integrated climate change impacts into its risk assessment and management system and has implemented monitoring mechanisms to mitigate them. The different businesses and corporate areas of the company participate in the task of identifying and assessing the relevant risks and subsequently drawing up risk maps. Once identified and quantified, mitigation and adaptation plans are designed for each of them. The risk map is periodically updated and presented to the Board of Directors, with prior review by the Audit and Compliance Committee. In this way, Solunion effectively manages the risks associated with climate change.

METRICS

The Board of Directors determines the Internal Control and Operational Risk, Risk Management and Audit Framework, identifying the Company's main risks and implementing and supervising the internal information and control systems.

3 GOVERNANCE

Solunion Seguros, Compañía Internacional de Seguros y Reaseguros, S.A. is a public limited company incorporated under Spanish law, whose exclusive corporate purpose is the practice of insurance and reinsurance operations in the Credit and Surety lines, as well as other complementary, accessory, or related activities, insofar as they are permitted by insurance legislation.

The Company is considered a public interest entity, in accordance with Article 3.5 of Law 22/2015, of July 20, on Account Auditing, and is governed by the specific regulations on the regulation, supervision and solvency of insurance and reinsurance companies and complementary provisions, both Community and national, the Capital Companies Act, its bylaws and other applicable provisions in force.

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

On the other hand, all Solunion Group insurance companies are subject to the special regulations governing their activities in the different countries in which they operate.

Solunion's headquarters are located in Madrid.

Solunion is a *joint venture* between the Allianz Trade and MAPFRE Groups - each holding 50% of its share capital through the entities Euler Hermes Luxembourg Holding S.à.r.l. and MAPFRE, S.A.-, respectively - which integrated in 2013 the Credit insurance and complementary services businesses of both Groups in Spain and Latin America, and is the parent company of a set of companies engaged in such activities in Argentina, Chile, Colombia, Panama, Peru, Spain and Mexico.
In December 2017, the shareholders expanded the scope of the agreement to include the joint development of Surety insurance.

MAPFRE is a global insurer with a presence on five continents and the leading multinational insurance group in Latin America, and Allianz Trade is the world's number one credit insurer and one of the leaders in surety and recovery.

50% MAPFRE 50% Allianz | Allianz Trade

MAPFRE

MAPFRE is a global insurer. A benchmark company in the Spanish market, it is the largest Spanish insurer in the world, the leading insurance group in Latin America and the sixth largest non-life insurer in Europe in terms of premium volume. MAPFRE has more than 31,000 employees and, in 2023, its income exceeded 32.2 billion euros and its net profit stood at 692 million euros.

Allianz | Allianz Trade

Allianz Trade is the world leader in credit insurance and a recognised specialist in surety, debt collection and political risk. Its own intelligence network analyses changes in the solvency of more than 83 million companies daily. Headquartered in Paris, it is present in more than 50 countries and has 5,700 employees. In 2023, its consolidated turnover was 3.7 billion euros and the global commercial transactions it insured represented 1.131 billion euros of exposure.

CORPORATE GOVERNANCE

1. Operational scheme consisting of three levels (Shareholders-Holding-Business Units).

SHAREHOLDERS | **HOLDING** | **BUSINESS UNITS**

KEY ROLES & RESPONSIBILITIES

SHAREHOLDERS

- Integrate the General Meeting, the highest governing body of Solunion, and appoints the members of the Board of Dirctors.
- The general principles of relationship between shareholders are defined in JV agreements.

HOLDING

- Strategic steering of all Bus and target setting.
- Support growth initiatives.
- Functional directives and steening.
- Get involved in key operational topics.
- Act as service provider for Bus.

BUSINESS UNITS

- Responsible for local operations.
- Translate directives into operational tasks.
- Ensure the implementation of functional tasks.
- Responsibility of day-to-day operations/ gross technical result.

2. Organizational structure built according to a Target Operating Model (TOM).

SHAREHOLDERS

HOLDING

1 ORGANISATIONAL SET-UP

- Governance Principles between Shareholders/Holding/Business Units
- Functions & responsabilities

BUSINESS UNITS

3 ENGAGEMENT AND GOVERNMENT RULES MATRIX OF AUTHORITIES

B.U. | B.U. | B.U.

STAFF AND TEAMS

4 ORGANIZATIONAL SCHEME ORGANIGRAMS/POSITIONS DESCRIPTION

- They help to implant the strategy

APPROACH ON STRATEGIC OBJECTIVES

ALIGNMENT ON DECISION-MAKING

2 GOVERNANCE BODIES GENERAL VIEW

- Meetings for taking decisions.

GENERAL MEETING

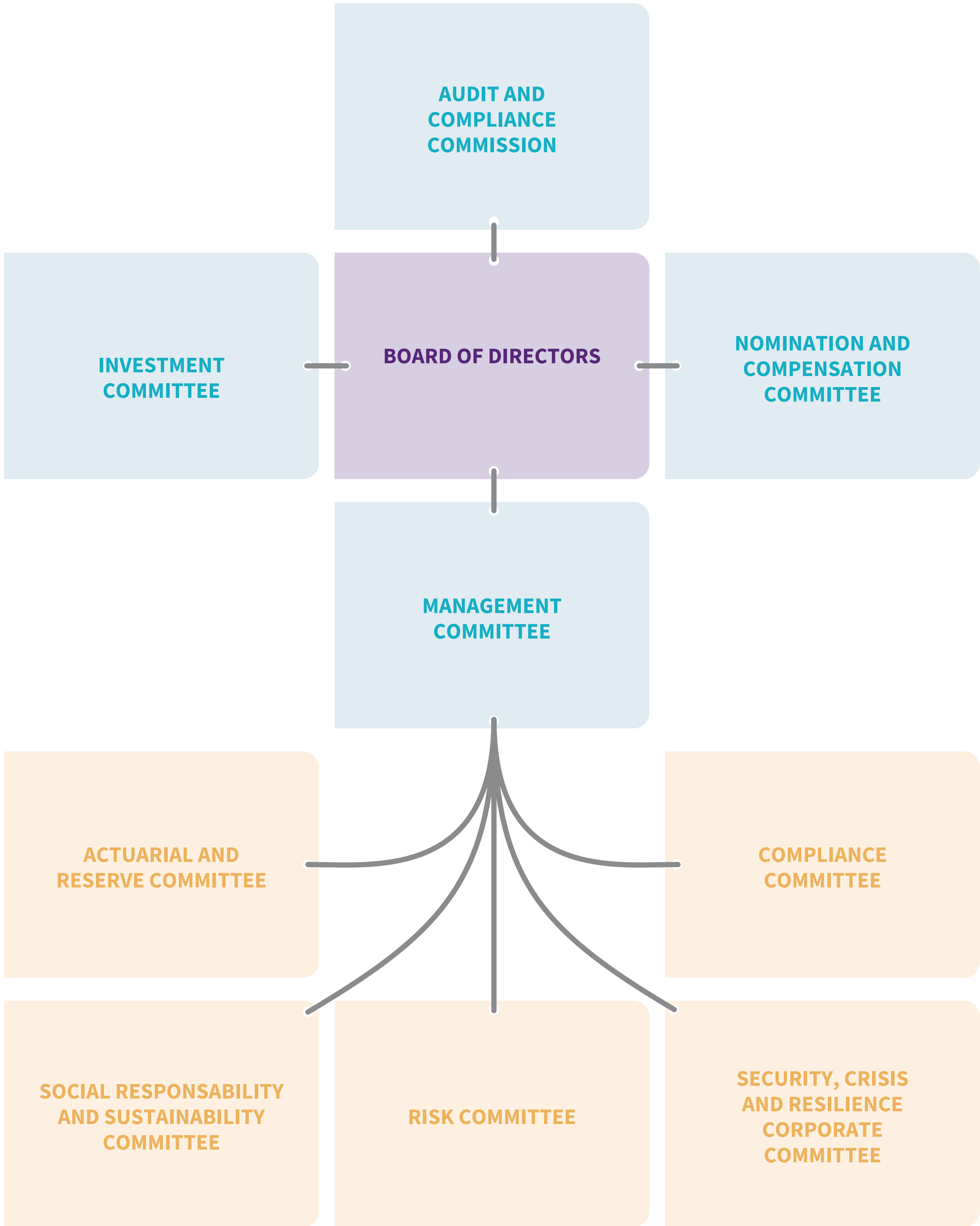
SUPERVISION COMMITTEE

BOARD OF DIRECTORS
Audit & Compliance Commission
Investment Committee
Nomination and Compensation Committee

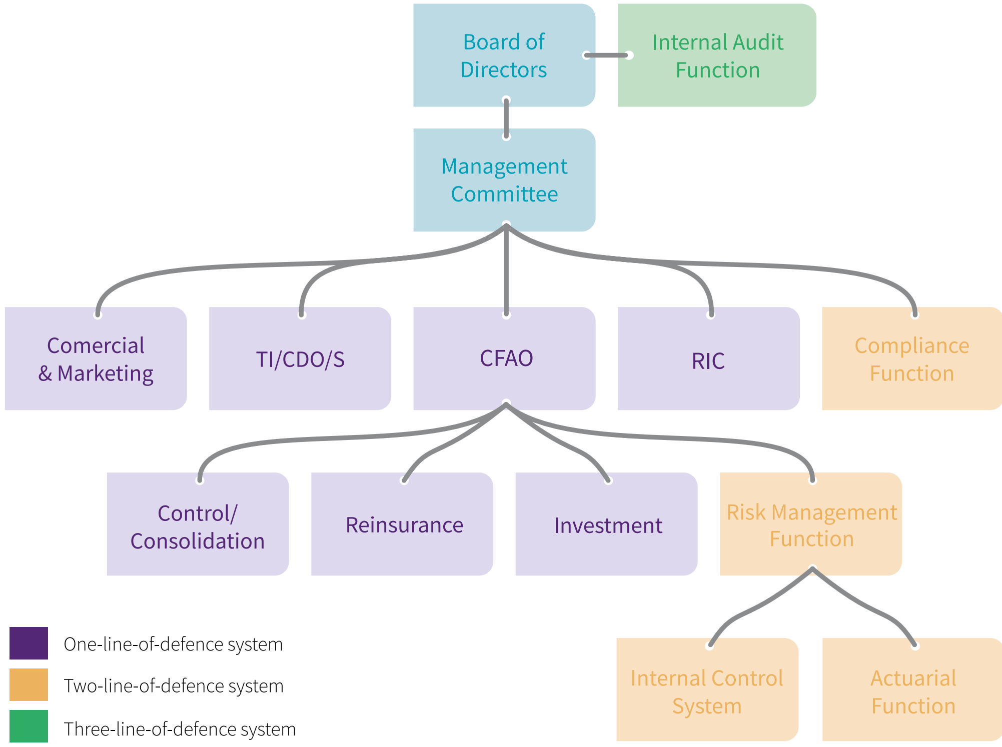
MANAGEMENT COMMITTEE

LOCAL MANAGEMENT COMMITTEES

3. Common risk management governance structure for Solunion.



4. Key functions of the governance system: (i) Risk Management, (ii) Compliance, (iii) Actuarial, and (iv) Audit, which are integrated into a three-line-of-defence system.



GOVERNING BODIES

The Solunion Group's governance system is intended to ensure its sound and prudent management, in accordance with a common operational and organizational model for the Group that establishes hierarchical and functional dependencies, a common risk management governance structure, Key Functions and written corporate governance policies, which include the suitability and honourability requirements to be met by Directors, Officers and Key Functions.

The main functions and powers of the Company's governing bodies are detailed below:

The **General Meeting** is the highest governing body composed of its shareholders and is empowered to decide on any matter relating to Solunion. It may give instructions to the Company's management body or submit for its authorization the adoption by such body of decisions or resolutions on management matters relating to Solunion.

The **Supervisory Committee** is the non-executive body through which the shareholders of the Solunion Group: (i) are periodically informed by the Chief

Executive Officer (CEO) on the financial data, the situation in the Commercial and Risk, Information and Claims areas, and the most significant matters of Solunion; and (ii) issue guidelines on management matters submitted for their consideration, to be submitted, where appropriate, to the relevant governing bodies for approval.

It is comprised of the Chairman and Vice Chairman of Solunion as representatives of the shareholders.

The **Board of Directors** is the body in charge of directing, administering, and representing the Company, as well as supervising the performance of Solunion's Management for the common purpose of promoting the Company's interests. It has full powers of representation, disposition and management, its acts are binding on the Company, except in matters attributed to the General Meeting, and it appoints and removes the members of the Company's Committees, including the Management Committee.

It is composed of an even number of between six and twelve directors as determined by the General Meeting and elects from among its members a chairman and a vice-chairman and appoints a secretary, who may be a non-director. The members of the Board of Directors must meet the requirements of Solunion's Fit and Proper Policy, are appointed for a term of three years and are eligible for re-election until they reach the age of 70, and their duties are set out in Solunion's Code of Good Governance.

The Board of Directors discussed relevant sustainability and climate change issues on thirteen occasions during the year 2024.

The responsibilities of Solunion's Board of Directors related to sustainability and, specifically, climate change can be classified into strategic and monitoring functions:

Strategic functions

Solunion's Board of Directors is ultimately responsible for ensuring the effectiveness of the Company's Risk Management System, for establishing the risk profile and tolerance limits, and for approving the main risk management strategies and policies, including sustainability risks.

Likewise, Solunion's Board Directors is the body responsible for approving the group's social responsibility and sustainability policy, as well as its sustainability strategy.

In FY2024, it has approved the Solvency and Financial Condition Report (ISFS/SFCR), the Periodic Supervisory Report (IPS) and the Internal Risk and Solvency Assessment (ORSA), which assesses the risks to which Solunion may be exposed, including sustainability risks, among them climate change.

Monitoring functions

The Board of Directors is the body responsible for follow-up compliance with the limits established in the Risk Appetite Framework, approved by the Board itself, which establishes the level of risk that the Group is willing to assume. For this purpose, Solunion's governing bodies receive information on the quantification of the main risks to which the Group is exposed, as well as information on the capital resources available to provide the necessary coverage, and on compliance with the limits set in the risk appetite. These risks include environmental risks, which could be affected by climate change.

Solunion's Board of Directors is the body responsible for monitoring the development and fulfilment of the Group's Sustainability Plan, to which end it is periodically informed of the progress and level of achievement of the Group's commitments set out in the Plan.

Committees supporting the Board of Directors

The Board of Directors has support committees to deal with certain management issues relating to: Audit and Compliance, Investments, and Nomination and Compensation.

- **Audit and Compliance Commission**

Advises and issues recommendations to the Board of Directors on: (a) the preparation of financial statements, (b) the appointment of statutory auditors and independent experts and the performance of their duties, (c) financial reporting and policy processes, (d) the operations and functions of Internal Audit, (e) the organization and effectiveness of internal control and risk management systems, (f) oversight of the performance of Solunion's Key Functions, and (g) regulatory compliance matters, including the identification and assessment of compliance risk, and the prevention and correction of illegal or fraudulent conduct.

It has the status of Audit Committee for the purposes of the provisions of the Third Additional Provision of Law 22/2015 on the Audit of Accounts.

- **Investment Committee**

It provides guidance on all matters relating to financial asset management and advises and makes recommendations to the Board of Directors on financial investment matters.

- **Nomination and Compensation Committee**

It coordinates the development of Solunion's Nomination and Compensation Policy and advises and issues recommendations to the Board of Directors on compensation and benefits matters relating to Solunion's senior management and on matters related to: (i) the scope of governance, (ii) the recruitment and selection of candidates for key executive and key function positions, (iii) compensation policies and plans, and (iv) annual allocation and pay programs.

SOLUNION CHIEF EXECUTIVE OFFICER AND MANAGEMENT COMMITTEE

Solunion has a management model that is determined by a high and rigorous control and supervision at all levels: local, regional and global; and which, in turn, allows a wide delegation in the execution and development of the competencies assigned to the teams and their managers, facilitating in any case that the most relevant decisions at all levels are analysed in depth, before and after their execution, by the management teams as a whole.

Executive responsibilities for sustainability and climate change are distributed among Senior Management, the various committees and working groups that assume the different functions to be performed and that enable Solunion to meet its objectives in these areas.

Solunion's Chief Executive Officer (CEO) is responsible for the day-to-day management of the company's global operations in their strategic, operational and coordination aspects, for supervising the management of Solunion's Business Units and fronting activities, and for the promotion of global corporate projects.

Solunion's Management Committee assists Solunion's CEO in supervising the management of the Business Units and fronting activities and in the day-to-day effective management of Solunion's global operations in their strategic, operational and coordination aspects.

Group Management Committee Support Committees

In the performance of its risk management governance duties, the Company's Management Committee will be supported by the Risk, Actuarial and Reserves, Social Responsibility and Sustainability, Safety Crisis and Resilience and Compliance Committees.

Social Responsibility and Sustainability Committee

It is responsible for verifying and ensuring the correct application of the general principles and guidelines for action in the area of Social Responsibility and Sustainability in the Group, including environmental issues.

Risk Committee

Together with the Head of the Risk Management Function, is responsible for supervising the functioning of the risk management system, and in particular the fulfilment of the Risk Appetite, and the development of the Internal Control System, and is made up of the full members of the Management Committee, the Corporate Head of the Actuarial Area (without voting rights) and the Corporate Head of Risk Management and Internal Control (without voting rights).

It has, among others, the competencies to: (i) sto know/be informed of the results of the activities of the Head of the Risk Management Function regarding the Function, the Risk Management System and the Internal Control System, analysing and formulating/discussing the proposals for improvement formulated by said Holder to submit them, through the Holder of the Function, when necessary, to the approval of the Board of Directors or the administrative bodies of the Business Units; (ii) to be informed, at least quarterly, by the head of the Risk Management Function on the evolution of the relevant risk indicators for Solunion and the compliance or non-compliance with the risk tolerance limits established in the Risk Appetite Framework for all relevant risk categories, and to adopt the necessary measures to solve possible deviations; (iii) to continuously monitor the Solvency II Policies, reviewing and approving the changes derived from its reviews before submitting them to the Board of Directors for approval; and (iv) analyse risk events that have occurred and new operational risk factors that have not been identified in order to include them in the Internal Control and Operational Risk Framework and/or in specific Policies, establishing the measures necessary to correct them and monitoring their implementation.

Security, Crisis and Resilience Corporate Committee

It oversees verifying and ensuring the correct application of the general principles and guidelines for action in matters of Integral Security, Cybersecurity Business Continuity and Digital Operational Resilience in the Group.

Actuarial and Reserves Committee

Advises and issues recommendations to the Management Committee on the Actuarial Function and Policy. It is responsible for supervising the Actuarial Function and Policy within the Group, as well as for establishing the technical provisions within the framework of the Policies and rules approved by the Board of Directors.

Compliance Committee

It is responsible for verifying the operation of the Compliance Function, ensuring the correct application of the general principles and guidelines for compliance within the Group and providing support to the Corporate Compliance Officer in this area.

It is empowered to: (i) gather information on the management of the compliance risk assigned within the framework of its competencies and to be aware of any relevant incident in compliance matters that affects or may affect the Group's activity; (ii) supervise the operation of the Ethical Whistleblower Channel and be aware of the complaints filed through the same in order to examine them, adopt the appropriate resolutions and promote the execution of the same; (iii) to receive advice from the Corporate Compliance Officer on compliance with the regulations affecting the Group, the possible repercussions of changes in the legal environment on Solunion's operations and the determination and evaluation of compliance risk; and (iv) to resolve any issues that, due to their complexity, are referred to it for interpretation by the Corporate Compliance Officer.

CORPORATE AREAS AND ADDRESSES

Addressing aspects related to sustainability, and specifically climate change, requires the transversal participation of multiple specialist areas that incorporate these aspects into the strategy and proper risk management, but also ensure their proper integration into the business and the Company's own internal operations.

Some areas and departments that perform functions related to climate change are identified below:

Corporate Social Responsibility and Sustainability Area

This is the area responsible for the operation, coordination, and design of the sustainability strategy. It participates in different internal committees, and in various internal and external working groups for the development of sustainability issues.

It is responsible for defining the strategy and objectives, ensuring legal compliance, and collaborating in the management of risks related to the environment and climate change in the short, medium and long term in a cross-cutting manner and in relation to the Solunion Group's operations.

Risk Management and Internal Control Corporate Area

The Corporate Risk Management Area is responsible for the identification and evaluation of risks, including emerging and sustainability risks, carrying out, among others, the functions of supervision and control of the effectiveness of the Group's Risk Management and Internal Control systems, as well as the calculation of the level of solvency and risk control and the monitoring and reporting of risk exposure.

The Actuarial Area is responsible for the assessment of the impact of climate change in relation to pricing, the calculation of technical provisions and the measurement of insurance risk.

Corporate Financial Area

It is responsible for the efficient management of the Company's financial asset portfolio, while ensuring compliance with the responsible investment principles established by the organization..

Corporate Commercial Area

Oversees the correct application of commercial underwriting policies, analysing and proposing operational rules of exclusion on ESG issues in the underwriting process of credit and surety operations.

Corporate Risk, Information and Claims Area

This area is responsible for the correct application of technical underwriting policies, analysing and reviewing the exposure and impact of ESG issues on the risks insured by the Group.

Working Groups

To perform functions also related to the Company's climate change risk management, Solunion has internal working groups such as the Sustainable Product Group and the Taxonomy Working Group.

RISK POLICIES AND FRAMEWORKS

Solunion has developed a series of policies in relation to sustainability and climate change with the aim of achieving good performance in relation to defined sustainable plans and objectives.

In addition, certain existing policies have been modified:

Policies and frameworks related to sustainability and climate change:	*Plans related to sustainability and climate change:*	*Corporate policies incorporating sustainability and climate change aspects:*
Set of policies, frameworks and plans that contribute to the achievement of the objectives related to sustainability and climate change, and alignment with commitments, as described below:		Adapted Group policies and frameworks that incorporate aspects related to sustainability and climate change include:
Social Responsibility and Sustainability Policy: Establishes the reference framework for any Solunion Group entity to develop and promote socially responsible behaviour, including climate aspects. It includes more comprehensive criteria on ESG issues (including consideration of climate change) and international commitments, and its stakeholder engagement strategy. **Environmental Policy:** It is responsible for integrating the environment into business, promoting environmental responsibility, preserving biodiversity, preventing pollution, efficiently managing resources, and adapting to and mitigating climate change. **Policy of respect for Human Rights:** Considers the right to a safe and healthy environment and the promotion of actions for the mitigation of climate change and the protection of the environment and ecosystems, as a measure to contribute to the well-being of societies.	**Sustainability Master Plan 2022-2025:** Roadmap in sustainability, focused on the major global and social challenges: climate change, talent and inclusion, transparency, circular economy, human rights, and the United Nations Agenda 2030. <u>Solunion's Footprint Plan:</u> It includes all the decisive lines of action to achieve the reduction of Solunion's footprint. These lines of action are grouped into: Energy efficiency, carbon footprint, sustainable mobility and natural capital management and biodiversity preservation.	**Purchasing and Contracting Policy and Environmentally and Socially Responsible Purchasing Guide** The Company has a purchasing policy that incorporates economic, environmental, social and governance criteria, as well as mandatory principles that must be respected in any contracting. The standard establishes requirements for suppliers to develop their business by applying principles and values similar to those of the Group, in addition to requiring them to comply with the existing laws and regulations in each country. **Expenditure policy:** The Company has an expense policy that incorporates sustainability criteria in the management of travel and other expenses. **Investment Policy:** The main regulatory framework governing investment management and control processes. The policy has been oriented towards achieving a sustainable development, incorporating ESG criteria. **Underwriting Policies:** They include the integration of environmental, social and governance issues in the underwriting processes of insurance operations.

CLIMATE CHANGE TRAINING PROGRAMS FOR SOLUNIONERS

Solunion has started working on training programs aimed at Solunioners on ESG factors and specifically, on mitigation and adaptation to climate change risks and the following training resources are offered:

- **Course: "Social Responsibility and Sustainability at Solunion",** a course launched in 2020 that addresses issues related to our sustainable value creation model, good governance, social and environmental responsibility and Solunion's contribution to society.
- **Course: "The United Nations Global Compact and its Ten Principles",** which includes principles 7, 8 and 9 in favor of the environment and basic framework of corporate sustainability, human rights, labor standards, environment and anti-corruption with a business approach. It aims to teach us how to work within the framework of the Ten Principles of the UN Global Compact, which are followed by more than 20,000 organizations worldwide, reinforcing the company's license to operate and its responsibility towards people and the planet.
- **Course: "Climate Change",** this course presents the basics to develop an environmental policy, calculate the carbon footprint and develop a plan to reduce emissions.
- **Course: "Business and sustainability".** The role of companies is fundamental to achieve the sustainability of our system. Working towards sustainable development and responding to the challenges facing humanity is also the responsibility of companies. Thus, this course serves to provide the keys to the importance of sustainable development in companies.
- **Course: "Circular economy in companies".** The environmental and social impacts of the economy based on "extract, produce, consume and dispose" are unsustainable: resource scarcity, environmental pollution, or the acceleration of global warming. This course provides insight into the role of the business sector and the opportunities associated with circular business models. It also explains how the new regulatory framework on waste and circular economy can affect companies, and finally, how to move towards circular models.
- **Course: "Agenda 2030 and the Sustainable Development Goals".** It addresses the basic conceptualization of humanity's agenda. On September 25, 2015, the United Nations General Assembly approved the 2030 Agenda for Sustainable Development and with it the Sustainable Development Goals, a framework composed of 17 goals and 169 targets. The 2030 Agenda is the predominant framework for the sustainability strategies of companies in our country. In this course, we will learn about the 2030 Agenda and its Goals, understand the role of companies towards 2030 and learn about some recommendations to incorporate into the corporate strategy.
- **Course on Technology, Regulation and Financing of Renewable Energies.** The main objective of the course is to provide all attendees with the tools and knowledge

that the market will require of them when they become involved in investment projects, providing them with sufficient technical, financial and regulatory knowledge to enable them to deal with situations ranging from IPOs to structured project financing, including an endless number of financial operations that are being generated on a daily basis in an increasingly globalised economy.

- **ESG Essentials 2.0 course.** All members of the Sales and Marketing and Social Responsibility and Sustainability departments have completed this year's ESG Essentials 2.0 programme, taught by the Escuela FEF del Instituto Español de Analistas, in preparation for the EFFAS ESG Essentials certification exam, awarded by the European Federation of Financial Analysts Societies (EFFAS).

The members of the Management Committee received 60 hours of specific training on regulatory, technological, operational and reputational risks, including the topic of climate change risks, and the entire Company has been trained through the Social Responsibility and Sustainability webinar, in addition to the specific risk training received by the groups that need it in their daily work.

Solunion manages these training courses internally through "Soltrain", the training platform implemented globally where all Solunioners can connect and where they can find courses related to sustainability, the environment or risks. These same contents can be found on the global intranet and are fully available.

Externally, on the corporate website and in other publications, as well as in most public interventions, climate change, commitment to sustainability, action reports, as well as other related information, are part of the company's regular content aimed at all its stakeholders.

PUBLIC COMMITMENTS AND OBJECTIVES

Our international and local commitment to climate change and sustainable development is strong and is reflected in our voluntary adherence to the main international and local benchmark initiatives, in which we actively participate.

Principles for Sustainable Insurance

UNEP FINANCE INITIATIVE

PSI Principles for Sustainable Insurance

In 2020, we adhered to the Principles for Sustainable Insurance (PSI), a commitment driven by the UNEP FI (United Nations Environment Programme Finance Initiative) that establishes a common framework for the insurance industry to address environmental, social and governance risks and opportunities.

The Principles for Sustainability in Insurance form the basis on which the insurance industry, and society as a whole, can build a stronger relationship that places sustainability at the centre of risk management for a more forward-looking and better managed world.

To reinforce this commitment in the Latin American and Caribbean (LAC) region, we have endorsed the **Declaration of Bogotá on Sustainable Insurance.**

The Latin American and Caribbean (LAC) region faces economic, social and unique environmental challenges, from the impacts of climate change to social inequality and economic instability. Sustainable insurance practices can help address these issues by promoting responsible risk management, sustainable insurance practices, building resilience and addressing environmental, social and governance issues.

The DBSS seeks to harness the collective power of the insurance industry as risk managers, insurers and investors, as well as other actors such as governments, regulators and other stakeholders in the region to address these challenges. The DBSS is an adaptation of the Principles for Sustainable Insurance in the LAC context and represents a step towards a more sustainable and resilient insurance industry. By adapting and localising the Principles, we aim to address the challenges and opportunities in the region.

United Nations Global Compact

THE GLOBAL COMPACT
APOYAMOS
EL PACTO MUNDIAL

We have adhered to the United Nations Global Compact (Global Compact Network Spain) and are committed to respecting its principles within the organization.

This implies that, within our sphere of influence, we act decisively in favour of the defence of the Human Rights contained in the "International Bill of Human Rights", and we establish adequate control mechanisms so that none of the companies in our Group is responsible, by action or omission, for any form of violation of these rights, all of this taking into account the framework of the United Nations Guiding Principles on Business and Human Rights

Forética

Forética

Solunion is a member of Forética, the leading business organization in sustainability and social responsibility and representative of the *World Business Council for Sustainable Development* (WBCSD) in Spain, in order to continue its commitment to sustainability and its incorporation into company management processes.

As a partner of Forética, Solunion will participate in sessions on sustainability trends, business leadership platforms focused on environmental and social aspects, and various initiatives aimed at promoting aspects of good governance.

This incorporation represents a clear commitment to strengthen the environmental, social and governance aspects of the organization, with the aim of increasing ambition, accelerating action and strengthening the necessary alliances to promote an inclusive and sustainable recovery.

Pact for the Circular Economy

wbcsd

ESTRATEGIA ESPAÑOLA DE
ECONOMÍA CIRCULAR

In January 2020, Solunion signed the letter of adhesion to the Covenant by which we commit to drive the transition to a circular economy through the following actions:

1. To make progress in reducing the use of non-renewable natural resources, reusing the materials contained in waste as secondary raw materials in the production cycle, provided that the health of people and the protection of the environment are guaranteed.

2. To promote the analysis of the life cycle of products and the incorporation of eco-design criteria, reducing the introduction of harmful substances in their manufacture, facilitating the separability of the goods produced, prolonging their useful life and enabling their recovery at the end of their useful life.

3. To favour the effective application of the principle of waste hierarchy, promoting the prevention of waste generation, encouraging reuse, strengthening recycling and favouring its traceability.

4. Promote guidelines that increase innovation and the overall efficiency of production processes, through the adoption of measures such as the implementation of environmental management systems.

5. To promote innovative forms of sustainable consumption that include sustainable products and services, as well as the use of digital infrastructures and services.

6. Promote a model of responsible consumption, based on transparency of information on the characteristics of goods and services, their durability and energy efficiency, through the use of measures such as the use of eco-labels.

7. Facilitate and promote the creation of appropriate channels to facilitate the exchange of information and coordination with the administrations, the scientific and technological community and economic and social agents, so as to create synergies that favour the transition.

8. To disseminate the importance of moving from a linear economy towards a circular economy, promoting the transparency of processes, awareness and sensitisation of citizens.

9. Promote the use of common, transparent and accessible indicators that make it possible to ascertain the degree of implementation of the circular economy.

10. Promote the incorporation of social and environmental impact indicators derived from the operation of companies, in order to be able to evaluate, beyond the economic benefits generated by them, the consequences of their commitment to the circular economy.

Biodiversity and Natural Capital Pact

In 2023, we formalized our adhesion to the Biodiversity and Natural Capital Pact, within the framework of the annual meeting of the Spanish Business and Biodiversity Initiative (IEEB), which is coordinated by the Biodiversity Foundation of the Ministry for Ecological Transition and the Demographic Challenge (MITECO).

Thus, we joined a total of 38 companies that are part of the pact (including MAPFRE, one of our two shareholders) to confirm our public commitment to become a relevant organization for the conservation of nature, committing ourselves to assess our impacts and dependence on biodiversity, as well as to develop a roadmap to reduce them, disclosing the progress made in this area.

Empresas #PorElClima (Companies #ForClimate) is an initiative that is part of the Comunidad #PorElClima (#ForClimate Community), the multi-stakeholder platform that aims to be the engine of change and action, driving sustainable habits and actions and building an economy in which progress and planet are two inseparable elements.

We calculate, verify and register our carbon footprint

Solunion calculates and has registered its footprint in the Registry of carbon footprint, offsetting and carbon dioxide absorption projects of the Ministry for Ecological Transition and Demographic Challenge since 2019.

This year Solunion has obtained the 'Calculate - Reduce' seal after having registered our carbon footprint in the registry including scope 1 (direct emissions, emissions from sources that are owned or controlled by the company), 2 (indirect emissions associated with electricity purchased and consumed by the company) and 3 (emissions from the value chain).

ESG *Rating de Lighthouse*

Solunion obtains an ESG Rating 2024with an overall rating of 78/100 (very high performance).

Climate Ambition Accelerator

Participants in the *Climate Ambition Accelerator*, a Global Compact Network learning program in which companies expand their knowledge and skills to help halve global emissions by 2030 and reach net zero by 2050 by setting science-based targets

Sustainability Certifications

Solunion has been awarded a Gold Medal at group level in recognition of its achievements in sustainability.

The EcoVadis medals and badges recognise companies that have met the requirements and completed the EcoVadis assessment process.

Solunion is among the top 5% of companies.

For more information visit the Sustainability section of Solunion's website and our Non-Financial Information Statement. Sustainability Report: *https://solunion.com/responsabilidad-social-y-sostenibilidad/*

4 STRATEGY

Adequate monitoring of environmental, social and governance (ESG) factors provides additional information on social movements and transformations, stakeholder and market expectations that affect the organization. This knowledge helps in the identification and evaluation of potential risks and business opportunities.

At Solunion, the integration of these ESG risks, together with the traditional risks of the insurance activity, is carried out naturally in the management and control processes we have established, providing long-term solutions. The management of ESG risks and opportunities helps in decision making in areas such as underwriting, investment, innovation in products and services, security, daily management and service provision, and are key to generating confidence in our Stakeholders.

Solunion has been integrating climate change risk considerations into the Company's strategy since its previous Sustainability Master Plan 2019-2021, which it has reinforced with the development and launch of the Sustainability Master Plan 2022-2025, which was approved by the Board of Directors.

The Company reaffirms its commitment to sustainability in all areas of the organization and reinforces its position as a company committed to social responsibility, the environment and society in general, in addition to managing the risk of climate change in which it has defined a responsible way of doing business, both in underwriting and investments, and which is aligned with the development of the Strategic Plan.

The financial sector is one of the sectors most affected by national and international regulations. For this reason, rigorous control must be exercised over the publication of new regulations, where ESG regulation, including climate change regulations, has been of growing importance in recent years.

Solunion is currently exposed to regulations governing both the disclosure of information and the activities carried out by the different business units in the field of sustainability management:

- Regarding the disclosure of non-financial information, the European Non-Financial Reporting Directive 2014/95 (NFRD), and its transposition in the case of Spain in Law 11/2018, promote the transparency of companies to provide complete and homogeneous data on aspects related to sustainability and the environment. In this way, Solunion integrates in its reports information on these issues since 2019 in response to these requirements.

- The new European regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) impacts Solunion's assets and their management.
- In addition, the Company is also exposed to REGULATION (EU) 2020/852 (EU Taxonomy) on establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088.
- In addition, in recent years EIOPA has published numerous guides and analyses developing the way in which companies should incorporate climate change risks into their current processes, such as "Opinion on the supervision of the use of climate change risk scenarios in ORSA of April 19, 2021".

DESCRIPTION OF RISKS AND OPPORTUNITIES ASSOCIATED WITH CLIMATE CHANGE

Solunion annually monitors those elements which, if they materialize, may have an impact on the business. In this analysis, ESG factors are considered, as they provide additional information on social movements and transformations, stakeholder and market expectations that affect the organization.

ESG factors are described as:

a) Environmental Risks ("E"):

Risks linked to exposures with legal entities that could potentially be affected by, or contribute to, the negative impacts of environmental trends.

Among these risks is the risk derived from climate change, which is linked to global warming caused by greenhouse gas emissions, and which is classified into two types of risk:

1. **Physical risks:** These are risks arising from the physical effects of climate change. They can affect both the assets and liabilities side of insurers' balance sheets. On the asset side, the increased frequency and severity of extreme weather events may affect insurers, for example, through direct real estate investments. On the liabilities side, physical risk is likely to have an impact on prices, income, and claims. Higher than expected claims would also increase insurers' underwriting and liquidity risks and put pressure on capital levels.

   The effects of climate change on physical hazards can be due to both an increase in extreme weather events (acute effects) and a gradual warming of the planet (chronic effects).

Acute Risk: Acute weather risk refers to the potential for an extreme weather event, such as a storm, hurricane, flood, drought, or heat wave, to cause immediate impacts on the health, safety and economy of affected people and communities.

Chronic Risk: Chronic climate risk refers to the potential for extreme weather events to have lasting impacts on a specific region or community. These impacts can manifest themselves in the form of changes in climate, the environment, the economy, health, and other aspects of daily life.

2. **Transitional:** refers to the risk related to the adjustment process towards a low-carbon economy to meet the objectives of the Paris Climate Agreement, which may lead to a repricing of a wide range of asset values, particularly for climate-sensitive sectors.

Transition risks are particularly pronounced in the case of abrupt and disorderly transitions to a low-carbon economy.

They emerge as society adapts to a low-carbon economy. There are a number of factors that influence the adjustment to a sustainable economy such as, for example, the evolution of different policies, regulation, new technologies or business models, changing social sensitivities and preferences, or the evolution of the legal framework and interpretations.

Regulatory and legal risks: Due to the risk of adapting to new regulations, which sometimes entails significant impacts on strategy, business, and production models. These risks can be of various types:

- Policy actions on climate change, which have evolved rapidly and continue to evolve. Their objectives generally fall into two categories:
  - Policy actions that attempt to limit actions that contribute to the adverse effects of climate change.
  - Policy actions that seek to promote adaptation to climate change.
- Litigation or legal risk, arising from the increase in recent years of climate-related lawsuits brought against owners, states, insurers, shareholders, and public interest organizations in court. Among other reasons for suing are the failure of organizations to mitigate the impacts of climate change, failure to adapt to climate change, and inadequate disclosure around material financial risks. As the value of losses and damages from climate change grows, the risk of litigation is also likely to increase.

Technological risks: Technological improvements or innovations that support the transition to a low-carbon, energy-efficient economic system can have a significant impact on organizations.

To the extent that new technologies displace old systems and break into the economic system, there will be winners and losers arising from this process of “creative destruction”. Thus, the timing of technology development and implementation is a key uncertainty in assessing technological risk.

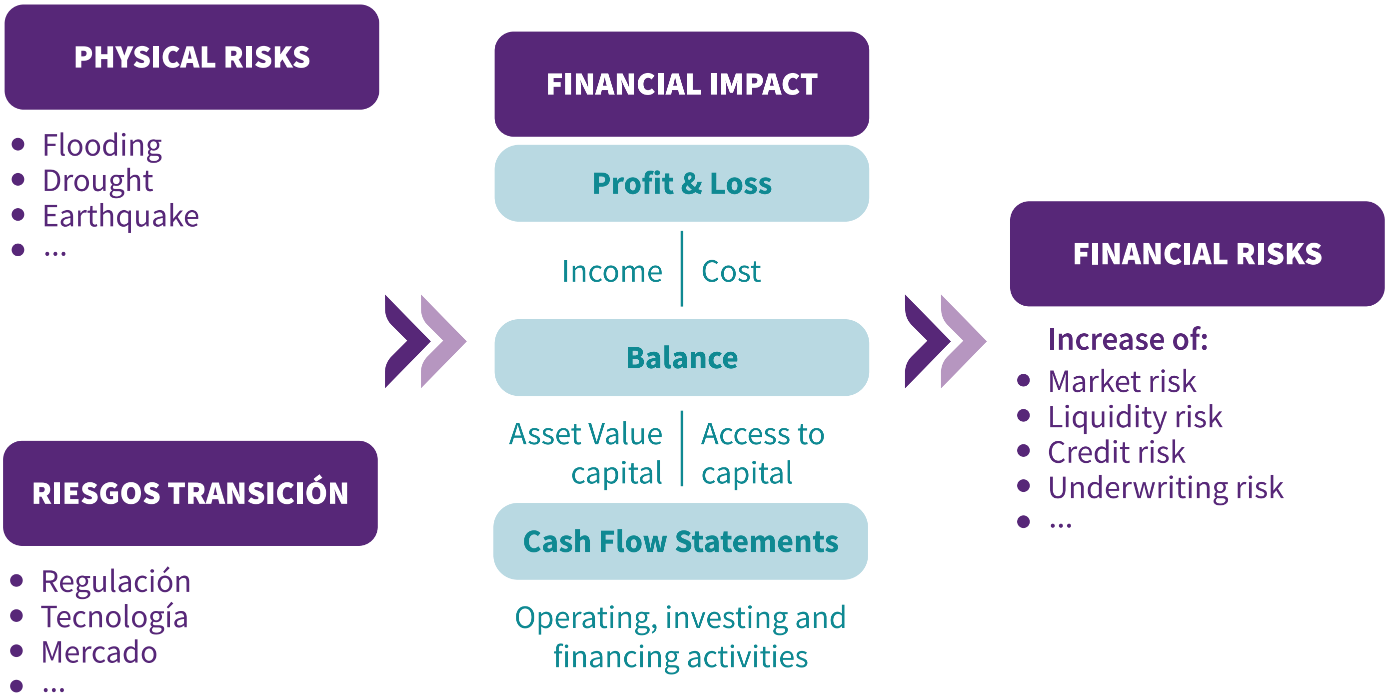
Market risk: While the ways in which markets could be affected by climate change are varied and complex, one of the main ways is through changes in the supply and demand for certain products and services as climate-related risks and opportunities are increasingly taken into account.

Reputational risk: Climate change has been identified as a potential source of reputational risk linked to changing perceptions by customers or the community at large of an organization's contribution or detraction from a clean economy.

Liability risk: For weather-related claims through liability insurance policies.

The above climate change risk factors can be translated into traditional prudential risk categories: underwriting risk, market risk, credit and counterparty risk, operational risk, reputational risk and strategic risk.

The channels of physical and transition risk propagation for the insurance sector are shown below:



b) Social risks («S»):

Potential indirect adverse impacts on society arising from the provision of service to, or investment in, legal entities that do not respect issues relating to the rights, welfare and interests of individuals and communities.

c) Governance risks («G»):

Arising from a negative impact resulting from weaknesses on the part of commercial counterparties or investees, such as transparency, market conduct, anti-corruption policies, compliance with tax obligations or other behaviours considered ethical by relevant stakeholders.

Among the risks arising from climate change identified by Solunion are the following, according to the categories mentioned above:

	RISKS			
	Insurance Underwriting Portfolio	**Insurance Underwriting Portfolio**	**Physical Assets**	**Investment Portfolio**
Typology of Risk	**Acute Physical Hazards:** Increased severity of adverse weather phenomena, such as those related to temperature, wind, water and soil.	**Transition risk:** Increased price in carbon markets, increased carbon market obligations information on emissions, new regulations on products and services, and litigation risks.	**Acute Physical Hazards:** Increased severity of adverse weather phenomena, such as those related to temperature, wind, water and soil.	**Transition risk:** Increased price in carbon markets, higher carbon market obligations, higher information on emissions, new regulations on products and services, and litigation risks.
Time horizon	Short Term	Short Term	Short Term	Short Term
Main potential financial impact	Increase in the accident rate	Increase in the accident rate	Impairment or obsolescence of assets	Impairment or obsolescence of assets
Magnitude of impact	Inmaterial	Medium - Low	Inmaterial	Medium - Low
Details	A materiality analysis of the exposures of the Credit and Surety portfolio has been carried out at Solunion. In order to determine the degree of impact of physical risk on the underwriting portfolio, a methodology based on the identification of geographical locations and business sectors has been carried out.	Solunion has determined the degree of impact of the risk of transition to a low-carbon economy on both liabilities and own investments, applying a methodology based on the allocation of the level of risk by sector of activity and through a weighting of each risk/ sector.	Solunion has conducted an analysis of the physical assets owned that could be affected by the risk of climate change. For this purpose, a comprehensive assessment of the assets has been carried out to identify their exposure to climate change. Solunion has a relatively low exposure to owned assets and analysing the geographic area where they are located.	Investment portfolios are adopting strategies redirected towards more sustainable investment aligned with best practices. At Solunion, the distribution according to the level of transition risk shows that the portfolio of proprietary investments is largely outside the risk of depreciation of its assets due to the transition to a decarbonized economy.

Although the risks described above are not material for Solunion, we are concerned about the environmental footprint of our activities and understand that, in order to be sustainable in the long term, we must promote and foster an environmental culture beyond the workplace.

We are convinced that reducing our environmental impact is an essential requirement, not only to comply with legal requirements, but also to earn the trust of our stakeholders.

In the same way that climate change can generate risks and negative impacts for Solunion, there is the possibility that these changes can be taken advantage of and represent an opportunity for the Company, resulting in a financial or positive impact, as presented below:

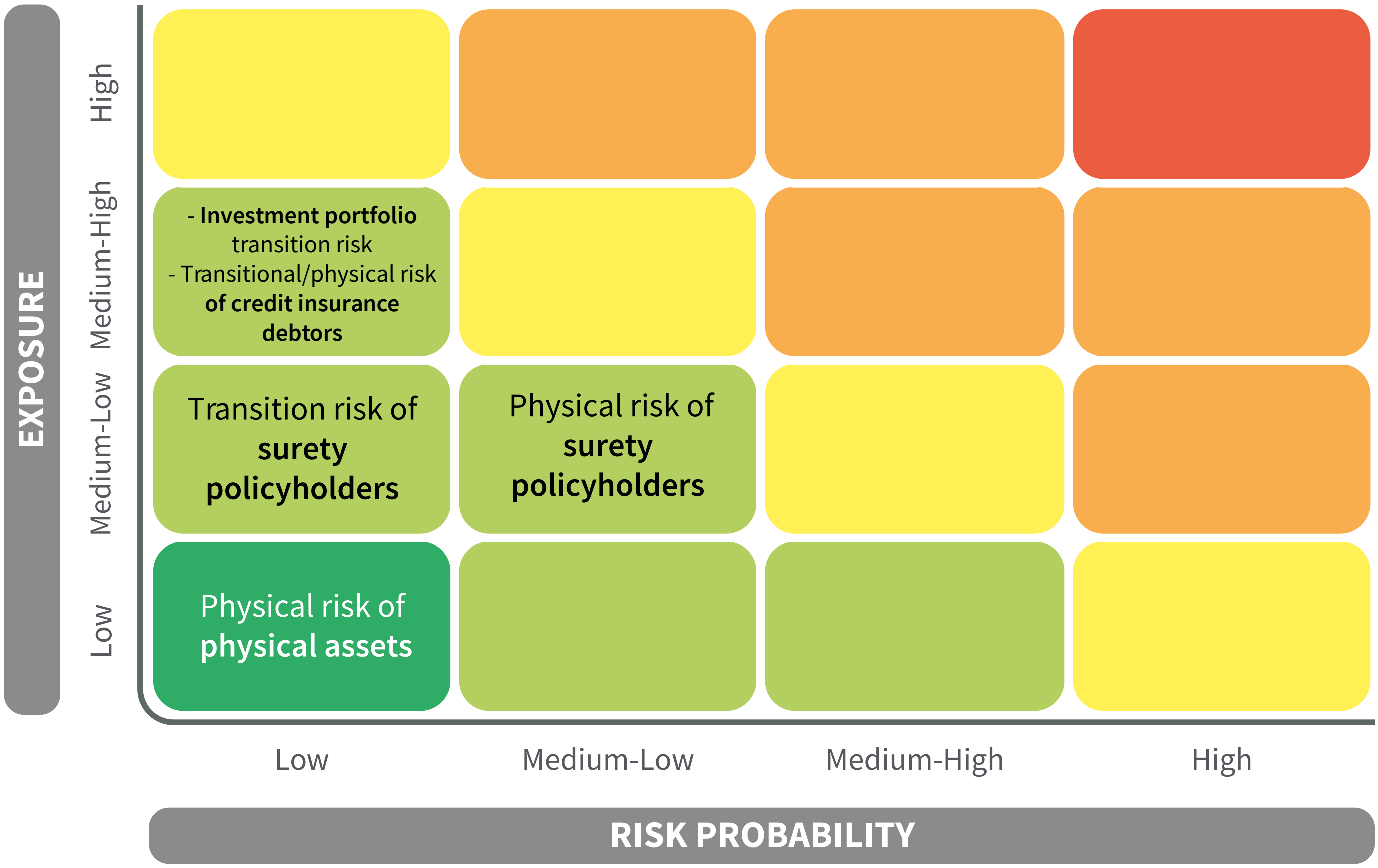
- Insurance underwriting portfolios:
    - Better risk selection.
    - Certified ESG training.
- Investment portfolio:
    - Reinforcement of selection with specific criteria.
    - Increased supply due to market development.

DEFINITION OF CLIMATE CHANGE HORIZONS AND SCENARIOS FOR THE CALCULATION OF IMPACT

In September 2021, the European Commission published a proposal for a directive amending Directive 2009/138/EC (Solvency II) stating that insurance companies will have to identify any material exposure to climate change risks and, where appropriate, assess the impact of long-term climate change scenarios on their business, incorporating it into the ORSA exercise. Companies that justify a non-material climate risk profile will be exempt from scenario analysis.

The physical and transition risks mentioned in section 3.1 of this Report may have a significant impact on both Solunion's assets and liabilities, either through the materialization of direct losses on real estate or by affecting the solvency of its Credit and Surety insurance counterparties.

According to the methodology and analysis used for the identification of physical and transition risk materiality, the following matrix is presented as a summary with the classification according to exposure and probability of risk for assets and liabilities with the year-end 2023.



As can be seen in this matrix, after the evaluation of the physical and transition risk, as none of them are material for the Solunion Group's business, it is not considered necessary to carry out any additional stress test to measure the impact of climate change risks including those mentioned by *EIOPA in its "EIOPA's Opinion on the supervision of the use of climate change risk scenarios in ORSA (EIOPA-BoS-21-127 - EIOPA, 2021a)"* published on April 19, 2021 relating to:

- a climate change risk scenario in which the global temperature increase is kept below 2°C, preferably no more than 1.5°C, in line with EU commitments;
- and a climate change risk scenario in which the increase in global temperature exceeds 2°C.

It is worth mentioning that at the date of issuance of this Report, the 2024 ORSA Report has not yet been issued, so the benchmark has been the ORSA for fiscal year 2023.

IMPACT OF CLIMATE CHANGE RISKS

Solunion's business model and strategy are an example of how the Company addresses global sustainability challenges, manages ESG risks and works for the benefit of its customers and the community.

Climate change risk management helps in decision making on important issues such as underwriting, investments, product and service innovation, and reputation management, which is essential to gain the trust of our stakeholders and adapt Solunion's financial planning process to climate change.

Specifically, Solunion's strategy includes the following initiatives, which we divide as follows:

Underwriting activity: Underwriting restrictions in the coal industries and comprehensive analysis of mining, oil and gas, nuclear power, hydroelectric power, agriculture, fisheries and forestry, agricultural commodity investments, animal welfare and large-scale infrastructure. Individual operations of coal-fired power plants and coal mines are not accepted for underwriting.

Own operations: We are committed to contributing to the protection of the environment by reducing our own environmental footprint and operationally assess the adverse impacts of environmental risks to contribute to their mitigation.

IN THE INSURANCE BUSINESS

Analysing ESG risks

Environmental, social and governance (ESG) issues have reached a tipping point in the global economy: it is now clear to companies and investors that these issues will affect growth, market share and profitability.

For default risk, the correlation between defaults and severe weather events (supply chain disruptions) or between insolvencies and social unrest increases over time.

New payment risks could come from more difficult access to financing for companies with larger carbon footprints or with assets at risk due to regulatory decisions.

In this context, Allianz Trade (one of our shareholders and whose methodology we use) decided to add to the risk studies a set of indicators related to environmental sustainability and other reputational, political and social risk indicators. Governance issues, such as regulatory and legal frameworks and control of corruption, had already been included in country ratings since 2003.

Solunion's country risk rating methodology measures a company's risk of default in a given country due to conditions or events beyond its control. It consists of three medium-term components that measure macroeconomic imbalances, political risk and structural business environment, and two additional short-term components (Cyclical Risk Indicator and Flow of Finance Indicator) that allow analysts to detect recessions and balance of payments crises. The rating includes more than 140 indicators and is available for 194 countries.

Our country-risk rating methodology aims to capture vulnerabilities related to climate change and social issues that may impact businesses, which could face higher financing costs and disrupted supply chains. Developing island states, countries with a coal-dependent energy mix or countries where flood risks are high are on the watch list for their impact on B2B trade.

Environmental, Social and Governance (ESG) Risks and Opportunities

In all lines of business, Solunion's Commercial Underwriting decisions must take into account the potential consequences of any unmitigated environmental, social, management or reputational issues for both us and our customers.

To contribute to the identification and evaluation of these risks, at Solunion we carry out a KYC (Know Your Client) Process, and we always check and document that the operation cannot cause a risk in these areas.

We consider these risks as sensitive and give them special treatment:

Guidelines for sensitive activities	
ESG Guidelines	
1. Mining 2. Oil and gas 3. Nuclear energy 4. Hydroelectric power 5. Agriculture, Fishing and Forestry 6. Animal welfare	7. Infrastructure 8. Clinical trials 9. Animal testing 10. Sex industry 11. Betting and gambling 12. Defence
Other guidelines	
13. Transactions related to sanctions 14. Tax risks	
List of sensitive countries	
SCL. List of sensitive countries (Human Rights)	

With regard to mining and energy, we consider all operations related to the coal industry to be particularly sensitive due to environmental issues.

Solunion does not accept underwriting of individual operations of coal-fired power plants and coal mines.

OWN OPERATIONS

Investment

Socially responsible investing is constantly evolving, keeping pace with major global trends in ESG risks and opportunities.

Solunion is committed to socially responsible investing in its investment selection process. Both our shareholders and our investment managers are signatories to the *UNEP Finance Initiative's* Principles for Responsible Investment (PRI).

Continuity Plans

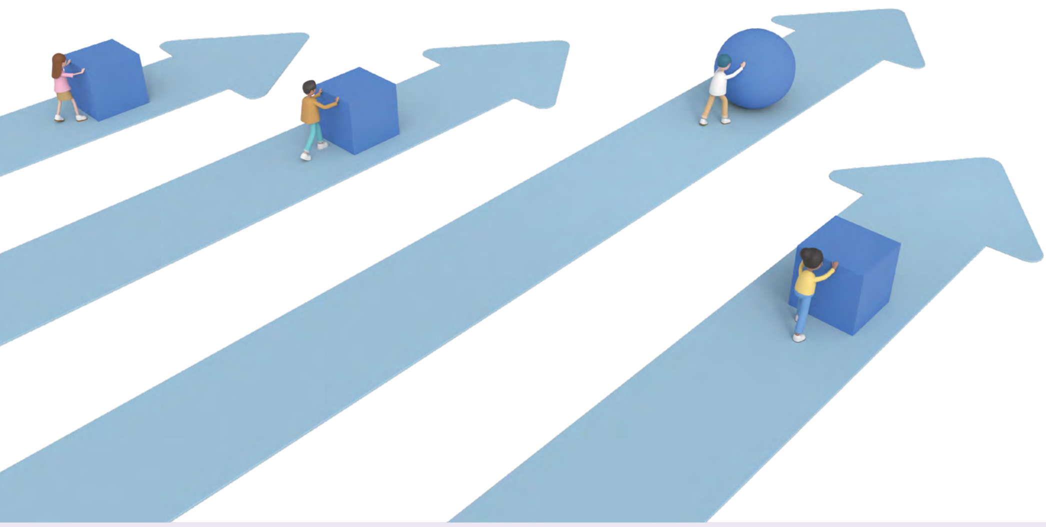
In the event of a catastrophic event, the ability to continue providing service to our customers becomes critical. For this reason, business continuity plans are developed, implemented, tested, updated and certified to guarantee, in addition to the personal safety of Solunioners and collaborators, the operational resilience of the entities, thus fulfilling their obligations to customers and other stakeholders.

To carry out these actions, Solunion has specific capabilities that allow a coherent and appropriate response to the needs at each time and place. The activation of the plans enables each entity to re-establish its operations within a period of time that does not compromise their continuity and allows them to provide the services required by their clients, providing them with resilience.

Digital Operational Resilience

Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) 1060/2009, (EU) 648/2012, (EU) 600/2014, (EU) 90 9/2014 and (EU) 2016/1011 (hereinafter 'DORA Regulation') stipulates that, in order to achieve a high level of digital operational resilience, financial institutions shall have in place a sound, comprehensive and well-documented information and communication technology (ICT) risk control and governance framework as part of their Risk Management System, that allows them to guarantee effective and prudent management of ICT-related risk and to deal with such risk quickly, efficiently and comprehensively, ensuring a high level of digital operational resilience.

To this end, Solunion has incorporated a specific policy into its Risk Management System, this 'Risk Management Framework related to Information and Communication Technologies (ICT)' (hereinafter 'ICT Risk Management Framework'), the purpose of which is:



1. To establish a system of governance and control that allows it to deal with ICT-related risk quickly, efficiently and comprehensively and to ensure a high level of digital operational resilience.

2. To ensure effective and prudent management of ICT-related risk.

3. Establish the ICT strategies, policies, procedures, protocols and tools necessary to duly and adequately protect all Solunion's information assets and ICT assets and physical components and infrastructures, to ensure that they are adequately protected from risks, including damage and unauthorised access or use.

4. Minimise the consequences of ICT risk by deploying appropriate ICT strategies, policies, procedures, protocols and tools.

5. Establish a system to provide Authorities, upon request, with complete and up-to-date information on ICT-related risk and on its ICT Risk Management Framework.

PARTICIPATION IN WORKING GROUPS OF INSTITUTIONAL ORGANIZATIONS

As part of the responsibilities assumed by Solunion, we strive to provide a response to the risks of climate change, for which we are part of various specialized initiatives to advance in the analysis of potential impacts:

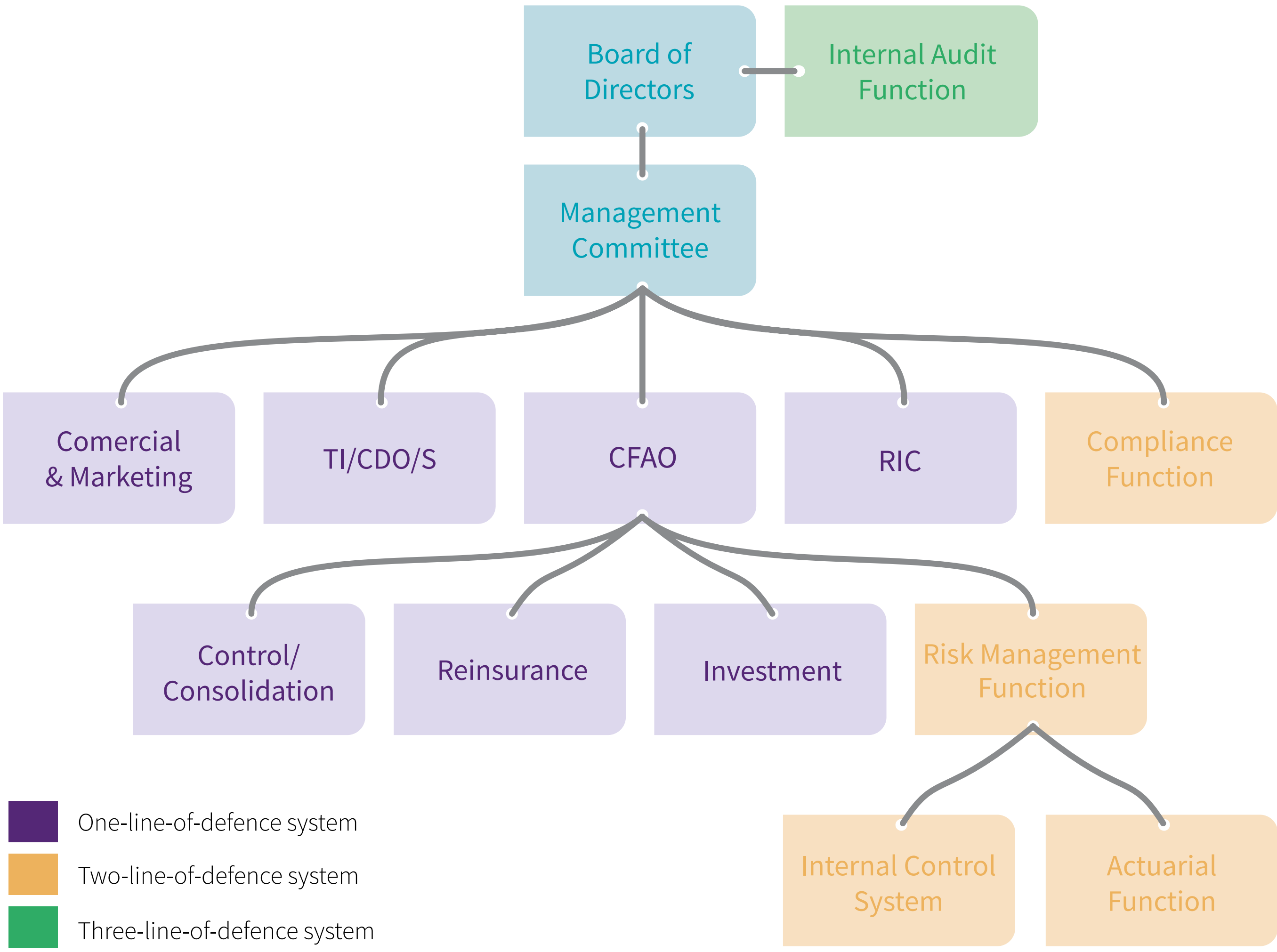
- **UNEP FI:** Nature-Positive Insurance Working Group and Working Group on managing risks related to climate change of the Bogotá Declaration.
- **UNESPA:** Sustainability Working Group; Sustainability Statistics; Sustainable Finance.
- **Fasecolda:** ESG Affairs Committee.
- **AACH:** Audit Committee.
- **AMIS:** Financial Committee; Public Affairs Committee; Risk Committee; Legal Committee.

5 RISK MANAGEMENT

Due to the global nature of the group and as a consequence of climate change risk along with other external factors, Solunion has implemented internal control processes and an effective risk management system that complies with local regulations and promotes actions for risk governance, identification of emerging risks, training and dissemination of risk culture in the organization.

RISK MANAGEMENT GOVERNANCE

Solunion's risk management framework is based on the Three Lines of Defence system:



Risk management is structured according to the “Three Lines of Defence” model defined by ECIIA and FERMA, so that:

- The “First Line of Defence” is composed of the operational managers, who assume the risks and own the controls.
- The Risk Management and Actuarial Compliance Functions, as well as the Internal Control System, reporting to the First Line of Defence, form the “Second Line of Defence”, which supervises the First Line of Defence in accordance with the Policies and limits determined by the Board of Directors, and reports to the Management Committee.
- The “Third Line of Defence” is constituted by Internal Audit, which from its independence guarantees the adequacy and effectiveness of the internal control system and Corporate Governance.

The Lines of Defence perform their assigned tasks in strict compliance with applicable legislation and the Group’s internal regulations.

PROCEDURE FOR IDENTIFICATION AND EVALUATION OF CLIMATE CHANGE RISKS

CLIMATE CHANGE RISK IDENTIFICATION PROCESS

Adequate monitoring of environmental, social and governance (ESG) factors provides additional information on social movements and transformations, stakeholder and market expectations that affect the organization. This knowledge helps in the identification and evaluation of potential risks (ESG) and business opportunities.

The Group continuously analyses those factors which, if they materialize, may have an impact on the business (in terms of investment and underwriting) or could have such an impact. Environmental, social and governance (ESG) factors are taken into account in this analysis, as they provide additional information on social movements and transformations, stakeholder expectations and also on the market affecting the organization.

Based on the analysis of these ESG factors and how they may affect the business in the short, medium and long term, their relationship and inclusion in the risk typology established by the company will be determined, as well as being considered in the adoption of prevention and mitigation measures.

On the other hand, on an annual basis, the Corporate Risk Management Area promotes a material risk identification and assessment exercise to identify perceived risks, including sustainability and climate change risks, by those responsible for the risk and which may affect the Group's performance over the period considered in the business plan.

Solunion has internal control processes and an effective risk management system that complies with local regulations and promotes actions for risk governance, identification and assessment of risks, including emerging and sustainability risks, as well as training and dissemination of risk culture in the organization. This system is based on the continuous and integrated management of each and every one of the business processes, and on the adequacy of the risk level in accordance with the strategic objectives.

Subsequently, a materiality analysis is performed, which analyses ESG aspects in terms of their relevance for the Stakeholders involved (shareholders, employees, suppliers, customers, society, regulatory bodies, and mediators) and the impact they have on Solunion. This analysis makes it possible to identify potential risks and establish the corresponding prevention and mitigation measures.

PROCESS OF ASSESSING RISKS RELATED TO CLIMATE CHANGE

The Internal Risk and Solvency Assessment (ORSA), integrated in the Risk Management System, has mechanisms to identify, measure, monitor, manage and report the Group's short and long-term risks during the period contemplated in the strategic plan, as well as to measure the adequacy of capital resources according to an understanding of its actual solvency needs. Each year, the Corporate Risk Management Department coordinates the preparation of the ORSA report, which is submitted to the Board of Directors for approval.

The assessment of risks related to climate change is a priority within the financial sector. In this way, we aim to increase understanding of climate change risks and their potential impact on the Company.

Methodologies have been established at Solunion to assess the materiality of the impact of climate change risk (physical and transitional) on the Group. This analysis makes it possible to identify risk exposure through the most material combinations of country, exposure, and sectors in Solunion. This analysis is included in the ORSA report.

INTEGRATION OF CLIMATE CHANGE RISK INTO THE REST OF THE GENERAL RISK CATEGORIES

The integration of ESG risks into traditional risks is carried out naturally in the management and control processes, using the Risk Management System and a taxonomy that incorporates climate change risks.

The Corporate Risk Management Area, in order to identify the material risks that may have an impact on Solunion, draws up an annual risk map for the Group, based on the answers to the TRA (Top Risk Assessment) questionnaires.

These questionnaires provide a perspective on the probability of occurrence and impact of risks according to the classification of general risk categories, among which the risk of climate change is considered as indicated below::

Insurance industry:

- Investment performance: Difficulty in achieving returns on ESG investments.

Economic environment

- Macroeconomics: Lack of coordination to tackle financial risks - Increase in energy prices - Geopolitical problems arising from the transition to a low-carbon economy - Lack of investment by countries in effective measures for adaptation and mitigation of climate change.

Public and geopolitical environment

- Regulatory changes: New requirements (climate change regulations) - Avalanche of sustainability regulations with great regulatory fragmentation and abundant ambiguity without a coherent and standardised information framework.
- Political instability: Lack of investment by countries in effective climate change adaptation and mitigation measures. Lack of consensus to make progress on firm international commitments on climate change.

Governance:

- Corporate governance: Lack of awareness and integration of potential and emerging risks and sustainability factors in the Company's decision-making process - Inadequate management of issues arising from climate change (corporate governance, human resources and processes).

Likewise, the perception of the potential impact of the risks that could materialize in the time horizon considered in the business plan is included, including risks related to the environment such as the following:

- Natural catastrophes: Natural catastrophes and extreme weather events are causing an unusual concentration of claims (difficult to predict with existing models), impacting on companies' results both in terms of the processing of associated benefits and the increase in the resources and capacities needed for their management - Increased material damage and the risk of business interruption as a result of the increase in natural catastrophes - Inability to adapt to climate change.

- Man-made environmental catastrophes: Risk of losses arising from man-made environmental catastrophes (oil spills, radioactive contamination, etc.) with serious consequences for society and the economy.
- Climate change: Increase in the volume and number of claims and compensation for losses and damages caused by the increased frequency of extreme weather events and water crises, which may lead to changes in the economy, the abandonment of assets (fossil fuel industry; agriculture and tourism industry; migratory movements and the emergence of conflicts over natural resources) and increased costs arising from the transition to a low-carbon economy.

MANAGING THE RISKS AND OPPORTUNITIES ARISING FROM CLIMATE CHANGE

Sustainability in the insurance sector is based on an adequate management of the risks faced by the organization, which Solunion puts into practice by assuming and managing risks responsibly, considering emerging and sustainability risks.

Solunion's internal control processes and risk management system is based on the continuous and integrated management of each and every business process and on matching the level of risk to strategic objectives.

Climate change risk management focuses primarily on increasing understanding of the increased catastrophic hazard from climate change and improving the management of exposures through:

1. Incorporation of climate change into business strategy decision making.
2. Detailed knowledge of the insured risks.
3. Maximum collaboration between insured and insurer to facilitate the best evaluation and pricing.
4. The contracting of reinsurance coverage.
5. Application of scenarios for country/exposure/risk combinations that are material.

METRICS AND OBJECTIVES

CORPORATE OBJECTIVES

Solunion is aware of the climate urgency and from its role to contribute to the mitigation and adaptation to climate change and develops actions in the different areas of the Group.

Underwriting aims to support customers in the transition to a low-carbon economy.

In investments, we seek to make better investment decisions adapted to the best market practices in terms of ESG impact.

On the operational side, Solunion has set the goal of reducing GHG emissions by 10% in 2025 and carbon neutrality in Spain (with respect to 2019 emissions). To this end, it has established a series of action plans set out in the Sustainability Master Plan.

UNDERWRITING PORTFOLIO METRICS AND OBJECTIVES

Solunion continuously analyses those factors which, if they materialize, may have an impact on the business, or could have such an impact. In this analysis, ESG factors are taken into account, as they provide additional information on social movements and transformations, stakeholder and market expectations that affect the organization. Based on the analysis of these factors, and how they may affect the business in the short, medium, and long term, their relationship and inclusion in the typology of risks established by the company and in the adoption of prevention and mitigation measures will be determined.

Solunion has integrated the study of these factors into its underwriting model and by the end of 2024, 100% of the underwriting portfolio has been analysed using environmental, social and governance (ESG) criteria.

The strategy to address reputational, environmental, social and governance (ESG) factors in Solunion's business activity is based on the recognition that the company is willing to forego business opportunities for the sake of protecting people, the law, and the environment, so that a business opportunity does not justify the acceptance of material threats.

In order to comply with the regulation concerning the European Taxonomy, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088, Solunion reports activities that contribute to the fulfilment of the European Union's environmental objectives.

More information can be found in the Statement of Non-Financial Information. Solunion Sustainability Report.

INVESTMENT PORTFOLIO METRICS AND OBJECTIVES

Socially responsible investing is constantly evolving, keeping pace with major global trends in ESG risks and opportunities.

Solunion is committed to socially responsible investing in its investment selection process. Both our shareholders and our investment managers are signatories to the UNEP Finance Initiative's Principles for Responsible Investment (PRI).

PRI Principles for Responsible Investment

Key performance indicators of responsible investment

	2024	2023	2022	2021
External asset managers that are PRI signatories (%)	**100%**	**100%**	**100%**	**100%**
Group assets managed by PRI signatories	**100%**	**100%**	**100%**	**100%**

Marco de Integración de los aspectos ASG en nuestros procesos de inversión

Responsible Investment is one that considers environmental, social, and corporate governance criteria (commonly referred to as ESG criteria), in addition to traditional financial criteria, during investment analysis and decision-making, as well as in the exercise of voting rights.

The consideration of these criteria is associated with better risk management and investment profitability.

In relation to investments, Solunion's Sustainability Master Plan establishes the commitment to have 100% of the investment portfolio rated with Socially Responsible Investment criteria at a global level by 2025.

CO2 intensity of investment portfolios

As a sign of Solunion's commitment to continuous improvement, we have measured the impact of climate change on our investment portfolio in order to establish decarbonization objectives and guide decision-making. Our managers have calculated the carbon footprint of our investment portfolio using their own methodology and the methodology of the *Partnership for Carbon Accounting Financials* (PCAF), measuring the emissions of the equity and corporate debt portfolio and government bonds.

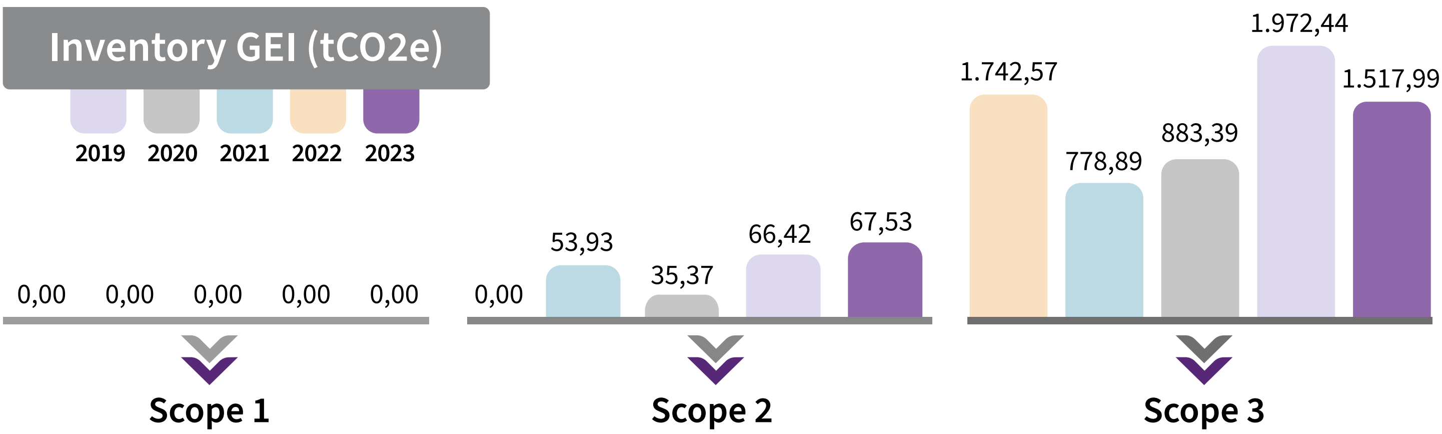
SCOPE	CARBON FOOTPRINT T.CO2 EQ/MILL. € 29/12/23	% DATA
2024	61,95	98%
2023	94,45	90,1%

INTERNAL OPERATIONAL METRICS AND OBJECTIVES

Internal operating metrics

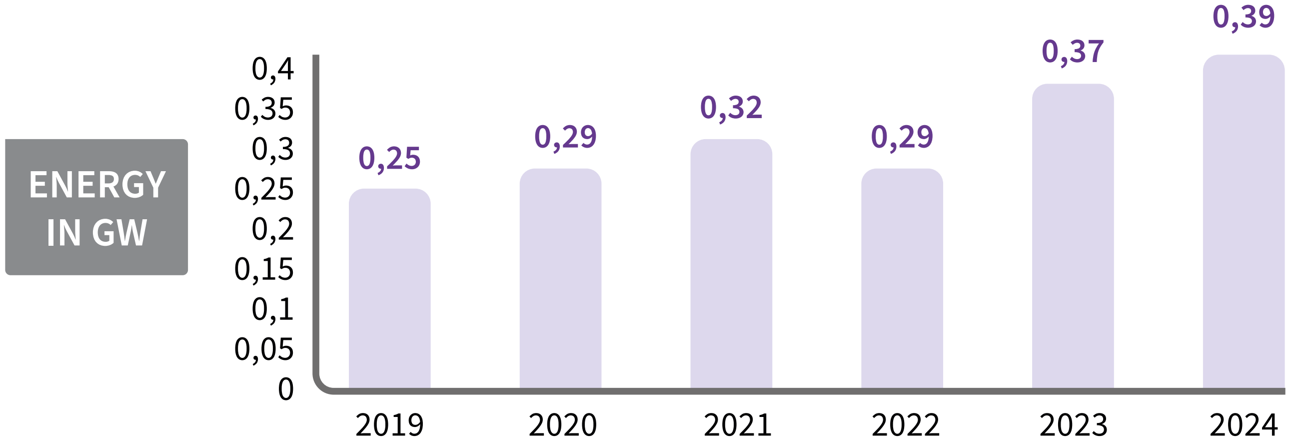
Scope 1, 2, 3 Emissions

The following graph shows the evolution of the Solunion Group's carbon footprint since 2019 broken down by scope:



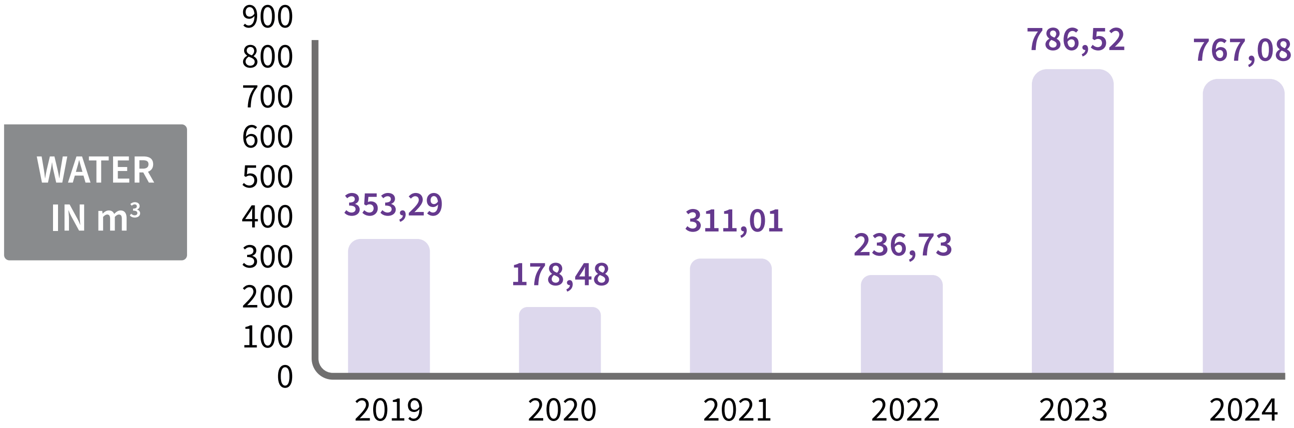
Energy, water and waste management metrics

The evolution of Solunion's total energy consumption since 2019 is shown below:



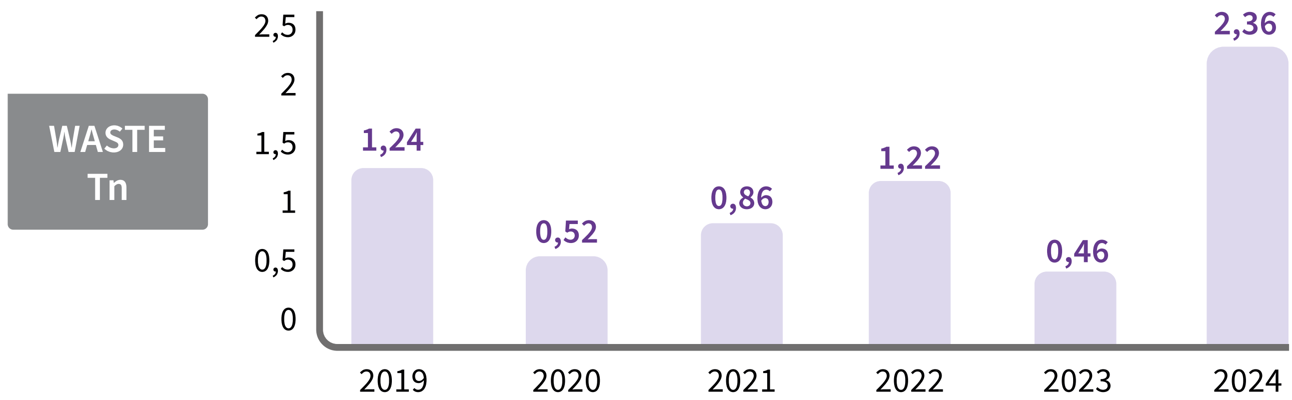
For more information on the breakdown of environmental metrics see NFIS-EINF. Sustainability Report 2024.

The evolution of Solunion's total water consumption since 2019 is shown below:



For more information on the breakdown of environmental metrics see NFIS-EINF. Sustainability Report 2024.

The evolution of waste generated since 2019 is shown below:



For more information on the breakdown of environmental metrics see EINF. Sustainability Report 2024.

Solunion is committed to the fight against climate change and limiting the temperature increase by 1.5°C, establishing within the Sustainability Master Plan a target of a 10% reduction in the Group's carbon footprint by 2025 compared to the 2019 baseline and working towards a carbon neutral operation in Spain by 2025.

This ambitious commitment to carbon footprint reduction is supported by the following plans:

- 100% renewable energy in Spain.
- Reduction of energy consumption through energy efficiency, promotion of remote work and fleet transformation.
- Sustainable Mobility Plan.
- Waste Zero central offices.

Furthermore, Solunion's variable management remuneration is linked to the fulfilment of sustainability objectives.

OTHER METRICS

NATURAL CAPITAL

Solunion, as part of its climate strategy, has begun to establish projects to offset the Company's operational carbon footprint.

In addition, through our volunteer activities, reforestation projects are carried out for the creation of carbon sinks, with the following projects having been carried out:

- Reforestation and creation of new complete ecosystems of forest mass in the burned area located in Monte San Marcos in Pardesoa, Forcarei (Pontevedra) with a permanence period of 30 years. With this project Solunion is directly involved in the creation of forest wealth through the planting of 850 trees as well as generating local employment in rural areas and promoting the development of the area.
- Reforestation of 3,000 trees to increase biodiversity by planting different native species in Casarrubuelos (Madrid).
- Tree planting in Colombia.

CONTRIBUTION TO THE SDG

Our activities and investments contribute to the achievement of the goals of the United Nations Sustainable Development Goals and support the Paris Agreement.

- **We measure our** carbon **footprint** in all company activities to set public short- and long-term emission reduction targets.
- We train Solunioners and collaborators in the fight against **climate change**, to train them in their positions and raise their awareness of the phenomenon.
- We conducted an **analysis of climate change risks and opportunities**.
- **We integrate ESG criteria** (including consideration of climate change) into investment processes.
- **We are** gradually **reducing** the use of fossil fuels in the company's operations and replacing their use with renewable energy sources.
- We invest in **more sustainable** and less carbon-intensive **technologies** and progressively introduce them into the company's activities and facilities.
- We promote **sustainable mobility** to reduce emissions caused by land, air, and maritime transportation.
- We establish **criteria for energy efficiency**, use of renewable energies, reduction of emissions and resilience to climate disasters in the company's buildings and facilities.
- We introduce **circular economy criteria** in the company's activities, using natural resources and raw materials efficiently, using recycled materials, promoting reuse, and reducing and recovering waste.
- We disclose our actions and results in the area of climate change through our **sustainability report** and other media.
- Through the **Insurance Sustainability Principles**, we promote sectoral approaches to climate change, to identify specific solutions and practices.
- **We disseminate best practices** in workshops and seminars on the fight against climate change.

- We are implementing policies and business practices aimed at ensuring the **sustainable management** of natural resources within the organization and throughout the supply chain and that minimize our impact on terrestrial ecosystems and biodiversity.
- We respect the environmental legislation of the countries in which we operate and comply with international **environmental performance** standards.
- We avoid purchasing materials that pose a risk to endangered animal or plant species and purchase sustainably managed forest products or those with a high recycled content.
- We take advantage of technology to **reduce the use of paper** in the processes of issuing policies, declarations of claims and invoices in digital format.
- We measure our **environmental footprint**, quantifying our carbon footprint according to international standards.
- **We are trained** in responsible practices for terrestrial ecosystems and biodiversity.
- We report on the company's actions regarding biodiversity and its research, conservation, education, and awareness-raising activities through our **sustainability report**.
- We carry out **corporate volunteer projects for cleaning, reforestation and restoration** of ecosystems and protection of flora and fauna.

- We implement business practices that prevent pollution and overexploitation of oceans and seas.
- We have adopted **circular economy criteria** for the reduction and reuse of plastics or packaging that may impact marine ecosystems, extending these criteria to the supply chain.
- **We reduce the use of toxic substances and non-biodegradable materials**, preventing them from reaching marine and coastal ecosystems.
- **We are gradually reducing the use of fossil fuels** in the company's operations, replacing them with renewable energy sources.
- We invest in **more sustainable** and less carbon-intensive **technologies** and progressively introduce them into the company's activities and facilities.
- We include climate change mitigation and adaptation actions in our action plans.
- We **raise awareness** of the importance of the fight against climate change and the protection of marine and coastal ecosystems.
- **We share best practices** related to the sustainable management of oceans and seas in the company's activities.

TCFD INDEX

GOVERNANCE	TCFD RECOMMENDATION	LOCATION
	a) Describe the role of management in assessing and managing climate-related risks and opportunities.	3. Governance 3.2 Governing Bodies
	b) Describe the board's control over climate-related risks and opportunities.	3.2 Governing Bodies

STRATEGY	TCFD RECOMMENDATION	LOCATION
	a) Describe the climate-related risks and opportunities identified by the organization in the short, medium, and long term.	4. Strategy 4.1 Description of risks and opportunities associated with climate change
	b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning.	3. Governance 4.1 Description of risks and opportunities associated with climate change
	c) Describe the resilience of the organization's strategy, considering different climate-related scenarios, such as a scenario with 2°C or less.	4. Strategy 4.2 Definition of climate change horizons and scenarios for impact calculations

RISK MANAGEMENT	TCFD RECOMMENDATION	LOCATION
	a) Describe the organization's processes for identifying and assessing climate-related risks.	5. Risk management
	b) Describe the organization's processes for managing climate-related risks.	3. Governance
	c) Describe how the processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	4. Strategy

METRIC AND OBJECTIVES	TCFD RECOMMENDATION	LOCATION
	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in accordance with its strategy and risk management process.	6. Metrics and objectives 6.1 Corporate objectives
	b) Disclose Scope 1, Scope 2 and, if applicable, Scope 3 greenhouse gas (GHG) emissions and related risks.	6.2 Underwriting portfolio metrics and objectives 6.3 Investment Portfolio Metrics and Objectives
	c) Describe the objectives used by the organization to manage risks and opportunities related to climate and performance against objectives.	6.4 Metrics and objectives of internal operations