GRUPO ARGOS

Inversiones que transforman

TFCD REPORT 2021



Contenido

Letter from the CEO

At Grupo Argos we generate economic value for our shareholders throughout investments and businesses managed with a comprehensive sustainability vision aimed at benefitting all our stakeholders. We are an infrastructure asset manager that operates under a coherent strategic framework that defines and monitors a sustainability strategy for each of our businesses with an ample perspective of risks and trends so we can set goals and objectives as a company and as a corporate group.

Convinced of the power of collective intelligence and with almost 90 years of experience in the business world, Grupos Argos's corporate actions have managed the needs and expectations of all our stakeholders in an articulated and conscious manner. This has allowed us to consolidate our social capital, founded on relationships of trust, that enable continued maximization of the value of our investments and ongoing profitable and sustainable growth.

In line with this sustainable vision and understanding the environmental impact of the industries where we participate, we have developed a robust climate change strategy to mitigate and offset our CO_2 emissions as we adapt our operations to the effects of climate change. This document contains the progress, results, and management of our climate change strategy in line with recommendations made by the *Task Force on Climate Related Financial Disclousure,* TCFD, and with our commitment to the 2030 Agenda and its 17 Sustainable Development Goals.

This report contains four chapters:

- **Governance:** Introduces the organization's bodies responsible for assessing and managing climate-related risks and opportunities.
- **Strategy:** Analyzes climate change impacts and opportunities related to our corporate and business strategies, to make sure our portfolio is consistent with a low carbon economy.
- **Risks:** Explains the process through which we identify, assess and manage climate-related risks and opportunities.
- **Targets and indicators:** Includes metrics associated with our operations, and emissions reduction targets for the company and the corporate group.

We present this report as an exercise in transparency that intends to offer useful, in-depth information that will contribute to the vision of and decision-making by all our stakeholders and complement the organization's management reporting mechanisms.

Jorge Mario Velasquez
CEO Grupo Argos S.A.

This document can be found on **www.grupoargos.com** and is complemented by a separate section with digital attachments, avaiable in the environmental section of our ESG Databook **here.**

Executive Summary

In line with our vision for sustainability and understanding the environmental impact of the industries where we participate, at Grupo Argos we are convinced of the need to act firmly to minimize physical and transitional climate risks and take advantage of climate-related opportunities. Thus, in 2020, we voluntarily aligned with the recommendations of the *Task Force on Climate Related Financial Disclosure* (TCFD) to proactively identify, manage, monitor and report the different aspects of our climate strategy.

This document contains our first TCFD report, a new milestone in our commitment to sustainability. The report is structured around the four chapters reommended by the intiative: governance, strategy, risk and opportunity management, and climate change metrics and targets defined by the organization.

Under Governance, we explain in detail how the Board of Directors is our highest governing body on ESG topics (including Climate Change) and how the organization's administration leads different compliance instances related to the topics defined therein.

Under Strategy, we explain how we articulate climate change with our business strategy as an asset manager, to make progress on the following objectives: i) Understand and prioritize the effects of climate change in investment processes, ii) Understand the current and potential impact of climate change risks and opportunities on investment performance, and iii) Quantify scenarios and design adjustments to capital assignment and financial planning processes.

Risks describes the risks and opportunities identification, quantification, and management process. We have begun the process of quantifying these topics for strengthened decision-making aligned with the achievement of strategic objectives.

Finally, Metrics and Targets contain the organization's separated and consolidated commitments to mitigate CO_2e emissions by 2030.

This report results from joint, coordinated work carried out by different teams in the organization. It adds to the organization's efforts to consistently, reliably, and transparently disclose material information on its management and monitoring of climate change-related risks and opportunities, aiming to strengthen our climate change strategy and its execution while satisfying the reporting requirements of all our stakeholders.

01 GOVERNANCE

Governance

Management by the Board of Directors

Our Board of Directors is the highest management body and bears overall responsibility for managing and monitoring all economic, environmental and social risks and opportunities, including climate change. It has incorporated climate change issues into its agenda and has assisted with strategic definitions by the administration.

In 2020, we submitted the Corporate Group's climate change strategy to the Board of Directors. This strategy was built alongside our businesses and includes CO_2e emissions reductions targets out to 2030 and commitments assumed in response to global and domestic trends. This strategy was approved, and in 2021 we worked on building out the operational details required for its fulfillment.

To support the Board of Directors, progress made towards the fulfillment of the climate change strategy and monitoring of related risks are reviewed periodically by members of the Sustainability and Corporate Governance, and Audit, Finance and Risk Committees respectively.

For more information on our Board of Directors, the members of each of its committees, and the ESG topics managed by each of them, including climate change, please refer to the **ESG Databook 2021.**

Climate Change Strategy Governance

We have an effective corporate government to execute our strategy, focused on doing sustainable business and actively contributing to concrete climate change solutions.

- **Board of Directors**
  - Sustainability & Corporate Governance Committee
  - Audit, Finance and Risk Committee
- **CEO**
  - Steering Committee
    - Finance and Strategy VP
    - Senior Director of Sustainability
- **CEO Committee**

Management by the Administration

The Steering Committee, which includes the organization's CEO and Vice-Presidents, is the administrative body responsible for the Climate Change Strategy, including the management and monitoring of associated risks and opportunities.

It is supported by a Comprehensive Risk Management System (SGIR, in Spanish), that guarantees their identification, measurement, evolution, assessment, and monitoring and is aligned with the risk profile defined by the Board of Directors and the Steering Committee.

As a key complement for governance, our Company has a variable compensation system in place that promotes fulfillment of strategic targets. This system pays salary bonuses to employees when targets are met. Depending on the employee's organizational level at the company, two types of incentives may apply: short and long-term. In particular, and intending to align the interests of our shareholders and the Company's upper management, each year, sustainability is included under the Long Term goals and represents 20% of variable compensation at Grupo Argos and the companies in the Corporate Group. For 2021, 10% of this goal was related to improving results on the *Dow Jones Sustainability Index* and the other 10% on a per-business construction, with approval from the Boards of Directors, of a detailed roadmap for meeting Climate Change goals, including annual targets and budgets.

Table 1 describes the main topics covered, and the discussion and reporting frequency of risks and opportunities to the Steering Committee.

Additionally, and in our role as asset manager, we have worked with our investments in the Cement, Energy, and Roadway and Airport Concessions businesses to strengthen the incorporation of climate change into their business strategies, actively participating in their government bodies and generating synergies, partnerships, and investment vehicles that will allow us to attain our climate goals. Besides Grupo Argos's participation on the different committees of these businesses' boards of directors, the Corporate Group's CEO Committee meets quarterly, and these topics are covered aiming to share action plans and generate synergies.

Future Outlook

- Monitoring of the different initiatives identified will be included bianually on the Board of Directors' agenda, aiming to mobilize Grupo Argos and its investments towards their climate change goals.
- The long-term variable compensation for 2022 will measure compliance with target CO_2 values for the companies that make up Grupo Empresarial Argos according to approved work plans.

Table 1

Governance body	Climate change responsibilities and scope	Frequency	Main topics covered
Board of Directors	Define and approve the organization's strategy, including its climate change strategy - as one of the organization's strategic risks - and monitor ESG risks and opportunities that arise. Guide the CEO as regards management of the business and the risks it faces. Maintain and overall, consolidated vision of the Corporate Group's climate change strategy.	Biannual	Discussion and approval of proposed climate change goals and commitments. Presentation of the climate change strategy work plan and actions performed.
Audit, Finance and Risk Committee	Make sure that the Board of Directors considers recommendations related to climate change risks and opportunities. Understand the implications of climate change risk quantifications prior to their presentation to the Board of Directors. Oversee efficent management of material risks and opportunities.	Quarterly	Discussion of climate risk quantification and the opportunities deriving therefrom. Monitoring and following-up climate change risks and opportunities.
Sustainability and Corporate Governance Committee	Make sure corporate governance practices, including those related to climate change, comply with the Code of Good Governance. Have knowledge of and oversee implementation of the Board's action plan for each calendar year, including a section on sustainability. Promote training for managers and directors on corporate sustainability topics.	Biannual	Climate strategy and goals approval. Discussion and analysis of alternatives to achieve climate change targets. Discussion of climate risk quantification and the opportunities deriving therefrom.
Steering Committee	Evaluate Grupo Argos's position and proposed action plans within the Corporate Group's climate change strategy. Define guidelines for the businesses on climate change issues.	Quarterly	Presentation of the climate change strategy work plan. Presentation of emissions reduction targets, climate risks, and commitments assumed.
CEO Committee	Frame the businesses' strategies within the Corporate Group's climate change strategy. Proactively manage and monitor climate change risks and opportunities. Create synergies and share experiences that will allow us to attend to the needs of one business with the capacities that exist in others. Identify opportunities related to new businesses or business model innovations.	Quarterly	Follow up the work plan for strategy execution. Present and monitor the work done for implementing the strategy and its targets and commitments.

02 STRATEGY

Strategy

At Grupo Argos we work to become a consolidated infrastructure asset manager that is a reference for the Americas, capable of attracting institutional capital to grow selectively and profitably with the development of regional platforms.

To date, and after the spin-off of Cementos Argos's non-cement assets in 2012, the company has built an important asset base focused on the infrastructure sector. The experience developed over nine decades in the cement business allowed us to consolidate, in a little under ten years, an important asset base in the segments of electrical power generation, transmission, distribution and commercialization, roadway and airport infrastructure, urban development, and real estate returns.

At the end of 2021, 36% of Grupo Argos's separated income came from the real estate business, 33% from the cement business, 27% from the energy business, 17% from financial activities, and -14% from the concessions business. This confirms the progress we have made over the last decade with the organization's strategy that has focused on developing a business model as an asset manager to maximize the profitability of invested capital and returns on invested capital due to its asset management capabilities.

To fulfill this strategy, and understanding the context and the speed at which the planet must make progress with global environmental needs, social gaps, and consumption habits, we firmly believe in the need to understand and prioritize the effects of climate change within our investment processes, understand how the current and potential impacts of climate change risks and opportunities can affect the performance of our businesses, and design the required transformations for capital allocation processes and short-, medium-, and long-term financial planning within this context.

Carbon neutral outlook

2022
Grupo Argos Real Estate Business

2023
Celsia

2025
Odinsa

2050
Cementos Argos, carbon neutral concrete

- Grupo Empresarial Argos's 2050 goal has intermediate targets to reduce Scope 1 and 2 Greenhouse Gas (GHG) emissions by 2030:
- In terms of intensity, reduce CO_2e emissions by 46% per million pesos in revenue compared to 2018.
- In overall terms, reduce CO_2e emissions by 37% compared to a 2015 baseline.

Within this framework, we have understood that Grupo Argos needs to continue implementing actions along the following lines:

1. Lead the articulation of work teams with members from the different companies to ensure fulfillment of the Corporate Group's climate change strategy and its alignment with Science Based Targets (SBT). Our roadway and airport concessions businesses already have approved science based targets, and we expect our Cement and Energy businesses to be certified in the short term. We will analyze how viable and necessary it is to have SBTi-aligned targets for Grupo Argos in its role as asset manager.
2. Participate in the construction of climate change-related public policy in our geographies of interest.
3. Work toward financially structuring climate change projects that will allow the Corporate Group to:
   - Implement climate change solutions in the short term.
   - Find joint funding options and accelerate the development of research and development initiatives for the main challenges of the Infrastructure sector, which is the focus of our investments.
   - Make progress with the company's conscious investment process to make sure capital flows are more closely aligned to defined targets.

Celsia Solar Yumbo

In parallel, the businesses in which Grupo Argos has investments will continue leading processes focused on their industries. These will consider at least the following aspects:

- Definition of annual climate change targets based on 2030 roadmaps.
- Executive compensation aligned with target fulfillment.
- Action plans drawn up for 2030 to 2050.
- Proactive climate change risk and opportunity management, including alignment with the company's financial affairs.
- Periodic reports to the BD sustainability and government committees and a report to the BD at least once a year.

Scenario analysis

To embark upon the process of identifying potential climate change scenarios and understanding how these may affect our asset management strategy, we have built out the following three scenarios, based on scenario planning exercises and technological oversight in the sectors where we have a presence.

Scenario <1.5°C

Countries cooperate efficiently in the global effort to reduce CO_2 emissions and prevent temperature increases of over 1.5°.

- As a result of this cooperation, the technologies required for the corporate sector to reduce costs in the transition towards a low-carbon economy are made viable.
- Within this scenario, portfolio businesses are adjusted in line with global targets (e.g., Cement).
- New businesses incorporate climate alignment into their operating models, creating an efficient diversification strategy.
  - Our businesses maintain and/or improve their long-term competitiveness and profitability.
  - Our businesses adapts to physical risks (acute and chronic).

Scenario >1.5°C and <2.0°C

Global cooperation has mixed outcomes (e.g., China vs. USA) and the planet does not achieve neutrality by 2050, creating asymmetries in climate risks and opportunities.

- Technologies are not developed cost-efficiently and a structure with "winners" and "losers" arises.
- Our businesses have mixed long-term profitability and competitiveness outcomes.
- A diversification strategy allows developing and scaling certain businesses in line with climate targets.
- Physical risks are tolerable and businesses maintain their continuity and capacity for adaptation.

Scenario >2.0°C

No global cooperation. The planet heats up by more than 2°.

- Gaps appear between countries and businesses with more capital.
- Our portfolio loses profitability due to regulatory responses and/or lack of access to technology.
- New businesses are less competitive than global competitors.
- The organization does not manage to develop and scale businesses aligned with climate targets.
- Our businesses suffer material consequences due to the materialization of physical risks.

Microalgae
Cementos Argos

Additionally, to complement the processes and actions mentioned above and to guarantee the Corporate Group's resilience and competitiveness, we continue strengthening the following mechanisms:

Nature-based solutions (NbS): We have become consolidated as the private company that has made the greatest contribution to restoring the country's forests with 11 million native trees planted between 2016 and 2021. This figure was made possible by Celsia's ReverdeC project, which has led the reforestation process in Valle del Cauca and Tolima, planting over 7.8 million trees, and Fundación Grupo Argos's Sembrando Futuro project, which contributes to water security in the territories and has planted over 1 million trees per year since 2021. We are convinced that this type of work supports both the ecosystems themselves and the benefits they provide that help solve environmental and social problems, including climate change. We intend to continue working along these lines and increasing massive voluntary tree planting activities, with approximately 4.5 million additional individuals planted in 2022.

Conscious investment processes: Acceptance criteria within due diligence processes for mergers and acquisitions include climate change considerations, including new CO_2e emissions projections, social impact based on our Value Added Statement model, and action plans to ensure transactions are aligned with our climate goals and anticipate potential risks in different sectors.

Internal carbon price: Considering Grupo Argos's nature as an investment manager, currently listed on the Colombian stock market, our internal carbon price is linked to the country's current regulations, which is at around 5 USD/t CO2. However, in our role as strategic architect, we are working on strengthening internal carbon price application for Grupo Argos and each of the businesses where it has investments, according to their geographies, industries, and the regulations of the countries where they operate.

Innovation and Corporate Ventures: Investment project and vehicle management by Grupo Argos and/or our business to ensure early adoption and development of new technologies to improve our portfolio's competitiveness. These include energy storage initiatives, electrical infrastructure, green products and services for cement business clients, shared micro-mobility models, among others.

Outlook:

We will strengthen our climate scenario construction process to invest in highly uncertain and/or early-stage technologies and business models.

We will continue exploring innovation ecosystems related to CO_2 capture and reuse.

We will strengthen application of the internal carbon price within decision-making processes in both Grupo Argos and the businesses we have invested in.

03 RISK AND OPPORTUNITY MANAGEMENT

Risk Management

Climate change risk analysis process

Comprehensive risk management that considers the effects of climate change enables an agile and proactive assessment of the favorable and unfavorable impacts that could affect business performance and the achievement of our strategic objectives.

Our Comprehensive Risk Management System (SGIR, in Spanish) is an iterative process, fed into by different sources, including strategic planning, risks in strategic businesses, the materiality analysis, conversations with stakeholders, and environmental trends. The Board of Directors and the Steering Committee have prioritized 6 strategic risks, including climate change risks. We used the COSO-WBCSD methodology to ensure climate change risks are identified, measured and managed, endeavoring to include their impact in our capital allocation and structure models.

Grupo Argos Strategic Risks	
1 Capital costs and allocation	**4** Reputation
2 Social, political and economic environment	**5** Human talent
3 Climate change	**6** Technology and cybersecurity

The Company also has in place a Corporate Risk Policy and Handbook that define roles, responsibilities, procedures and tools for systematic and anticipated risk management. These guidelines are the foundation for integrating climate change risks into our SGIR, based on a "three lines of defense" model:

First line: The strategy and mergers and acquisitions teams are responsible for assessing climate change risks and opportunities in the industries where we have investments. They are also responsible for monitoring global and sectoral trends to feed back into the strategic process.

Second line: Risks and Sustainability teams assist these investment teams with understanding climate phenomena and their integration with business models, ensuring companies have the tools to monitor and manage them. They also support the construction of quantification models to define whether risk-return ratios are consistent with investment goals. Finally, Risks and Sustainability teams build trend dashboards and make recommendations on reporting standards for for communicating their management to different stakeholders.

Third line: The audit team independently verifies the control environment and the measures that help improve controls and management plans, including mitigation, adaptation and compensation activities. It also accompanies target and metric verification processes with external auditors and verifiers.

Table 2

Risk Type	Risk Name	Risk Description	Impact Description
Transition	1. Limited access to capital due to climate change requirements.	• Negative marks from shareholders, investors, and capital suppliers. • Participation in high emissions sectors. • Flaws in process adjustments and non-compliance with environmental targets or international agreements. • Scandals arising from environmental issues that reduce the appetite of investors and capital suppliers.	• Higher capital costs. • Lack of resources for project development. • Lower share liquidity due to exclusion from indexes and funds. • Portfolio value affected by exclusions or negative markings by investors.
Transition	2. Impaired value of investments or assets due to changes in regulations, operating standards, or other stakeholder requirements.	• Asset unfeasibility due to high climate impacts. • New taxes or offset systems that create cost overruns for operations. • Changing environmental policies that restrict operations. • New operating standards adjusted to international commitments. • Changing consumer preferences due to a high carbon footprint of products or services. • Social and environmental activism that make projects or operations unfeasible. • Changing trends around urban development and construction regulations.	• Cost overruns at operations related to taxes, certifications, or investments to adopt new operating standards. • Cost overruns and/or delays with project design and execution. • Reduced revenue from lost market share or clients with new preferences. • Economic and accounting impairment of investments affecting portfolio profitability. • Impaired reputation.
Physical	3. Impaired value of assets or investments due to the physical impact of climate change.	• Assets located in areas that are highly vulnerable to climate events. • Damage to equipment and physical infrastructure from higher intensity environmental events. • Interrupted operations due to climate events (e.g., rains, landslides, etc.). • Lack of natural resources for operations.	• Cost overruns due to equipment maintenance and repair. • Higher investments to adapt facilities. • Reduced revenue due to interrupted operations. • Restricted or more expensive insurance program.

Climate change risk quantification:

Risk management for the organization is leveraged by quantitative and analytical tools. Several risk calculators were developed for climate change risks to model different physical and transition risks. The purpose of these quantitative exercises was to calculate short- -using cashflow projections- and long-term impacts, discounting said impacts to find potential equity value effects.

Assessed transition risks include regulatory changes regarding taxes and the creation of carbon credits, climate variations that affect energy generation and commercialization activities, changing consumer preferences, investments or cost overruns, among others.

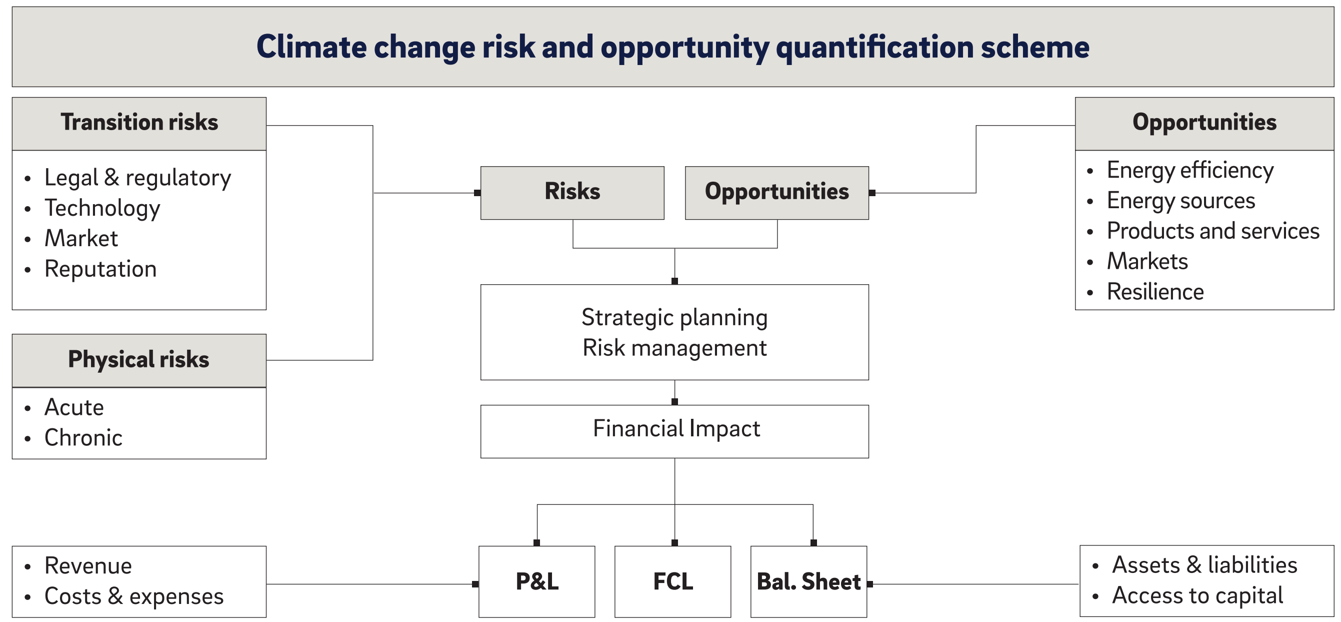
As regards physical risks, we have georeferenced the facilities where our Corporate Group operates. Several natural threats have been assessed including hurricanes, floods, droubts, tropical cyclones, and electrical storms, among others. These exercises have also sought to incorporate new IPCC (*Intergovernmental Panel on Climate Change*) scenarios, to model impacts deriving from physical and transition climate change risks.

We have also designed a risk measurement cycle to strengthen the way risks are measured and integrate their results into long-term financial models for making profitability, capital structure, and risk management decisions.

Table 3

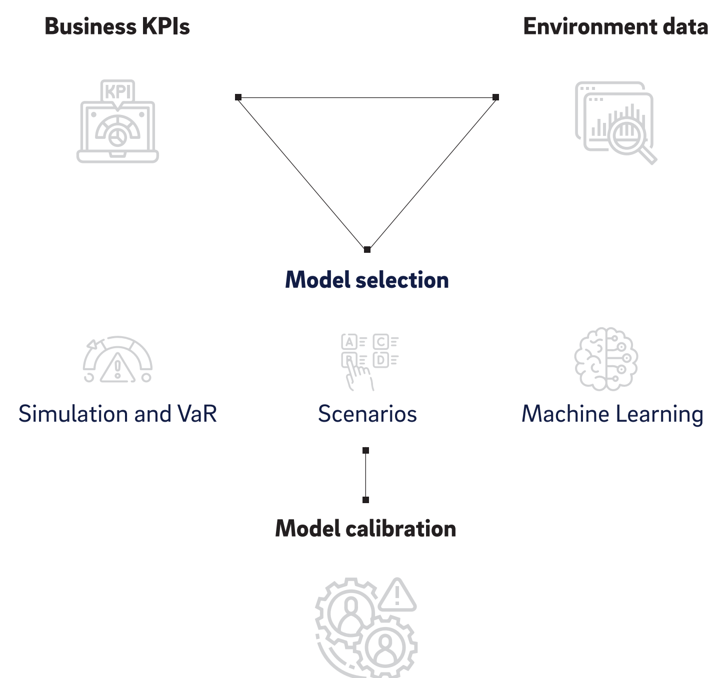
Risk Name	Quantification
1. Limited access to capital due to climate change requirements	• An MSCI study on the impact of the ESG rating on the cost of capital (WACC) found an inversely proportional relationship between the two. It used a sample of 960 companies on the MSCI Emerging Markets index and divided it into quintiles according to their ESG performance, with the companies with the highest score in the highest quintile. A comparison between the highest and lowest quintiles (5-1) found that differences between the costs of capital were between 50 bps and 115 bps depending on the type of industry. • In the specific case of companies in our portfolio and according to the GICS industry classification, WACC differences found were 90 bps (Materials), 73 bps (Utilities), and 103 bps (Industrial). These differences are related to overall ESG factors and not just to climate change. It should also be considered an acid scenario, as we assumed the companies are at the bottom of the sample and not included in the intermediate quintiles.
2. Impaired value of investments or assets due to changes in regulations, operating standards, or other stakeholder requirements	• According to the prioritized transition risks for each sector where we have a presence (e.g., regulatory, market, technology, and reputation), we estimate potential impacts of between ~COP 220 and 340 billion, corresponding to ~5%-8% of annual consolidated EBITDA. • Highlights of the assessed scenarios include costs related to the implementation of taxes and regulated markets on CO_2eq emissions that mainly affect our cement business, a structural change in water resources that would affect our electrical power generation and commercialization revenue, and changes in technical design and construction conditions that modify infrastructure uses.
3. Impaired value of assets or investments due to the physical impact of climate change.	• We have assessed 539 assets considering 10 types of natural threats deriving from climate change. After prioritizing the facilities with the greatest threat levels and comparing their exposure to insured limits under each company's insurance program, we calculated a potential impact of between ~COP 22 and 28 billion (~0.5% of consolidated annual EBITDA)

The results of these measurements have also allowed us to connect risk management with funding mechanisms, including insurance and loans tied to ESG indators, among others.



Source: TCFD

Risk measurement cycle



The risk and opportunity measurement process, aligned with TCFD recommendations, uses strategic business indicators and environmental data to build quantification models. We update our models and calibrate our results periodically, as we obtain new information on the environment and on measures implemented by the businesses.

Engagement processes with subsidiaries on their climate change risks

Besides the process described in the Governance chapter, the main engagement mechanism between Grupo Argos and its business on climate change risks starts with high level participation by the Grupo Argos Steering Committee on each business's Board of Directors, where management mechanisms implemented by the administrations are discussed and the company's climate change strategy is followed up by the delegated Committees (Risks and Sustainability).

In turn, Grupo Argos's climate change risks are aligned with the risks of the businesses to guarantee that business fundamentals and trends connect to its portfolio and to share synergies and best practices between the businesses, understanding their specificities.

On the other hand, the Grupo Argos risk team engages permanently with risk teams at the strategic businesses, subject to the following principles:

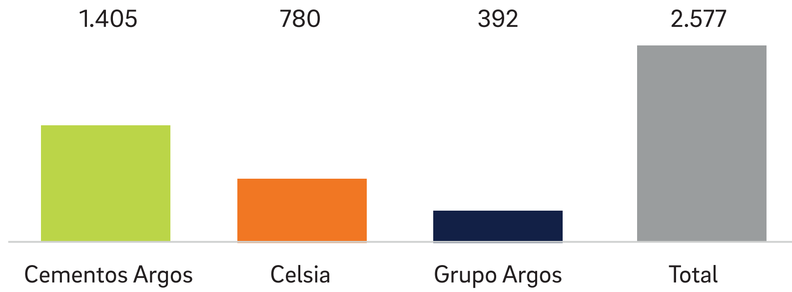
- Quarterly reports to the holding company's risks area on strategic risks at subsidiaries.
- Monthly meetings between the holding company's and the subsidiary's risk areas to follow up on key topics.
- Expanded risk committees to monitor global and business risks.

The businesses' vision focuses on organizational resilience and climate change adaptation. Thus, our strategic businesses have continuity and disaster recovery plans reviewed and approved by governance bodies with participation from the Grupo Argos Steering Committee.

Employees
Grupo Empresarial Argos

Opportunity analysis

Besides the risk analyses performed by Grupo Argos, the company also monitors the opportunities that climate change can offer, aligned with the business strategy. Thus, understanding the relevance of an optimum capital structure for our strategy, as well as our conviction regarding the expansion of climate change topics in different areas of the business, as a company we have become pioneers in sustainable financing in Colombia. This capitalizes on the efforts made towards sustainability and takes advantage of funding opportunities that incorporate ESG criteria. To date we have managed 8 loans for COP 2.57 trillion that are tied to specific net and absolute CO_2e emissions reductions indicators.



At the close of 2021, 26% of Grupo Argos's debt was tied to sustainable performance.

Table 4 The main opportunities identified are summarized below:

Time Horizon	Cement	Energy	Concessions
Short – Medium Term (< 5 years)	• Energy efficiency (biofuels, renewable sources, and alternative fuels) • Green concrete (Optimized clinker-cement ratio) • Waste reuse and circular economy	• Massification of unconventional energy generation sources • Distributed generation • Energy efficiency services • Sustainable funding sources	• Circular economy for roadway construction projects • Energy efficiency at airports • Sustainable funding sources
Long Term (> 5 years)	• Carbon capture and use (CCU) • New low carbon and recyclable materials and products • Electric kilns • Hydrogen	• Massification of electric mobility • Micro-networks • Batteries and energy storage • Smart meters and consumption systems • Hydrogen • Participation in carbon markets • Carbon capture and use (CCU)	• Transport infrastructure that supports electric mobility • Use of adjacent plots for renewable energy generation or forestry projects

Outlook:

In 2022, we will continue expanding our strategic oversight to make progress with risk identification and quantification and to take advantage of any opportunities that may arise.

04 METRICS AND INDICATORS

Metrics and Indicators

At Grupo Argos we are committed to actively working towards the transition to a low carbon economy, because we understand that climate change brings great challenges and opportunities for our planet. Regarding metrics, in 2021 we made progress with reporting our scope 3 emissions as a transparency measure towards our stakeholders. In 2022, as a company, we will continue defining the most adequate metrics as we consolidate our strategy as an asset manager.

For more information see the environmental dimension of our **ESG Databook 2021.**

Table 5. Separated indicators for Grupo Argos

Indicators	Unit	Years 2018	2019	2020	2021
Direct and indirect GHG (tCO_2eq) emissions					
Direct GHG emissions (Scope 1)	tCO_2e	313	210	114	146
Indirect GHG emissions (Scope 2)	tCO_2e	31	39	60	43
Other indirect GHG emissions (Scope 3)*	tCO_2e	15,372	22,013	21,373	19,108
Overall GHG emissions (Scope 1, 2 & 3)	tCO_2e	15,717	22,262	21,547	19,297

2021 Figures
*The number of categories measured under Scope 3 increased in 2019, from 4 to 6 categories considered relevant.

As part of our role, Grupo Argos led the Grupo Empresarial Argos Climate Change Strategy, approved at the end of 2020.

Our climate change goals

2030 Goal | Progress by 2021

Intensity target for 2030
Reduce the intensity of direct and indirect CO2e emissions by 46% per million COP in revenue.

↓ 17% tCO_2e/M of revenues in COP

2018 baseline

Overall target for 2030
Reduce direct and indirect CO2e emissions by 37% in absolute terms.

↓ 23% of tCO_2e emissions

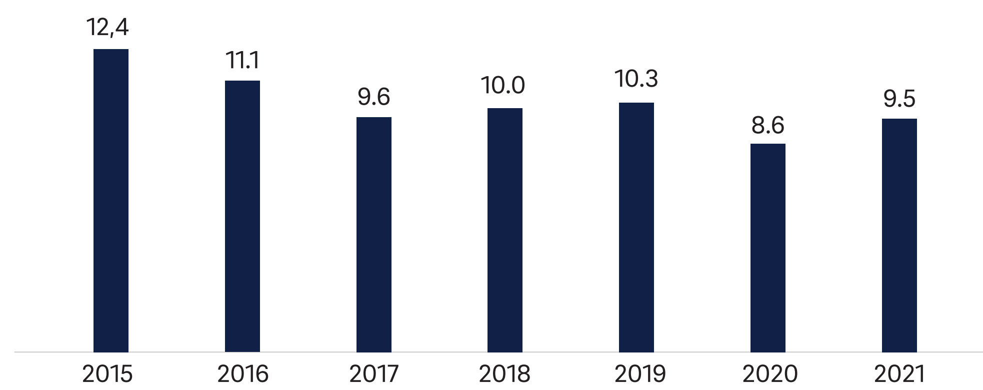
2015 baseline

The overall emissions reduction goal represents close to 4.5 million tons less of CO_2e by 2030.

The financial control approach was defined for consolidating CO2e emissions for Grupo Empresarial Argos as it is for consolidated revenue. In both cases, emissions and revenue from portfolio investments were discounted according to GHG Protocol guidelines.

Our corporate group has come a long way with its efforts to reduce its emissions. To date, we have achieved a 23% reduction in overall Scope 1 and 2 CO_2e emissions compared to our 2015 baseline. This represents a carbon footprint reduction of close to tCO_2e as at 2021. The carbon footprint of the Corporate Group and its subsidiaries has been reported publicly for over 6 years in the Grupo Argos Annual Integrated Report and in the reports issued in each company's reports.

Historical GHG emissions (tCO_2e)



It should be mentioned that emissions reductions in 2020 are because it was an atypical year because of the pandemic, which implied closing several of our businesses' operations for several months.

To date, we have reduced our overall CO_2e emissions by 23% compared to our 2015 baseline, or close to 2.8 million tons of CO_2e by 2021.

Tabla 6. Indicadores consolidados para el Grupo Empresarial Argos*

Indicadores	Unidad	Años 2015	2018	2019	2020	2021	Meta 2030
Direct and indirect GHG (tCO_2eq) emissions							
Direct GHG emissions (Scope 1)	tCO_2e	11,969,756	9,513,123	9,735,212	8,112,524	8,959,958	
Indirect GHG emissions (Scope 2)	tCO_2e	415,605	487,812	523,356	501,957	526,327	7,803,358
Overall GHG emissions (Scope 1 & 2)	tCO_2e	12,385,362	10,000,935	10,258,568	8,614,481	9,486,285	
Absolute reduction in direct and indirect emissions (%) (2015 baseline)	tCO_2e		-19%	-17%	-30%	-23%	-37%
Intensity of direct and indirect emissions (2018 baseline)	tCO_2e/ Mn COP		0.72	0.63	0.62	0.60	0.39
Variation compared to the 2018 baseline	%		0%	-13%	-13%	-17%	-46%

2021 Figures
* For more information on Grupo Empresarial Argos climate change indicators and details for the different companies, please visit **www.argos.co** - **www.celsia.com** - **www.odinsa.com**

Outlook.

- We will meet the goals in the climate change strategy defined for the Corporate Group, leading, from Grupo Argos, the creation of work teams with members from the different companies to accompany all related action plans.
- We will lead and manage the measurement and dissemination of Scope 3 CO_2e emissions for Grupo Argos to evaluate different initiatives to reduce emissions throughout our value chain.

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