

Socially Responsible Investment Policy

November 2023



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1. Introduction

Santander Asset Management Luxembourg, S.A. (hereinafter “SAMLux”), through its activities, can have a relevant impact on society and the environment.

On the other hand, environmental, social and governance aspects (hereinafter ESG) can have an impact on investments.

In this sense, there is already a high degree of consensus in the asset management sector that considering ESG aspects in investment decisions helps to better manage risks and explore new value creation opportunities for clients and society.

As asset manager, SAMLux has the fiduciary duty to always act in the long-term interest of its clients. In order to fulfil this duty, it is necessary to consider the financial aspects together with the extra-financial ones in order to have a more complete vision of the assets under management, which often results in better-informed investment decisions.

Consequently, SAMLux’s purpose is to act in a responsible manner, assuming a series of commitments beyond legal obligations, through a better management of risks and opportunities (including those related to sustainability), seeking to meet the financial objectives of customers while contributing to a sustainable development of businesses and society.

SAMLux’s purpose is to try to maximize its contribution to sustainable development, promoting the positive impact of its activities, while being aware that these can generate adverse impacts on sustainability factors, which must be managed properly, trying to minimize them whenever necessary, keeping in mind the objective of always acting in clients’ best interest.

SAMLux’s socially responsible investment approach is inspired by the United Nations Principles of Responsible Investment:

- Incorporate ESG issues into investment analysis and decision-making processes.
- Incorporate ESG issues into our ownership policies and practices.
- Seek appropriate disclosure on ESG issues by the entities in which SAMLux invests.
- Promote acceptance and implementation of the Principles within the investment industry.
- Work together to enhance SAMLux effectiveness in implementing the Principles.
- Report on SAMLux activities and progress towards implementing the Principles.

This policy defines SAMLux’s approach to socially responsible investment (hereinafter SRI) and defines the criteria considered in the integration of ESG variables in the investment process. It also incorporates relevant aspects within the SRI and as part of its fiduciary duty, such as the exercise of voting rights and *engagement*, which are described in detail in the corresponding policies defined in this regard.

2. Scope of application

This policy is intended to apply to all assets, sectors and countries in which SAMLux invests through its active management products. Those funds that are passively managed (such as guaranteed, structured or index funds) fall outside the scope of this policy.

The investment process defined in point 4 of this policy includes direct investment in equities and fixed income, as well as indirect investment through funds managed by third parties. In the case of funds mandated to third-party managers, SAMLux

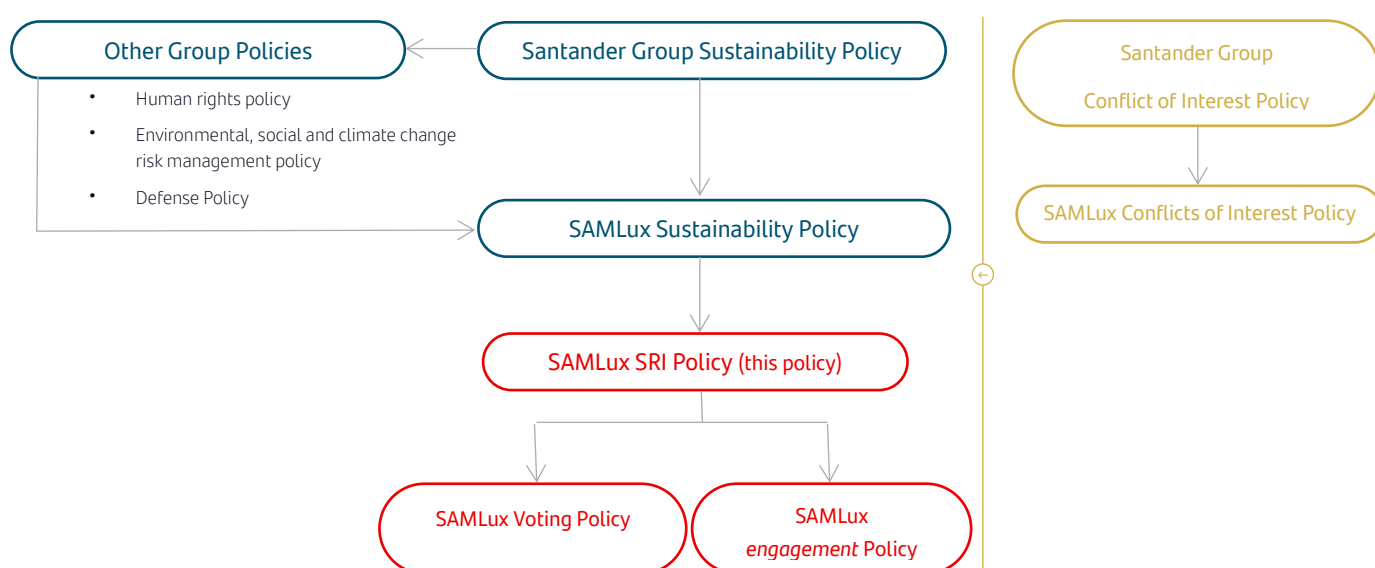
performs an analysis of the manager's ESG capabilities, which is incorporated into the RFPs (*Request for Proposal*), being especially relevant for mandates with an SRI approach.

3. General principles and relationship with other policies

This policy, which defines the general guiding principles of SAMLux regarding socially responsible investment, is based on the best practices included in international conventions and protocols, codes of conduct and internationally relevant guides on this particular subject, including:

- UN Principles for Responsible Investment
- UN Global Compact
- United Nation Sustainable Development Goals.
- United Nations: Universal Declaration of Human Rights.
- The United Nations Guiding Principles on Business and Human Rights.
- OECD guidelines for multinational companies.
- The International Labour Organization's (ILO) Fundamental Conventions.
- Agreements reached at the 2015 COP21 summit on climate change in Paris.
- Task Force on Climate Related Financial Disclosures Recommendations - Financial Stability Board
- United Nations Convention Against Corruption
- Conventions and treaties on non-proliferation of weapons included in Santander Group's General Policy on Defence Sector
- International Corporate Governance Network (ICGN) Global Stewardship Principles
- OECD Principles of Corporate Governance
- Local Corporate Governance Codes (e.g. Spanish National Securities Market Commission's (CNMV) Code of Good Governance, UK Stewardship Code, AMEC Stewardship Code in Brazil, etc.)
- Net Zero Asset Managers Initiative

This policy is complemented by other policies of SAMLux, SAM and Santander Group, according to the following chart:



4. ESG investment methodology, tools and processes

SAM LUX delegates the portfolio management function to SAM (asset manager business of the Santander Group), or third-party portfolio managers where the external portfolio manager is responsible for the investment decision process.

Investment managers carry out an ESG assessment of the different assets in which they invest, which allows a broader view of the sustainability risks and opportunities they present. This analysis seeks to identify those issuers that are better prepared to face future challenges and, therefore, have policies and management systems with greater potential for positive impact on society and the environment and that allow them to anticipate and avoid potential ESG risks.

The ESG assessment is a robust process that takes into account different components:

- A valuation analysis where the behaviour of issuers is assessed in relation to different environmental, social and governance factors. For this assessment, investment managers use the information provided by external data providers, incorporating it into their own valuation methodology.
- Exclusions based on the nature of the activities carried out by the issuers or on the identification of risks through the monitoring of possible controversial issues. The exclusions are based, among others, on the policies of Santander Group, which apply to different sensitive sectors.
 - Exclusion list of defense companies linked to the manufacture of controversial weapons defined by Grupo Santander is detailed in Annex II.
 - Concerning exclusions defined in the Santander Group's environmental, social and climate change risk management policy, the following ones can be stated:
 - Companies involved in exploration and production for whom the activities derived from the combination of fracking, tar sands and Arctic oil & gas account for more than 30% of their activity.
 - From 2030, any entities with more than 10% of revenues, on a consolidated basis, directly derived from coal fired power generation and entities that own thermal coal mines worldwide.

These exclusions apply progressively until 2030. For exceptional cases such as the energy sector in Poland, it can be considered a roadmap with a more relaxed timetable, in order to achieve the same objectives by 2030 taking into account the characteristics of the local market.

- For other prohibited activities, defined in the Santander Group's Environmental, Social and Climate Change Risk Management Policy, that may potentially be applicable to SAMLux's business, the Manager carries out a continuous review of the available data by external suppliers to determine its possible application.

The implementation of the exclusions included in the Santander Group's environmental, social and climate change risk management policy to third party managed non-ESG funds will be assessed on a case-by-case basis.

In addition, other exclusions may be applied for non-compliance with regulations or are related to specific SRI products conditions.

The ESG evaluation of companies is based on the concept of double materiality and takes into account the impact of ESG criteria on investments, as well as the impact of investments on sustainability factors. This assessment is composed of

general analysis criteria - common to all sectors - and specific criteria - depending on the sector and activity - covering all relevant ESG aspects related to the essential thematic areas for an environmental, social and good governance analysis. In the case of third-party funds, and when possible due to information availability, SAMLux conducts an ESG analysis in order to assess their alignment with SAMLux's SRI approach.

5. Voting and engagement

SAMLux monitors the companies in which it invests in order to protect the interests of his clients, promote long-term value creation, manage risks and promote good governance in companies. Therefore, it carries out voting activities that are based on the SAMLux voting policy.

Voting

SAMLux's voting policy establish the guidelines to be considered in the voting process at the annual general meetings (and extraordinary general meetings, if applicable) of the companies in which SAMLux invests in. The policy is aligned with the applicable legislation and voluntary codes promoting best practices, and it is consistent with the respective objectives of each portfolio. SAMLux aspires to exercise its right to vote whenever possible and when the costs associated with exercising the right to vote do not exceed the potential benefits. The information necessary to decide the vote comes from different sources that include internal analysis and can take as an input the recommendations of an external proxy advisor.

SAMLux is responsible for controlling any potential conflicts of interest that may arise from exercising their right to vote. In the event of a conflict of interest, the provisions of the Voting Policy, the SAMLux Conflict of Interest Policy and the Santander Group Conflict of Interest Policy will apply.

Engagement

SAMLux seeks a double objective through dialogue and engagement activities with the companies in which it invests. On one hand, to understand in depth the issuers' business model, risks and opportunities. On the other hand, to promote change, so as to improve the strategy, management and reporting of environmental, social or governance aspects that are material for each issuer, with the aim of protecting the value of SAMLux's investments.

As SAM LUX delegates the portfolio management function, is the engagement policy of each Investment Manager which defines the implementation of SAMLux's fundamentals regarding these engagement activities, which focus on those issues that are most relevant and have a greater impact on the value of the assets.

Likewise, SAMLux, due to its condition of wholly owned subsidiary of SAM, collaborates with other agents (other asset managers, investors networks, etc.) in order to promote socially responsible investment. Through its participation in initiatives such as the Principles of Responsible Investment of the United Nations and forums such as Spainsif in Spain and Sustainability Technical Group at ANBIMA (Brazilian Financial and Capital Markets Association) in Brazil, SAM encourages the consideration of environmental, social and governance criteria in the sector, promotes knowledge regarding socially responsible investment and participates in a dialogue with stakeholders to facilitate the development of SRI.

6. Transparency

SAMLux expects issuers to report on the ESG aspects that are relevant to their activity and that can substantially influence the analysis and decisions of investors and other stakeholders.

In addition, being responsible for the investment implies being transparent about how SAMLux incorporates ESG aspects into its investment decisions. Therefore, SAMLux makes its socially responsible investment policies available to its stakeholders, being accessible on the website.

Similarly, SAMLux strictly monitors and complies with any legal reporting requirement.

The periodic information that customers receive about SAMLux's SRI products includes information related to the ESG analysis whenever it is considered appropriate and complying, in any case, with applicable regulation. The information may be communicated using different channels and formats (mails, reports, videos, etc.) As for its employees, SAMLux promotes information sharing on its activity in terms of socially responsible investment.

SAMLux is committed to transparency promotion so that all its stakeholders receive quality, accurate and timely information about their socially responsible investment management. To this end, it promotes the continuous improvement of the reporting systems to provide better information about the incorporation of ESG criteria in the investment processes, as well as information regarding the voting activities carried out by SAMLux.

7. Responsibilities and governing bodies

The SRI government in SAM consists mainly of 3 bodies:

- **Executive Committee (COMEX)**

The committee is comprised of the SAM Lux's Conducting Officers. It is responsible, together with the SAMLux Board of Directors, for approving and overseeing the compliance with SRI strategy. Occasionally and depending on the topics to be discussed, representatives from other areas may participate.

- **Sustainability Strategies Monitoring forum**

The forum is made up, among others, of the Conducting Officers of portfolio management, risk management and compliance. It is responsible for overseeing the implementation of sustainability strategies applied to ESG products.

- **Voting committee**

The committee is made up of the Conducting Officers of different areas of SAMLux involved in voting activities (portfolio management, compliance, risk management, legal, etc.) It oversees compliance with SAMLux's voting policies and monitors and controls all activities related to this policy.

In addition, there are other more specific working groups and forums, as well as reporting lines on SRI to the governing bodies (senior management) of SAMLux which are responsible for supervising the implementation of the SRI strategy.

8. Policy holder and update

The owner of this policy is The Board SAMLux, who is responsible for the approval and supervision of its implementation.

The content of this policy constitutes a process of continuous improvement that will be reflected in periodic reviews of this document.

This policy was last revised in November 2023 and is published for your general knowledge on the SAMLux's website.

Annex I: Glossary of terms

- **Socially Responsible Investment (SRI):** Type of investment that applies financial and extra-financial criteria in the analysis and investment processes.
- **Fiduciary duty:** legal obligation of one of the parties to act in the best interest of the other. The most important fiduciary duties are to act in the best interest of the client, avoid any conflict of interest (duty of loyalty) and act with due care, skill and diligence (duty of prudence).
- **ESG criteria:** Environmental, social and governance criteria.
- **Voting rights:** Shareholders' right to vote at general shareholders meetings on corporate policy matters, including decisions on the composition of the board of directors, the initiation of corporate actions, the making of substantial changes in the operations of the corporation, etc.
- **Engagement:** it is the practice of monitoring the behaviour of companies and establishing a dialogue with them, with the aim of improving information about them and promoting change in terms of strategy, risk management, ESG performance, etc.

Annex II – Prohibited activities of the Santander Group's Defence Policy

The Santander Group's Defence Policy establishes that, in accordance with its values and principles based on respect for human rights and in the interests of employees, customers, shareholders and society in general, Santander Group will not be involved in financing or support the manufacture, trade, distribution or maintenance services of the following materials defined as prohibited below:

- Anti-personnel mines
- Cluster Munitions ¹
- Chemical or biological weapons
- Nuclear weapons
- Ammunition containing depleted uranium.

Neither will it be involved in the financing to individuals, corporations or countries subject to the arms embargo and/or sanctions imposed by the European Union, the Organization for Security and Cooperation in Europe (OSCE), the United States, the Office of Foreign Assets Control (OFAC) or the United Nations.

In the case of SAMLux's investment activities, the policy is applied following the list of excluded companies defined for all funds, applying pre-trade controls, and excluding any company with exposure to these activities in SRI products based on available data provided by external suppliers.

¹ Definition of cluster munitions under Convention on cluster munition. Dublin 2008.