Statement on principal adverse impacts of investment decisions on sustainability factors

Santander Asset Management Luxembourg S.A.

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Financial market participant

Santander Asset Management Luxembourg S.A., (LEI code: 95980020140005541108)

Summary

Santander Asset Management Luxembourg S.A., (hereinafter "SAMLUX", the "Management Company" or the "Entity"), with legal entity identifier (LEI) 95980020140005541108, considers the principal adverse impacts of its investment decisions on sustainability factors. This statement is the consolidated statement on principal adverse impacts on sustainability factors of Santander Asset Management Luxembourg S.A.

This statement on principal adverse impacts on sustainability factors ("PAIs") covers the reference period from 1 January 2022 to 31 December 2024.

The results contained herein relate to the assets of the products subject to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR) of which SAMLUX acts as a management company of collective investment schemes, and in particular, this declaration includes all collective investment undertakings (CIUs) and other vehicles under management.

In accordance with the regulatory requirements and with the methodology for measuring and managing the principal adverse impacts (PAIs) prepared by the Management Company, the 18 mandatory indicators of adverse impacts on sustainability factors listed in Table 1 of the European Commission's Regulatory Technical Standards (RTSs) on ESG disclosures are taken into consideration. Two optional indicators are also taken into account: one relating to environmental aspects from Table 2 of Annex I, and another relating to social aspects from Table 3 of Annex I.

During the reference period, SAMLUX monitored the environmental, social, and governance (ESG) performance of the issuers (sovereign and supranational companies and entities) in which the collective investment undertakings administered by SAMLUX invest to protect the interests of the participants and shareholders of these CIUs, manage the risks, and comply with the best practices contained in international conventions and protocols, codes of conduct, and guidelines applicable to ESG matters.

The Management Company conducted periodic monitoring and tracking of the indicators to detect and mitigate the principal adverse impacts on sustainability in its products subject to the SFDR and on the issuers in which these vehicles invest. This exercise included all the financial products that consider PAIs at product level and those that do not.

SAMLUX identified the adverse impacts arising from its investments at two levels: at entity level for all products based on each issuer's relative performance in each PAI indicator, and at product level for products that consider PAIs, based on a benchmark comparison of the performance of the PAI indicators.

When an adverse impact has been detected, the Management Company has analysed the severity of the impact, the recurrence over time, the likelihood of success through dialogue (engagement) with the companies, the level of exposure and the type of PAI indicator for taking the related mitigation measures. Engagement with the issuers has been carried out in accordance with the principles described in the engagement policies of each of the Investment

Managers in which SAMLUX delegates the management and vote of SAMLUX. It is important to note that these engagement policies are aligned with that of SAMLUX. These measures are detailed herein in the section entitled *Description of the principal adverse impacts on sustainability factors*.

With respect to the adverse environmental impact, SAMLUX is, as part of the SAM Investment Holdings, S.L. ("SAM") group, a member of the Net Zero Asset Managers ("NZAM") initiative, which aims to reach net zero greenhouse gas emissions by 2050 ("Net Zero"). In line with this commitment, in 2024 SAM prioritised the evaluation of the performance of issuers with most adverse impact in terms of greenhouse gas (GHG) emissions, carbon footprint and intensity of GHG emissions. It also continued to implement its action plan to reduce this impact, paying particular attention to issuers whose activity represents a high climate risk.

In this context, SAM has been an active member of Climate Action 100+ since 2021. This collaborative engagement initiative aims to ensure that major greenhouse gas emitters adopt specific measures to combat climate change. In 2023, SAM also signed up to the Net Zero Engagement Initiative of the Institutional Investors Group on Climate Change (IIGCC), which aims to expand the scope of companies covered by CA100+. In 2024, this initiative proposed the addition of new companies to its focus list, which currently contains 160 companies. SAM signed the letters sent out in 2024 to all the companies included in its investment portfolio, with the aim of learning about their plans to align with the targets of the Paris Agreement. In addition, to enhance its involvement, SAM assumed the role of lead engager for one of the companies on this list. In 2024, SAM continued to engage on an individual basis on Net Zero matters and to prioritise the reduction of emissions in the sectors and by the companies in which it invests. It also took part in several meetings with companies through an external engagement services provider. Lastly, SAM sent information letters to 12 companies in various geographies, with the aim of conveying its expectations and encouraging alignment of their practices towards Net Zero.

SAMLUX (as an entity belonging to Santander Group) has prioritised its mitigation actions in the fossil fuel sector by applying the exclusions established in Santander Group's policies; it did not invest in issuers whose business focuses primarily on activities relating to non-conventional fossil fuels, coal-based electricity generation or coal mining in the CIUs and other vehicles for which SAMLUX acts as a management company.

With regard to adverse impacts in relation to social matters, in 2024, SAMLUX worked on ensuring adequate compliance with the United Nations Global Compact Principles and the OECD Guidelines, as established in Santander Group's policies. Specifically, at the reporting date, all the companies failing to comply with these principles and forming part of the portfolios of funds managed by SAM were subject to engagement activity carried out on a collaborative basis. As for the mitigation of adverse impacts relating to the gender diversity of the board of directors, the Management Company has a voting policy that takes into account the regulations and the local codes of good practice applicable in this area.

Description of the principal adverse impacts on sustainability factors

Principal adverse impacts are understood to be significant (or potentially significant) negative effects on sustainability factors caused by investment decisions.

In accordance with the regulatory requirements and with the methodology for measuring and managing the principal adverse impacts (PAIs) prepared by the Management Company, the 18 mandatory indicators of adverse impacts on sustainability factors listed in Table 1 of the European Commission's Regulatory Technical Standards (RTSs) on ESG disclosures are taken into consideration. Two optional indicators are also taken into account: one relating to environmental aspects from Table 2 of Annex I, and another relating to social aspects from Table 3 of Annex I.

For these indicators, SAMLUX has conducted a thorough analysis and follow-up in order to detect and mitigate any principal adverse impacts on sustainability arising from its activity, in accordance with an internal procedure defined for this purpose. This procedure has enabled SAMLUX to assess the context, significance and the mitigation actions to be taken for each indicator.

A table, included below, helps identify, for each PAI indicator, the parameter used for its measurement and the result for the indicator during the reference period and with respect to the previous reference periods (2022 and 2023) and, where appropriate, any significant mitigation measures or commitments undertaken by the Management Company. It also includes the degree of coverage of each indicator and the percentage of data reported by the underlying issuers.

These results refer to the cash assets (both through direct investment and indirectly through CIUs) that comprise the investment strategies of the CIUs and other vehicles for which SAMLUX acted as a management company during 2022, 2023 and 2024. Figures are included on direct and indirect investment in sovereign and supranational companies and entities, excluding exposure to derivatives . The quantitative reported figures were calculated as the average of the four reference periods (end of March, June, September and December 2022, 2023 and 2024).

The results of the PAI indicators are based on the data collected from and provided by external ESG data providers (Clarity AI and Sustainalytics).

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned, and targets set for the next reporting period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS							
Greenhouse gas (GHG) emissions	1. GHG emissions	Scope 1 GHG emissions	459,401.44 tonnes of CO2eq	259,855.6 tonnes of CO2eq	333,849.4 tonnes of CO2eq	Scope 1 GHG emissions relate to the direct emissions from sources owned or controlled by each company attributed to the investment made by the Management Company in each of them. The coverage of this indicator improved from 90% in 2023 to 95% in 2024. Scope 2 GHG emissions relate to indirect emissions caused by the energy purchased or acquired by each company, attributable to the investment made by the Management Company in each of them. The coverage of this indicator improved from 90% in 2023 to 95% in 2024. Scope 3 GHG emissions include indirect emissions arising from each company's value chain, attributable to the investment made by the Management Company in each of them. The coverage of this indicator improved from 88% in 2023 to 92% in 2024. Total emissions are calculated as the sum of these three scopes, the related coverage being 92%. The Management Company attributes the increase in reported emissions to a better coverage of the emissions. The data were compiled taking the figures disclosed in the non-financial reports or responses to leading questionnaires such as that of the CDP. The volume of reported data is 67% for scopes 1 and 2, and 49% for scope 3. In cases where emissions have not been reported, the data provider has used a proprietary emissions estimate model.	SAMLUX, as part of SAM, is a participant in the Net Zero Asset Managers initiative. It has undertaken to reach net zero greenhouse gas emissions by 2050 in line with the efforts to limit global warming to 1.5°C. As part of this commitment, at the end of 2024, SAM complied with the roadmap set for meeting its initial involvement target whereby 70% (and 90% in 2030) of its financed emissions in material sectors would relate to engagement initiatives or actions aligned with the IIGCC's Net Zero decarbonisation roadmap. To meet this target, in 2024, SAMLUX worked on the periodic identification and monitoring of issuers generating the most impact in terms of GHG emissions with the aim of applying the respective mitigation actions. This identification process was carried out using the criteria for GHG emissions (e.g. the volume of emissions and the issuer's performance with respect to its sector of activity) and other criteria such as the volume invested, geography, sector of activity, and the issuer's presence in SRI products). As an example of the engagement actions in this area taken in 2024, the Management Company continued its activity as part of the Climate Action 100+ initiative, through which SAMLUX co-led the
		Scope 2 GHG emissions	66,651.44 tonnes of CO2eq	47,628.1 tonnes of CO2eq	62,110.3 tonnes of CO2eq		
		Scope 3 GHG emissions	4,100,314.5 tonnes of CO2eq	3,073,571.2 tonnes of CO2eq	4,118,081.2 tonnes of CO2eq		
		Total GHG emissions	4.626.367,38 tonnes of CO2eq	3,381,054.9 tonnes of CO2eq	4,514,040.9 tonnes of CO2eq		

2. Carbon footprint	Carbon footprint	592.16 tonnes of CO2eq / EUR million invested	433.1 tonnes of CO2eq / EUR million invested	638.2 tonnes of CO2eq / EUR million invested	The carbon footprint represents the total volume of financed emissions per EUR 1 million invested by the Management Company. Including the Scope 1, 2 and 3 emissions of the underlying companies. These figures are obtained from the same sources as indicator 1. GHG emissions, and so the coverage percentage and the percentage of reported data are the same (92% and 49%, respectively).	engagement with a company from the Utilities sector. The Management Company also continued its activity as part of the IIGCC's Net Zero Engagement Initiative. In 2024, the initiative proposed the inclusion of new companies on the focus list, which already has 160 companies. SAM signed all the letters sent in 2024 to all the companies included in its investment portfolio. In 2024, SAM continued to engage on an individual basis on Net Zero matters, with the aim of prioritising a reduction of emissions in the sectors and by the companies in which it invests. It also took part in several meetings with companies using the services of an external engagement provider. Lastly, in 2024, SAM also sent information letters to 12 companies in various geographies where it operates, with the aim of conveying its expectations and encouraging alignment of their practices towards Net Zero. As for future reporting periods, SAM aims to continue to work on active engagement, identify new engagement opportunities and foster the alignment of its portfolio with the decarbonisation roadmap to meet its goal and reduce the potential adverse climate-related impact of its investments. Lastly, as regards voting, for companies that are significant emitters of greenhouse gas emissions, the Management Company is considering, as defined in Santander Asset Management group's voting policy, whether to vote against certain items on the agenda in cases in which the company has been identified as not taking the minimum steps required to be aligned with Net Zero by 2050.
3. GHG intensity of investee companies	GHG intensity of investee companies	1,060.59 tonnes of CO2eq / EUR million revenue	701.3 tonnes of CO2eq / EUR million revenue	953.9 tonnes of CO2eq / EUR million revenue	The GHG intensity of investee companies measures the GHG emissions normalised by each company's revenue, factoring in the volume of investment made by the Management Company in each position. The larger this indicator, the more intense the investments in the GHG emissions at the reporting date. This indicator is assessed taking into consideration Scope 1, 2 and 3 emissions. These figures are obtained from the same sources as indicator 1. GHG emissions, and so the coverage percentage and the percentage of reported data are the same (92% and 49%, respectively).	

4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	9.70%	7.57%	9.91%	This indicator shows the percentage volume invested divided by the total assets under management in companies that obtain revenue from the exploration, mining, extraction, production, transformation, storage, refining or distribution, including the transportation, storage and trade, of fossil fuels. These data are obtained by an ESG data provider on the basis of the companies' reports and do not include estimates. The coverage of this indicator remained at 89%, the same as in the preceding reporting period.	The management of exposure to companies active in the fossil fuel sector is based on the exclusions defined in Santander Group's Environmental and Climate Risk Management Policy. SAMLUX has adopted this policy and adapted it to its specific activity depending on data availability, with the aim of identifying the restrictions necessary for the investment, as detailed in its Socially Responsible Investment Policy, updated as of June 2024. In this context, the mitigation actions carried out by SAMLUX in relation to this indicator are primarily based on an exclusionary analysis applied to companies according to the nature of their activity. In particular, companies are excluded if they engage in exploration and production for which the activities relating to non-conventional oil and gas, or Arctic oil and gas, account for more than 30% of their activity. In addition, the Management Company maintains a commitment to not invest, as from 2030, in entities whose coal-based power generation represents directly more than 10% of their consolidated revenues, and in entities owning thermal coal mining sites. SAMLUX has set stricter exclusion criteria for fossil fuel sector companies, which are applied according to the investment strategy of the SRI products labelled as "sustainable" or "ESG". Lastly, as part of the classification of sustainable investments, SAMLUX considers that the assets with any exposure to the production of fossil fuels or with a significant investment in this sector cannot be classified as sustainable investments.

5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Consumption: 40.84 % Production: 1.43%	Consumption: 36.98 % Production: 1.09%	Consumption: 45.54 % Production: 1.44%	The consumption/production indicators show the percentage of non-renewable energy consumed or produced with respect to the total energy consumed or produced by each investee company, in proportion to the amount invested in each company. Non-renewable energy is defined as energy sources other than wind, solar and geothermal energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas. The coverage of the consumption data improved from 78% in 2023 to 84% in 2024. In contrast, the coverage of the value of production fell from 91% in 2023 to 89% in 2024. The data provider takes these values from the companies' reports and, accordingly, 100% of these figures are reported data.	The Management Company's own ESG classification methodology assesses the impact and the management of each company regarding environmental impact. This includes the analysis of policies, targets, and procedures for fostering the consumption of renewable energy according to the materiality of each sector. This classification is taken into account when taking investment decisions for SRI products. In order to mitigate the impact of its investments, the Management Company identified those underperforming worst in terms of production and consumption of non-renewable energy by comparing the performance of each company with respect to its sector, and it considered that these companies do not meet the minimum requirements to be categorised as a sustainable investment according to Article 2(17) of the SFDR since they do not guarantee the principle of not causing significant harm. Lastly, the Management Company channels its efforts so that these companies improve their performance by engaging with them on Net Zero matters, as described above.
6. Energy consumption intensity per high climate impact sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high climate impact sector	Total: 0.29 GWh / EUR million revenue Sector A: 0.0007 GWh / EUR million revenue Sector B: 0.069 GWh / EUR million revenue Sector C: 0.085 GWh / EUR million revenue	Total: 0.19 GWh / EUR million revenue Sector A: 0.0006 GWh / EUR million revenue Sector B: 0.045 GWh / EUR million revenue Sector C: 0.065 GWh / EUR million revenue	Total: 0.19 GWh / EUR million revenue Sector A: 0.001 GWh / EUR million revenue Sector B: 0.071 GWh / EUR million revenue Sector C: 0.088 GWh / EUR million revenue	The indicator shows each company's energy consumption normalised by its revenue for each high climate impact sector. The total coverage of this indicator rose from 94% in 2023 to 98% in 2024. However, the volume of reported data fell from 59% in 2023 to 57% in 2024. The breakdown by indicator is as follows: Sector A: Agriculture, Livestock, Forestry and Fishing with coverage of 96% (91% in 2023) and a volume of reported data of 75% (62% in 2023). Sector B: Extractive industries with coverage of 98% (87% in 2023) and a volume of reported data of 59% (64% in 2023).	The Management Company considers that the low volume of reported data for most high climate impact sectors makes it difficult to integrate the data into management decisions due to the lack of data robustness and possible volatility. However, as specified for the previous indicator, the Management Company integrates performance-related information in environmental matters into its ESG classification methodology that informs investment decisions for SRI products. This environmental classification considers the energy consumption of each issuer together with the existence of energy efficiency targets.

			Sector D: 0.104 GWh / EUR million revenue Sector E: 0.001 GWh / EUR million revenue Sector F: 0.0004 GWh / EUR million revenue Sector G: 0.002 GWh / EUR million revenue Sector H: 0.017 GWh / EUR million revenue Sector L: 0.011 GWh / EUR million revenue	Sector D: 0.072 GWh / EUR million revenue Sector E: 0.0009 GWh / EUR million revenue Sector F: 0.0004 GWh / EUR million revenue Sector G: 0.002 GWh / EUR million revenue Sector H: 0.012 GWh / EUR million revenue Sector L: 0.004 GWh / EUR million revenue	Sector D: 0.078 GWh / EUR million revenue Sector E: 0.001 GWh / EUR million revenue Sector F: 0.0003 GWh / EUR million revenue Sector G: 0.002 GWh / EUR million revenue Sector H: 0.013 GWh / EUR million revenue Sector L: 0.007 GWh / EUR million revenue	Sector C: Manufacturing with coverage of 98% (96% in 2023) and a volume of reported data of 58% (58% in 2023). Sector D: Electricity, gas, steam and air conditioning supply with coverage of 96% (92% in 2023) and a reported volume of data of 55% (65% in 2023). Sector E: Water supply; sewerage; waste management and remediation activities with coverage of 99% (71% in 2023) and a volume of reported data of 56% (53% in 2023). Sector F: Construction with coverage of 92% (95% in 2023) and a volume of reported data of 52% (47% in 2023). Sector G: Wholesale and retail trade; repair of motor vehicles and motorcycles with coverage of 97% (96% in 2023) and a volume of reported data of 53% (54% in 2023). Sector H: Transport and storage with coverage of 97% (92% in 2023) and a volume of reported data of 67% (69% in 2023). Sector L: Real estate activities with coverage of 97% (95% in 2023) and a volume of reported data of 57% (65% in 2023).	In addition, to identify the companies performing worse in each high climate impact sector and to mitigate the impacts from their energy consumption intensity, the Management Company compares the performance of each company with respect to its sector and excludes those performing worse with regard to classification as sustainable investments. In 2024, SAM periodically monitored companies generating most impact in terms of the greenhouse gas emissions in their portfolio through a process of asset classification using the IIGCC's Net Zero Stewardship Toolkit. This classification uses stricter criteria for companies with activity in high climate impact sectors. Priority is given to these companies in the implementation of Net Zero engagement activities.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	2.23%	1.42%	2.06%	This indicator shows the volume invested in companies engaged in activities that negatively affect biodiversity, in relation to the total assets under management. The reported amount is an estimate made by the data provider based on the existence of severe controversies regarding biodiversity. To obtain this data, the data provider analyses sources such as news items, press releases and NGOs, with the aim of detecting such activities that adversely affect biodiversity. To assign a severity rating to the incident, factors such as the magnitude of the incident, how the company managed it and the consequent reputational and business risks are assessed.	The Management Company monitors the impact on biodiversity through an analysis system that identifies activities that could adversely affect sensitive areas. This alert system detects new serious controversies in which the companies in the portfolio might be involved. In this sense, before making any investment in SRI products, the Management Company evaluated the company's exposure to controversies regarding substantial adverse impacts on biodiversity based on third-party sources, having excluded those companies with severe controversies from the investment universe.

						The coverage of this indicator improved from 82% in 2023 to 85% in 2024. A decline in the impact values over previous periods shows an improvement in the indicator's performance.	If the severe controversy occurs after the investment has been made, SAM's Investments and Sustainability Committee approves an action plan with respect to the funds managed by SAM, which may range from monitoring through public information sources and data providers to engagement actions. If a satisfactory response is not forthcoming from the company after a reasonable time, the issue is escalated and may lead to disinvestment from the company. In 2024, SAM carried out individual engagement actions with two companies that where generating an adverse impact on biodiversity, with the aim of gathering information on the mitigation measures they had implemented to minimise this impact. Lastly, in relation to biodiversity, the ESG classification methodology used by each Investment Manager assesses the company's impact on biodiversity and its management practices to prevent and mitigate this impact. This classification informs the decisions on investment in SRI products. Similarly, companies for which severe biodiversity-related controversies have been identified have not been classified as sustainable investments as they do not meet the principle of not causing significant harm.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.0075 Tonnes / EUR million invested	0.0013 Tonnes / EUR million invested	0.012 Tonnes / million EUR invested	This indicator measures the weighted average of the investee companies' emissions to water, taking into consideration the substances described in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council, and direct emissions of nitrates, phosphates and pesticides. The weighted average is expressed in tonnes of emissions per EUR million invested. Due to the specificity of the substances to be reported and the lack of disclosure by the companies, the	SAMLUX recognises that access to data on emissions to water is particularly limited in some of the sectors and geographies in which it operates. Accordingly, the Management Company considers that both the volume of data reported by the issuers and the coverage are insufficient, which could make it difficult to integrate them into management decisions due to their lack of robustness. However, for its SRI products, SAM systematically applies, for the funds it manages, an analysis of

						coverage for this indicator is 39% and the percentage of reported data is 24%. However, the Management Company observed a significant improvement in the availability and reporting of this indicator (32% and 19% in 2023, respectively), which did not lead to a deterioration of this indicator's performance.	sustainability-related controversies based on third-party sources in order to identify any companies causing a significant impact on the environment. In addition, with regard to water management, each Investment Manager's particular ESG classification methodology assesses each company's impact and management. This classification informs decisions on investment in SRI products. Lastly, SAM monitored those companies underperforming in emissions to water with respect to their sector of activity and it considered that these companies do not meet the minimum requirements to be classified as sustainable investments according to Article 2(17) of the SFDR.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	36.79 Tonnes / million EUR invested	45.57 Tonnes / million EUR invested	60.98 Tonnes / million EUR invested	The indicator calculates the weighted average of hazardous waste and radioactive waste generated by investee companies, per EUR 1 million. Hazardous waste was identified as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council, and radioactive waste according as defined in Article 3(7 of Council Directive 2011/70/Euratom. These figures are provided by the ESG data provider. The coverage is 93% (91% in 2023) and the percentage of reported data increased from 33% in 2023 to 35% in 2024.	

INDICATORS FOR SOCIETY AND EMPLOYEES, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.48%	0.6%	0.7%	This indicator shows the percentage of assets under management invested in companies that breach the above international standards. The study of these breaches was carried out by a specialised vendor, rather than the information being reported by the companies involved. Hence, these figures were estimated by the data provider. The identification of these breaches is based on the findings of the ESG data provider on the companies' compliance with the UN Global Compact and the OECD Guidelines for Multinational Enterprises, as well as various conventions on human rights, labour, the environment and armaments. The provider detected these incidents through the daily analysis of news items, NGOs and media with a global coverage of over 20,000 companies. The coverage of this indicator remained at 96%, the same as in the preceding period.	SAMLUX ensures compliance with the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, as laid down in Santander Group policies. The identification of breaches is based on the findings of an ESG data provider. In 2024, SAMLUX used these data to monitor incidents systematically and it participated in certain engagement actions, in collaboration with other investors and engagement service providers, to mitigate the most serious infringements. Companies that are at risk of breaching the standards have been placed on a watchlist for regular monitoring. At the end of this reporting period, all the companies that were infringing the principles covered by this indicator were subject to engagement actions. The ultimate purpose of these actions was not only to seek to resolve the infringement, but also to improve the company's ESG performance and its management of the related risks, in order to ensure that such incidents do not recur. Moreover, SAMLUX considers that, when such breaches exist, it is impossible to guarantee observation of the principle of not causing significant harm when determining the funds' percentage of sustainable investment as defined in SFDR Article 2 (17) and it therefore excludes the companies that fail to comply with these principles and guidelines, irrespective of whether they are subject to engagement actions.

						SAMLUX, as part of Santander Group, undertakes to respect and promote human rights within the scope of its business, and to prevent or, if necessary, minimise any infringement directly caused by its business.
11. Lack of processes and mechanisms to monitor compliance with the UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.83%	1.29%	1.91%	The data provider reports whether a company lacks the processes and mechanisms for supervising compliance with the abovementioned international standards by analysing: the existence of public references in accordance with these standards, formal processes for reporting complaints about misconduct or ethical concerns at different levels, and related matters. All the data about the companies are gathered from public sources, meaning that there is no use of estimates. The coverage of this indicator is 93% (compared to 92% in 2023). The Management Company believes that the trend of the coverage and the performance of the indicator are adequate.	The impact of this indicator is linked to the performance of the company in the previous indicator (infringements of the UN Global Compact principles and OECD Guidelines for Multinational Enterprises). As described above, in 2024 SAM participated in mitigation actions together with other investors and engagement service providers when this infringement occurred, with the aim of persuading the company to correct its behaviour and take action to improve its ESG risk management to prevent further breaches of these principles. Moreover, SAM's proprietary ESG rating methodology assesses the company's impact on human rights and its management practices to avoid and mitigate this impact, including the evaluation of the existence of policies and procedures to ensure adequate compliance with the abovementioned standards. This rating informs the decisions on investment in SRI products. Lastly, SAM believes that companies that lack the processes and mechanisms to monitor compliance with the principles of this indicator do not meet the minimum requirements to be classed as sustainable investment in accordance with SFDR article 2 (17).
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	10.21%	8.06%	10.18%	The indicator reflects the average unadjusted gender pay gap of investee companies. This gap is calculated as the percentage difference between the average hourly income of male and female employees in relation to that of men.	SAMLUX believes that the potential discrepancies in the calculation of the pay gap impedes an integral, systematic assessment of the impact generated by investee companies in this area. This is especially significant in some of the geographies in which SAMLUX invests, as in many jurisdictions there is no legal obligation to report

					The indicator does not take account of differences in hierarchical level, age, length of employment or type of contract. These data are obtained by an ESG data provider on the basis of publicly reported data and do not include estimates. The coverage of this indicator has improved from 51% in 2023 to 58% in 2024.	the pay gap, which limits the availability of consolidated information at company level. However, in 2024, as part of the ESG assessment of its investee companies, SAM evaluated the companies' performances in human capital management using its internal methodology. It looked at indicators such as the existence of policies and targets for diversity, percentage of women hired and in management positions, etc. The results of this ESG assessment has informed SAMLUX's investment in SRI products. The investment managers continue to carry out a regular analysis, through collaboration with issuers and data providers, of the coverage and quality of the data to improve the robustness of the indicators and to integrate this information into management.
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	25.63%	21.2%	25.17%	The metric used for this indicator reflects the percentage of women on the board of directors of investee companies in relation to total assets under management. An increase in this metric shows that the indicator is improving its performance year by year. These data are obtained by an ESG data provider on the basis of publicly reported data and do not include estimates. The coverage of this indicator has improved since the previous reporting period, to 94% in 2024 from 92% in 2023. An increase in the impact values over previous periods shows an improvement in the indicator's performance.	SAMLUX, as part of Santander Group Asset Management, has a voting policy with criteria which are aligned with regulations and good practice codes, which include both local and sectorial particularities and best practices at international level. SAMLUX also has information from proxy advisors, which includes the analysis of ESG data. To mitigate and promote this aspect when deciding which way to vote, based on the latest version of the voting policy, the Management Company will expect companies to promote diversity in the composition of their boards of directors. SAMLUX expects the under-represented gender on the board to make up an adequate percentage of the directors. The Management Company takes account of the local regulations and best practice codes applicable in each case. In 2024, at all the board meetings at which the appointment or re-election of directors was put to

			a vote, SAMLUX took account of the board's diversity when deciding which way to vote. Moreover, SAM's proprietary ESG rating methodology assesses aspects of governance, which include the gender diversity of the board of directors. This rating informs the decisions on investment in SRI products. Lastly, based on this governance rating, the Management Company believes that those companies that show a poor performance in governance do not meet the minimum requirements for good governance in order to be classed as sustainable investment in accordance with SFDR article 2 (17).

14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	0%	0%	This indicator shows the percentage of assets under management invested in companies with some type of exposure, in terms of production and/or participation, to controversial weapons. The coverage of the indicator's data is 91%, the same as the previous reporting period, and all the data were obtained from the companies' public reports by the ESG data provider.	Exposure to controversial weapons is managed on the basis of the exclusions set out in Santander Group's defence policy. SAMLUX adheres to the Group policy, adapting it to its activity in accordance with the data available to identify which restrictions must be applied to its investments, as described in its socially responsible investment policy. In particular, Santander Group will not be involved in the financing of the following materials, nor will it support their manufacture, marketing, distribution or maintenance services, which are prohibited in its defence policy: anti-personnel mines, cluster munitions, chemical weapons, biological weapons, etc. Nor will it be involved in the financing of people, companies or countries subject to arms embargoes and/or sanctions imposed by the European Union, the Organization for Security and Co-operation 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 applies to all its funds, complying with the list of excluded companies drawn up by the Bank, applying pre-trade checks and excluding any company with exposure to these activities, according to the data furnished by external providers.

Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned, and targets set for the next reporting period
Environmental	15. GHG intensity	GHG intensity of investee countries	54.47 Tonnes of CO2eq / EUR million GDP	59.69 Tonnes of CO2eq / EUR million GDP	56.27 Tonnes of CO2eq / EUR million GDP	The GHG intensity of investee countries is calculated as the ratio of the Management Company's normalised GHG emissions to each country's gross domestic product (GDP). The larger this indicator, the more intense the GHG investments of each country at the reporting date. This indicator is assessed in relation to Scope 1, 2 and 3 emissions. The data provider estimated all these data using a proprietary model populated with data from public sources such as the UNFCCC and the OECD. The coverage of this indicator remained at 99%, the same as in the preceding period.	Tackling climate change is a key objective at the Management Company. Hence, it believes that governments must commit themselves to implementing national policies to achieve the net zero targets and provide incentives for private investment in decarbonisation solutions, with the aim of reducing the impact of each country's GHG intensity on the climate. In SAM's case, this indicator is managed by the Management Company's SRI team and, as far as possible, this is done through collaborative engagement actions such as signing up to engagement initiatives with governments, with the aim of promoting more robust climate actions. To cite an example of such mitigation actions, in 2021, 2022 and 2024, SAM signed the Global Investor Statement to Governments on Climate Change, which demanded that governments intensify their collective response to the climate crisis, including increasing their 2030 Nationally Determined Contributions and guaranteeing a planned transition to net zero emissions by 2050 at the latest. Lastly, it should be noted that the Management Company expects the results of this indicator to change, because the European supervisory authorities have amended the description of the indicator and the related metric, so that the GDP measure is now expressed in terms of purchasing power in order to avoid penalising developing countries.

Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and percentage of all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Absolute: 4.25 Relative: 3.76%	Absolute: 4 Relative: 3.38%	Absolute: 4.75 Relative: 3.92%	This indicator identifies the countries subject to EU or UN sanctions in response to human rights abuses, breach of international laws, coups d'état, etc., meaning that all the data are reported, not estimated. The absolute figure shows the number of countries with social infringements in which investments have been made in the reporting period. The relative value shows the number of countries with social infringements as a percentage of the countries in which investments have been made in the reporting period. The coverage of this indicator remained at 100%, the same as in the preceding period. A decline in the impact values over previous periods shows an improvement in the indicator's performance.	SAMLUX is committed to complying with best practice as enshrined in international conventions and protocols, codes of conduct and ESG guidelines, insofar as they are applicable to its activity. SAM excludes sovereign issues with a poor performance in relation to political rights and social freedoms from its SRI products. This is done on the basis of indicators which determine the level of democracy in countries, using measurements such as their electoral process and pluralism, civil liberties, functioning of the government and the degree of political freedom in all the world's countries and disputed territories. The Management Company's exposure to these impacts is largely due to investments in funds managed by third parties in non-SRI products. To mitigate the possible adverse impacts of this indicator, SAM is thinking of collaborating with other investors on initiatives with various formats, such as: open letters on a given subject, working groups, bilateral dialogue initiatives between investors and governments, interaction with regulators to develop regulations that would promote sustainable and responsible investment, etc.

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned, and targets set for the next reporting period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	Not applicable	Not applicable	Not applicable	Not applicable due to the investment universe of our products	Not applicable
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	Not applicable	Not applicable	Not applicable	Not applicable due to the investment universe of our products	Not applicable

Other indicators for principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned, and targets set for the next reporting period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS							
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	46.9%	42.91%	58.32%	The indicator measures the percentage of investment in companies that lack GHG emissions reduction initiatives aligned with the Paris Agreement. Hence, a YoY decline in the indicator reflects an improvement in the adverse impact measured. These data show whether each position has commitments aligned with the Science Based Targets Initiative (SBTI); it is deemed to have these carbon emissions reduction initiatives if it has a target aligned with 1.5ºC or below 2ºC. Therefore, the data coverage remains at 100% and all the data are reported by the companies.	The management of this indicator and the mitigation measures are linked to the performance of the indicators related to the GHG emissions described above (obligatory indicators 1, 2 and 3). As the mitigation measures described above progress, the Management Company expects the number of investees without decarbonisation targets to fall.

INDICATORS FOR SOCIETY AND EMPLOYEES, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS							
Human rights	**14. Number of identified cases of serious human rights issues and incidents**	Number of cases of serious human rights issues and incidents connected to investee companies on a weighted average basis	0.000	0,007	0.0038	This indicator shows a weighted average of the number of serious human rights incidents related to investee companies. To obtain this data, the data provider analyses sources such as news items, press releases and NGOs, with the aim of detecting such human rights incidents. To assign a severity rating to the incident, factors such as the magnitude of the incident, how the company managed it and the consequent reputational and business risks are assessed. The coverage of this indicator improved from 82% in 2023 to 85% in 2024.	Santander Group undertakes to respect and promote human rights within the scope of its business, and to prevent, or otherwise minimise, any infringement directly caused by its activity. The Management Company monitors potential human rights issues and serious incidents using a system of alerts to detect new serious controversies in which its portfolio companies might be involved. Before making any investment for the SRI products, SAM assesses the company's possible exposure to serious controversies related to human rights incidents, using third-party sources. In SAM's case, if the serious controversy occurs after the investment has been made, the Investments and Sustainability Committee agrees an action plan, which may range from monitoring through public information sources and data providers to engagement actions. If a satisfactory response is not forthcoming from the company after a reasonable time, the issue is escalated and may lead to disinvestment from the company. As part of the management of this indicator, SAM considers whether serious human rights incidents constitute a breach of the Global Pact or the OECD Guidelines. If this is the case, the two indicators are managed by means of a joint engagement, as described above. At the end of 2024, none of the incidents subject to monitoring had been identified as a breach of these principles.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Methodology for identifying and prioritising principal adverse impacts

SAMLUX monitors the results of the indicators described in the previous section, with the aim of detecting and mitigating the principal adverse sustainability incidents arising from its activity.

The procedure applies to the products subject to the SFDR and, in particular, to the various issuers in which the CIUs and other vehicles managed by SAMLUX invest and which are exposed to the PAI indicators.

SAMLUX identifies the principal adverse incidents by analysing the context, importance and mitigating actions taken for each of the PAI indicators monitored. This analysis is performed on two levels:

at entity level, SAM compares the relative performance of each issuer with the aim of identifying those with the worst performance in each PAI indicator in their sectors. The worst-performing issuers are assessed to see if there are any adverse incidents and, if so, they are managed in accordance with the importance of the impact and whether they have recurred; for example, they may have led to engagement actions. This methodology is applicable to all SAMLUX products, irrespective of whether they are classed as PAI at product level.

For products classed as PAI in accordance with SFDR Article 7 (classed as PAI at product level), the identification and management of PAIS is performed by one of the Investment Managers using a proprietary methodology. This enables the relative performance of a product in terms of adverse impacts to be assessed against peers and, when the performance of the product is inferior to that of its benchmark index, a potential adverse incident is flagged. When this happens, each IM uses their methodology to assess the seriousness of the impact, its likelihood of recurring, the probability of successfully performing engagement actions, the portfolio's exposure and the type of PAI indicator, with a view to taking mitigating actions.

In both cases, when an adverse incident is detected, the Investment Managers analyse each case and, if necessary, take the relevant actions. In the case of SAM, these will consist of applying mitigating measures, taking account of:

- **The severity of the impact on the parties affected, including people, communities, investors and the environment.** "Severity" means the negative consequences and the magnitude of an impact on society, the environment and governance. If a social controversy has occurred, for example, the Investment Managers would have to consider what type of controversy it was, its magnitude, impact on the surroundings, etc. They may also assess the potential impact of continuing to hold the position.
- **Recurrence of the impact, i.e. whether they can identify a pattern of behaviour that is likely to be repeated.** This factor considers the results of the indicators over time, for which they have to examine the variation in the results of each indicator and assess the impact considering measurement periods, at least annually.
- **Assessment of the probability of success through engagement actions and of the response of the company/Management Company to the impact.** This assessment takes account of the type of underlying or product in question.
- **Portfolio exposure: relative weight of the issuer/fund in the portfolio affected by the adverse impact.** SAM also checks whether the adverse incident affects other funds which are classed as PAI at product level.

- Type of PAI indicator, deciding whether adverse incidents belong to priority categories such as climate change, board gender diversity, breach of international standards or exposure to controversial weapons.

In addition, for the oversight and follow-up of decision-making and the performance of due diligence on the principal adverse incidents, at both entity and product level, SAM's Principal Adverse Impacts Forum meets quarterly, with representatives of its Product, Investment, SRI, and Risk and Compliance teams.

At this forum, the PAI results are presented at product level, together with the management and mitigation actions taken. The decisions taken by the teams responsible for managing the PAIS are also presented, discussed and recorded. Some examples of the PAI management actions discussed are: new engagement actions (individual, collective or through providers and/or third parties), rebalancing of portfolios, decisions to not increase exposure or to disinvest. All the decisions submitted to the forum are recorded by the SRI team in SAM's management tool and in the minutes. Thus, all the teams involved in the identification and management of PAIS have access to the information and can take the most appropriate actions to integrate the management of adverse incidents into the investment decisions.

Policies for detecting and prioritising principal adverse impacts

Potential adverse incidents affecting the environment and society affect the capacity to offer value to stakeholders in the long term. Hence, both Santander Group and SAMLUX have a general action framework for managing the ESG aspects which form the basis for the rest of their policies and commitments.

Santander Group's policies may be found at: https://www.santander.com/en/our-approach/policies. This framework includes the following policies which are notable for their importance for the definition of PAIS and the methodological development of their treatment in investments:

- **Santander Group's Responsible Banking and Sustainability Policy (February 2025): here the Group sets out the principles, priorities, key processes and governance in relation to social, environmental and governance issues with regard to its activity with employees, customers, vendors, shareholders and investors, and communities.** This policy identifies the bodies that are central to its implementation: the Responsible Banking, Sustainability and Culture Committee, which assists the board in these matters; the Audit Committee, which oversees the of financial and non-financial information; and the Risk Supervision Committee, which designs and evaluates financial and non-financial risk policies. In addition, the Management Committee, led by the CEO, reviews the progress on sustainability; the Human Resources Committee takes decisions on personnel strategy; while the subsidiaries have their own governing bodies to manage these issues, depending on their size and context.

- **Santander Group's Environmental and Climate Risk Management Policy (February 2025): this sets out Santander Group's criteria in relation to the identification, evaluation, monitoring and management of the environmental and social risks that may arise from investment in the oil and gas, electrical power generation and transport, mining, metals and soft commodities sectors.** The ESG risk function is responsible for interpreting this policy, which is owned by the board of directors of Banco Santander.

- **Santander Group's Defence Sector Policy (February 2025): this lays down the commitment to not support relationships with companies that manufacture, market, distribute or maintain materials that are prohibited due to their relationship with the arms industry.** Responsibility for designing and interpreting this policy lies with the reputational risk function, and the policy is owned by the board of directors of Banco Santander.

SAMLUX is aware that certain investment activities may have adverse impacts on sustainability, and it seeks to minimise them whenever possible, by integrating environmental, social and governance factors using the strategies included in its policies, which may be found on its website: https://www.santanderassetmanagement.lu/document-library/policies and in the following related internal procedures:

- **SAMLUX's Socially Responsible Investment (SRI) Policy (June 2025): this defines the application of SRI at SAM and the criteria used to integrate ESG variables into the investment analysis and decision-making.** It also includes aspects that are important for SRI and as part of its fiduciary duty, such as the exercise of voting rights and engagement, which are in turn developed further in their specific policies. This policy defines the governance of SRI at SAM, specifying the five bodies and their responsibilities.

- **SAMLUX's Engagement Policy (June 2025): this describes the principles that SAM follows in its dialogues on ESG, whether individual or through collaborative engagement initiatives, with the companies in which it invests or is considering investing.** This policy includes details of the organisational structure and follow-up of engagement activities, together with the responsibilities of the SRI team and the forums which monitor these activities.
- **SAMLUX's Voting Policy (March 2025): this describes the principles followed by SAMLUX in relation to the exercise of its voting rights at the listed companies in which the investment vehicles have open positions.** These principles meet high standards regarding the exercise of voting rights on the assets under management. This policy describes the responsibilities and governance bodies in the voting process, of which the SRI team is the chief coordinator.
- **SAM's Sustainability Risks Integration procedure (November 2023): here SAMLUX sets out the criteria and procedures for identifying, evaluating, monitoring and managing ESG risks as part of the investment analysis and decision-making processes and of its fiduciary duty.** The procedure also describes the governance model and the committees and forums that participate in decision-making on ESG issues at SAMLUX.
- **SAM's Principal Adverse Impacts Integration procedure (November 2024): this contains the methodology for measuring, managing, supervising and monitoring Principal Adverse Impacts at company and product levels.** The document also includes details of the governance roles and responsibilities of the SRI, Investment, and Risk and Compliance teams, and others, in applying, monitoring and validation PAI procedures.
- **SAM's voting procedure (December 2024): this describes SAM's procedure for attending shareholder meetings.**

This framework of policies and procedures underpins the oversight of the integration of ESG factors into the investments and is structured around the following governance bodies:

- Sustainability strategies monitoring forum: Monitors and analyses compliance with sustainability strategies applied to SFDR Art. 8/9 funds. Review of controversies as well as the situation of controls and procedures in place to ensure compliance with mandatory on-hold and divestment requirements. Follow-up on voting and engagement strategies.
- Voting committee: Guides and supervises voting activity, as well as promoting coordination between the relevant global and local bodies in accordance with the voting policy and the collective interest of the funds' investors. Follow-up on relevant business events. Guarantees that voting rights are exercised in accordance with the provisions of the voting policy. Prevents and, where appropriate, manages any potential conflicts of interest derived from the exercise of voting rights. Either the Conducting Officer for Portfolio or the Conducting Officer for Compliance are responsible for reporting to the Comex and to the Board of Directors (when deemed necessary), any material issues identified and discussed in this Committee.

Methodology for selecting the optional indicators of principal adverse impacts on sustainability factors

With the aim of selecting one social indicator and one environmental indicator from the list of additional indicators included in tables 2 and 3 of Appendix 1 of the RTSs, SAM analysed all the additional indicators, taking account of the following aspects:

- **Importance:** the materiality of the optional indicators in accordance with the policies and commitments of both the Group and SAMLUX.
- **Availability of data:** availability of the data and the maturity of the issuers' reporting.
- **Coverage:** percentage coverage of SAMLUX's investable universe.

The analysis applied these three criteria to all the additional indicators, also taking account of the probability that their results could cause adverse impacts and, in that case, the severity of those impacts and/or whether they could be remedied.

The analysis also included the relationship between the indicators and the policies and mechanisms discussed above. The end result was the selection of the following two indicators for monitoring during this reporting exercise:

- Table 2, indicator 4. Investments in companies lacking carbon emissions reduction initiatives.
- Table 3, indicator 14. Number of cases detected of serious human rights problems and incidents.

This choice of indicators may be maintained, amended or, if necessary, augmented to reflect changes in regulations or in the availability of data in the market in future exercises and any margin of error that may arise from the analysis. This selection has been maintained for the 2022, 2023 and 2024 reporting periods.

Data sources used

The results of the PAIS indicators presented above are based on the data collected and provided by external ESG data providers (Clarity AI and Sustainalytics). The Management Company conducts a regular analysis of the coverage and quality of the data to address the constraints relating to the availability and quality of the data for the indicators and to ensure the robustness and reliability of the indicators and integrate this information into the management.

The providers use a variety of sources, such as the data of other providers (both generalist and specialised) that analyse publicly available information, NGOs, government databases, information on the companies (sustainability report, annual report, etc.) and metrics estimated by internal models. The proportion of data that is estimated varies, depending on the information collected and analysed by the external ESG data providers used by the Management Company.

The treatment of the data is computerised and the data quality is overseen and processed on two levels:

- Provider level: The data providers implement processes and systems at each stage of the analysis, automatically checking the quality of the data. These processes include algorithms based on automatic learning to select the best sources, eliminating inconsistencies and detecting anomalous values on the basis of historical data, comparisons with similar data from the sector and the consistency between different sources. These data are loaded into SAMLUX's management tool (Aladdin) using automated processes.
- Management Company level: Once the data has been loaded into the management tool, the Management Company runs additional checks to ensure that no technical issues have arisen (no errors in the loading of data, the raw data of the ESG indicators has not suffered anomalous changes, etc.). These checks include:
    - Checks on the data load to verify the consistency of the data loaded.
    - Checks on the data quality by analysing the fluctuation of the values, with the teams involved performing a detailed analysis if any significant divergence is detected.

In order to keep the analysis up to date, the indicators are updated regularly and the issuers whose data change frequently (e.g. due to the appearance of controversies) are subject to systematic monitoring.

Engagement policies

The Investment Managers monitor the companies in which the CIUs and other vehicles managed by SAMLUX invest, in order to protect the interests of their customers, promote the creation of value over the long term, manage risks and foster good governance by the issuers.

The Investment Managers also perform engagement activities, while SAMLUX is responsible for voting which, as described above, is governed by specific policies. These activities are essential to detect potential adverse impacts on sustainability, monitor the companies' management of these adverse impacts and establish procedures for escalating them if the companies' responses are seen to be inappropriate or insufficient with regard to the results of the PAIS indicators, as mentioned in the section entitled "Description of the principal adverse impacts on the sustainability factors".

SAMLUX assesses whether the engagement activities have achieved their purpose of mitigating and minimising the impact arising from the investments, classifying the results as follows:

- The objectives of mitigating and reducing the adverse impact have been achieved: the engagement actions/vote have been successful and no further actions are necessary.
- The adverse impact has not been reduced, but the mitigation objective is achievable in the longer term: SAMLUX continues with its engagement activities and is monitoring the performance and progress of the issuer on a regular basis.
- The objectives have not been achieved and are not expected to be: in these cases, the issue is escalated to try to achieve the objectives. In SAM's case, the options for escalation include joining a group of investors in a collaborative engagement, exercising its voting rights, reducing its position in a given issuer and, in extreme cases, disinvestment. If there are conflicts of interest, discussions are escalated to the relevant committees.

Engagement

Establishing a constructive dialogue with issuers influences their activities and behaviours and may help to improve their transparency and management with regard to ESG matters, which are essential in the evaluation of the assets in which SAMLUX invests. SAMLUX believes that these engagement processes are often a better way of promoting change than a divestment strategy. The principles and guidelines described in this policy are aligned with this approach and are essential to ensure the long-term performance of the assets managed by SAMLUX and to contribute to the creation of value for our customers and for society at large.

In its engagement policy, SAMLUX describes the principles that guide it in relation to dialogue on ESG issues with the companies in which it invests or is considering investing or with other parties (governments, regulators, other management companies, etc.), whether on an individual basis or through collaborative engagement initiatives.

SAMLUX has established a framework for prioritising its dialogues with investees, third-party management companies and sovereign/supranational entities about management of the principal adverse incidents, with the aim of focusing on those of more importance and that generate a greater impact.

Broadly speaking, priority is given to engagement with those issuers found in product portfolios considered PAIS, in which the ESG performance is decisive for investment decisions. Other criteria include: the size of the position with the issuer, how long the position has been held, and whether the issuer is causing an adverse impact in multiple PAIS indicators and these could be managed via a single active dialogue. SAMLUX also believes that collaborative engagement or engagement service providers, focusing on a specific aspect of ESG, may be used with issuers in which SAM invests and may be entered into as measures to mitigate the adverse impacts of SRI and non-SRI products.

Lastly, SAMLUX believes that a constructive dialogue with issuers is more effective than excluding them from the investable universe. However, there are cases in which it may be necessary to escalate the issue. In SAM, failure by the issuer to respond or react during the engagement activity could trigger:

- the escalation of the engagement targets to the issuer's management or board of directors if the objectives have not been achieved through prior interactions with the company's teams;

- SAM joining collaborative engagement initiatives to combine investors' efforts;
- a vote against certain agenda items at the shareholders' meeting, such as the election of directors, approval of reports, or considering whether to propose shareholder resolutions when possible, if considered appropriate;
- a reduction in the position in the issuer and, in extreme cases, divestment.

Voting

The general principle at SAM is to exercise voting rights whenever possible and when the costs associated with exercising these rights do not outweigh the potential benefits for the fund's unitholders.

SAMLUX's voting policy sets out the guidelines to be considered in the voting process at the shareholders' meetings of the companies in which SAMLUX invests. SAMLUX has its own voting criteria aligned with regulations and codes of good practice, which cater to local and sectoral needs and circumstances, as well as international best practices, as defined in the policy.

Specifically in relation to ESG, SAMLUX will support social and environmental proposals that encourage good practices while promoting value creation for shareholders and other stakeholders. When deciding on how to vote on the different proposals, consideration will be given, among other matters, to the reasonableness of the proposal; the potential impact on the company's share value; alignment with regulation, benchmarks and industry practice; the possible existence of any ESG controversies affecting the company; and the resources that would be required for the companies concerned to implement such proposals. In general, SAMLUX will typically support shareholder proposals that promote greater transparency on human and labour rights, occupational health and safety, environmental and biodiversity practices, or climate change risk management, among other matters. In addition, SAMLUX may consider voting against certain agenda items if evidence comes to light showing deficient supervision and management of environmental and social risks by the board.

SAMLUX also relies on information from proxy advisors, which includes the analysis of ESG data. In any case, the final decision on how to vote rests with SAMLUX and is made in accordance with the voting criteria set out in the voting policy.

SAMLUX reports on the implementation of its voting policy and how it has exercised its voting rights in accordance with prevailing regulatory transparency requirements. In addition, SAMLUX discloses, in the annual report of the investment funds it manages, its activity in relation to the exercise of voting rights attaching to the securities included in those funds, doing so in the manner and with the content prescribed by the applicable regulations.

References to international standards

Both the SAM Group and the Management Company respect the best practices enshrined in international conventions and protocols, codes of conduct and applicable ESG guidelines and have voluntarily adopted certain ethical, social and environmental commitments that go beyond their legal obligations vis-à-vis their main stakeholders. The activity of the Management Company is based on the following standards and adherence to the following initiatives:

- Related to climate change: for greenhouse gas emissions indicators (PAIs 1 to 6) and optional indicator 4 – Investments in companies without carbon emission reduction initiatives:
    - Net Zero Asset Managers Initiative: to demonstrate its commitment to achieving a net zero carbon emissions target for all assets under management by 2050. Further to this commitment, SAM has published its first decarbonisation targets for 2030 and is working to increase the scope of its Net Zero engagement activities.
    - Institutional Investors Group on Climate Change (IIGCC): SAM was the first Spanish multinational company to join this group with the aim of fostering collaboration between investors on climate change, supporting and helping to define public policies, corporate behaviours and investment practices that address the long-term risks and opportunities associated with climate change. Within this body, the following initiatives/working guidelines should be highlighted:
        - Net Zero Investment Framework: provides a platform from which SAM can make commitments to achieve Net Zero and define strategies to measure the NZ alignment of the issuers in which it invests. This document contains a robust set of recommendations upon which SAM has developed the key measures and methodologies for pursuing its transition strategy.
        - IIGCC Net Zero Engagement Initiative launched in January 2023, of which SAM is a signatory. The aim of this initiative is to help investors align their portfolios with the goals envisioned in the Paris Agreement, as set out in their Net Zero commitments, by undertaking collaborative engagement activities.
    - Climate Action 100+: to ensure, through collaborative engagement actions, that the world's largest greenhouse gas emitting companies take the necessary action on climate change by improving climate change governance, reducing their emissions, and strengthening their climate-related financial disclosures.
    - Recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) of the Financial Stability Board (FSB): to disclose its approach to integrating climate into processes and policies and to report on our climate-related performance.
- In relation to human rights: for mandatory indicators 10 and 11 and the optional indicator *Number of identified cases of serious human rights issues and incidents:*

  - The UN Global Compact: to undertake to incorporate the ten universal principles into their strategies and operations, support the implementation of the Sustainable Development Goals (SDGs) and work with stakeholders to achieve a sustainable future.
  - The United Nations Guiding Principles on Business and Human Rights.
  - OECD Guidelines for Multinational Companies.
- For the other social PAI indicators, the Management Company draws inspiration from the principles enshrined in the main international declarations, including:
  - The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and its eight core conventions.
  - The International Bill of Human Rights.
  - ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.
  - International Corporate Governance Network (ICGN) Global Stewardship Principles.
  - OECD Principles of Corporate Governance.
  - Local good governance codes (Good Governance Code of the CNMV in Spain, UK Stewardship Code, AMEC Stewardship Code in Brazil, etc.).

Lastly, for all the PAI indicators considered by SAM, SAM bases its activity on the UN Principles for Responsible Investment by defining its own framework for integrating ESG issues into investment decision-making and management processes. The inclusion of ESG criteria in the investment process allows managers to gain a more complete picture of the assets in which they are investing, to identify potential risks and help make more informed investment decisions.

In addition to the PAI initiatives and indicator results presented above, which are based on data collected and provided by external ESG data providers (Clarity AI, Sustainalytics), SAM has its own ESG rating methodology for assessing the environmental and social impact of issuers. This rating methodology plays a crucial role in informing investment decisions in SRI products and is available to all managers of SAM products.

The adherence of the SAM Group and the Management Company to this set of principles and commitments, together with those set out in the previous sections, ensures the existence of a suitable control framework enabling the prevention, identification, monitoring, mitigation and management of the main adverse sustainability impacts for all mandatory and additional indicators, as shown in the table contained in the section "Description of the main adverse impacts on sustainability factors" of this Statement.

Paris Agreement and Climate Scenarios

In March 2021, SAM joined the global Net Zero Asset Managers (NZAM) initiative committing to net zero greenhouse gas emissions by 2050 ("Net Zero" or "NZ"), in line with the ongoing efforts to limit global warming to 1.5°C. SAM firmly intends to press ahead with the alignment of its business, ensure greater transparency, and achieve closer collaboration between investors and issuers in the transition to a net zero emissions economy. To ensure transparency and rigorous accountability, SAM publicly discloses its activities and progress in achieving NZ through its annual report as a PRI signatory and its engagement and voting report.

In 2024, SAM reviewed its engagement strategy in response to developments in the Net Zero Investment Framework guidelines and templates, with the aim of fostering, through dialogue and voting policies, a commitment to transparency among issuers and to seeing their decarbonisation plans through to completion, promoting the reporting of accurate and credible information in order to monitor their progress. As part of this strategy, during the reporting period, SAM was actively involved, as a co-leader, in the Climate Action 100+ framework, and in the IIGCC's Net Zero engagement initiative. It also implemented individual engagement actions in this area.

Climate change is an integral part of our ESG screening model, including aspects such as climate risk exposure. For this assessment process, SAM relies on information provided by external data providers, which it incorporates into its own valuation methodology. Moreover, to be able to reliably analyse the Net Zero efforts and progress of each issuer, SAM has continued to make progress alongside its ESG data providers, so as to be able to classify assets according to the criteria of the IIGCC Net Zero Stewardship Toolkit. This maturity scale assesses the degree to which the issuers are aligned with achieving net zero emissions and provides a framework for assessing progress towards their transition and for identifying areas where further engagement efforts may be required.

SAM is aware that the development of climate performance measurement methodologies is a rapidly evolving field that continues to advance. In response, SAM has continued to hone its climate data collection and analysis capabilities to meet regulatory obligations and customer demands. More precisely, since 2024 SAM has been relying on data provided by Aladdin Climate, a tool developed by BlackRock to quantify climate risks and opportunities in financial terms in public and private assets. However, no forward-looking climate scenarios have been included in this PAIs reporting exercise as the Management Company is currently analysing the quality, applicability and scalability of such data.

As SAM continues to integrate and evolve the way climate-related risks and opportunities are considered within its strategy, it intends to work closely with both existing and new customers to support their climate transition efforts, capturing their requirements and aligning the Management Company's practices, policies and products to cater to their evolving needs.

Historical comparison

SAMLUX acknowledges that there are various areas where its investments may have an adverse impact (biodiversity, use of natural resources, human rights, labour rights, etc.). However, SAMLUX has prioritised climate change as the most material impact due to the commitments made by the Management Company and because widely accepted metrics can be used to reliably measure the impacts of climate change.

In this regard, the Management Company considers that the performance of indicators related to greenhouse gas emissions (mandatory PAI indicators 1, 2 and 3 and optional indicator 4) has remained within what can be called a normal range compared with the previous reporting period, driven by improved coverage and reporting of data by companies. To assess and mitigate this impact compared to previous periods, in 2024 SAM focused its efforts on assessing the performance of issuers with the highest negative impact in terms of GHG emissions, carbon footprint and GHG intensity, prioritising those with high climate risk. Notably, it has been actively involved in the Climate Action 100+ initiative since 2021, which aims to get major emitting companies to take concrete action on climate change. In addition, in 2023 it joined the IIGCC's Net Zero Engagement Initiative, which aims to expand the universe of companies covered by CA100+. In 2024, this initiative proposed new companies for its focus list, which already features 160, and SAM signed letters addressed to all portfolio companies on the list to learn more about their plans to align with the Paris Agreement. It also took on the role of lead engager for one such company. Throughout the year, SAM continued with individual engagements focused on emissions reductions, took part in meetings with companies through an external provider, and sent letters to 12 companies in different regions to communicate its expectations and encourage their alignment to a Net Zero trajectory.

Here we would highlight a slight improvement in the GHG emissions intensity indicator for sovereigns compared with the previous period. Notably, the Management Company fosters collaborative engagement actions to mitigate the impact of this indicator, such as participation in initiatives targeting governments to encourage more decisive climate action. One such example is the signing by SAM in 2024 of the Global Investor Statement on Climate Change. It calls on governments to step up their Nationally Determined Contributions by 2030 and to plan for a transition to net zero emissions by 2050 or earlier.

Looking ahead to the next reporting periods, SAM plans to continue active engagements, identify new engagement opportunities, and further align its portfolio with the decarbonisation pathway, with the aim of achieving its climate ambition and reducing the potential adverse environmental impacts of its investments.

In addition to the indicators related to GHG emissions, the Management Company has also monitored its exposure to companies active in the fossil fuel sector (mandatory indicator 4). Despite a slight deterioration in the performance of the indicator, SAMLUX seeks to manage this exposure through the progressive application, under the mandates managed by the Group, of the exclusions set out in the corporate policies of Santander Group, and in SAMLUX's own policies, to comply with the commitment that, from 2030, it will not invest in any entity in which the coal-based generation of energy directly accounts for more than 10% of its revenues in consolidated terms, as well as any entity that owns thermal coal mining operations. The Management Company expects that this progressive evolution will also drive an improvement in the non-renewable energy production and consumption indicator (mandatory indicator 5).

As for mandatory indicators 6, 8 and 9, the Management Company believes that their performance has remained stable throughout the reporting periods. However, the percentage of available data is still insufficient, making it hard to integrate the data effectively into management processes and also to implement specific mitigation measures. SAM expects that the implementation of the European Sustainability Reporting Standards will help increase the volume and quality of the data reported, thus allowing it to integrate and manage these indicators in a more robust and reliable way.

For biodiversity (mandatory indicator 7), a slight worsening was observed compared to the data for 2023 and 2022. However, in 2024 SAM carried out individual engagement actions with two companies that were generating an adverse impact on biodiversity, with the aim of gathering information and promoting the mitigation measures they had implemented to minimise this impact. For future reporting periods, SAM plans to continue with this type of action, depending on the needs identified and the resources available.

Turning to social indicators, SAMLUX ensures compliance with the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, as laid down in various Santander Group policies. This ambition is reflected in the performance of the two indicators related to these benchmarks (mandatory indicators 10 and 11 and optional indicator 14) and is driven by the collaborative engagement actions carried out alongside other investors and engagement service providers over the course of 2024. Also in relation to human rights, it is worth noting the slight improvement in the performance of mandatory indicator 16 on investments in sovereign assets.

With regard to the gender pay gap indicator (mandatory indicator 12), SAMLUX considers that the absence of a methodological consensus on how it should be calculated hinders a comprehensive and systematic evaluation of the impact generated by the companies in which it invests in this regard. This constraint is particularly relevant in some of the geographies in which SAMLUX operates, as only in certain jurisdictions are companies required by law to report this gap, making it difficult to obtain homogeneous and comparable data at the parent company level. However, the Management Company has noted an improvement in data coverage compared with the previous year and identifies this as the reason for the slight worsening of the indicator. SAMLUX will continue to monitor both the coverage and robustness of the data associated with this indicator, with the aim of implementing mitigation actions to help reduce any adverse impact.

With regard to the indicator of gender diversity on the board of directors (mandatory indicator 13), a positive evolution has been observed with respect to previous reporting periods. This improvement is partly due to the implementation of the Management Company's Voting Policy, which encourages the under-represented gender on the board to be increased to an appropriate percentage of total membership, in line with local regulations and codes of good practice applicable in each case.

Lastly, SAMLUX's exposure to controversial armaments (mandatory indicator 14) has remained at zero, in compliance with the exclusions set out in Santander Group's Defence Policy and SAMLUX's own SRI policy.