

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., 95980020140005541108

Summary

Santander Asset Management Luxembourg, S.A., 95980020140005541108, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Santander Asset Management Luxembourg, S.A., (hereinafter "SAMLUX").

This statement on principal adverse impacts on sustainability factors (hereinafter "PAIS") covers the reference period from January 1st, 2022, to December 31st, 2022.

The results presented herein relate to the assets subject to Regulation (EU) 2019/2088 (hereinafter "SFDR") of which SAMLUX acts as a Management Company, and in particular, this declaration includes all UCITS and other vehicles under management.

Per regulatory requirements and the methodology for measuring and managing Principal Adverse Impacts developed by SAM Investment Holdings, S.L (hereinafter "SAM"), the 18 mandatory indicators of adverse sustainability impacts listed in Table 1 of the European Commission's Regulatory Technical Standards (RTS) on ESG disclosure are taken into consideration. Additionally, two optional indicators are considered, one of them related to environmental aspects from Table 2 of Annex I, and the other related to social aspects from Table 3 of Annex I.

SAMLUX monitors the environmental, social, and governance (ESG) performance of the it invests in issuers (investee companies and sovereign and supranational exposures) in which the UCITS administered by SAMLUX invests to protect its clients' interests, manage risks, and respect the best practices contained in international conventions and protocols, codes of conduct, and guidelines applicable to ESG matters.

SAMLUX tracks, and monitors indicators to detect and mitigate principal adverse impacts on sustainability in its products subject to SFDR and the issuers in which these vehicles are invested. This includes both financial products that consider PAIS at the product level and those that do not. The mitigating actions included in this report are those carried out by SAM and are applicable to SAMLUX's products and those products that are third-party managed (not under SAM's management) are not included in the scope.

In 2022, SAMLUX has identified these impacts at two levels - an entity level for all products based on each issuer's relative performance in each PAIS indicator, and a product level for products that consider PAIS, based on a comparison of PAIS results with a reference index.

When an adverse impact is detected, SAMLUX has analyzed the severity of the impact, recurrence over time, likelihood of success through engagement actions, portfolio exposure, and PAIS indicator typology to take corresponding mitigation measures. SAM carries out a periodic analysis, through collaboration with issuers and data providers, of the coverage and quality of the data, to overcome the limitations in the availability and quality of data of the ESG indicators.

With regards to the environmental adverse impact, SAMLUX, as part of SAM, is a member of the Net Zero Asset Managers (NZAM) initiative, to achieve net-zero greenhouse gas emissions by 2050. Due to this, in 2022, SAMLUX prioritized climate change as the most relevant challenge due to international consensus on objectives and the ability to measure impacts. SAM has identified and monitored issuers that generate a greater impact in terms of GHG emissions, Carbon Footprint, and/or GHG Intensity and has established an engagement action plan to reduce their climate impact (i.e., collective engagement actions such as Climate Action 100+, individual engagement on transparency and ESG performance, the signature of statements to governments on climate change, among others).

In line with the above, SAM has prioritized its mitigating actions in high-impact sectors, such as the fossil sector based on exclusions established in Santander Group's policies, committing not to invest in issuers whose business is mainly focused on activities related to non-conventional fossil fuels and coal-based power generation and coal mining in UCITS and other vehicles for which SAMLUX acts as a Management Company.

With regards to social impact, during 2022, SAM has worked to ensure adequate compliance with the United Nations Global Compact Principles and the OECD Guidelines, as established in the Santander Group's policies. Due to this, at the closing date of the reporting period, all companies that were in breach of these principles were subject to engagement actions carried out collaboratively.

SAM applies SAM's own ESG rating methodology to assess companies' environmental and social impact on factors like water management, waste, biodiversity, diversity, etc. as well as the management practices aimed at avoiding or mitigating such impacts. This rating methodology plays a crucial role in informing Socially Responsible Investment (SRI) product investment decisions. In line with its commitment to transparency and ESG performance, SAMLUX has engaged with companies to obtain information on their impact and applies an analysis on impact-related controversies. When controversies have been identified, the Investment and Sustainability Committee has decided on the appropriate action plan, ranging from engaging with the company to divestment, if the company has failed to respond appropriately.

In addition to the mitigating actions described above, during 2022, SAM has identified those companies with the worst performance in each PAIS indicator. For doing so, SAM has compared the performance of each company to its sector. Based on the results of this exercise, SAM plans to establish engagement actions with the companies in the lowest percentiles to improve their sector performance and reduce their adverse impact.

Throughout 2022, SAM has conducted engagement activities that prioritize companies included in ESG portfolios based on their relevance and impact. These activities involve engaging in voting and dialogues to identify and address any negative sustainability impacts. The principles outlined in SAMLUX's engagement and voting policies guide these activities.

Description of the principal adverse impacts on sustainability factors

Principal adverse impacts should be understood as those relevant, or potentially relevant, negative effects on sustainability factors caused by investment decisions.

SAMLUX acknowledges that there are different areas where investments can have an adverse impact (e.g., biodiversity, use of natural resources, human rights, labor rights, etc.). However, SAMLUX has prioritized climate change as the most relevant challenge currently due to international consensus on the objectives to be achieved, the greater certainty as to the consequences that would arise if the objectives set out in the Paris Agreement were not met and the greater ability to measure impacts by the existence of commonly accepted metrics. Based on this and on the positions contained in Santander Group's corporate policies and specific SAM policies, as well as the reference standards that guide its activity described above, the priority of climate change indicators is raised, in addition to those related to gender diversity in the council, the violation of international standards and the exposure to controversial weapons.

Per regulatory requirements and the methodology for measuring and managing Principal Adverse Impacts developed by Santander Asset Management ("SAM"), SAMLUX considers the 18 mandatory indicators of adverse sustainability impacts listed in Table 1 of the European Commission's Regulatory Technical Standards (RTS) on ESG disclosure. Additionally, two optional indicators are taken into account, one of them related to environmental aspects from Table 2 of Annex I, and the other related to social aspects from Table 3 of Annex I.

For both the mandatory indicators and the selected optional ones, SAMLUX undertakes an exhaustive analysis and monitoring process to detect and mitigate the principal adverse impacts on sustainability arising from its activity, in accordance with an internal procedure defined for this purpose. This procedure makes it possible to evaluate the context, relevance, and mitigation actions to be taken for each of the indicators.

The following table identifies, for each of the PAIS indicators, the metric used for their measurement and the result corresponding to the indicator during the reference period, as well as, where applicable, the relevant commitments adopted by SAM and Santander Group.

Currently, the average degree of data coverage on indicators exceeds 75% for most of the indicators monitored and managed, with some exceptions, as indicated in the "Explanation" box in the table below.

These results refer to assets (both in the form of direct investment and indirect through the underlying UCITS) that make up the investment strategies for which SAMLUX has acted as the Management Company during the financial year 2022. Data on direct and indirect investment in sovereign and supranational companies and entities are included.

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS				
Greenhouse Gas Emissions (GHG)	1. GHG emissions	Scope 1 GHG emissions 330292.94 tonnes of CO ₂ e	Data coverage for this indicator is over 80%. This data reflects the values reported by companies through their non-financial annual reports, or the responses they provided to reference questionnaires, such as CDP.	SAMLUX, as part of SAM, is part of the Net Zero Asset Managers (NZAM) initiative, which aims to achieve Net Zero greenhouse gas emissions by 2050. As part of this goal, SAM aims for 70% of its funded emissions in high-impact climate sectors to be under engagement actions or aligned with the Net Zero decarbonization pathway established by IIGCC. This percentage will increase to 90% by 2030.
		Scope 2 GHG emissions 54887.9 tonnes of CO ₂ e		
		Scope 3 GHG emissions 2725757.5 tonnes of CO ₂ e		
		Total GHG emissions 3149769.5 tonnes of CO ₂ e		
	2. Carbon footprint	Carbon footprint 602.64 tonnes of CO ₂ eq / EUR M invested	However, in the case of scope 3 GHG emissions, part of this value has been calculated by the data provider, using a data estimation model that considers the activity sectors of each company, among other factors.	For achieving this purpose, SAM works on the identification and periodic monitoring of those issuers that generate a greater impact in terms of GHG emissions, Carbon Footprint, and/or GHG Intensity. This identification employs quantitative data on emissions, weight in products, or volume invested, as well as a comparison of the performance of each company to its sector of activity. Once the identification process is completed, SAM carries out individual or collective engagement actions to reduce the climate impact of the selected companies, and for promoting their alignment with Net Zero requirements.
			Further explanation on the evolution of these indicators will be provided once annual comparative reports are available.	
	3. GHG intensity of investee companies	GHG intensity of investee companies 1186.62 tonnes of CO ₂ eq / EUR M revenue		Additionally, for companies that are significant greenhouse gas emitters, and in accordance with SAM's Voting Policy, SAMLUX considers voting against certain agenda items in those cases where it is identified that the company is not taking the minimum necessary steps to be aligned with Net Zero by 2050.

4.Exposure to companies active in the fossil fuel sector

Share of investments in companies active in the fossil fuel sector

11.67%

Data coverage for this indicator is over 75%.

Further explanation on the evolution of this indicator will be provided once annual comparative reports are available.

Exposure to companies active in the fossil fuel sector is managed based on the exclusions established in Santander Group's Environmental, Social and Climate Change Risk Policy. SAMLUX assumes the Group's policy adapting it to its activity according to the availability of data to identify the necessary restrictions to the investment.

Therefore, SAMLUX's mitigation actions are based primarily on an exclusionary analysis, that is applied to companies based on the nature of their business. For example, exposures to unconventional fossil fuels, such as oil and gas from tar sands or fracking, are prohibited.

Additionally, SAMLUX has a commitment, aligned with that of Santander Group, as of 2030, not invest in any entity in which coal-fired power generation directly accounts for more than 10% of its revenues on a consolidated basis and any entity that owns thermal coal mining operations. These exclusions apply progressively until 2030.

In addition to Santander Group's policy, SAMLUX has a series of exclusions for companies within the fossil fuel sector that are applied in accordance with the investment strategy of those ESG products.

Similarly, within the sustainable investment categorization of its assets, SAMLUX considers that those assets with significant exposure to this sector do not comply with the do no significant harm principle ('DNSH') and therefore cannot be categorized as such.

Finally, in terms of Net Zero engagement, SAMLUX prioritizes its actions in high-impact sectors, such as the fossil sector.

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

Consumption:
62.52 %
Production:
59.21 %

Data coverage for both indicators is over 70%. The metrics used in this indicator reflect the percentage of non-renewable energy consumed or produced by the companies in which it is invested.

Further explanation on the evolution of these indicators will be provided once annual comparative reports are available.

SAM's own ESG rating methodology assesses both the impact of each company and its management processes. This includes the analysis of policies, objectives, and procedures to promote renewable energy consumption following the materiality of each sector. This rating informs investment decisions on SRI products.

To mitigate the impact of its investments, SAM identifies those investments with the worst performance in terms of production and consumption of non-renewable energy, by matching the performance of each company in comparison to its sector. Based on this exercise, SAMLUX plans to establish individual engagement actions with the companies to improve their sectoral performance and reduce their impact.

		<p>Total: 0.872</p> <p>GWh / million EUR revenue</p> <p>Sector A: 0.18</p> <p>GWh / million EUR revenue</p> <p>Sector B: 1.38</p> <p>GWh / million EUR of revenue</p> <p>Sector C: 0.537</p> <p>GWh / million EUR revenue</p> <p>Sector D: 4.63</p> <p>GWh / million EUR revenue</p> <p>Sector E: 1.73</p> <p>GWh / million EUR of revenue</p> <p>Sector F: 0.13</p> <p>GWh / million EUR of revenue</p> <p>Sector G: 0.06</p> <p>GWh / million EUR revenue</p> <p>Sector H: 0.75</p> <p>GWh / million EUR of revenues</p> <p>Sector L: 0.43</p> <p>GWh / million EUR of revenues</p>			
	<p>6. Energy consumption intensity per high impact climate sector</p>	<p>Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector</p>	<p>Data coverage for the total indicator is over 80%.</p> <p>Further explanation on the evolution of this indicator will be provided once annual comparative reports are available.</p>	<p>To identify those companies with the worst performance in each high-impact climate sector, and to mitigate the impacts derived from their energy consumption intensity, SAM compares the performance of each company in relation to its sector. Based on the results of this exercise, SAMLUX plans to establish engagement actions with the companies in the lowest percentiles to improve their sector performance and reduce their impact.</p> <p>Additionally, SAMLUX identifies companies that operate in high-impact sectors and prioritizes them to comply with the engagement commitments derived from the NZAM initiative. In this sense, SAM channels its efforts to ensure that these companies are under specific engagement actions to achieve their alignment with the Net Zero decarbonization path.</p>	
Biodiversity	<p>7. Activities negatively affecting biodiversity-sensitive areas</p>	<p>Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies</p>	<p>1.86 %</p>	<p>The indicator's data coverage is over 70%.</p> <p>Further explanation on the evolution of this indicator will be provided once annual comparative reports are available.</p>	<p>Santander Group attaches great importance to environmental, social and climate change risks arising from the activity of its customers in sensitive sectors, as stated in its Environmental, Social and Climate Change Risk policy. In this sense, SAMLUX assumes the Group's policy, and adapts it to its activity according to the availability of data to identify the necessary investment restrictions.</p>

		negatively affect those areas			<p>In terms of biodiversity, SAM's proprietary ESG rating methodology assesses the company's impact on biodiversity and its management practices aimed at avoiding and/or mitigating this impact. This rating informs investment decisions for SRI products.</p> <p>As part of SAM's commitment to transparency and ESG performance, it carries out engagement activities with companies regarding disclosure of information on biodiversity. Depending on the sector of activity of each company, the engagement actions aim to measure and disclose information related to the impacts and those of their suppliers on biodiversity, animal welfare, and the costs of indirect use of natural resources, among others.</p> <p>Finally, SAM systematically applies an analysis on biodiversity-related controversies based on data provided by third-party sources. Once controversies are identified, the Investment and Sustainability Committee agrees on the action plan to be followed, which can range from monitoring through public information sources and data providers, to engagement actions. If, after a certain period of time, the company fails to provide an appropriate response, escalation processes are carried out, and they may lead to divestment from the company.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.0037 tonnes / EUR M invested	<p>The availability of data provided by the data provider for this indicator is particularly limited. As a result, coverage is considerably low, being less than 20%.</p> <p>SAMLUX periodically analyzes the coverage and quality of the data, in collaboration with data providers and issuers, in order to improve the robustness of the indicators and integrate this information into management.</p> <p>Further explanation on the evolution of this indicator will be provided once annual comparative reports are available.</p>	<p>SAMLUX recognizes that access to data on emissions to water and the ratio of hazardous and radioactive waste is limited in some of the sectors and geographies in which it operates.</p> <p>In terms of water and waste management, SAM's own ESG rating methodology assesses the impact and management of each company. This rating informs investment decisions for SRI products.</p> <p>For those companies for which data is available, SAM identifies those with the worst performance in each indicator by comparing the performance of each company in relation to its sector. Based on this exercise, SAMLUX plans to establish individual engagement actions with companies to improve their sector performance and reduce their impact.</p> <p>In addition, SAM systematically applies a sustainability controversy analysis based on third-party sources, including the analysis of both indicators, to identify those companies that may be causing a significant impact on the environment.</p> <p>Once controversies are identified, the Investment and Sustainability Committee agrees on the action plan to be followed, which may range from</p>

Waste	9. Hazardous waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	77.05 tonnes / EUR M invested	<p>The availability of data provided by the data provider for this indicator is limited. As a result, coverage is low, being less than 50%.</p> <p>SAMLUX periodically analyzes the coverage and quality of the data, in collaboration with data providers and issuers, in order to improve the robustness of the indicators and to integrate this information into management.</p> <p>Further explanation on the evolution of this indicator will be provided once annual comparative reports are available.</p>	<p>monitoring through public information sources and data providers to engagement actions. If, after a certain period, the company fails to provide an appropriate response, escalation processes are carried out, and they may lead to divestment from the company.</p>

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	10. Violations of UN Global Compact principles and Organization 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	0.7%	<p>The indicator's data coverage is over 85%.</p> <p>Further explanation on the evolution of this indicator will be provided once annual comparative reports are available.</p>	<p>SAMLUX ensures adequate compliance with the United Nations Global Compact Principles and the OECD Guidelines, as established in the Santander Group's policies.</p> <p>The process of identifying violations is based on findings made by the ESG data provider on companies' compliance with the UN Global Compact, the OECD Guidelines for Multinationals, as well as various human rights, labor, environmental and arms conventions.</p> <p>Based on this data, SAM systematically tracks incidents and can participate in collaborative engagement actions together with other investors and engagement service providers to mitigate serious violations. At the closing date of the reporting period, all companies that were in breach of the principles set out in this indicator were subject to engagement actions.</p> <p>In the case of companies that are at risk of a regulatory violation ("watchlist"), they are kept on a monitoring list, and subjected to periodic observation.</p>

				<p>Additionally, SAMLUX considers that when these types of violations occur, it is not possible to guarantee the principle of not causing significant harm in the determination of the sustainable investment percentage of the funds. Therefore, it automatically excludes companies that do not comply with these principles and guidelines, whether they are under engagement actions.</p>
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	<p>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</p>	0.69 %	<p>The indicator's data coverage is over 80%.The metric used in this indicator reflects the percentage of women on the board of directors of the companies in which it is invested.</p> <p>Further explanation on the evolution of this indicator will be provided once annual comparative reports are available.</p>	<p>SAMLUX, as part of Santander Group, is committed to respecting and promoting human rights in its sphere of activity, and to preventing or, where appropriate, minimizing any violation directly caused by its activity.</p> <p>In this sense, as part of SAM's own ESG rating methodology, the impact of the company on human rights and its management practices to avoid and mitigate this impact are evaluated. This methodology includes the evaluation of the existence of policies and procedures to ensure adequate compliance with the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.</p> <p>This ESG rating informs investment decisions for SRI products.</p> <p>Additionally, the impact generated by this indicator is linked to the performance of companies in the previous indicator (Violations of the Global Compact and the OECD Guidelines). In this sense, SAM performs engagement actions when this violation occurs and seeks that the company in question establishes the appropriate due diligence measures and procedures so that it does not happen again.</p>
12. Unadjusted gender pay gap	<p>Average unadjusted gender pay gap of investee companies</p>	13.03 %	<p>The availability of data provided by the data provider for this indicator is limited. As a result, coverage is low, being less than 50%.</p> <p>SAMLUX periodically analyzes the coverage and quality of the data, in collaboration with data providers and issuers, to improve the robustness of the indicators and integrate this information into management.</p> <p>Further explanation on the evolution of this indicator will be provided once</p>	<p>As part of the ESG valuation exercise of the companies in which it invests, SAM evaluates the performance of companies in terms of human capital management. For example, indicators such as the existence of diversity policies and objectives, women hiring ratio, percentage of women in management positions, among others, are evaluated.</p> <p>However, SAMLUX recognizes that access to gender pay gap data is limited in some of the geographies in which it operates.</p> <p>Therefore, and as part of its commitment to transparency and ESG performance of investee companies, SAM plans to conduct active engagement actions with the objective of improving the transparency of relevant diversity information, including pay gap metrics.</p>

			annual comparative reports are available.	
13. Board gender diversity	Average ratio of female to male board members in investee companies	31.77 %	The indicator's data coverage is over 85%. Further explanation on the evolution of this indicator will be provided once annual comparative reports are available.	<p>SAM has its own voting criteria set out in the Voting Policy, which is aligned with regulations and codes of best practices, which incorporate local and sectoral particularities, as well as international best practices. Additionally, SAM relies on information from proxy advisors or external voting advisors, which includes, among others, the analysis of ESG information.</p> <p>In terms of board gender diversity, SAMLUX believes that board decision-making should be guided by a culture that promotes sustainable, long-term focused value creation.</p> <p>To promote this aspect when determining the direction of voting, as of 2023 and based on the latest update of the Voting Policy, SAMLUX will generally expect that the least represented gender on the board will account for at least 40% of the total board members. In addition, local regulations, and codes of good practice applicable in each case will be considered.</p> <p>In addition, SAM's own ESG rating methodology assesses governance issues including the gender diversity of the board of directors. This rating informs the investment decisions of SRI products.</p> <p>Finally, SAMLUX believes that companies demonstrating negative governance performance do not meet the minimum requirements to be categorized as a sustainable investment.</p>
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%	The indicator's data coverage is over 75%. Further explanation on the evolution of this indicator will be provided once annual comparative reports are available.	<p>Through the Santander Group's Defense Sector Policy, SAMLUX is committed to not supporting relationships with companies that manufacture, market, distribute or maintain materials defined as prohibited due to their relationship with the arms sector. Therefore, it excludes controversial weaponry from all its direct investments.</p>

Indicators applicable to investments in sovereign and supranational entities

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	256.18 tonnes of CO ₂ e / EUR M GDP	<p>The indicator's data coverage is over 85%.</p> <p>Further explanation on the evolution of this indicator will be provided once annual comparative reports are available.</p>
				<p>Addressing climate change is a key objective for Santander Group. Due to this, SAMLUX believes that governments should commit to implementing national policies that are aimed towards the achievement of Net Zero targets, as well as to incentivize private investments in decarbonization solutions, with the final aim of reducing the climate impact derived from each country's GHG intensity.</p> <p>In this context, the management of this indicator is carried out by the SRI team of SAM and, when possible, through collaborative engagement actions, such as joining engagement initiatives with governments to promote stronger climate action.</p> <p>As an example, in 2021 and 2022, SAM signed the Global Investor Statement to Governments on Climate Change, which called on governments to step up their collective response to the climate crisis, including strengthening their Nationally Determined Contributions by 2030 and ensuring a planned transition to net-zero emissions by 2050 or sooner.</p> <p>Additionally, SAM signed the open letter to EU leaders on a sustainable recovery of COVID-19 to encourage European leaders to maintain at least 25% of the multiannual financial framework for 2021-2027 on climate measures.</p>
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and	<p>Absolute: 5</p> <p>Relative: 3.96 %.</p> <p>The indicator's data coverage is over 85%.</p> <p>Further explanation on the evolution of these indicators will be provided once annual comparative reports are available.</p>	<p>SAMLUX is committed to complying with the best practices contained in international conventions and protocols, codes of conduct, and applicable ESG guidelines that apply to its activity.</p> <p>Therefore, in the management of its SRI products, it excludes sovereign issuers with low performance concerning political rights and social freedoms. To do so, it relies on indicators that determine the democratic rank of countries based on variables such as electoral process and pluralism, civil liberties, government functioning, as well as the degree of political freedom in all countries and disputed territories around the world.</p> <p>To mitigate the possible adverse impacts of this indicator, SAM seeks to jointly collaborate with other investors through initiatives in different formats: open letters on a specific topic, working groups, bilateral dialogue initiatives between investors and governments, interaction with regulators</p>

conventions,
United Nations
principles and,
where applicable,
national law

in the development of regulations to promote sustainable and responsible investment, among other measures.

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference 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	N/A	N/A	N/A
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A

Other indicators of the main adverse impacts on the sustainability factors

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference 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 complying with the Paris Agreement 74.03 %	The indicator's data coverage is over 85%. This data only addresses the existence of commitment on alignment with the Science Based Targets initiative (SBTi) of each position. SAM expects to increase the scope of analysis of this indicator for next reporting exercises. Further explanation on the evolution of this indicator will be provided once annual comparative reports are available.	To be more effective on the road to Net Zero emissions targets, during 2022, SAM has been working on the development of a Net Zero engagement plan. As a basis for this plan, SAM has worked to create a ranking that assesses the maturity level of companies in terms of emissions reduction and analyzes their progress in aligning their strategies and operations to achieve Net Zero emissions by 2050 or earlier. SAMLUX is thus able to identify those companies that have room for improvement in this area and may be having a significant impact on the climate. In this regard, SAM is working to ensure that more than 70% of emissions financed in material sectors come from companies aligned with Net Zero, or subject to engagement actions (individual or collective). In addition, the SAM regularly monitors this objective and discloses our progress in this area on an annual basis.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS				
Human rights	14. Number of identified cases of severe human rights issues and incidents.	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis. 0.006	The indicator's data coverage is over 70%. Further explanation on the evolution of this indicators will be provided once annual comparative reports are available.	Santander Group is committed to fully respect and promote human rights, and to prevent or, where appropriate, minimize any violation directly caused by its activity. To manage the impact of this indicator, SAMLUX assesses whether serious human rights incidents are related to a violation of the Global Compact or the OECD Guidelines. If so, both indicators are managed through a joint engagement as defined earlier in the document. On the other hand, if the serious incident does not involve a breach of standards, SAMLUX conducts a sustainability controversy analysis based on third-party sources.

Once controversies are identified and based on the results of the analysis, the Investment and Sustainability Committee will propose how to proceed in each case (keep it on a watch list, make individual engagement...). If after a period no adequate response is obtained from the company, escalation processes will be carried out, and they may lead to divestment from the company.

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

Methodology for identifying and prioritizing principal adverse impacts

SAMLUX tracks and monitors the results of all the indicators mentioned in the table above, with the aim of detecting and mitigating the principal adverse impacts on sustainability derived from its activity.

This procedure applies to the products subject to SFDR, and in particular to the different issuers in which SAMLUX invests and that present exposure to the PAIS indicators.

SAMLUX identifies the principal adverse impacts considering the context, relevance, and mitigation actions taken for each of the monitored PAIS indicators. This identification exercise is performed at two levels.

On the one hand, SAM has developed its own methodology at entity level applicable to all SAMLUX products under its management regardless of their PAIS status. This methodology is based on the development of indicators that provide information on the relative performance of the company in each PAIS indicator in relation to the sector in which it operates. In this way, when the issuer is in a position that reflects poor performance when compared to the rest of its industry, the existence of an adverse impact will be identified.

On the other hand, for products that consider PAIS in accordance with Article 7 of the SFDR, the exercise of identification and management of PAIS at the product level is performed through a methodology based on the comparison between the results of each of the PAIS indicators and the results given by an assigned reference index (benchmark). This allows SAM to evaluate the relative performance of a product in terms of adverse impacts against comparable information and, when the performance of the product is worse than that of its assigned benchmark, the existence of an adverse impact will be identified.

In both cases, when the existence of an adverse impact is detected, SAM analyzes each case and, if necessary, takes the corresponding actions. These will consist of the application of mitigation measures considering:

- **Severity of the impact on affected parties:** including people, communities, investors, and the environment. "Severity" is understood as the negative consequences, and the extent to which an impact may have an impact on social, environmental or governance issues. For example, if there has been a social controversy, it is analyzed the type of controversy, the scope it has presented, what it has meant for the environment, etc. The potential impact of maintaining the position is also be analyzed.
- **Recurrence over time of the impact:** whether a pattern of behavior can be identified that is likely to be repeated. This factor considers the results obtained on the indicators over a period of time. To this end, it is necessary to analyze the variation in the results of each indicator and to make an impact assessment considering measurement periods, at least annually.
- **Assessment of the likelihood of success through engagement actions** and the company/asset manager's response to the impact. This assessment considers the type of underlying or product for which dialogue actions are being taken.
- **Portfolio exposure:** relative weight of the issuer/fund in the portfolio that has an adverse impact.

- **PAIS indicator typology identifying** whether it is one of the seven prioritized PAIS indicators on issues such as climate change, gender diversity on the board, violation of international norms and exposure to controversial weapons.

In addition, SAMLUX is establishing a Forum for Principal Adverse Sustainability Impacts, in which, on a quarterly basis, the results of the PAIS analysis will be presented as well as the management and / or mitigation actions that have been adopted. This Forum should expose, discuss, and record the actions taken by the teams responsible for managing PAIS. Some examples of PAIS management actions that may be agreed upon are new engagement actions (individual, collective or through suppliers and/or third parties), portfolio rebalancing and no increase in exposure or divestment, among others.

Policies for detecting and prioritizing major adverse impacts

Potential adverse impacts on both the environment and the society affect the SAM's ability to offer long-term value to stakeholders. For this reason, both Santander Group and SAM have a general framework for managing ESG aspects on which the rest of their policies and commitments are developed. Santander Group policies are available at <https://www.santander.com/en/our-approach/policies>.

In this context, SAMLUX is aware that certain investment activities may cause adverse impacts on sustainability, and seeks to minimize them, whenever possible, through strategies for integrating environmental, social and governance factors contained in SAM's policies, which are available on the website <https://www.santanderassetmanagement.lu/document-library/policies> and in the corresponding internal procedures.

The most relevant policies within this framework, that serve as the basis for the definition and methodological development of the consideration of PAIS in the investments, are:

- **Santander Group's Responsible Banking and Sustainability Policy (February 2023):** where the Group states its commitment to consider both the environmental impact of its banking and financial activity. It also undertakes to comply with best practices and regulatory requirements in the treatment of its stakeholders.
- **Santander Group's Environmental, Social & Climate Change Risk Management Policy (February 2023):** which establishes Santander Group's criteria regarding the identification, evaluation, monitoring and management of environmental and social risks that may arise, among others, due to investments involved in the Oil & Gas, Power Generation and Mining & Metals and Soft Commodities sectors.
- **Santander Group's Defense Sector Policy (February 2023):** which establishes the commitment of not supporting the relationship with companies that manufacture, trade, distribution or maintenance services of the following prohibited materials: antipersonnel mines, cluster munitions, chemical or biological weapons, nuclear weapons and ammunition containing depleted uranium.
- **SAMLUX's Sustainability Policy (June 2022)** where SAMLUX transposes the policy of Banco Santander, S.A. and its Group, and includes the principles, commitments, objectives and strategy regarding the treatment of its stakeholders, as well as the interpretation Integration of ESG criteria and the analysis of Socio-Environmental and Climate Change Risks.
- **SAMLUX's Sustainable and Responsible Investment Policy (February 2021):** defines the application of SRI in SAMLUX, and delimits the criteria considered in the integration of ESG variables in the investment decision-making process, which allows for a broader vision of sustainability risks and opportunities.
- **SAMLUX's Engagement Policy (March 2020):** this policy describes the principles followed by SAMLUX in relation to ESG dialogue activities, either individually or through collaborative engagement initiatives, with the companies in which it invests, or on which it has an interest in investing.

- **SAMLUX's Voting Policy (April 2023):** which sets out the principles followed by SAMLUX when implementing ESG voting rights in the listed companies in which SAM's investment vehicles hold open positions.
- **Internal SAM's Sustainability Risk Integration Procedure (June 2023):** by means of which SAM establishes the criteria and procedures to be followed for the identification, evaluation, tracking and management of ESG risks in the investment analysis and decision-making process and as part of its fiduciary duty.
- **Internal SAM's Sustainable Investment Procedure (June 2023):** which establishes the criteria and procedures for the consideration of investments as sustainable.
- **Internal SAM's Principal Adverse Impact Integration Procedure (June 2023):** which includes the methodology for measuring, managing, controlling and monitoring Principal Adverse Impacts at entity and product level.

The responsibility for implementing these established frameworks rests with SAM, and with the rest of the entities that are part of the Group.

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

In order to select the additional environmental/social indicators from the list of additional indicators included in Table 2 and Table 3 of Annex I of the RTS, SAM has conducted an analysis taking into consideration the following aspects:

- **Relevance:** the materiality of the optional indicators in accordance with the policies and commitments acquired by both Santander Group and SAMLUX.
- **Data availability:** the availability of data and reporting maturity of issuers.
- **Coverage:** the percentage of coverage over SAMLUX's investment universe.

This analysis has been carried out considering these three criteria for all the additional indicators, taking into account, in addition, the probability that the results of the same could produce adverse incidents and, where appropriate, the severity of the same, and/or their potentially irremediable character.

Additionally, the relationship between the indicators and the policies and mechanisms discussed in the previous points has been integrated into this analysis, resulting in the selection of the following two indicators for their monitoring during this reporting exercise:

- Table 2, indicator 4. Investments in companies without carbon emission reduction initiatives.
- Table 3, indicator 14. Number of identified cases of severe human rights issues and incidents.

This selection of indicators may be maintained, modified and, if necessary, enlarged in accordance with regulatory developments and the availability of market data in subsequent years and the possible margin of error that can be derived from the analysis carried out.

Data sources used

The results of the PAIS indicators presented above are based on data collected and provided by external ESG data providers (Clarity AI, Sustainalytics). SAMLUX carries out a periodic analysis of the coverage and quality of the data to overcome the limitations in the availability and quality of the data of the indicators and, in turn, ensure the robustness and reliability of the indicators and integrate this information in the management.

The way data is processed is computerized, and the quality of the data is controlled and processed on two levels:

- Provider level: Data providers implement processes and systems at each stage of the analysis using automatic and data quality controls. These processes include, among others, algorithms based on machine learning to perform the best automatic selection of sources, eliminating inconsistencies and detecting outliers using historical data trends, comparison with industry peers, and variability among different sources as inputs. The data integration is done in an automated way in SAMLUX's management tool (Aladdin).
- Manager level: Once data is entered into the management tool, SAMLUX performs a control to ensure that the integration process of such data has been carried out without irregularities from a technical point of view, i.e. That there have been no errors in the loading of the data, or that the raw data of the PAIS indicators has not suffered abnormal variations. This process includes controls on data loading to verify the consistency of the data loaded, as well as controls on data quality by which the fluctuation of values is analyzed and over which, in the case of significant divergences, the data is not subject to the data load. a detailed analysis is carried out by the teams involved.

To provide the most up-to-date analysis, indicators are regularly updated and issuers whose data changes frequently (for example, due to the emergence of disputes) are systematically monitored.

In addition, the performance of the issuers' PAIS indicators is subject to systematic monitoring and will be continuous reinforced by the Forum for Principal Adverse Sustainability Impacts, including at least a quarterly follow-up of the potential discrepancies identified by the managers between the knowledge of the issuer and the data considered within the model provided by the suppliers. The management decisions taken in this forum are recorded in the management tool with the aim of always making the information available, allowing the parties involved to make informed investment decisions.

Engagement policies

SAMLUX monitors the companies in which it invests, intending to protect its clients' interests, promoting long-term value creation, managing risks, and promoting good governance.

SAMLUX develops engagement activities (voting and dialogue) which, as described above, are supported by specific policies for this purpose. These activities are key to detecting potential adverse sustainability impacts, monitoring the companies' management of these adverse impacts, and for establishing escalation processes in the event of an inadequate or insufficient response by the companies in view of the results of the PAIS indicators mentioned in the section "Description of the main adverse impacts on sustainability factors".

SAMLUX evaluates whether the engagement activities have achieved the objectives of mitigating and minimizing the impact derived from the investments, or not, by considering the following cases:

- Mitigation and adverse impact reduction objectives have been met: engagement/vote actions have been successful and no further actions are required.
- The adverse impact has not been reduced but the mitigation objective is achievable in the longer term: SAMLUX continues engagement activities and monitors the issuer's performance and progress regularly.
- Objectives have not been met and are not expected to be met: In these cases, an escalation process is chosen to try to achieve the objectives. Examples of our escalation activities include joining a group of investors in a collaborative engagement, exercising voting rights, reducing the position in the given issuer, and eventually divesting. In the event of a conflict of interest, the discussion is escalated to the relevant committees.

Engagement

Conducting a constructive dialogue with companies influences their activities and behaviors and can help on improving their transparency and their management prowess regarding ESG issues, which are essential in the evaluation of the assets in which SAM invests. SAMLUX believes that, on many occasions, carrying out these engagement processes is a better way of promoting meaningful changes, as opposed to opting for a divestment strategy. The principles and guidelines described in this policy are aligned with this approach and are fundamental to ensure the long-term performance of the assets managed by SAMLUX, and to contribute to the creation of value for clients and for society in general.

SAMLUX aims to progressively increase its participation in engagement activities, both in number and degree of engagement, in order to promote greater transparency and improve companies' ESG performance.

SAMLUX has established a prioritization framework for individual engagement activities, in order to select those with the greatest relevance and impact. Generally, engagement will be prioritized for those companies that are included within the portfolios of products that consider PAIS, that is, on which the ESG performance of the companies is a determining factor for carrying out investment decisions. However, engagement with companies in which SAM invests through other vehicles is also considered.

In addition, collaborative engagement activities with a focus on a specific ESG aspect can be applied to companies in which SAM invests through both SRI and non-SRI products.

Voting

The general principle of SAMLUX is to exercise its voting rights whenever possible and when the costs associated with exercising them do not exceed the potential benefits for fund participants

SAMLUX's voting policy establishes the guidelines to be considered in the voting process at the shareholders' meetings of the companies in which it invests. The policy is aligned with applicable legislation and voluntary codes that promote best practices and is consistent with the respective objectives of each portfolio.

SAMLUX has its own voting criteria aligned with regulation and codes of good practices, incorporating local and sectoral particularities as well as international best practices. In addition, SAM has the information of proxy advisors, which includes, among others, the analysis of ESG information. In any event, the final decision on how to vote rests with SAMLUX and is made in accordance with the voting criteria defined in the policy.

SAMLUX will support social and environmental proposals that drive good practices while promoting value creation for shareholders and other stakeholders. The following factors will be considered when determining the vote on the different proposals: whether the proposal is reasonable; the potential impact on the company's reputation; its alignment with applicable regulation, reference standards and industry practices; the existence of ESG controversies; or the resources needed to implement transparency proposals by the companies.

SAMLUX will tend to support shareholder proposals that seek greater disclosure on topics such as human and labor rights, occupational safety and health, environmental and biodiversity practices, and climate change risk management, among others.

The adaptation of the policies included in this section and in the section "Policies for detecting and prioritizing major adverse impacts" of this document may be considered in view of the evolution of the results of the PAIS indicators throughout the following years.

References to international standards

SAMLUX is committed to respecting the best practices contained in international conventions and protocols, codes of conduct, and guidelines applicable to ESG matters, and has voluntarily adopted certain ethical, social, and environmental commitments that go beyond the legal obligations with its main stakeholders. The activity of SAMLUX is based on the following standards and adherence to the following initiatives:

- Related to climate change: For greenhouse gas emission indicators (from PAIS 1 to 6) and optional indicator 4 Investments in companies without carbon reduction initiatives:
 - o Net Zero Asset Managers Initiative: to demonstrate its commitment to achieving the goal of Net Zero carbon emissions across all assets under management by 2050 or sooner. Based on this commitment, SAM has published its first decarbonization targets for 2030 and is working to increase the scope of its Net Zero engagement activities.
 - o Institutional Investors Group on Climate Change (IIGCC): to foster collaboration among investors on climate change, support and help define public policies, corporate behaviors, and investment practices that address the long-term risks and opportunities associated with climate change. In January 2023, IIGCC launched its Net Zero collaborative engagement program to which SAM is a signatory .
 - o 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 emissions, and strengthening climate-related financial disclosure.
 - o Financial Stability Board (FSB) Task Force on Climate Related Financial Disclosures (TCFD) Recommendations: to disclose its approach to integrating climate into processes and policies and to report on climate-related performance.
 - o Global Investor Statement to Governments on Climate Change.
- Related to human rights: For mandatory indicators 10 and 11 and the optional indicator Number of cases detected of serious human rights problems and incidents:
 - o UN Global Compact: United Nations Global Compact: to commit to incorporate the ten universal principles into their strategies and operations, support the implementation of the Sustainable Development Goals (SDGs), and collaborate with stakeholders to achieve a sustainable future.
 - o The United Nations Guiding Principles on Business and Human Rights
 - o The OECD Guidelines for Multinational Enterprises

- For the rest of social PAIS indicators, SAMLUX's actions are inspired by the principles that emanate from the main international declarations, such as:
 - o The Labor Organization's Declaration on Fundamental Principles and Rights at Work and its eight fundamental Conventions.
 - o The International Bill of Human Rights
 - o The Tripartite Declaration of the International Labor Organization on Multinational Enterprises and Social Policy.
 - o The Tripartite Declaration of the International Labor Organization on Multinational Enterprises and Social Policy.
 - o OECD Principles of Corporate Governance
 - o Good Governance Code at the local level (e.g.: Good Governance Code of the CNMV in Spain, UK Stewardship Code, AMEC Stewardship Code in Brazil, etc.).

Finally, for all PAIS indicators considered by SAMLUX, it bases its activity on the UN Principles for Responsible Investment by defining a framework for the integration of ESG issues into investment decision-making and management processes. The inclusion of ESG criteria in the investment process allows managers to obtain a more complete view of the assets in which they will invest, identify potential risks, and assist in making more informed investment decisions.

In addition to the initiatives and outcomes of the PAIS indicators presented above SAM has its own ESG rating methodology that allows to evaluate the environmental and social impact of issuers based on data collected and provided by external ESG data providers (Clarity AI, Sustainalytics). This qualification methodology plays a crucial role in informing investment decisions in SRI products and is available to all SAMLUX's product managers.

The adherence of SAMLUX to this series of principles and commitments, together with those contained in the previous sections, generate a control framework that allows the prevention, identification, monitoring, mitigation, and management of the main adverse incidents in sustainability for all mandatory and additional indicators, reflected in the table contained in the section "Description of the principal adverse impacts on sustainability factors" of this Declaration.

In this first reporting exercise, no prospective climate scenarios have been used, because SAM uses the services of external ESG data providers. The use of prospective climate scenarios can be considered for future years, as dictated by the evolution of regulations and the market.

Paris Agreement and Climate Scenarios

In March 2021, SAM joined the global Net Zero Asset Managers initiative, which aims to achieve net zero greenhouse gas emissions by 2050 in line with the decarbonization path set out in the Paris Agreement. In addition to this NZAM commitment, SAM is the first Spanish multinational to join the Institutional Investors Group on Climate, the European body for investor collaboration on climate change that represents investors committed to a low-carbon future.

SAM works in accordance with the Paris Aligned Investment Initiative Net Zero Investment Framework and has set the intermediate target for 2030 to halve emissions for 50% of assets under management within the applicable scope.

In addition, SAM collaborates with data providers to develop specific lines of research to achieve net zero emissions. For example, during 2022, SAM has worked on the evaluation of issuers according to the climate maturity scale defined by the IIGCC Net Zero Investment Framework. This classification provides a framework for evaluating the progress made by issuers in the Net Zero transition and identifying areas that may require further action of engagement activities by SAM.

Finally, climate change is integrated into our ESG analysis model including aspects such as exposure to climate risk. For this assessment, SAM uses the information provided by external data providers, incorporating it into its own valuation methodology. However, this first PAIS reporting exercise has not included prospective climate scenarios because SAM is analyzing the applicability of different climate scenarios and defining measurable transition plans together with ESG data providers.

Historical comparison

This Statement corresponds to the first fiscal year on which quantitative data on the PAIS indicators is being reported and, therefore, there is no historical data on which to make the comparison. The first instance of historical data comparison will be provided on the next fiscal year, and onwards.