

Statement of Principal Adverse Impacts of investment decisions on sustainability factors.

MAPFRE AM

MAPFRE ASSET MANAGEMENT

June 2023

1. Summary

MAPFRE Asset Management (959800U4W3EMFD0C3R46) ("MAPFRE AM" or the "Management Company") considers the principal adverse impact (PAI) of its investment decisions on sustainability factors as part of its investment due diligence process and procedures. For sustainable investments, it can ensure that investments do not cause significant harm to any environmental or social objectives.

This statement is the consolidated statement on the main adverse impacts on MAPFRE Asset Management's sustainability factors. The publication of this statement coincides with the reporting period from 1 January to 31 December 2022.

In accordance with regulatory requirements and the methodology for the measurement and management of Major Adverse Events developed by MAPFRE AM, this report has been prepared, to the extent possible, according to the guidelines set out in Annex 1 of Delegated Regulation (EU) 2022/1288 (the Regulatory Technical Standards, hereinafter "RTS"). The 18 mandatory indicators of adverse sustainability impacts set out in Table 1 of the RTS, on ESG disclosure, have been taken into account. Additionally, two optional indicators have been identified, one of them related to environmental aspects in Table 2 of Annex 1, and the other related to social aspects in Table 3 of Annex 1.

In 2022, MAPFRE AM has identified these adverse events only at the Entity level for all the products it manages as part of its business or by delegation (mutual funds, pension funds, EPSVs and discretionary management portfolios).

Given that MAPFRE AM belongs to the MAPFRE Group, and that both the responsible investment framework and the Group's environmental and social commitments are undertaken by MAPFRE AM, the selection of the optional indicators has been based, among others, on the priorities defined in the MAPFRE Group's Sustainability Plan. MAPFRE is a member of the Net Zero Asset Owner Alliance, which aims to contribute to the objectives of the Paris Agreement. Therefore, a priority for MAPFRE AM is the fight against climate change, for which environmental factors have been prioritized and environmental policies and commitments have been defined at Group and Manager level aimed at achieving them.

In addition, in relation to social aspects, and in particular the inclusion of people with disabilities, are part of MAPFRE's priorities. For this reason, a fund focused on the inclusion of people with disabilities in the companies in which it invests was launched. On the other hand, MAPFRE AM has been working on the incorporation of new commitments in terms of rights and the selection of the optional social indicator has been oriented to allow identifying adverse incidences in this regard.

MAPFRE AM performs a periodic analysis and monitoring of the main adverse impacts on sustainability factors, taking the necessary mitigation measures. These measures may consist of non-investment, divestment, or monitoring by initiating the relevant involvement actions per company.

To carry out this analysis, the Manager performs a periodic evaluation, based on data provided by MSCI ESG, as an external ESG data provider. In addition, the coverage and quality of the data is evaluated, which helps to determine the representativeness of the indicator and the actions to be implemented.

The following section presents the results obtained in each of the PAI at the Entity level.

2. Description of the principal adverse impacts on sustainability

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

A process has been developed to periodically identify and track major adverse impacts directly linked to the investment decision-making process. Relevant sustainability factors can be identified in a specific area, industry, sector or company. The MAPFRE Group's, and therefore MAPFRE AM's, commitment to the fight against climate change has prioritized environmental factors and therefore environmental policies and commitments have been defined at Group and Manager level. In addition, social aspects, and in particular the inclusion of people with disabilities, are part of MAPFRE's priorities.

In general, the Asset Management Company and MAPFRE strive to develop measures and controls that comply with regulations.

Indicators such as the carbon footprint, the exposure of our portfolios to fossil fuels or the accessibility of workplaces are analyzed, among others, as part of the commitments acquired and mentioned above. In order to take these indicators and criteria into account in management, they are continuously reviewed to ensure compliance with new regulatory requirements.

As issuers and companies in which MAPFRE AM invests provide enhanced and additional information, such information will be incorporated into the decision-making process. MAPFRE AM's objective as a long-term investor is to develop engagement activities

(voting and dialogue) that support specific policy purposes. These activities are key to detecting potential adverse impacts, learning how companies manage those impacts, and establishing processes for companies to take improvement actions.

The results obtained in each of the PAI at the Entity level, the definition of the indicator, as well as an Action Plan, where the planned measures, the defined objectives and relevant comments on the level of coverage of the indicator are identified, will be presented below.

MAPFRE AM shows the average value of the PAI indicators of MAPFRE AM's cash positions for all the products it manages as part of its business or by delegation (mutual funds, pension funds, EPSVs and discretionary management portfolios), including fixed income and corporate equities, as well as public debt, and integrates both direct and indirect investment through third-party vehicles.

The data source used was MSCI ESG, both for direct investment through corporate issuers and sovereigns, as well as for indirect investment through funds.

Currently, in relation to the priorities and objectives of the MAPFRE Group and MAPFRE AM, as explained in the previous section, the most relevant PAI have been identified and the actions to be taken based on the commitments adopted. In addition, the degree of quality and coverage of the available data by indicator has been relevant, discarding any action on those indicators that are not very representative. All this is explained in the following table in the section on actions to be taken.

the two optional indicators selected, PIA 4 (Table 2 RTS) and PIA 14 (Table 3 RTS) are based on the criteria previously explained, on the one hand, commitment and objective of the managing entity; and on the other, data coverage.

Principal adverse sustainability impacts statement

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse Sustainability Indicator	Metric	Impact	Explanation	Actions taken
Greenhouse Gas Emissions				
1. GHG Emissions	Scope 1 GHG emissions	468,898.17	Sum of portfolio companies' Carbon Emissions - Scope 1 (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	Action linked to PAI 2. Carbon Footprint
	Scope 2 GHG emissions	109,565.56	Sum of portfolio companies' Carbon Emissions - Scope 2 (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	Action linked to PAI 2. Carbon Footprint
	Scope 3 GHG emissions	3,733,811.08	Sum of portfolio companies' Scope 3 - Total Emission Estimated (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	The indicator is calculated assuming an estimate in a relevant percentage, since, up to now, most of the companies are not making Scope 3 public. Therefore, the evolution of the indicator will be monitored, without setting actions or targets for the time being.
	Total GHG emissions	4,312,385.04	The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with the market value of the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	An analysis of the evolution of the indicator will be carried out since Scope 3 is the scope that contributes the most and is currently mainly estimated. Action linked to PAI 2. Carbon Footprint.

Principal adverse sustainability impacts statement

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse Sustainability Indicator	Metric	Impact	Explanation	Actions taken
Greenhouse Gas Emissions				
2. Carbon Footprint	Carbon Footprint	405.03	The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with 1 million EUR invested in the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	The necessary measures will be taken to reduce the carbon footprint. MAPFRE AM's initial scope is focused on Scope 1+ 2 referring to MAPFRE Group portfolios (most representative business). There is an intention to gradually increase to investment funds and pension funds to cover 100% of AUM (assets under management). This is supported by the engagement activity (voting and dialogue) as well as the Environmental Commitments undertaken by MAPFRE AM.
3. GHG intensity of investee company	GHG Intensity of investee companies	821.68	The portfolio's weighted average of its holding issuers' GHG Intensity (Scope 1, Scope 2 and estimated Scope 3 GHG emissions/EUR million revenue).	The indicator focused on scope 1 and scope 2 reported by companies will be monitored in order to assist in investment decision-making process, allowing the portfolio's intensity to be reduced and aligned with the NZAOA's decarbonization objectives. The most intensive companies (Scope 1+2) of the investments managed by MAPFRE AM will be identified and monitored through the above-mentioned engagement mechanisms.
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0.4%	The percentage of the portfolio's market value exposed to issuers with active fossil fuels related activities, including petroleum, natural gas, and thermal and metallurgical coal.	MAPFRE AM, in line with the MAPFRE Group, has defined environmental commitments to reduce investment in fossil fuels. https://www.mapfre.com/media/MAPFRE-COMPROMISOS-AMBIENTALES-EN-INVERSION-Y-SUSCRIPCION.pdf In the event of exposure through an issuer, the situation will be evaluated by the appropriate governing body, and a decision will be made whether (1) to adjust the portfolio or (2) to begin a process of involvement with the company/s.

Principal adverse sustainability impacts statement

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse Sustainability Indicator	Metric	Impact	Explanation	Actions taken	
Greenhouse Gas Emissions					
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and production	62.00%	The portfolio's weighted average of issuers' energy consumption and/or production from non-renewable sources as a percentage of total energy used and/or generated.	The indicator will be monitored in order to assist in investment decision-making process. Although in our portfolio the percentage of coverage is around 60%, the percentage of coverage this indicator over a total of 10,000 companies is 47% (MSCI study), still too low to implement action plans on it.	
	6. Energy consumption intensity per high impact climate sector	NACE Code A (Agriculture, Forestry and Fishing)	0.06	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code A (Agriculture, Forestry and Fishing)	A reduced investment in high impact climate sectors will be maintained, which will contribute positively to the energy consumption of MAPFRE's investment portfolio. An exercise has been carried out to identify the weight in the investment portfolio of the CPRS (Climate Policy Relevant Sectors) based on EIOPA's NACE methodology.
		NACE Code B (Mining and Quarrying)	1.91	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code B (Mining and Quarrying)	A reduced investment in high impact climate sectors will be maintained, which will contribute positively to the energy consumption of MAPFRE's investment portfolio. An exercise has been carried out to identify the weight in the investment portfolio of the CPRS (Climate Policy Relevant Sectors) based on EIOPA's NACE methodology.
	NACE Code C (Manufacturing)	0.64	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code C (Manufacturing)	A reduced investment in high impact climate sectors will be maintained, which will contribute positively to the energy consumption of MAPFRE's investment portfolio. An exercise has been carried out to identify the weight in the investment portfolio of the CPRS (Climate Policy Relevant Sectors) based on EIOPA's NACE methodology.	

Principal adverse sustainability impacts statement

INDICATORS APPLICABLE TO INVESTMENTS IN investee COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse Sustainability Indicator	Metric	Impact	Explanation	Actions taken
Greenhouse Gas Emissions				
	NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply)	2.73	The portfolio's weighted average of Energy Consumption Intensity (GWh/million EUR revenue) for issuers classified within NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply)	A reduced investment in high impact climate sectors will be maintained, which will contribute positively to the energy consumption of MAPFRE's investment portfolio. An exercise has been carried out to identify the weight in the investment portfolio of the CPRS (Climate Policy Relevant Sectors) based on EIOPA's NACE methodology.
	NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities)	2.25	The portfolio's weighted average of Energy Consumption Intensity (GWh/million EUR revenue) for issuers classified within NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities)	A reduced investment in high impact climate sectors will be maintained, which will contribute positively to the energy consumption of MAPFRE's investment portfolio. An exercise has been carried out to identify the weight in the investment portfolio of the CPRS (Climate Policy Relevant Sectors) based on EIOPA's NACE methodology.
	NACE Code F (Construction)	0.30	The portfolio's weighted average of Energy Consumption Intensity (GWh/million EUR revenue) for issuers classified within NACE Code F (Construction)	A reduced investment in high impact climate sectors will be maintained, which will contribute positively to the energy consumption of MAPFRE's investment portfolio. An exercise has been carried out to identify the weight in the investment portfolio of the CPRS (Climate Policy Relevant Sectors) based on EIOPA's NACE methodology.
	NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)	0.14	The fund's weighted average of Energy Consumption Intensity (GWh/million EUR revenue) for issuers classified within NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)	A reduced investment in high impact climate sectors will be maintained, which will contribute positively to the energy consumption of MAPFRE's investment portfolio. An exercise has been carried out to identify the weight in the investment portfolio of the CPRS (Climate Policy Relevant Sectors) based on EIOPA's NACE methodology.

Principal adverse sustainability impacts statement

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse Sustainability Indicator	Metric	Impact	Explanation	Actions taken
Greenhouse Gas Emissions				
	NACE Code H (Transportation and Storage)	1.24	The portfolio's weighted average of Energy Consumption Intensity (GWh/million EUR revenue) for issuers classified within NACE Code H (Transportation and Storage)	A reduced investment in high impact climate sectors will be maintained, which will contribute positively to the energy consumption of MAPFRE's investment portfolio. An exercise has been carried out to identify the weight in the investment portfolio of the CPRS (Climate Policy Relevant Sectors) based on EIOPA's NACE methodology.
	NACE Code L (Real Estate Activities)	0.25	The portfolio's weighted average of Energy Consumption Intensity (GWh/million EUR revenue) for issuers classified within NACE Code L (Real Estate Activities)	A reduced investment in high impact climate sectors will be maintained, which will contribute positively to the energy consumption of MAPFRE's investment portfolio. An exercise has been carried out to identify the weight in the investment portfolio of the CPRS (Climate Policy Relevant Sectors) based on EIOPA's NACE methodology. Direct investment in real estate is not included.
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	0.14%	The percentage of the portfolio's market value exposed to issuers that reported having operations in or near biodiversity sensitive areas and have been implicated in controversies with severe or very severe impacts on the environment.	The indicator will be monitored in order to assist in investment decision-making process. Assuming the low representativeness of the data reported by the companies (0.217% of our universe; and 0.01% of a total of 10,000 companies analyzed by MSCI), no concrete actions will be taken on this indicator for the time being.

Principal adverse sustainability impacts statement

Adverse Sustainability Indicator

Water	Metric	Impact	Explanation	Actions taken
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.00	The total annual wastewater discharged (metric tons reported) into surface waters as a result of industrial or manufacturing activities associated with 1 million EUR invested in the portfolio . Companies' water emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	The evolution of the indicator will be monitored. However, no concrete actions have been established given to the low representativeness of the data. It has been observed that a small number of companies report this information (6% according to the MSCI on a universe of 10,000 companies).

Adverse Sustainability Indicator

Waste	Metric	Impact	Explanation	Actions taken
9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	7.65	The total annual hazardous waste (metric tons reported) associated with 1 million EUR invested in the portfolio. Companies' hazardous waste is apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	The evolution of the indicator will be monitored. However, no concrete actions have been established since the data is still not very representative. A small number of companies report this information (18% according to the MSCI on a universe of 10,000 companies).

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

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

Adverse Sustainability Indicator	Metric	Impact	Explanation	Actions taken
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	0.99%	The percentage of the portfolio's market value exposed to issuers with very severe controversies related to the company's operations and/or products.	The indicator will be monitored in order to assist in investment decision-making process. If the 5% threshold is exceeded, the situation will be evaluated by the appropriate governing body, and a decision will be made whether (1) adjust the portfolio or (2) begin a process of engagement with the company/s.

Principal adverse sustainability impacts statement

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

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

Adverse Sustainability Indicator	Metric	Impact	Explanation	Actions taken
Social and employee matters				
11. Lack of processes and compliance mechanisms to monitor compliance with 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	28.16%	The percentage of the portfolio's market value exposed to issuers that are not signatories in the UN Global Compact.	The focus of the objective and actions will be on PAI 10.
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	15.46%	The portfolio holdings' weighted average of the difference between the average gross hourly earnings of male and female employees, as a percentage of male gross earnings.	The evolution of the indicator will be monitored. However, no concrete actions have been established since the data is still not very representative. A small number of companies report this information (7% according to the MSCI on a universe of 10,000 companies).
13. Board gender diversity	Average ratio of female to male board members in investee companies	38.54%	The portfolio holdings' weighted average of the ratio of female to male board members.	The indicator will be monitored in order to assist in investment decision-making process. If the average ratio falls below 30%, the situation will be evaluated by the appropriate governing body, and a decision will be made whether (1) to adjust the portfolio or (2) to begin a process of involvement with the company/s.

Principal adverse sustainability impacts statement

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

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

Adverse Sustainability Indicator	Metric	Impact	Explanation	Actions taken
Social and employee matters				
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	0.03%	The percentage of the portfolio's market value exposed to issuers with an industry tie to landmines, cluster munitions, chemical weapons or biological weapons. Note: Industry ties includes ownership, manufacturing and investments. Ties to landmines do not include related safety products.	The indicator will be monitored in order to assist in investment decision-making process. In the event of exceeding 1%, the situation will be evaluated by the appropriate governing body, and a decision will be made whether to (1) adjust the portfolio or (2) begin a process of engagement with the company/s.

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

Adverse Sustainability Indicator	Metric	Impact	Explanation	Actions taken
Environmental				
15. GHG Intensity	GHG intensity of investee countries	249.00	The portfolio's weighted average of sovereign issuers' GHG Emissions Intensity (Scope 1, 2 and 3 emissions/EUR M GDP)	The indicator will be monitored (Scope 1+ Scope 2) in order to assist in investment decision-making, but no specific action plans will be established for this year beyond the establishment of a carbon footprint reduction path (scope 1+2) for the investment portfolio set out in MAPFRE's Strategic Plan.

Principal adverse sustainability impacts statement

Social	Metric	Impact	Explanation	Actions taken
16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	1	The portfolio's number of unique sovereign issuers with European External Action Service (EEAS) restrictive measures (sanctions) on imports and exports	The indicator will be monitored in order to assist in investment decision-making process. The focus will be on the relative metric, explained below.
	Number of investee countries subject to social violations (relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.78%	The portfolio's percentage of unique sovereign issuers with European External Action Service (EEAS) restrictive measures (sanctions) on imports and exports	The indicator will be monitored and if the 1% threshold is exceeded, the situation will be evaluated and the appropriate governing body will decide whether to (1) adjust the portfolio or (2) begin a process of engagement with the company/s).

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Adverse Sustainability Indicator	Metric	Impact	Explanation	Actions taken
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	-	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	Not applicable.
Anti-corruption and anti-bribery				
Energy efficiency				
18. Exposure to energy-inefficient real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	-	Share of investments in energy-inefficient real estate assets	Not applicable.

Additional climate and other environment-related indicators

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Adverse Sustainability Indicator	Metric	Impact	Explanation	Actions taken
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	4.2%	The percentage of the portfolio's market value exposed to issuers without a carbon emissions reduction target, in companies active in the fossil fuel sector.	<p>MAPFRE AM, in line with the MAPFRE Group, has defined environmental commitments to reduce investment in companies that are not committed to an energy transition plan that will that would maintain global warming at around 1.5°C.</p> <p>https://www.mapfre.com/media/MAPFRE-COMPROMISOS-AMBIENTALES-EN-INVERSION-Y-SUSCRIPCION.pdf</p> <p>In the event of exposure through an issuer, the situation will be evaluated by the appropriate governing body, and a decision will be made as to whether it is appropriate to begin a process of involvement with the company or to proceed to its orderly sale.</p>

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Adverse Sustainability Indicator	Metric	Impact	Explanation	Actions taken
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	0.00	The total number of severe and very severe human rights concerns controversies associated with EUR 1 million invested in the portfolio. It is calculated as the weighted average of Number of Severe and Very Severe Human Rights Concerns Controversies per company divided by the company's most recently available enterprise value including cash (EVIC).	The Management Company intends not to invest in companies involved in controversies rated as very severe (red flag by MSCI). In the event of a very severe controversy, the investment team will be informed in order to proceed with the sale or, if necessary, authorization will be requested from the relevant governing body, subject to the presentation of a justified proposal by the investment management.

3. Description of policies to identify and prioritise the impact of Principal Adverse Impacts on Sustainability

A process has been developed to periodically identify and monitor the main adverse impacts directly linked to the investment decision-making process. The results of the indicators mentioned in the previous point are tracked and monitored in order to detect and mitigate the main adverse impacts on sustainability. Relevant sustainability factors can be identified in a specific area, industry, sector or company. The commitment of the MAPRE Group and, therefore, of MAPFRE AM, in the fight against climate change has prioritized environmental factors and, therefore, environmental policies and commitments have been defined at Group level. In addition, social aspects, and in particular the inclusion of people with disabilities, are part of MAPFRE's priorities.

In general, the Asset Management Company and MAPFRE strive to develop measures and controls that comply with regulations. Indicators such as carbon footprint, exposure of our portfolios to fossil fuels or accessibility to jobs, and improvements in the use of energy sources are analyzed. To take these indicators and criteria into account in management, they are continuously reviewed to ensure compliance with new regulatory requirements.

In this context, MAPFRE AM is aware that certain investment activities may cause adverse impacts on sustainability, and seeks to minimize them, whenever possible, through the strategies for integrating environmental, social and governance (ESG) factors set out in the [MAPFRE AM policies available on the website](#) and in the corresponding internal procedures.

The main policies are detailed below:

- [Responsible Investment Framework MAPFRE Group](#) (marzo-2021)
- [Environmental commitments for the Investment area](#)
- MAPFRE AM Sustainability Risk Integration Policy (July-2022)
- MAPFRE AM Engagement Policy (July-2021)
- MAPFRE AM Voting Policy (July-2020)
- Due Diligence Policy for Major Adverse Incidents (Jun-2021)

MAPFRE AM's objective as a long-term investor is to develop engagement activities (voting and dialogue) that support the purposes of specific policies, being key to detect potential adverse impacts, learn how companies manage such impacts and establish processes for companies to take improvement actions.

MAPFRE AM has a policy of Involvement and Integration of Sustainability Risks, to detect and prioritize PAI on sustainability factors. Each of the aforementioned policies determines how to assign responsibilities for their implementation within the organizational strategies and procedures.

Additionally, as a measure to reinforce this monitoring of PAI, the Manager has established an engagement working group where, among others, the identification of major adverse events is one of the factors that could trigger the initiation of a dialogue activity (individual, collective or through suppliers and/or third parties). In addition, as mentioned above, the identification of adverse impacts could lead to the divestment of a position or not increasing exposure, among others.

All the policies explained here are kept permanently updated. They are reviewed periodically (at least annually or more frequently if deemed appropriate) and submitted for approval by the governing bodies.

Regarding the representativeness of the data, as mentioned above, in some indicators, the lack of coverage or quality does not allow for active management of certain adverse incidents that may occur. MAPFRE AM will work, as far as possible, to try to improve the coverage and quality of the data, in order to obtain greater reliability for the following years.

There are PAI that, due to the low coverage of the indicator, it has been decided not to adopt specific measures on them. To this end, a minimum coverage percentage of 80% has been established in order to minimize the margin of error.

As issuers and companies in which MAPFRE AM invests provide enhanced and additional information, such information will be incorporated into the decision-making process.

In order to cover the obligation to select two additional indicators, one of a social nature and another environmental indicator from the list of additional indicators included in Table 2 and Table 3 of Annex 1 of the RTS, MAPFRE AM has conducted an analysis of all the additional indicators, taking into consideration the following aspects, as mentioned in previous sections:

- ✓ The importance of the optional indicators in accordance with the commitment and objective of both the managing entity and the MAPFRE Group.
- ✓ Availability and coverage of indicator data by the data provider.

The two optional indicators selected were as follow:

- PAI 4- Investments in companies without carbon emission reduction initiatives (Environmental): In line with the sustainability strategy of the MAPFRE Group, of which MAPFRE AM is a part.

In accordance with the Sustainability Risk Integration Policy, MAPFRE AM will not invest in those coal, gas and oil companies that are not committed to an energy transition plan and that may pose a material risk to the achievement of the objectives in the investment portfolios. In addition to this general restriction, MAPFRE AM is committed to: (1) not investing in companies in which 20% or more of their revenues and/or generation come from energy produced from coal; (2) not investing in companies with plans to expand coal-based energy of more than 300 (MW); (3) not investing in companies that derive 20% or more of their revenues from the extraction and/or annual production of thermal coal in excess of 20 million tons; (4) not investing in companies in which more than 15% of their revenues are linked directly or indirectly in the oil sands activity.

- PAI 14- Number of detected cases of serious human rights problems and incidents (Social): Aligned with the MAPFRE Group's sustainability strategy.

In addition, both indicators have a wide coverage, so we believe that they can be representative and allow us to identify and manage adverse incidents.

The data source used was MSCI ESG, both for direct investment through corporate issuers and sovereigns, as well as for indirect investment through funds.

4. Engagement policies

Effective and sustainable shareholder engagement is one of the cornerstones of the corporate governance model, and increased engagement is a tool to improve financial and non-financial performance, which MAPFRE AM considers fundamental to ensure long-term sustainable performance.

MAPFRE AM has developed and published a long-term shareholder engagement policy that explains how it conducts its voting and engagement activities, and how these are integrated into its investment decisions through its fund and portfolio managers.

The Asset Manager, in accordance with the commitments of the MAPFRE Group (MAPFRE), takes into consideration socially responsible investment criteria in the management of its investments based on the principles of sustainable investment and transparency in management, as well as the main adverse impacts identified. The inclusion of ESG (Environmental, Social and Governance) criteria and their integration into investment management can have a favorable effect on the long-term financial performance of companies and contribute to greater economic and social progress.

Through dialogue with companies, MAPFRE AM aims to understand the business models, risks and opportunities of companies and promote change to improve strategy, management and ESG data, particularly in the material aspects of each company. In this way, they can identify and mitigate adverse impacts. MAPFRE AM also collaborates with other agents (members of the financial markets, associations, regulators, etc.) to promote socially responsible investment. In addition, MAPFRE AM exercises its voting rights at general shareholders' meetings.

MAPFRE AM's voting policy establishes the general rules to be considered in the voting process at annual general meetings. The policy is aligned with the vision of the Asset Management Company and the Group on socially responsible investment and governance issues. MAPFRE AM relies on the services of a specialized advisory firm that provides recommendations on voting at company AGMs. So, it facilitates the analysis of the points to be discussed at the meeting, also incorporating a sustainability approach. However, without prejudice to the advice of the proxy advisor, the management company will ultimately determine the final voting decision.

Therefore, MAPFRE AM will exercise its voting rights considering environmental, social and governance issues and will act in the exclusive best interest of its unitholders/clients.

The identification of adverse incidents in the issuers comprising the investment portfolio will be one of the factors that may trigger the initiation of dialogue with the companies.

When conducting the process of actively approaching companies: (1) set the objectives of the dialogues, and circumstances under which an escalation strategy will be implemented; (2) draw up an inventory of issues; (3) establish guidelines for the governance of the engagement process (determine relevant contact persons in the company, contact relevant persons to explain the objective pursued, ensure that all issues included in the inventory are addressed in the meetings, and collect company responses in order to conduct an analysis against the objective pursued for follow-up and internal evaluation; (4) Dialogue objectives can be redefined and adjusted throughout the process, if necessary.

In the event that the dialogue does not produce the desired results, the fund manager may agree on strategies to make the company aware of its sustainability risks (additional meetings with the management team, divestment of positions, inclusion in exclusion lists, etc.). The fund manager may also resort to external dialogue services with an extensive international track record, in the cases and matters they deem appropriate.

In addition, potential conflicts of interest will be evaluated. MAPFRE AM has a Policy that constitutes a general framework for managing potential conflicts of interest, as well as a regulation that develops it, in order to ensure, among others, the interests of clients.

The involvement policy is available at [https://www.mapfream.com/media/EN ESG Engagement Policy 04072023.pdf](https://www.mapfream.com/media/EN_ESG_Engagement_Policy_04072023.pdf)

5. Referens to international standards

Given that MAPFRE is the owner of the assets and that investment and risk management is carried out by MAPFRE AM, the initiatives and commitments acquired by the Group are part of the commitments acquired by the management company. MAPFRE AM's policies and procedures are based on MAPFRE's responsible investment framework.

MAPFRE has been a signatory to the UNPRI Principles for Responsible Investment (PRI) since 2017 and has been a member of the Net Zero Asset Owner Alliance (NZAOA) since January 2023.

Details of voluntary adherence to the main international and local benchmark initiatives are provided below. ([Internacional commitments](#)), in which MAPFRE actively participates.

Related to environmental issues

The matters and commitments included in these statements are related to some of the IPA indicators applicable to environmental issues (indicators 1, 2, 3, 4, 6 and 15 in Table 1; as well as indicator 4 in Table 2 of Annex 1 of the RTS).

MAPFRE AM supports the achievement of the objectives of the:

- Paris Agreement through its support to the Task Force on Climate-related Financial Disclosures (TCFD).
- Climate Disclosure Project (CDP)
- Agenda 2030 and the Sustainable Development Goals (SDGs).
- Paris Pledge for Action
- United Nations Environment Programme Finance Initiative (UNEPFI).

Related to social issues

The matters and commitments contained in these statements are related to some of the IPA indicators applicable to social and labor issues (indicators 10, 11, 13, 14 and 16 in Table 1; as well as indicator 14 in Table 2 of Annex 1 of the RTS).

MAPFRE actively participates in the following initiatives:

- UN standards of conduct for companies in favor of LGTBI people.
- UN Women Principles.
- ILO Global Business and Disability Network (GBDN).

Related to other sustainability initiatives

The subjects and commitments included in these statements are related to all the PAI indicators.

- Adherence to the United Nations Global Compact.
- Adhesion to UNPRI Principles for Responsible Investment (PRI)
- Principles for Sustainability in Insurance (PSI)
- Net Zero Asset Owner Alliance (NZAOA)

Climate scenarios

This year, no prospective climate scenarios have been used in the management of IPA indicators. An evaluation will be carried out in order to be able to implement them in future statements.

6. Historical comparison

MAPFRE AM, as a participant in the financial markets, has not provided a description of the adverse effects on the sustainability factors for a prior reporting period in accordance with Table 1 and the relevant indicators in Tables 2 and 3 of Annex 1 of the SFDR Delegated Act, and therefore the historical comparative for the reporting period cannot be provided in accordance with those sections.

MAPFRE AM will carry out a comparative evaluation starting next year.