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**POLICY ON THE INTEGRATION OF
SUSTAINABILITY RISKS OF MAPFRE ASSET
MANAGEMENT, S.G.I.I.C., S.A.**

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1. DEFINITIONS

For the purposes of this Policy, the following definitions apply:

- a) MAPFRE, MAPFRE GROUP or GROUP: the corporate group comprising MAPFRE S.A., as parent company, and its subsidiaries and dependent companies, in line with the provisions of the Stock Market Law.
- b) MAPFRE AM: the Management Company of Collective Investment Institutions MAPFRE ASSET MANAGEMENT, S.G.I.I.C., S.A. belonging to the MAPFRE GROUP.

2. INTRODUCTION

MAPFRE AM, as the management company of the MAPFRE Group, assumes the Group's sustainability commitments and policies.

As a sign of MAPFRE's commitment to sustainability, the Group has joined initiatives such as PRI, the UN Global Compact, the Climate Disclosure Project (CDP), the UN Environment Programme Finance Initiative (UNEPFI), the Net Zero Asset Owner Alliance (NZAOA), and the Principles for Sustainable Insurance (PSI), among others.¹

In addition, MAPFRE has made a public commitment to contribute to the UN 2030 Agenda for Sustainable Development.

Therefore, MAPFRE AM, in accordance with these commitments, takes into account socially responsible investment criteria in the management of its investments based on the principles of sustainable investment and transparency in management. 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.

This policy is complementary to the policies on Engagement, Voting Rights, and Due Diligence of Principal Adverse Sustainability Impacts (PASI).

3. PURPOSE

The purpose of this policy is to establish the principles and mechanisms to ensure governance, management, and control of ESG risks associated with the investment decision-making process conducted by MAPFRE AM.

The European Union increasingly faces the catastrophic and unpredictable consequences of climate change, the depletion of resources, and other issues related to sustainability, and so, it is

¹ The following contains all the initiatives of which MAPFRE forms part:
<https://www.mapfre.com/sostenibilidad/compromisos-internacionales/>

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essential to mobilize capital through public policies and the financial services sector. In this context, the Regulation 2019/2088 (EU) of the European Parliament and of the Council of November 27, 2019, regarding sustainability-related disclosures in the financial services (“Disclosure Regulation”) requires financial market participants and financial advisors to disclose specific information regarding how they address sustainability risks and analysis in adverse sustainability incidents.

Therefore, the purpose of this document is to describe the policy on the integration of sustainability risks (hereinafter, “ESG Integration Policy”) adopted by MAPFRE AM as a measure for its participation in financial markets in line with the disclosure regulation, and activity in collective investment institutions (“CII”) and discretionary management portfolios.

Sustainability risk refers to an environmental, social, or governance (ESG) factor or condition that, if it occurs, may produce a negative impact on the value of the investment.

4. SCOPE: SUMMARY OF CRITERIA TO CONSIDER

This policy shall apply to the investment decisions made by all employees, executives, and members of the Board of Directors of MAPFRE AM affecting the CIIs and portfolios managed by MAPFRE AM. Additionally, MAPFRE AM shall ensure that all external collaborators are governed by the general principles similar to those established in this Policy.


This policy is intended to be applied to all the assets in the portfolio and to be constantly improved in the medium and long term. To this end, MAPFRE AM uses data from specialized sustainability suppliers (metrics and methodologies) in its analyses and uses models and methodologies developed internally.

The monitoring of environmental, social, and governance (ESG) factors provides additional information about social and environmental movements and transformations, stakeholder expectations, and the market. All these factors affect the MAPFRE Group. This knowledge helps us identify and assess potential risks affecting sustainability and business opportunities.

In this line, the objectives that MAPFRE AM pursues, considering the ESG criteria for the funds and portfolios it handles, are not only to select the investments that can provide its customers with the best economic results, but also the most favorable in terms of responsible growth.

Additionally, in an effort to uphold the environmental commitments² of the MAPFRE Group and contribute to climate change and the transition to a low-carbon economy, MAPFRE AM shall not invest in:

² Website with the MAPFRE Group’s environmental commitments: [ENVIRONMENTAL-COMMITMENTS](#)

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- companies in which 20% or more of their revenue and/or generation comes from coal-fired energy.³
- companies with coal-based energy expansion plans of more than 300MW.⁴
- companies that earn 20% or more of their revenue from annual thermal coal extraction and/or production greater than 20 million tons.
- companies in which more than 15% of their revenue is directly or indirectly linked to oil sands activities.
- coal, gas, and oil companies that are not committed to an energy transition plan that limits global warming to around 1.5 °C.

In addition, MAPFRE AM, in line with MAPFRE’s ISR framework, incorporates the following social commitment, on human rights:

- For MAPFRE, respect for human rights is inspired by the international declarations and standards set out in the Group’s Human Rights policy, therefore demonstrating its commitment to not investing in companies that violate the United Nations Guiding Principles (UNGP) for Business and Human Rights.

MAPFRE AM applies ESG risk integration on all across-the-board managed products in established management and control processes by using various complementary risk assessment and analysis systems that enable the integration of these risks.

However, specific products could have excluded from complying with this policy (guaranteed funds, illiquid funds, niche funds that could condition investment decisions taken). Therefore, the Risk Committee will have the power to exclude it based on justified reasons.

According to the disclosure regulation, the sustainability risk factors analysis could yield profits that transcend financial markets, since it may improve the real economy’s resilience and the stability of financial systems. Thus, it could ultimately impact the relationship between the risk and profits of financial products.

5. INVESTMENT PROCESS

MAPFRE AM conducts an analysis of the sustainability factors of the assets it invests in, which allows it to understand the risks and opportunities they present in terms of sustainability before integrating them into the investment decision process.

The management objective is to achieve long-term sustainable growth. Therefore, the areas and committees involved in the investment process are commissioned to integrate the sustainability risks as specifically described in this policy.

The following phases describe MAPFRE’s AM investment methodology:

^{3 4} Referred to thermal coal.

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- a) Universal Investment Analysis. The starting point is a macroeconomic analysis of the financial markets, sectoral and business analysis, among others. Additionally, the qualitative factors are considered, such as the geopolitical risks, the policies of central banks and regulatory environment. The ESG criteria supplement our quantitative assessment.
- b) Global strategic positioning. The Global Asset Allocation Committee defines the global strategic positioning of MAPFRE AM. It determines the optimal asset distribution between the different types of assets and geographies, and thus, builds a strategic portfolio. The committee is comprised of international management funds and portfolios of the MAPFRE Group, represented by various places where the Group is present (Spain, United States, Brazil, France, Malta, etc.)
- c) Investment strategies and tactical decisions definition. The Investment Committees shall make the tactical decisions and adopt investment strategies.
- d) Operational Portfolio Management The decisions taken will be processed according to the nature of the portfolio.
- e) Monitoring and Reporting: Risk controls, policy compliance, and reports

ESG integration is at the forefront of all investment processes.

6. DECISION-MAKING

To carry out the ESG analysis, MAPFRE AM divides its investment universe into three categories: private issuers (companies; landesbanken; agencies in the industrial, banking, and utility sectors; and supnationals with the exception of Supranational administrative bodies), public issuers (states, autonomous communities, federal states, agencies that do not fall within the sectors indicated above, and supranational administrative bodies), and investment funds.

- **ESG rating of public issuers:**

In order to assess the issuances made by different countries from the ESG perspective, MAPFRE AM has created its own integration of sustainability methodology, for whomever uses available public information.

In this way, the ESG rating is obtained for each country, which is created by considering the different environmental, social, and governance factors.

- The relative variables are water resources, pollution, biodiversity, ecosystem, carbon emissions, etc. are the environmental factors.
- The relative data to social dimensions of the economy, such as education, wages, inequality, etc. are assessed for social factors.

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- Lastly, governance is measured by combining different variables that are ranked according to their importance. These include the use of resources or the transparency of the Government.

To be included in the MAPFRE AM investment fund universe, the country's sustainability rating must meet the minimum allowable thresholds.

- **ESG rating of corporate issuers:**

To measure the sustainability of the corporate issuers, the global rating granted by a leading entity specialized in the analysis of companies in accordance with environmental, social, and governance issues is taken into account. MAPFRE AM assumes this rating as its own. The values range from 0 to 10, where 0 is the worst and 10 the best. Just like public issuers, the private issuers must obtain a minimum threshold to become part of the investment fund.

The analysis is supplemented by an internal assessment of the supported managers for both own reporting and sectoral sustainability and discrepancy reports, as well as other additional information.

- **ESG rating of Mutual Funds**

If the fund to be analyzed is managed directly by MAPFRE AM or is a third party fund, the ESG analysis will be approached differently.

In the first case, given that the investments comprising the fund are known in detail, the ESG rating of the fund will be derived by applying the methodology explained above to each asset comprising the fund and thus inferring the average rating of the fund in question.

In the case of third party management funds, and when the necessary information is unavailable to proceed as in the previous case, MAPFRE AM shall use the ESG information provided by a specialized data provider. Such funds shall be used to score the proper rating and, like the other assets, will be defined at the minimum ESG level to be considered appropriate from a sustainable investment point of view.

As regards the alternative investment funds, MAPFRE AM incorporates issues related to sustainability in its due diligence process. However, initially, MAPFRE AM shall not grant the ESG rating even though it will continue to work to score its sustainability.

In this type of fund, any product qualified as Article 8 or Article 9 under SFDR will be considered to be sustainable and therefore compliant with this integration policy.

7. SUBSEQUENT MONITORING OF SUSTAINABILITY RISKS

The funds or portfolio managers adopt investment decisions daily, considering the financial factors extra-financial ones, in particular, the ESG risks. In their analysis, the sustainability criteria are significant variables and are taken into account during the entire process. If the sustainability factors no longer meet the criteria defined in this policy, appropriate decisions will be taken.

The MAPFRE AM risk management executives plays a significant role related to sustainability risk

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management and control. As well as overseeing proper identification, measurement, assessment, monitoring, and control of the traditional financial risks, they shall implement their measures deemed necessary to ensure the adequate compliance of the duties related to sustainability risk integration. It shall ensure that the integration process described above is effectively implemented. It shall prepare the required reports and inform the Board of Directors Finally, it shall support other areas involved in order to assess these risks.

8. APPROVAL, ENTRY INTO FORCE AND SUBSEQUENT REVIEWS

The Board of Directors MAPFRE AM shall review this policy at least once a year and may amend it at any time with the approval from the Board of Directors of MAPFRE AM to adapt it to any significant change that affects any of its contents.

9. VERSION CONTROL

VERSIONS	DATE	ACTIVITY	APPROVED BY
V.3	July 04th, 2023	Alignment of environmental commitments with those of the Group. Treatment of illiquid alternative funds. Specification of the model (source) used by type of issuer.	Board of Directors
V.4	December 05th, 2023	Added Social Commitment (Human Rights) Exclusion situation in the Integration policy.	Board of Directors