

2022 Engagement activity report

MAPFRE ASSET MANAGEMENT, SGIIC, SA.

MAPFRE AM

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1. INTRODUCTION

MAPFRE ASSET MANAGEMENT, SGIIC, S.A. (hereinafter, “MAPFRE AM” or “the manager”) boasts over 30 years of experience in asset management and oversees a portfolio exceeding €40 billion. It is part of the MAPFRE Group, with a primary mission of managing and optimizing the profitability of the group's balance sheet, alongside other portfolios and mutual and pension funds it manages.

Our profitability objectives are aligned with a commitment to responsible and sustainable investing, where we take into consideration environmental, social, and governance (ESG) factors in our investment decision-making process. As a part of this approach, in 2021, MAPFRE AM introduced a Long-Term Shareholder [Engagement Policy](#) (hereinafter, the "Engagement Policy" or the "Policy"). This document outlines how we integrate our engagement with the companies in which we invest, whether as investors or managers, into our investment strategy and our procedures for voting and engaging in meaningful dialogue.

This report sets out the activities conducted in 2022 in adherence to prevailing regulations and in the fulfillment of our fiduciary responsibilities. It offers a comprehensive account of the monitoring actions taken regarding the main companies that make up our investment portfolios, in accordance with the methodology prescribed in our Policy. This document is supplemented by the [2022 Voting Policy Exercise Report](#), accessible on our website, which provides a detailed overview of all votes cast during the year.

In 2017, we signed the United Nations Principles for Responsible Investment (PRI). As a result, our products for customers, especially our investment funds, align with these principles and adhere to ESG criteria. We also apply prudence in our investment approach, with a focus on creating long-term value.

In late 2020, MAPFRE AM received the prestigious European LABEL ISR certification for its MAPFRE Inclusión Responsable and MAPFRE Capital Responsable funds, making MAPFRE AM the first Spanish asset manager to receive this distinction for one of its managed products.

2. SCOPE AND OBJECTIVES OF ENGAGEMENT

MAPFRE AM has been fulfilling its fiduciary responsibility as a responsible institutional investor for several years, primarily by diligently exercising its voting rights as an integral part of its investment process. In 2022, it extended its relationship with companies into other areas in response to the entry into force of Spanish Law 5/2021. This law amends the Capital Companies Act and other financial regulations (such as Law 35/2003 on Collective Investment Schemes), which transposes Directive (EU) 2017/828 on promoting long-term shareholder engagement (SRD II) into Spanish law.

For this endeavor, MAPFRE AM has engaged the services of Corporance Asesores de Voto (Corporance), a member representing Spain and Portugal within the independent proxy advisory alliance known as Ethos European Network. Corporance boasts extensive experience in advising global institutional investors. They have furnished reports containing voting recommendations for the most notable companies in MAPFRE AM's portfolios. Additionally, they have acted as representatives for the manager in various issuer engagement activities, as elaborated upon later.

With this in mind, we use the information provided by the proxy advisor to conduct an analysis that enables us to assess the proposals presented at shareholder meetings. However, we do not delegate our voting rights. Consequently, we review their recommendations before making our voting decisions.

Through engaging in dialogues with companies, MAPFRE AM aims to gain insight into their business models, risks, and opportunities, and to advocate for change that improves their ESG strategies, management, and disclosure, depending on the material aspects of each company. This enables us to more effectively assess and manage risks while reducing potential adverse impacts. We also collaborate with various financial market stakeholders, including intermediaries, associations, regulators, and other institutions, to advance the cause of socially responsible investing.

In early 2022, we conducted an analysis on the composition of the product portfolios we manage to identify companies that would be the focus of our engagement efforts for the year. These engagement efforts encompassed activities such as voting, dialogue, and collaborative initiatives. We employed diverse selection criteria, including the total investment value and the percentage of the fund's portfolio. As a result, we selected a total of 28 companies: 9 Spanish, 13 from the rest of the European Union, and 6 North American firms, as outlined below.

ISIN	Company	Meeting Date
ES0113211835	Banco Bilbao Vizcaya Argentaria	March 17, 2022
FI0009013296	Neste Oyj	March 31, 2022
ES0113900J37	Banco Santander	April 1, 2022
ES0140609019	CaixaBank	April 7, 2022
ES0118900010	Ferrovial	April 7, 2022
ES0178430E18	Telephone	April 8, 2022
FR0000121014	LVMH Moet Hennessy Louis Vuitton	April 21, 2022
US0605051046	Bank of America Corp	April 26, 2022
US1729674242	Citigroup Inc	April 26, 2022
ES0105066007	Cellnex Telecom	April 28, 2022
NL0010273215	ASML Holding NV	April 29, 2022
IT0000072618	Intesa Sanpaolo SpA	April 29, 2022
DE0008404005	Allianz SE	May 4, 2022
FR0000120073	Air Liquide SA	May 4, 2022
NL0000009355	Unilever NV	May 4, 2022
ES0173516115	Repsol	May 6, 2022
DE000ENAG999	E.ON SE	May 12, 2022
FR0000131104	BNP Paribas SA	May 17, 2022
US46625H1005	JPMorgan Chase & Co	May 17, 2022
IT0003128367	Enel SpA	May 19, 2022
NL0010773842	NN Group NV	May 19, 2022
FR0000125338	Capgemini	May 19, 2022
FR0000045072	Credit Agricole SA	May 24, 2022
US02079K1079	Alphabet Inc	June 1, 2022
ES0144580Y14	Iberdrola	June 17, 2022
ES0148396007	Inditex	July 12, 2022
US7427181091	Procter & Gamble Co	October 11, 2022
US5949181045	Microsoft Corp	December 13, 2022

3. EXERCISING VOTING RIGHTS

Exercising voting right has been a consistent and conscientious responsibility fulfilled by MAPFRE AM's fund managers as part of their investment and communication process with the companies in which they invest on behalf of the products they manage. The integration of ESG factors into effective and sustainable shareholder engagement stands as a fundamental pillar of our investment model. This approach serves as a tool for improving the financial and non-financial performance of these companies.

Our Engagement Policy outlines a [Voting Rights Policy](#) that sets forth general principles to guide the voting process at General Shareholder Meetings. This policy aligns with MAPFRE AM's commitment to socially responsible investment and governance. The data to determine the vote derives from analyzing it and different sources. This Voting Policy is applicable whenever we exercise voting rights on behalf of any of our customers. This includes both collective investment institutions whose assets we manage and entities with whom we have signed discretionary individual portfolio management contracts, where the voting activity has been delegated to us.

When voting, MAPFRE AM adheres to two fundamental principles within this policy:

- Placing customers' interests above all other considerations.
- Embracing a philosophy of long-term value creation.

In the practical application of these principles, we take into consideration various ESG criteria. As a result, during the annual general meeting in 2022, we upheld the spirit of the Principles for Responsible Investment (PRI), to which MAPFRE is a signatory. A summary of the voting outcomes is presented in the [2022 Report on the Exercising Voting Rights Policy](#). This report describes exercising voting rights in general and includes an analysis of environmental and social proposals, particularly those associated with funds that promote environmental and social attributes. These funds are classified under Article 8 as established in the Sustainability Disclosure Regulation SFDR2 (MAPFRE Capital Responsible [MCR] and MAPFRE Inclusión Responsable [ICR]).

This report is being published in accordance with the requirement set forth in Spanish Law 5/2021 of April 12, which amends the consolidated text of the Spanish Capital Companies Act and other financial regulations concerning the promotion of long-term shareholder engagement in publicly traded companies. In summary, during fiscal year 2022, collective investment institutions and discretionary management portfolios managed by MAPFRE AM exercised their voting rights at a total of 232 Annual General Meetings (equivalent to 92.4% of the total meetings where voting rights were applicable). These meetings were distributed across various countries, including 86 in the United States, 38 in Spain, 30 in France, 16 in the United Kingdom, 14 in Germany, and 48 in the rest of Europe.

In 2022, as in previous years, we used a computer tool from an external provider to streamline the exercise of voting rights in different countries and to ensure the accurate documentation of our activities. Furthermore, we engaged the services of a proxy advisor, Corporance, for significant companies to enhance the information available on proposals submitted for voting at Annual General Meetings. Comprehensive voting details are accessible in the [2022 Report on the Exercising Voting Rights Policy](#).

4. ENGAGEMENT ACTIVITIES

In companies where we have used Corporance's services, their voting recommendations have formed the basis for our engagement activities. This engagement has taken the form of meetings with the companies, either in conjunction with the proxy advisor or other investors, or through direct dialogue initiated by MAPFRE AM's managers as part of their ongoing monitoring activities. Our managers are ultimately responsible for both the exercising voting rights and the inclusion of ESG and sustainability factors within these dialogues.

The main topics discussed in these meetings align with the most controversial and contentious issues raised at Annual General Meetings, including, by way of example, the following:

- Transparent financial information, clean audit reports, auditor fees.
- Board structure and composition: independence, experience, dedication of directors, diversity, and reasonable non-executive compensation.
- Remuneration: transparency in annual information and remuneration plans, comparative remuneration with the market, reasonable percentages of variable compensation relative to fixed compensation, clear, sustainable, and long-term objectives, pension plans, and severance packages.
- Capital increases and issuances of convertible securities, within reasonable limits.
- Fair dividends, equitable investor compensation, protection of shareholder rights.
- Sustainability and climate action plans, consistent with sustainability commitments and international standards (Paris Agreement, Sustainable Development Goals, decarbonization commitments).

Both exercising voting rights and subsequent engagement activities have been conducted in line with these principles and our Voting Rights Policy. Here are some examples of these actions during 2022:

- Alphabet: participation in campaigns with other investors to support proposals from multiple shareholders concerning gender diversity and the establishment of an environmental sustainability committee.
- Bank of America: backing shareholders' proposal to adopt a fossil fuel financing policy.
- Citigroup: supporting proposals from other shareholders related to human rights and a financing policy aligned with decarbonization plans.
- E.ON SE: monitoring by Climate Action 100+ through our proxy advisor.
- Iberdrola: approval of the non-financial report and changes to statutes regarding social dividends. Monitoring by Climate Action 100+ through our proxy advisor and pre-meetings with Corporance.
- JPMorgan Chase: supporting Mercy Investments' proposal for a fossil fuel financing policy in line with the Net-Zero scenario for 2050.
- Microsoft: supporting proposals from other shareholders on diversity, inclusion, privacy, and climate action.
- Repsol: backing the climate action plan presented at the Annual General Meeting.
- Unilever: monitoring by Climate Action 100+ through our proxy advisor.

These activities have been conducted either individually, such as voting, or in collaboration with other shareholders and investor groups. This collaboration can take place directly or through Corporance, representing us. Notable institutions and initiatives we have partnered with include Climate Action 100+, Interfaith Center on Corporate Responsibility (ICCR), Investment Alliance for Human Rights (IAHR), ShareAction, BankTrack, Follow This, Ethos

Engagement Pool, Majority Action, Institutional Investors Group on Climate Change (IIGCC), as well as various United Nations initiatives like the Principles for Responsible Investment (PRI) and the Net-Zero alliances (NZAOA, NZIA, NZAM, NZBA, etc.).

5. PLANNING FOR 2023

The outcomes of these initiatives yield conclusions that serve as the basis for ongoing monitoring and engagement activities outlined in our Policy, as described throughout this report. Engagement represents an ongoing process characterized by continuous dialogue with issuers.

As a result, in early 2023, a process similar to that of 2022 was conducted, involving the selection of companies for special attention. This selection included most of those from the previous year and introduced new ones, with a particular focus on climate action plans and decarbonization objectives. For the current season, 29 issuers were initially chosen: 11 Spanish, 13 from the rest of Europe, and 5 from the United States. There is flexibility to add or remove companies in the event of significant changes in their portfolio positions or manager interest. Voting recommendation reports will be requested from Corporance for these companies, and closer monitoring will be carried out either directly or indirectly, guided by criteria related to availability and efficiency.

In addition to these companies, an additional group will be established for more in-depth monitoring related to specific investment and engagement goals pertinent to our funds or customers. In January of this year, MAPFRE joined the Net Zero Asset Owner Alliance with the aim of transitioning its investment portfolios to achieve net greenhouse gas emissions and becoming a net-zero emissions company by 2050. Consequently, our engagement activities will align with the commitments made by MAPFRE, as well as with those of the rest of MAPFRE AM's customers and funds.

All of this information will be detailed in next year's Engagement Policy Implementation Report, published annually alongside the [Policy](#) itself on our [website](#), in compliance with regulatory requirements.