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., (hereinafter "SAMLUX" or "the Management Company"), 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.

This statement on principal adverse impacts on sustainability factors (hereinafter "PAIS") covers the reference period from January 1st, 2022, to December 31st, 2023.

The results contained therein relate to the assets of the products subject to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the disclosure of sustainability information in the financial services sector, (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") and implemented by SAMLUX, 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.

In addition to this, SAMLUX has reviewed the methodology for calculating the PAIS indicators included in this document to meet the expectations contained in the Final Report on draft Regulatory Technical Standards on the review of PAI and financial product disclosures in the SFDR Delegated Regulation published by the European Supervisory Authorities (hereinafter 'ESAs') in December 2023. Specifically, SAMLUX has calculated the 2023 PAIS indicators and reviewed those published in 2022 considering the recommendation of the European Supervisory Authorities in considering "current value of all investments" as the value in EUR of all the participant's investments in the financial markets regardless of their asset type.

During the reference period, SAMLUX has monitored the environmental, social, and governance (hereinafter '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 has regularly tracked, and monitored the PAIS 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.

The Management Company has identified the adverse impacts of its investments on two levels: at 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 has been detected, SAMLUX has analysed the severity of the impact, the recurrence over time, the probability of success through engagement actions with the issuers, the portfolios' exposure, and the typology of PAIS indicator to take the corresponding mitigation measures. These engagement activities have followed the principles described in the engagement and voting policies of SAMLUX. These measures are detailed in the section Description of the principal adverse impacts on sustainability factors in this document.

With regards to the environmental adverse impact, SAMLUX, as part of SAM Investment Holdings, S.L Group (hereinafter "SAM"), is a member of the Net Zero Asset Management (hereinafter "NZAM") initiative, which aims to achieve zero net greenhouse gas emissions by 2050. SAM has prioritised the assessment of its impact on climate change as the most relevant challenge today due to the international consensus on the objectives to be achieved, the greater certainty as to the consequences that would arise in case of not meeting the objectives set in the Paris Agreement and the greater ability to measure impacts based on existing commonly accepted metrics.

In this sense, during 2023, SAMLUX has identified and monitored the performance of those issuers that generate a greater adverse impact in terms of greenhouse gas ("GHG") emissions, carbon footprint and GHG intensity and has continued its engagement plan to reduce this potential impact with special focus on those issuers whose activity is considered a high climate impact activity. For example, SAM has strengthened its climate commitment by joining the Net Zero Engagement Initiative ("NZEI") of the Institutional Investors Group on Climate Change in March in 2023 to complement the collaborative engagement actions already carried out by SAM as part of Climate Action 100+ since 2021. In addition to this, during 2023, SAM has established individual engagement actions with the aim of promoting the Net Zero transition of issuers.

SAMLUX (as an entity belonging to Santander Group) has prioritised its mitigation actions in the fossil sector by applying the exclusions established in the policies of Santander Group, not having invested in issuers whose business focuses mostly on activities related to unconventional fossil fuels and / or coal-based power generation and / or coal mining in UCITS and other vehicles for which SAMLUX has delegated each management to Santander entities . Exclusion levels applied have been stricter for SAMLUX funds with ESG or Sustainable terminology.

In terms of adverse impacts on social matters, during 2023, SAMLUX 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. Specifically, at the closing date of the reporting period, all companies that violated these principles were subject to collaborative engagement actions. In addition to this and with regards to the mitigation of adverse impacts related to board gender diversity, SAMLUX follows its voting policy that is based on the applicable regulations in each case, as well as on the best practices contained in international conventions and protocols, codes of conduct and guides applicable in this area.

Finally, in line with its commitment to transparency and ESG performance, SAMLUX, as part of SAM, has carried out engagement actions to obtain information on the activity of issuers and has applied a controversy analysis to detect possible severe incidents that may have an adverse effect.

Description of the main 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.

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 has undertaken 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 its measurement and the result corresponding to the indicator during the reference period and with respect to the previous reference period, as well as, where applicable, the mitigation actions adopted by SAM that are relevant. Additionally, the degree of coverage of each indicator is included along with the percentage of data reported by the underlying issuers.

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 years 2022 and 2023. Data on direct and indirect investment in sovereign and supranational companies and entities are also included. The quantitative data reported have been calculated as the average of the four reference periods (End of March, June, September and December of 2022 and 2023).

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

Finally, it should be noted that SAMLUX has carried out an exhaustive review of the methodology used to calculate the reported PAIS indicators, with the aim of aligning it with the expectations set out in the Final Report on draft Regulatory Technical Standards on the review of PAI and financial product disclosures in the SFDR Delegated Regulation published by the European Supervisory Authorities, published in December 2023. This review is based on the ESAs recommendation on the consideration of the 'current value of all investments'.

In this regard, SAMLUX has calculated the PAIS indicators for 2023 and reviewed those published in 2022 considering the value in EUR of all the participant's investments in the financial markets. This includes all investments, regardless of asset type, such as stocks, bonds, mutual funds, deposits, derivatives among others. This approach ensures a more accurate and comprehensive measure of SAMLUX's exposure to the potential adverse impacts of its investments, allowing greater transparency in the information provided.

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact 2023	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	259,855.6 tonnes of CO2eq	333,849.4 tonnes of CO2eq	Scope 1 GHG emissions of correspond to the direct emissions from own or controlled sources by each company and attributed to the investment made by the Management Company in each of them. The coverage of this indicator is 90%.	SAMLUX, as part of SAM, is part of the Net Zero Asset Managers ('NZAM') initiative and has committed to achieving net zero greenhouse gas emissions by 2050 (hereinafter "Net Zero" or "NZ"), in line with efforts to limit global warming to 1.5°C. As part of this commitment, SAMLUX aims to ensure that 90% of its emissions financed in material sectors are under engagement actions or aligned with the Net Zero decarbonisation path established by IIGCC by 2030. SAM has established a roadmap through annual compliance of a KPI that measures progress toward achieving that percentage of emissions. During 2023, SAMLUX has worked on the identification and periodic monitoring of those issuers that generate a greater impact in terms of GHG emissions to apply the relevant mitigation actions. This identification has used both criteria related to GHG emissions (e.g., volume of emissions, climate maturity of the issuer according to the IIGCC Net Zero scale, performance of the issuer with respect to its sector of activity, among others) as well as other criteria such as volume invested, geography, sector of activity, presence of the issuer in SRI products, etc. Once identified, SAM has carried out individual or collaborative engagement actions with the aim of reducing
		Scope 2 GHG emissions	47,628.1 tonnes of CO2eq	62,110.3 tonnes of CO2eq	Scope 2 GHG emissions correspond to the indirect emissions caused by the energy purchased or acquired by each company and attributed to the investment made by the Management Company in each of them. The coverage of this indicator is 90%.	
		Scope 3 GHG emissions	3,073,571.2 tonnes of CO2eq	4,118,081.2 tonnes of CO2eq	Scope 3 GHG emissions include indirect emissions from the value chain of each company that are attributed to the investment made by the Management Company in each of them. The coverage of this indicator is 88%.	
		Total GHG emissions	3,381,054.9 tonnes of CO2eq	4,514,040.9 tonnes of CO2eq	Total GHG emissions are the sum of the three scopes and the coverage is 88%. These data reflect the values reported by companies through their non-financial annual reports, or the responses they provided to reference questionnaires, such as CDP. The volume of data reported is 61% for scopes 1 and 2 and 38% for scope 3. When emissions have not been reported, the ESG data provider has used a proprietary emission estimation model. A decrease in the volume of GHG emissions year-on-year indicates an improvement in the performance of related indicators.	

2. Carbon footprint	Carbon footprint	433.1 tonnes of CO2eq / million EUR invested	638.2 tonnes of CO2eq / million EUR invested	The carbon footprint represents the total volume of emissions financed per million EUR invested by the Management Company. Scope 1, 2 and 3 emissions from the underlying companies are included. These data are obtained from the same sources as indicator 1. GHG emissions so the coverage values and percentage of reported data are the same (88% and 38%, respectively). A decrease in the carbon footprint compared to the previous period indicates an improvement in the performance of the indicator.	the climate impact of the companies in which it invests and driving their Net Zero transition. As an example of the measures adopted during 2023, the Management Company has continued its activity as part of the Climate Action 100+ initiative through which SAM has co-led engagement with a company in the Utilities sector. In addition, SAM joined the IIGCC Net Zero Engagement Initiative launched in January in 2023, which aims to expand the list of CA100+ companies. In March 2023, SAM signed letters sent to the focus list of the initiative for all those companies that were part of its investment portfolio to understand each company's plans to align with the objectives of the Paris Agreement. In the reference period, SAM has carried out individual Net Zero engagements to prioritise emission reductions within the sectors and companies invested. These engagements remain active as of the date of publication of this report. At last, in December 2023, SAM has begun to use the services of an external provider to carry out new collaborative engagement exercises on Net Zero in which SAM actively participates. In terms of voting, for companies that are significant emitters of greenhouse gases and as defined in the voting policy of SAMLUX, the Management Company mat consider voting against certain items on the agenda in those cases in which it is identified that the company is not taking the minimum steps necessary to be aligned with Net Zero by 2050. Looking ahead to the following reporting periods, SAMLUX seeks to increase the number of companies under engagement or aligned with the NZ decarbonisation path to meet its engagement objective and reduce the potential adverse climate impact of its investments.
3. GHG intensity of investee companies	GHG intensity of investee companies	701.3 tonnes of CO2eq / EUR million revenue	953.9 tonnes of CO2eq / EUR million revenue	The GHG intensity of the investee companies measures the GHG emissions standardised by the revenue of each company and factored by the volume of investment made by the Management Company in each position. In this regard, the higher this indicator, the more intensive the investments in GHG emissions are at the reporting date. This indicator is assessed by considering emissions from Scopes 1, 2 and 3 sources. These data are obtained from the same sources as indicator 1. GHG emissions so the coverage values and percentage of reported data are the same (88% and 37%, respectively). A decrease in GHG intensity compared to the previous period indicates an improvement in the performance of the indicator.	

4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	7.57%	9.91%	This indicator shows the percentage of assets under management invested in companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels. This data is obtained by an ESG data provider from company reports and does not include estimates. The coverage of this indicator is 90%. A decrease in this indicator shows a reduction in the volume invested in this type of companies.	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, as described in its Socially Responsible Investment Policy updated in November 2023. Therefore, SAMLUX's mitigation actions are based primarily on an exclusionary analysis, that is applied to companies based on the nature of their business. Specifically, companies involved in exploration and production for whom the activities derived from the combination of fracking, tar sands and Arctic oil & gas account for more than 30% of their activity are excluded. In addition, the Management Company has the commitment aligned with Santander Group that, from 2030, SAM will exclude any entities with more than 10% of revenues, on a consolidated basis, directly derived from coal fired power generation and entities that own thermal coal mines worldwide. 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. Finally, within the sustainable investment categorisation of its assets according to Article 2(17) of the SFDR, SAMLUX considers that assets with any exposure to fossil fuel production and/or significant participation in fossil fuel production do not comply with the principle of no significant harm ('DNSH') and therefore cannot be categorised as such.

5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Consumption: 36.98 % Production: 1.09 %	Consumption: 45.54 % Production: 1.44 %	Consumption/production indicators show the percentage of non-renewable energy consumed/produced in relation to the total energy consumed/produced by each investee company and proportional to the volume invested in each of them. Non-renewable energy is defined as energy sources other than wind, solar and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas. The coverage of consumption data is 78% and of production data is 91%. The data provider takes these values from the reports of the companies so 100% of the data is reported.	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 is considered when making investment decisions for SRI products. During 2023, SAM has carried out individual engagement activities with companies in the field of ESG transparency and performance. Depending on the sector of activity of each company, engagement actions addressed the measurement and disclosure of information related to the company's impacts on climate change, including factors of production and consumption of non-renewable energy. In terms of mitigating the impact of these indicators, the Management Company has identified those with the worst performance in terms of production and consumption of non-renewable energy by comparing the performance of each company with respect to its sector of activity, and it has considered that such companies do not meet the minimum requirements to be categorised as a sustainable investment according to Article 2(17) of the SFDR by failing to guarantee the principle of not causing significant harm. Finally, the Management Company seeks to improve the performance of the investee companies through the Net Zero engagements specified above in this document.
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Total: 0.19 GWh / EUR million revenue Sector A: 0.0006 GWh / EUR million revenue Sector B: 0.045	Total: 0.19 GWh / EUR million revenue Sector A: 0.001 GWh / EUR million revenue Sector B: 0.071	The indicator shows the ratio of energy consumption per unit of activity, output or any other metric of the investee company to the total energy consumption of that investee company in each high climate impact sector. The coverage of the total indicator is 94% and the volume of reported data is 59%. The detail per indicator is as follows: Sector A: Agriculture, forestry and fishing with a coverage of 91% and a volume of reported data of 62%.	The Management Company considers that the low volume of data reported for most high climate impact sectors makes it difficult to integrate these indicators into investment decisions due to their lack of robustness and possible volatility. However, similar to as specified for the above indicator, the Management Company integrates performance-related information in environmental matters into its ESG rating methodology that informs investment decisions for SRI products. This environmental rating considers the energy

			GWh / EUR million revenue Sector C: 0.065 GWh / EUR million revenue Sector D: 0.072 GWh / EUR million revenue Sector E: 0.0009 GWh / EUR million revenue Sector F: 0.0004 GWh / EUR million revenue Sector G: 0.002 GWh / EUR million revenue Sector H: 0.012 GWh / EUR million revenue Sector L: 0.004 GWh / EUR million revenue	GWh / EUR million revenue Sector C: 0.088 GWh / EUR million revenue Sector D: 0.078 GWh / EUR million revenue Sector E: 0.001 GWh / EUR million revenue Sector F: 0.0003 GWh / EUR million revenue Sector G: 0.002 GWh / EUR million revenue Sector H: 0.013 GWh / EUR million revenue Sector L: 0.007 GWh / EUR million revenue	Sector B: Mining and quarrying with a coverage of 87% and a volume of reported data of 64%. Sector C: Manufacturing with a coverage of 96% and a volume of reported data of 58%. Sector D: Electricity, gas, steam and air conditioning supply with a coverage of 92% and a reported volume of data of 65%. Sector E: Water supply; sewerage; waste management and remediation activities with a coverage of 71% and a volume of reported data of 53%. Sector F: Construction with a coverage of 95% and a volume of reported data of 47%. Sector G: Wholesale and retail trade; repair of motor vehicles and motorcycles with a coverage of 96% and a reported data volume of 54%. Sector H: Transporting and storage with a coverage of 92% and a reported data volume of 69%. Sector L: Real estate activities with a coverage of 95% and a volume of reported data of 65%.	consumption of each emitter along with the existence of energy efficiency targets. In addition, to identify those companies with the worst performance each high climate impact sector with and mitigate the impacts derived from their energy intensity, the Management Company performs a comparison of the performance of each company with respect to its sector and excludes those with the worst performance to be classified as sustainable investment. During 2023, SAM has worked on the identification and periodic monitoring of those issuers that generate a greater impact in terms of greenhouse gas emissions in its portfolio by applying the classification of assets according to the IIGCC Net Zero Stewardship Tool criteria. As part of this classification, stricter criteria are considered for companies operating in sectors with high climate impact. These companies are prioritised in the implementation of engagement actions to meet the commitments derived from NZAM.
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	1.42 %	2.06 %	This indicator shows the percentage of assets under management invested in companies that have activities that negatively affect biodiversity. The reported value is an estimate made by the data provider based on the existence of severe biodiversity controversies. To obtain this data, the data provider analyses information sources such as news, press releases, sources of non-governmental organisations, among others, with the aim of detecting such activities that adversely affect biodiversity. To assign the severity of the incident, factors such as the magnitude of the incident, the management by the company and the associated reputational and business risks are evaluated. The coverage of this indicator is 82%.	The Management Company monitors the impact on biodiversity through a controversy analysis system that identifies activities that could negatively affect sensitive areas. This alert system detects new severe controversies that could involve portfolio companies. In this sense, before making any investment in SRI products, the Management Company has evaluated the company's exposure to controversies related to negative impacts on biodiversity based on third-party sources and having excluded those companies with severe disputes from the investment universe. If the severe controversy occurred when the investment had already been made, the Sustainability Strategies Monitoring forum agreed on the action plan to be followed, which ranged

						from monitoring through public information sources and data providers, to engagement actions. If, after a certain period, the company failed to provide an appropriate response, escalation processes were carried out, and they may lead to divestment from the company. Additionally, in terms of biodiversity, SAM's own ESG rating methodology evaluates the company's impact on biodiversity and management practices to avoid and mitigate this impact. This rating has informed the investment decisions of SRI products. Similarly, those companies for which such severe biodiversity-related disputes have been identified, they have not been classified as sustainable investment as they do not comply with the principle of not causing significant harm. Finally, and as part of the Management Company's commitment to transparency and ESG performance, SAM has engaged with companies in the field of ESG information disclosure. Depending on the sector of activity of each company, engagement actions include the objective of measuring and disclosing information related to the impacts and those of its suppliers on biodiversity, animal welfare, and the costs of indirect use of natural resources, among others.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.0013 Tonnes / EUR million invested	0.012 Tons / million EUR invested	This indicator measures the weighted average of emissions to water of invested companies, considering the substances described in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council and the direct emissions of nitrates, phosphates and pesticides. The weighted average is expressed in tons of emissions per million euros invested. Due to the specificity of the substances to be reported and the absence of disclosure by the companies, the coverage of this indicator is 32% and the percentage of reported data is 19%.	SAMLUX recognises that access to data on water emissions is particularly limited in some of the sectors and geographies in which it operates. In this sense, the Management Company considers that both the volume of data reported by the issuers and the coverage are insufficient and may hinder its integration into management due to its lack of robustness. However, during 2023, the Management Company has monitored those issuers that have a worse performance in terms of emissions to water compared to their sector of activity and has considered that these companies do not meet the minimum requirements to be categorised as a sustainable investment according to Article 2(17) of the SFDR by not guaranteeing the principle of not causing significant harm.

						At the end of 2023, the European Supervisory Authorities published a review of this indicator to align with the definition of European Sustainability Reporting Standards (ESRS) instead of Directive 2000/60/EC. In this sense, when the modifications to the standard enter into force, the Management Company will analyse, through collaboration with issuers and data providers, the coverage and quality of this new definition to improve the robustness of the indicator and integrate this information into management. Additionally, the Management's own ESG rating methodology evaluates the water management practices of each company. This rating informs investment decisions of SRI products. Finally, SAMLUX systematically applies an analysis of sustainability controversies based on third-party sources to identify those companies that may be causing a significant impact on the environment.
Waste	**9. Hazardous waste and radioactive waste ratio**	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	45.57 Tonnes / million EUR invested	60.98 Tonnes / million EUR invested	The indicator calculates the weighted average of hazardous and radioactive waste produced by the companies invested, per million euros. Hazardous waste is identified as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council and radioactive waste as defined in Article 3(7) of Council Directive 2011/70/Euratom. This data is provided by the ESG data provider, the coverage is 91% and the percentage of reported data is 33%.	Due to the specificity of the substances to be reported and the lack of mandatory disclosure of this information by the investee companies, the Management Company considers that the percentage of data reported is insufficient and hinders its integration into management decisions. Similar to the previous indicator, the European Supervisory Authorities also published a revision of the definition of this indicator where the 'radioactive waste' factor is extracted from the ratio as there is no explicit requirement in the European Sustainability Reporting Standards (ESRS) to report this information in a joint manner. SAMLUX expects that the review of the indicator will increase the volume of reported data to help its integration and management with more robustness. During 2023, the Management Company has mitigated the possible adverse impacts derived from this indicator by conducting a periodic analysis of controversies to identify those companies that can have a material impact on the environment with a focus on their hazardous or radioactive waste management. Companies with exposure to severe

controversies in this matter have been excluded from the investment universe of SRI products.

In addition, the Management Company, as part of SAM, has engaged with companies in terms of ESG transparency and disclosure that have included factors related to the management of the waste of each issuer.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTER						
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	0.6%	0.7%	This indicator provides the percentage of assets under management invested in companies that fail to meet the referred international standards. The analysis of violations in this area is carried out by a specialised provider and not informed by the companies. Therefore, this value is fully estimated by the data provider. This process of identifying such violations is based on the findings made by the ESG data provider on the compliance of companies with the United Nations Global Compact, the OECD Guidelines for Multinationals, as well as several conventions on human rights, labour, etc. To detect these incidents, the supplier analyses daily news, sources from non-governmental organisations and media with a global coverage of more than 20,000 companies. The coverage of this indicator is 81%.	SAMLUX ensures adequate compliance with the United Nations Global Compact Principles and the OECD Guidelines, as established in the Santander Group's policies. The breach identification process is based on findings made by a specialised ESG data provider. Based on this data, during 2023, SAMLUX, as part of SAM, has systematically monitored incidents and participated in collaborative engagement actions with other investors and engagement service providers to mitigate serious breaches. In the case of companies that were at risk of breach of rules ("watchlist"), they have been kept on a regular watch and monitoring list. At the closing date of this reporting period, all companies that were subject to violations were under engagement actions. The goal of these actions is not only to resolve the breach, but also to improve the company's future ESG performance and risk management to ensure that incidents do not happen again. In addition, SAMLUX considers that when such violations occur, it is not possible to guarantee the principle of no significant harm in determining the percentage of sustainable investment of the Funds in accordance with the definition of Article 2(17) of the SFDR and, therefore, excluded from the same companies that violate these principles and guidelines, whether or not under engagement actions.

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	1.29 %	1.91 %	The data provider analyses whether a company lacks processes and mechanisms to monitor compliance with the referred international standards by evaluating the existence of public references that comply with these standards and formal complaint reporting processes that report misconduct or ethical concerns at different levels, among others. In this sense, the data is extracted from public sources of the companies so there are no estimates. The coverage of this indicator is 92%.	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, minimising any violation directly caused by its activity. The impact generated by this indicator is linked to the performance of companies in the above indicator (violations of the UN Global Compact and the OECD Guidelines). In this regard, and as described above, during 2023 SAM has participated in engagement actions with other investors and engagement service providers when this breach has occurred and has sought the company to correct its behaviour and implement actions to improve its management of ESG risks preventing potential violations of these principles. In addition, the Management's own ESG rating methodology evaluates the impact of the company on human rights, including the evaluation of the existence of policies and procedures to ensure adequate compliance with the standards. This rating informs investment decisions of SRI products. Finally, the Management Company considers that companies that do not have compliance processes and mechanisms in place to monitor compliance with the principles of this indicator do not meet the minimum requirements to be categorised as a sustainable investment in accordance with Article 2(17) of the SFDR.
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	8.06 %	10.18 %	The indicator reflects the unadjusted average pay gap between men and women in investee companies. This gap is calculated as the difference between the average gross hourly earnings of male and female employees in relation to the average gross hourly earnings of male employees. The indicator does not consider factors such as employment level, age, duration of employment or type of contract. This data is obtained by an ESG data provider from publicly reported data and does not include estimates. The Management Company considers that the coverage of this indicator is low (51%).	SAMLUX believes that the low availability of data on gender pay gap makes it difficult to assess the impact generated by investee companies comprehensively and systematically. This is especially relevant in some of the geographies in which SAMLUX invests. However, during 2023, as part of the ESG valuation exercise of the companies in which it invests, SAMLUX has evaluated the performance of the companies in human capital management according to the Investment Manager's methodology. For example, indicators such as the existence of diversity policies and objectives, women hiring ratio, percentage of women in management positions, among others, have been considered.

					The result of this valuation has informed the investments of SAMLUX's SRI products. In this context, SAM has engaged in transparency and the performance of ESG companies with the aim of improving the transparency of relevant information on diversity, including pay gap metrics. The Management Company will continue to carry out a periodic analysis, through collaboration with data providers and issuers, of the coverage and quality of the data to improve the robustness of the indicators and integrate this information into management.
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	21.2 %	25.17 %	The metric used in this indicator reflects the percentage of women on the board of the investee companies over the total number of board members. This data is obtained by the ESG data provider from publicly reported data and does not include estimates. The coverage of this indicator is 92%.	SAMLUX, as part of SAM, 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, SAMLUX has the information of proxy advisors, which includes, among others, the analysis of ESG information. 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. Specifically, SAMLUX expects the least represented gender on the board to represent an adequate percentage of the total number of directors. SAMLUX considers applicable local regulations and codes of good practice. During 2023, SAMLUX has taken account of the diversity of the board when deciding its vote in all shareholder meetings on which the appointment or re-election of directors has been voted. In addition, SAM's own ESG rating methodology evaluates governance aspects, including the gender diversity of the board. This rating informs investment decisions of SRI products.

					Finally, based on this governance rating, the Management Company considers that companies that demonstrate negative governance performance do not meet the minimum good governance requirements to be categorised as a sustainable investment in accordance with Article 2(17) of the SFDR.
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 %	This indicator shows the percentage of assets under management invested in companies that have some type of exposure in terms of production and/or participation in controversial weapons. The data coverage of the indicator is 91% and all the data has been obtained through public reports of the companies by the data provider.	The management of exposure to controversial weapons is carried out based on the exclusions established in the Defence Policy of the Santander Group. SAMLUX assumes the Group's policy by adapting it to its activity according to the availability of data to identify the necessary investment restrictions as described in its Socially Responsible Investment Policy updated in November 2023. Specifically, Santander Group will not be involved in financing or support the manufacture, trade, distribution or maintenance services of anti-personnel mines, cluster munitions, chemical or biological weapons, nuclear weapons and/or ammunition containing depleted uranium. Neither will it be involved in the financing to individuals, corporations, or countries subject to the arms embargo and/or sanctions imposed by the European Union, the Organisation for Security and Cooperation in Europe (OSCE), the United States, the Office of Foreign Assets Control (OFAC) or the United Nations. In the case of SAMLUX's investment activities, the policy is applied following the list of excluded companies defined for all funds, applying pre-trade controls, and excluding any company with exposure to these activities in SAMLUX's products based on available data provided by external suppliers.

Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Impact 2023	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	59.69 Tonnes of CO2eq / EUR million GDP	56.27 Tonnes of CO2eq / EUR million GDP	The GHG intensity of the investee countries measures the GHG emissions standardised by the gross domestic product of each country. In this regard, the higher indicator, the more intensive the GHG investments of each country are at the reporting date. This indicator includes emissions from Scopes 1, 2 and 3. The data provider estimates 100% of this data from a proprietary model that uses data from public sources such as UNFCCC and OECD. The coverage of this indicator is 99%	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 decarbonisation solutions, with the final aim of reducing the climate impact derived from each country's GHG intensity. 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. 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. In the following reporting periods, the Management Company will analyse the possibility of joining new initiatives of engagement with governments to mitigate the impact of this indicator. Finally, it should be noted that the Management Company expects changes in the results of this indicator since the European Supervisory Authorities have adjusted the description of the indicator, and the corresponding metric, to modify the measure of GDP according to purchasing power parity to avoid penalising developing countries.

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 conventions, United Nations principles and, where applicable, national law	Absolute: 4 Relative: 3.38 %	Absolute: 4.75 Relative: 3.92 %	This indicator identifies those investee countries that have sanctions imposed by the European Union or the United Nations in terms of human rights abuses, violations of international laws, coups d'état, among others. Therefore, 100% of the data are reported. The absolute value shows the number of investee countries with social violations during the reference period. The relative value shows the number of investee countries with social offenses in relation to the total number of investee countries in the reference period. The coverage of this indicator is 100%.	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. 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. The Management Company's exposure to these impacts is mainly due to investment in funds managed by third parties in non-SRI products. 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 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 2023	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	Not applicable	Not applicable	Not applicable	Not applicable
Energy efficiency	18. Exposure to energy inefficient real estate assets	Share of investments in energy-inefficient real estate assets	Not applicable	Not applicable	Not applicable	Not applicable

Other indicators for principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact 2023	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 aligning with the Paris Agreement	42.91 %	58.32 %	This indicator measures the percentage of investment in companies that do not have carbon emission reduction initiatives aligned with the Paris Agreement. Therefore, a decrease in the year-on-year indicator shows an improvement in the adverse impact derived from this indicator. The reported value measures the existence of alignment commitments with the Science Based Targets Initiative (SBTI) of each position, considering that there are such initiatives to reduce carbon emissions if there is a target aligned with 1.5°C or below 2°C. Therefore, the data coverage is 100% and all the data is reported by the companies.	The management of this indicator and the established mitigation measures are linked to the performance of the GHG emissions-related indicators described above in this document. SAMLUX uses emission and other criteria to identify high impact issuers. In 2023, SAM participated in the Climate Action 100+ and Net Zero Engagement Initiative to drive the transition to Net Zero through engagement. Similarly, it has carried out in individual engagements with companies and has begun to use the services of an external provider to perform new collaborative engagement exercises on Net Zero in which SAM is actively involved. As these engagements progress, the Management Company expects a reduction in the volume of invested companies that do not have decarbonisation targets.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTER						
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	0.007	0.0038	This indicator shows the weighted average of the number of serious human rights incidents of investee companies. To obtain this value, the data provider analyses sources such as news, press releases, sources of non-governmental organisations, among others, with the aim of detecting human rights incidents. To assign the severity of the incident, factors such as the magnitude of the incident, the management by the company and the associated reputational and business risks are evaluated. The coverage of this indicator is 82%.	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. The Management Company tracks potential serious human rights issues and incidents through an alert system that detects controversies in which by portfolio companies may be involved. In this sense, before making any investment in SRI products, the Investment Manager has evaluated the company's exposure to controversies related to negative impacts on human rights based on third-party sources and having excluded those companies with severe disputes from the investment universe. If the severe controversy occurred when the investment had already been made, the Sustainability Strategies Monitoring forum agreed on the action plan to be followed, which ranged from monitoring through public information sources and data providers, to engagement actions. If, after a certain period, the company failed to provide an appropriate response, escalation processes were carried out, and they may lead to divestment from the company. To manage the impact of this indicator, the Management Company assesses whether these serious human rights incidents are related to a violation of the UN Global Compact or the OECD Guidelines. If yes, both indicators are managed through a joint engagement as previously defined in the document. At the end of 2023, none of the monitored incidents were identified as a violation of these principles.

Description of policies to identify and prioritise 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.

The following methodology described below applies to SAMLUX products whose investment management has been delegated to Santander entities as those products are the most relevant for the Management Company.

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, at the entity level, SAM compares the relative performance of each issuer to identify those issuers with the worst performance in each PAIS indicator with respect to their sector of activity. In this sense, issuers with worse performance compared to their sector for all mandatory PAIS indicators have been evaluated by the SRI team according to the relevance of the impact and recurrence over time, and may have derived, for example, in engagement actions. This methodology is applicable to all SAM's products regardless of their consideration of PAIS at the product level.

On the other hand, for products that consider PAIS in accordance with Article 7 of SFDR, the PAIS identification and management exercise is carried out through an internal methodology based on comparing the results of the PAIS indicators of each fund against a benchmark that has been assigned. This allows SAM to evaluate the relative performance of a product in terms of adverse versus comparable impacts. When the performance of the Sub-Fund has been worse than the benchmark, the Investment Manager has analysed the severity of the impact, recurrence over time, likelihood of success through engagement actions, portfolio exposure, and PAIS indicator typology to implement engagement actions. Additionally, the Investment Manager has also mitigated those impacts by adjusting the positions that contribute most to the PAIS indicator with worse performance against its benchmark, limiting the position increase or ultimately divesting.

In both cases, when the existence of an adverse impact is detected, the Investment Manager analyses 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 analysed 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 analysed.
- **Recurrence over time of the impact:** whether a pattern of behaviour 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 analyse 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. It also evaluates whether the adverse impact is present in a greater number of funds that consider PAIS at the output level.
- **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 to this, for the supervision and monitoring of decision-making and the application of due diligence procedures on the principal adverse impacts generated, both at the entity level and at the product level, the Principal adverse Impacts Forum (or PAIS Forum), which is part of the SAM governance, meets on a quarterly basis, and it is composed of the following teams:

- Global Product and Investment Teams.
- Global SRI Team.
- Global Risk and Compliance Team.
- Local teams (LX, PT, SP...).

At this Forum the results of the PAIS at the entity and product levels are presented, as well as the management and / or mitigation actions that have been adopted during the reference period. Similarly, decisions taken by the teams responsible for managing PAIS are discussed and recorded. Some examples of the actions for the management of PAIS that are discussed are: new engagement actions (individual, collective or through suppliers and / or third parties), rebalancing of portfolios, not increasing exposure or divestment, among others.

All decisions submitted to the Forum are recorded by the SRI team in the management tool of the Management Company and in the form of a minutes, so that all teams involved in the identification and management of PAIS have access to this information and can take management actions to integrate the management of adverse incidents in investment decisions.

Policies for detecting and prioritizing major adverse impacts

Potential adverse impacts on the environment and society affect the ability to deliver long-term value to stakeholders. For this reason, both Santander Group and SAMLUX 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. Within this policy framework, the following should be highlighted for their relevance in the definition and methodological development of the consideration of PAIS:

- **Santander Group's Responsible Banking and Sustainability Policy (February 2023):** where the Group is committed to considering both the environmental impact, as well as its banking and financial activity. It is also committed to complying with best practices and regulatory requirements in the treatment of its stakeholders. This policy identifies the Board's Responsible Banking, Sustainability and Culture Committee together with the Responsible Banking Forum as the governing bodies responsible for the correct implementation of this policy.

- **Santander Group's Environmental, Social & Climate Change Risk Management Policy (February 2023):** which establishes the criteria of the Santander Group in relation to the identification, evaluation, monitoring and management of environmental and social risks that may occur, among others, derived from investment in the oil and gas sectors, electricity generation and transport, mining, metallurgy and soft commodities. The responsibility for interpreting this policy falls on the ESG risk function and the owner is the Board of Directors of Banco Santander.

- **Santander Group Defence 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. The responsibility for developing this policy together with its interpretation falls on the reputational risk function and the owner is the Board of Directors of Banco Santander.

SAMLUX is aware that certain investment activities can cause adverse impacts on sustainability, and seeks to minimise them, wherever possible, through the integration strategies of environmental, social and governance factors contained in the policies of SAMLUX available on the web: https://www.santanderassetmanagement.lu/document-library/policies and in the corresponding internal procedures described below:

- **SAMLUX's Responsible Banking and Sustainability Policy (November 2023):** 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. From 2024, the General Principles of the Responsible Banking and Sustainability Policy of the Santander Group have been integrated into the SRI Policy and the rest of the policies of SAMLUX, so the Responsible Banking and Sustainability Policy of the Management Company ceases to exist and will not be publicly available.

- **SAMLUX's Socially Responsible Investment Policy (SRI) (November 2023):** Defines the application of SRI in SAMLUX, and defines the criteria considered in the integration of ESG variables in the process of analysis and investment decision-making. It also incorporates relevant aspects within the SRI and as part of its fiduciary duty, such as the exercise of the right to vote and engagement, which, in turn, are developed in detail in the corresponding policies defined in this regard. This policy defines the governance of SRI in SAM by specifying the bodies together with their responsibilities.
- **SAMLUX's Engagement Policy (March 2020):** it 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. This policy includes details on the organisational structure and follow-up of engagement detailing the responsibilities of the SRI team along with the forums that monitor these activities.
- **SAMLUX's Voting Policy (April 2024):** Describing the principles followed by SAMLUX regarding the execution of the voting rights of listed companies in which investment vehicles hold open positions. These principles meet high-level standards regarding the exercise of voting rights linked to managed assets. This policy describes the responsibilities and governing bodies in the voting process, with the SRI team being the main coordinator of the voting process.
- **SAMLUX'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. Additionally, the procedure describes the governance model together with the committees and forums involved in the decision-making process on ESG matters in SAM.
- **SAM's Sustainable Investment Procedure (June 2023):** by which the criteria and procedures for considering investments as sustainable are established in accordance with the provisions of Article 2(17) of the SFDR Regulation. In addition, the document includes details on the governance roles and responsibilities of SRI, Investment and Risk and Compliance teams, among others, in the application of SAM's sustainable investment criteria.
- **SAMLUX's Principal Adverse Impact Integration Procedure (June 2024):** which includes the methodology for measuring, managing, controlling and monitoring Principal Adverse Impacts at entity and product level. Additionally, the document includes details on the governance roles and responsibilities of SRI, Investment and Risk and Compliance teams, among others, in the implementation, monitoring and validation of the PAIS procedure.

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. This selection of indicators has remained for the reporting periods of 2022 and 2023.

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.

In turn, external suppliers use a variety of sources such as data from other generalist and specialized suppliers that analyse information from public sources, media, NGOs, government databases, information about companies (sustainability report, annual report, etc.) and metrics estimated. Data is estimated using external providers' models and varies over time, depending on the information available at any given time and the analyses carried out by the provider. Therefore, although it is not feasible to provide an exact percentage of estimated data, it is estimated that the proportion may vary between 9 and 20%.

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

- ESG data provider-level: Data providers implement processes and systems at every stage of 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 integration of these is done in an automated way in the Management Company's management tool (Aladdin).
- Management Company Level: Once data is entered into the management tool, the Management Company performs additional controls to ensure that the integration process of that data has been carried out smoothly 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 ESG indicators has not suffered abnormal variations. These controls include:
    - Controls on data loading to verify the consistency of the loaded data.
    - Controls on the quality of the data through which the fluctuation of the values is analysed and on which, in the case of significant divergences, a detailed analysis is carried out by the teams involved.

In order to provide the most up-to-date analysis, indicators are calculated on a weekly basis and issuers whose data changes frequently (for example, due to the identification of controversies) are systematically monitored.

In addition, the performance of issuers' PAIS indicators is systematically and continuously monitored by the Management Company through the PAIS Forum described above. The management decisions on PAIS that are adopted in the Forum are recorded in the management tool with the aim of making the information available at all times, 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.

The SRI team monitors the different interactions, evaluates the degree of achievement of the objectives set in the engagement activities and records them in the internal management tools. Thus, the results of these processes are available to all relevant parties allowing them to incorporate this information into their investment decisions.

Engagement

Conducting a constructive dialogue with companies influences their activities and behaviours 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 describes its engagement policy on the principles followed in relation to ESG dialog activities with companies in which it invests or is interested in investing, as well as with other parties (governments, regulators, other asset managers, etc.), either individually or through collaborative engagement initiatives.

SAM has established a framework for prioritizing engagement activities with companies, third-party managers and sovereign/supranational entities on their management of PAIS indicators in order to select those that have a greater relevance and generate a greater impact.

In general, engagement with issuers who are part of portfolios that consider PAIS will be prioritised, in which ESG performance is decisive for investment decision making. Other prioritisation criteria considered by SAMLUX include volume invested, recurrence of position over time, if the issuer is causing an adverse impact on several PAIS indicators and its management can be covered by a single engagement exercise, among others. In addition, SAMLUX also believes that collaborative engagement activities or engagement service providers focusing on a specific ESG aspect may apply to issuers in which SAM invests and may be established as mitigation measures for adverse impacts of SRI and non-SRI products.

SAM believes that it is more effective to engage in constructive dialogue with issuers than to exclude them from the investment universe. Therefore, as part of our governance system, SAM has an escalation process that is triggered in cases where SAM is unable to meet is engagement objectives. A lack of response or reaction from an issuer during engagement can trigger:

- Escalation of engagement objectives to the issuer's management or board of directors in cases where the objectives are not met through interaction with the company's teams.
- SAM's participation in collaborative engagement initiatives to pool support among investors.
- Voting against certain items at AGMs (e.g.: election of board members, approval of reports, and other motions).
- Reduction of exposure to the issuer, potentially culminating in divestment.

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.

The voting policy of SAMLUX describes the principles followed by SAMLUX when executing the voting rights of listed companies in which investment vehicles maintain open positions. 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.

SAMLUX will support social and environmental proposals that drive good practices while promoting valuec reation 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 value of the company's shares; its alignment with applicable regulation, reference standards and industry practices; the existence of ESG controversies; or the resources needed to implement these 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. In addition, SAMLUX may consider voting against certain agenda items in cases where evidence of poor supervision and management of environmental and social risks by the board are identified.

In addition, SAMLUX 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 voting policy.

SAMLUX reports on the implementation of this policy and the way in which it has exercised its voting rights in accordance with regulatory transparency requirements.

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:
  - 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.
  - Institutional Investors Group on Climate Change (IIGCC): SAM was the first Spanish asset manager to join this group 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. Within this, the following initiatives/working guides should be highlighted:
    - Net Zero Investment Framework: Designed to provide a basis on which SAM can make commitments to achieve Net Zero and define strategies to measure the NZ alignment of the issuers in which it invests. This document establishes a solid basis of recommendations on which SAM has developed the key measures and methodologies to develop its transition strategy.
    - IIGCC Net Zero Engagement Initiative launched in January in 2023 and of which SAM is a signatory. The aim of this initiative is to help investors align their portfolio with the goals of the Paris Agreement, by developing collaborative engagement activities.
  - Climate Action 100+: to ensure, through collaborative engagement actions, that the world's largest greenhouse gas emitting companies take the necessary action on climate change by improving climate change governance, reducing emissions, and strengthening climate-related financial disclosure.
  - 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.
- 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:
  - 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.

- The United Nations Guiding Principles on Business and Human Rights
- 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:
  - The Labor Organization's Declaration on Fundamental Principles and Rights at Work and its eight fundamental Conventions.
  - The International Bill of Human Rights
  - The Tripartite Declaration of the International Labor Organization on Multinational Enterprises and Social Policy.
  - The Tripartite Declaration of the International Labor Organization on Multinational Enterprises and Social Policy.
  - OECD Principles of Corporate Governance
  - 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).

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.

Paris Agreement and Climate Scenarios

In March 2021, we joined the global Net Zero Asset Managers (NZAM) initiative and committed to achieving net zero greenhouse gas emissions by 2050 ("Net Zero" or "NZ"), in line with efforts to limit global warming to 1.5°C. We have also committed to supporting investment aligned with NZ by 2050.

As part of this commitment, SAM has initially targeted halving net emissions for 50% of our AUMs in scope[1] by 2030. In addition, as part of NZAM's requirements, SAM has engagement objectives aimed at promoting greater transparency, accountability and collaboration between investors and issuers in the transition to a net zero economy.

To ensure transparency and rigorous accountability, SAM publicly discloses its activities and progress toward achieving NZ through the annual report as a signatory of PRI and its stewardship report.

During 2023, SAM has worked on the definition and implementation of its engagement strategy to encourage issuers, through engagement and voting policies, to commit to decarbonisation plans and to transparency by promoting accurate, credible reporting with which to monitor their progress. It also encourages issuers to set ambitious targets that are consistent with the objectives of the Paris Agreement.

As part of this strategy, during the reference period, SAM has actively participated as co-leader in the framework of Climate Action 100+, has joined the collaborative Net Zero Engagement Initiative by IIGCC, and has implemented actions of individual engagement in this matter. In addition, SAM has worked on the assessment of issuers according to the climate maturity scale defined by the IIGCC Net Zero Investment Framework with the aim of evaluating the progress made by issuers in the Net Zero transition and identifying areas that may require greater engagement involvement by the Management Company.

Climate change is integrated into SAM's ESG analysis model including aspects such as climate risk exposure. For this evaluation, SAM uses the information provided by external data providers, incorporating it into its own valuation methodology.

However, this PAIS reporting exercise has not yet included prospective climate scenarios. During 2023, SAM has worked on carrying out a quality analysis of information on prospective climate scenarios provided by different ESG data providers to have this information available to analyse the potential climate risk and the implicit temperature rise derived from their investment decisions. In addition, SAM has worked on the compliance of regulatory requirements derived from the implementation of TCFD in the geographies where SAM operates and is applicable.

[1] Assets in scope represent 54% of the total SAM assets that currently have a Net Zero methodology defined and we currently have carbon metrics available for 50% of them. This target may be revised upward at least once every five years depending on the availability of data.

Historical comparison

With the aim of aligning its methodology with the expectations set out in the Final Report on draft Regulatory Technical Standards on the review of PAI and financial product disclosures in the SFDR Delegated Regulation published by the European Supervisory Authorities, published in December 2023, the Management Company has carried out a thorough review of the methodology of aggregation at the fund and entity level of PAIS indicators, based on the recommendation to consider the 'current value of all investments'.

In this regard, SAMLUX has calculated the PAIS indicators for 2023 and reviewed those published in 2022 considering the value in EUR of all the participant's investments in the financial markets. This includes all investments, regardless of asset type, such as stocks, bonds, mutual funds, deposits, derivatives among others. The Management Company believes that this approach provides a more accurate and comprehensive measure of SAMLUX's exposure to the potential adverse impacts of its investments, allowing greater transparency in the information provided.

SAMLUX recognises that there are different areas where his investments can have an adverse impact (e.g., biodiversity, use of natural resources, human rights, labour rights, etc.). However, SAMLUX has prioritised climate change as the most relevant challenge currently due to the international consensus on the objectives to be achieved, the greater certainty as to the consequences that would arise in case of not meeting the objectives set in the Paris Agreement and the greater ability to measure impacts existing commonly accepted metrics.

In this regard, the performance of indicators related to greenhouse gas emissions (mandatory indicators for PAIS 1, 2 and 3 and optional 4) has improved in 2023 compared to the previous reference period, in line with its Net Zero 2050 commitment. The Management Company believes that this improvement in performance is related to the fact that, in 2023, SAMLUX has paid special attention to the identification and monitoring of the emitters that have the most impact in terms of GHG emissions. This process has considered criteria such as the volume of emissions, the climate maturity of the issuer according to the Net Zero scale of IIGCC, the performance of the issuer in relation to its sector of activity, total volume invested, geography, sector of activity, etc. and the presence of the issuer in SRI products, among others.

Once these issuers have been identified, SAMLUX has implemented individual and collaborative engagement actions to reduce the climate impact of the companies in which it invests and promote its Net Zero transition. As examples of the actions taken in 2023, it is important to recall the participation of SAMLUX in Climate Action 100+ as a coleader, SAM's adherence to the Net Zero Engagement Initiative of IIGCC, the collaboration with a Net Zero engagement service provider and implementation of specific individual engagement actions with issuers.

Despite these advances, a slight worsening of the sovereign GHG emission intensity indicator should be noted here compared to the previous period. The Management Company considers that this worsening is mainly related to two causes. On the one hand, the definition of the indicator penalises investments in developing countries because it is related to the gross domestic product of each country. The Management Company expects that, with the revision of the indicator proposed by the European Supervisory Authorities to consider the measure of GDP according to purchasing power parity to not penalise developing countries, the metric could be comparable between invested geographies. On the other hand, the worsening of this indicator is related to a greater volume of investment in this type of assets during 2023.

In addition to the indicators related to GHG emissions, the Management Company has also monitored the improvement of their exposure to companies active in the fossil fuel sector (mandatory indicator 4). This positive performance evolution is related to the progressive application of the fossil fuel exclusions included in Santander Group's policies and specific to SAMLUX to fulfil the commitment that, from 2030 onwards, do not invest in any entity in which thermal coal power generation directly represents more than 10% of its revenues in consolidated terms and any entity that owns thermal coal mining operations. The Management Company expects that this progressive development will also drive the improvement of the indicator of production and consumption of non-renewable energy (mandatory indicator 5).

In relation to mandatory indicators 6, 8 and 9, although their performance in 2023 has slightly improved compared to those reported for 2022, the Management Company considers that the percentage of data reported has been insufficient and has hindered both their integration into management and the implementation of specific mitigation measures. SAM expects that the implementation of ESRS requirements will succeed in increasing the volume of reported data to integrate and manage these indicators more robust.

On biodiversity (mandatory indicator 7), there has been a slight improvement compared to the data corresponding to 2022.The Management Company has started to establish engagement actions in early 2024 so it expects a potential improvement in performance in the next reporting periods.

With regards to social-related indicators, SAMLUX ensures that the principles of the United Nations Global Compact and the OECD Guidelines are correctly considered as set out in the policies of Santander Group. This ambition is reflected in an improvement in the performance of the two indicators related to these standards (mandatory indicators 10 and 11 and optional indicator 14). This improvement is driven by collaborative engagement actions carried out together with other investors and engagement service providers during 2023.

Regarding the performance of the indicator of gender pay gap (mandatory indicator 12), SAMLUX considers that the low availability of data on the wage gap makes it difficult to assess the overall and systematic impact generated by investee companies. This is especially relevant in some of the geographies in which SAMLUX invests. However, the Management Company has observed an improvement in coverage data with respect to the previous year. SAMLUX will monitor the coverage and robustness of the data related to this indicator to implement mitigation actions to reduce the adverse impact derived from it.

The performance of the board gender diversity indicator (mandatory indicator 13) with respect to the previous reference period, has shown a slight worsening. However, the Management Company expects a positive evolution through the application the application of the Voting Policy as it expects the least represented gender on the board to represent an adequate percentage of the total number of directors.

Finally, the exposure of SAMLUX to controversial weapons (mandatory indicator 14), has been remained 0 in accordance with the correct compliance with the exclusions established in the Santander Group Defence Policy and the SAMLUX's SRI policy.