Santander
Fundusze Inwestycyjne

Socially responsible investment policy

This policy applies to the Santander Group and its content has been properly adapted for use in Santander TFI S.A.

1. Introduction

The Santander Group (hereinafter "Santander"), through its activities, can have a relevant impact on society and the environment.

On the other hand, environmental, social and governance aspects (hereinafter ESG) can have an impact on investments.

In this sense, there is already a high degree of consensus in the asset management sector that considering ESG aspects in investment decisions helps to better manage risks and explore new value creation opportunities for clients and society. As asset managers, each local unit of Santander has the fiduciary duty to always act in the long-term interest of its clients. In order to fulfil this duty, it is necessary to consider the financial aspects together with the extra-financial ones in order to have a more complete vision of the assets under management, which often results in better-informed investment decisions.

Consequently, Santander's purpose is to act in a responsible manner, assuming a series of commitments beyond legal obligations, through a better management of risks and opportunities (including those related to sustainability), seeking to meet the financial objectives of customers while contributing to a sustainable development of businesses and society.

Santander's purpose is to try to maximize its contribution to sustainable development, promoting the positive impact of its activities, while being aware that these can generate adverse impacts on sustainability factors, which must be managed properly, trying to minimize them whenever necessary, keeping in mind the objective of always acting in clients' best interest.

Santander's socially responsible investment approach is inspired by the United Nations Principles of Responsible Investment:

- Incorporate ESG issues into investment analysis and decision-making processes.
- Incorporate ESG issues into our ownership policies and practices.
- Seek appropriate disclosure on ESG issues by the entities in which Santander invests.
- Promote acceptance and implementation of the Principles within the investment industry.
- Work together to enhance Santander's effectiveness in implementing the Principles.
- Report on Santander's activities and progress towards implementing the Principles.

This policy defines the socially responsible investment (hereinafter SRI) and defines the criteria considered in the integration of ESG variables in the investment process. It also incorporates relevant aspects within the SRI and as part of its fiduciary duty, such as the exercise of voting rights and engagement, which are described in detail in the corresponding policies defined in this regard.

2. Scope of application

This policy was drawn up by Santander Group and is made available to local units in each geography as a reference document, establishing the regime to be applied in the matters referred to in this policy.

Each local unit is responsible for drawing up and approving their own internal regulations to enable the local application of the provisions contained in this policy, with the adaptations that, where applicable, may be strictly essential to make them compatible and enable them to comply with legal and regulatory requirements or with the expectations of their supervisors.

The investment process defined in section 4 of this policy applies to direct investment in equities and fixed income, as well as to indirect investment through funds managed by third parties.

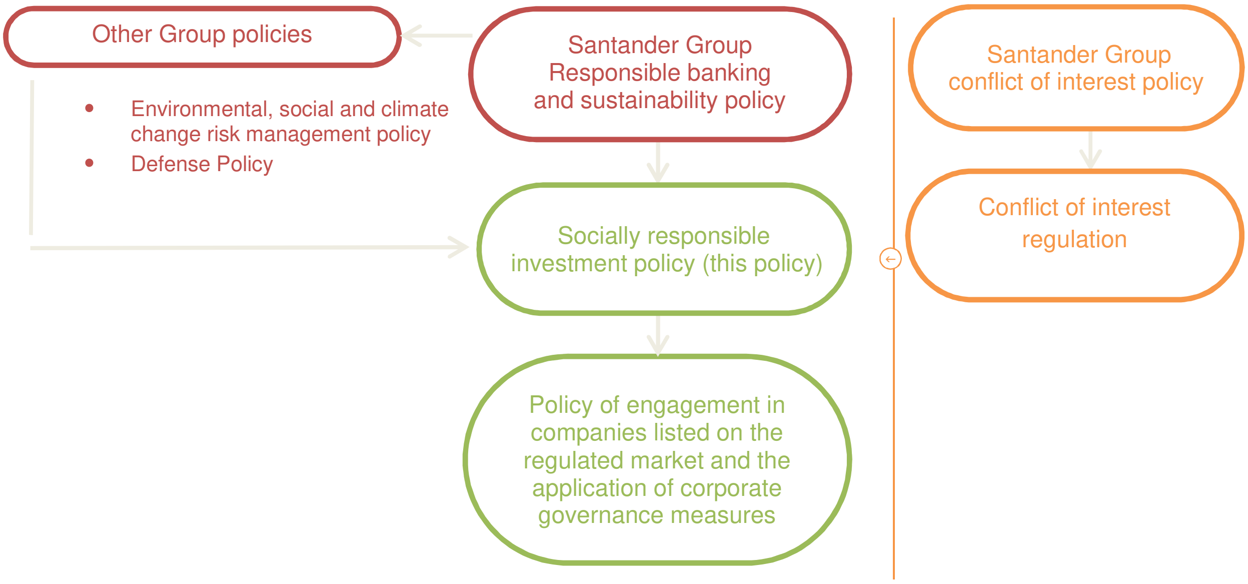
In the case of funds mandated to third-party managers, Santander performs an analysis of the manager's ESG capabilities, which is incorporated into the RFPs (Requests for Proposal), being especially relevant for mandates with an SRI approach.

3. General principles and relationship with other policies

This policy, which defines the general guiding principles of Santander regarding socially responsible investment, is based on the best practices included in international conventions and protocols, codes of conduct and internationally relevant guides on this particular subject, including:

- UN Principles for Responsible Investment.
- UN Global Compact.
- United Nation Sustainable Development Goals.
- United Nations: Universal Declaration of Human Rights.
- The United Nations Guiding Principles on Business and Human Rights.
- OECD guidelines for multinational companies.
- The International Labour Organization's (ILO) Fundamental Conventions.
- Agreements reached at the 2015 COP21 summit on climate change in Paris.
- Task Force on Climate Related Financial Disclosures Recommendations - Financial Stability Board.
- United Nations Convention Against Corruption.
- Conventions and treaties on non-proliferation of weapons included in Santander Group's General Policy on Defence Sector.
- International Corporate Governance Network (ICGN) Global Stewardship Principles.
- OECD Principles of Corporate Governance.
- Local Corporate Governance Codes (e.g. Spanish National Securities Market Commission's (CNMV) Code of Good Governance, UK Stewardship Code, AMEC Stewardship Code in Brazil, etc.),
- Net Zero Asset Managers Initiative.

This policy is complemented by other Santander Group policies, according to the following chart:



4. ESG investment methodology, tools and processes

Santander carries out an ESG assessment of the different assets in which it invests, which allows a broader view of the sustainability risks and opportunities they present. This analysis seeks to identify those issuers that are better prepared to face future challenges and, therefore, have policies and management systems with greater potential for positive impact on society and the environment and that allow them to anticipate and avoid potential ESG risks.

The ESG assessment is a robust process that takes into account different components:

- A valuation analysis where the behaviour of issuers is assessed in relation to different environmental, social and governance factors. For this assessment, Santander uses the information provided by external data providers, incorporating it into its own valuation methodology. This methodology is designed by the Santander Group and based on market references and the main international frameworks and standards resulting in an ESG rating of each issuer.

- Exclusions based on the nature of the activities carried out by the issuers or on the identification of risks through the monitoring of possible controversial issues. The exclusions are based on the policies of Santander Group, which apply to different sensitive sectors. In addition, other exclusions are applied for non-compliance with regulations or are related to specific SRI products conditions.

The ESG evaluation of companies is based on the concept of double materiality and takes into account the impact of ESG criteria on investments, as well as the impact of investments on sustainability factors. This assessment is composed of general analysis criteria - common to all sectors - and specific criteria - depending on the sector and activity - covering all relevant ESG aspects related to the essential thematic areas for an environmental, social and good governance analysis.

For the analysis of governments, Santander uses ESG criteria adapted to the characteristics of each country.

Examples of ESG criteria:

	Analysis for companies	Analysis for governments
Environmental	• Strategy and environmental management • Climate change • Natural resources • Pollution prevention and control • Natural habitats	• Energy • Climate change • Natural capital • Emissions and pollution
Social	• Human capital • Client and product • Community • Products and services with a social focus • Human rights	• Health and nutrition • Education and wellbeing • Work and equality
Governance	• Corporate governance • Business ethics	• Civil rights • Corruption • Government effectiveness

Summary table of the application of the analysis*.

** Some SRI products may incorporate additional ESG criteria to those mentioned in this table, according to the investment policy applicable in each case.*

			All products	**SRI products**
Exclusive analysis	**Exclusion by activity**	Exclusions related to Santander Group policies on sensitive sectors. (1)	✓	✓
		Exclusions for Sovereign Fixed Income (2)		✓
		Additional Exclusions Applicable to Specific SRI Products		✓
	Other Exclusions	Possible exclusions arising from the analysis of controversies		✓
Evaluation analysis	**ESG Valuation**	Analysis of the behaviour of issuers in relation to different environmental, social and corporate governance criteria. It results in an ESG rating for each issuer.	✓	✓
	***Best in class* analysis**	Analysis that aims to identify those issuers with a better ESG performance. *Applicable to some SRI products according to investment policy.*		✓
	Thematic analysis	Analysis that seeks to identify those issuers that contribute prominently to the development of certain social and/or environmental issues. *Applicable to some SRI products according to investment policy.*		✓

(1) - Exclusion list of defense companies linked to the manufacture of controversial weapons defined by Santander Group (detail in Annex II).

- Exclusions defined in the Santander Group's environmental, social and climate change risk management policy, 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*
- *From 2030, 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[1].*
- *For other prohibited activities defined in the Santander Group's Environmental, Social and Climate Change Risk Management Policy (see Annex III) that may potentially be applicable to Santander's business, The Manager carries out a continuous review of the available data by external suppliers to determine its possible application.*

(2) Issuers with low performance in relation to political rights and social freedoms are excluded, based on either of the following two indicators:

- *Democracy Index: Indicator that determines the rank of democracy of countries based on measures such as electoral process and pluralism, civil liberties, government functioning, political participation and political culture. On a scale of 1 to 10 points, countries below 6 points are excluded and correspond to hybrid and authoritarian regimes and are excluded.*
- *Freedom in the World: Indicator that measures the degree of democracy and political freedom in all countries and in the most important disputed territories around the world on a scale of 3 levels ("not free", "partially free" and "free"), excluding those countries classified as "not free".*

In the case of third-party funds, and when possible due to information availability, Santander conducts an ESG analysis in order to assess their alignment with Santander's SRI approach.

This analysis is carried out by Santander's global SRI team, through its own ESG methodology and is made available to the investment teams in the different local units. Additionally, the SRI team maintains continuous contact with the investment teams to ensure the appropriate interpretation of this information.

The ESG assessment is applied to all issuers of fixed income and equities and is integrated in our investment platforms in a systematic way together with financial information in order to be able to take into account information related to assets' sustainability risks in investment decisions.

1 The roadmap presenting the stages of tightening exclusions used in Poland by Santander TFI S.A. is presented in Annex IV.

5. Voting and engagement

Santander monitors the companies in which it invests in order to protect the interests of his clients, promote long-term value creation, manage risks and promote good governance in companies. Therefore, it carries out voting and engagement activities that are based on specific policies for this purpose.

Voting

Voting policy establishes the guidelines to be considered in the voting process at the annual general meetings (and extraordinary general meetings, if applicable) of the companies in which Santander invests in. The policy is aligned with the applicable legislation and voluntary codes promoting best practices, and it is consistent with the respective objectives of each portfolio. Santander aspires to exercise its right to vote whenever possible and when the costs associated with exercising the right to vote do not exceed the potential benefits. The information necessary to decide the vote comes from different sources that include internal analysis, and can take as an input the recommendations of an external proxy advisor.

Engagement

Santander seeks a double objective through dialogue and engagement activities with the companies in which it invests. On one hand, to understand in depth the issuers' business model, risks and opportunities. On the other hand, to promote change, so as to improve the strategy, management and reporting of environmental, social or governance aspects that are material for each issuer.

The engagement policy defines Santander's fundamentals regarding these engagement activities, which focus on those issues that are most relevant and have a greater impact on the value of the assets.

6. Transparency

Santander expects issuers to report on the ESG aspects that are relevant to their activity and that can substantially influence the analysis and decisions of investors and other stakeholders.

In addition, being responsible for the investment implies being transparent about how Santander incorporates ESG aspects into its investment decisions. Therefore, Santander makes its socially responsible investment policies available to its stakeholders, being accessible on the website.

Similarly, Santander strictly monitors and complies with reporting requirements legally required in each jurisdiction and with the requirements derived from adhering to voluntary initiatives or standards.

Santander is committed to transparency promotion so that all its stakeholders receive quality, accurate and timely information about their socially responsible investment management. To this end, it promotes the continuous improvement of the reporting systems to provide better information about the incorporation of ESG criteria in the investment processes, as well as information regarding the voting and engagement activities carried out by Santander.

7. Policy holder and updates

The content of this policy constitutes a process of continuous improvement that will be reflected in periodic reviews of this document.

This policy was last revised in February 2024.

Annex I – Glossary of terms

Santander Group, Santander: entities from Santander Group, including: Banco Santander S.A., Santander Bank Polska S.A., SAM Investment Holdings S.L., depending on the scope.

Socially Responsible Investment: Type of investment that applies financial and extra-financial criteria in the analysis and investment processes.

Fiduciary duty: legal obligation of one of the parties to act in the best interest of the other. The most important fiduciary duties are to act in the best interest of the client, avoid any conflict of interest (duty of loyalty) and act with due care, skill and diligence (duty of prudence).

ESG criteria: **E**nvironmental, **s**ocial and **g**overnance criteria.

Voting rights: Shareholders' right to vote at general shareholders meetings on corporate policy matters, including decisions on the composition of the board of directors, the initiation of corporate actions, the making of substantial changes in the operations of the corporation, etc.

Engagement: it is the practice of monitoring the behaviour of companies and establishing a dialogue with them, with the aim of improving information about them and promoting change in terms of strategy, risk management, ESG performance, etc.

Annex II – Prohibited activities of the Santander Group's Defence Policy

The Santander Group's Defence Policy establishes that, in accordance with its values and principles based on respect for human rights and in the interests of employees, customers, shareholders and society in general, Santander Group will not be involved in financing or support the manufacture, trade, distribution or maintenance services of the following materials defined as prohibited below:

- Anti-personnel mines
- Cluster Munitions [2]
- Chemical or biological weapons
- Nuclear weapons
- 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 Organization 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 Santander's investment activities, the policy is applied following the list of excluded companies defined by the Bank for all funds, applying pre-trade controls, and excluding any company with exposure to these activities in SRI products based on available data provided by external suppliers.

[2] Definition of cluster munitions under Convention on cluster munition. Dublin 2008.

Annex III – Prohibited activities defined in the Santander Group's Environmental, Social and Climate Change Risk Management Policy

Oil and Gas:

- New oil upstream clients, except for transactions for the specific financing for new renewable energy facilities.
- Project-related financing to Oil upstream greenfield projects[3].
- Any projects, or expansion of existing facilities, north of the Arctic Circle.
- Projects involved in the exploration, development, construction or expansion of oil & gas extraction from tar sands, fracking or coal bed methane.
- Companies involved in exploration and production for whom the activities derived from the combination of fracking, tar sands, coalbed methane and Arctic oil & gas represent a significant part of their reserves, or account for more than 30% of their activity.

Power generation:

- From 2030, any entities with more than 10% of revenues, on a consolidated basis, directly derived from coal fired power generation.
- New clients with coal-fired power plants, except for transactions for the specific financing for new renewable energy facilities. In these exceptions, the client must have a robust, credible plan, with verifiable targets, which show the client will reduce its revenues coming from coal power generation to 10% or below by 2030.
- Project-related financing for new coal-fired power plants projects worldwide, or for the upgrade and/or expansion of existing coal-fired plants.
- Project-related financing for the construction or development of infrastructure projects whose expected revenues from coal power generation-related activities will be more than 30% of the project's revenues in the first five years.
- Nuclear power plants, if:
  - The host country[4] is not a member of the International Atomic Energy Agency (IAEA).
  - The host country has not ratified the Convention on Nuclear Safety, the Convention on the Physical Protection of Nuclear Materials or the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management (or has not taken the appropriate measures to be aligned with the requirements included in these conventions).
  - The host country has not ratified the Non-Proliferation Treaty (NPT) and the International Convention for the Suppression of Acts of Nuclear Terrorism.
  - The host country lacks a National Safety Agency (NSA) for nuclear activities:
    - Is established, independent and capable (in terms of creating a regulatory environment that requires good environmental and social performance throughout the life cycle of the facility).
    - Is authorised to conduct inspections and impose sanctions if required.
    - Has rules in line with the recommendations of the IAEA.

Mining and Metals:

- From 2030 clients that own thermal coal mines worldwide.
- New clients that own thermal coal mining operations and projects worldwide, except for transactions for the specific financing for renewable energy. In these exceptions, the client must have a robust, credible plan, with verifiable targets, which show the client will have no thermal coal by 2030.
- Project-related financing for new, or the expansion of thermal coal mines.

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[3] Defining Greenfield as those fields whose approval for development is after May 2021.
[4] The Host Country is the country/ies where the facility/reactor/nuclear activities are located and where the client company (and its parent if different) is incorporated.

- Project-related financing for the construction or development of infrastructure projects whose expected revenues from coal mining-related activities will be more than 30% of the project's revenues in the first five years.
- Extraction, processing or wholesale distribution of asbestos.
- Extraction or wholesale distribution of rough diamonds not certified by the Kimberley process[5].
- Mining activities relating to the so-called "conflict minerals" extracted from conflict areas and not included in the corresponding certification processes[6].
- Mining activities without specific treatment to avoid tailings disposal in riverine or shallow sea environments (such as tailings storage facilities or dry stack).

Soft commodities:

- Extraction of native tropical wood species not certified to FSC.
- Palm oil processors who are not certified to RSPO;
- Developments in forested peatlands in high risk geographies[7].

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5 The Kimberley Process Certification Scheme (KPCS) is the process established in 2003 by the United Nations General Assembly to prevent "conflicting diamonds" that can be used to finance war or human rights abuses from entering the general diamond market.

6 HTTPS://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/regulation¬explained/

7 High risk geographies are defined as: all African countries, Argentine (provinces Chaco, Formosa, Santiago del Estero, Salta and Tucumán), Bolivia, Brazil (regions Amazonia Legal and North-Eastern), Cambodia, China, Columbia, Ecuador, Estonia, Guatemala, Guiana, Honduras, India, Indonesia, Laos, Latvia, Lithuania, Madagascar, Malesia, Mexico, Myanmar, Nicaragua, Panama, Paraguay, Papua New Guinea, Peru, Russia, Salomon Islands, Thailand, Vietnam, as well as all clients that describe their operating geography as 'unknown'. The list of high risk geographies will be updated periodically in order to reflect the expansion of agricultural activities.

Annex IV – Roadmap for introducing exclusions for entities whose direct revenues from coal energy exceed 10% of their consolidated revenues and of entities with thermal coal mines

Santander TFI S.A., taking into account the local characteristics of the market, establishes the following roadmap for exclusions from the energy sector:

Sector	**2023**	**2025**	**2026**	**2027**	**2030**
Coal power production as % of issuer's revenue	60%	60%	30%	30%	10%
Thermal coal mining (production) as % of issuer's revenue	25%	15%	10%	0% (no exposure)	0% (no exposure)

At the same time, due to the specificity of the local market, in particular low liquidity on the secondary market, investments in debt instruments of PGE Polska Grupa Energetyczna S.A., which are components of investment funds as at 31.12.2023, may remain so until the maturity of the issue, no longer than until 21.05.2029.

The roadmap indicated above does not apply to financial instruments issued by Jastrzębska Spółka Węglowa S.A., treated as a producer of coking coal.