Socially Responsible Investment Report 2023

SAM Investment Holdings, S.L.

Contents

1. About us

SAM Investment Holdings, S.L. ("SAM") has a fiduciary duty to act always in the long-term interest of its clients. In order to comply with this duty, we consider that it is necessary to address both financial and non-financial aspects so as to obtain a complete picture of the assets under management, which will result in sounder and more informed investment decisions.

SAM has been committed to socially responsible investment (SRI) for more than 29 years; it was a pioneer in SRI with the 1995 launch of Spain's first investment fund managed under environmental, social and corporate governance (ESG) principles.

Since then, we have continued to take steps in this line with the objective of creating value by integrating ESG factors into our strategies, increasing engagement with our stakeholders and exercising our voting rights responsibly.

Until 2022, we published an annual stewardship report that complemented the annual voting reports available on the websites of our local firms. This year, we have expanded our disclosures by publishing this first SRI report, which, in addition to information on voting and engagement, provides more detail about our SRI practices and offers a more comprehensive overview of how SAM incorporates sustainability into its business. The data in this report refer to the year ended 31 December 2023.

SAM has been committed to SRI for over 29 years [1]

>217
billion in assets under management

53
years in the industry

874
employees

123
funds under SRI criteria

+48
billion in SRI assets under management

1995 – First SRI fund in Spain

2003 – First SRI fund in Spain with a Catholic mandate

2006 – Creation of the SRI service for institutional mandates

2017 – Santander Responsabilidad Solidario received the Expansión - Allfunds award for the best solidaric fund (also in 2023 and 2024)

2018 – Santander Sostenible range launched

2019 – SRI Team created

Launch of Santander Sostenible Bonos (Spain's first sustainable bond fund)

2020 – Joined the Institutional Investors Group on Climate Change (IIGCC)

Signed the Principles for Responsible Investment (PRI)

2021 – Signed Climate Action 100+

Joined the Net Zero Asset Managers initiative

2022 – Main sponsor of the PRI's annual event

Launch of the first sustainable mutual fund with a social focus, in partnership with (RED)

2023 – Joined the IIGCC Net Zero Engagement Initiative

SAM Spain and SAN Pensiones adopted the CNMV Code of Good Practice for Investors and commenced

Awards and recognitions

Santander Prosperity, our global multisectoral equity fund that contributes to improving our well-being as a society, was named Best Product Innovation at the Global Private Banker Innovation Awards 2023.

Santander Responsabilidad Solidario, our ethical investment fund managed by Santander AM España, was named Best Solidarity Fund at the Expansión-Allfunds awards for the second consecutive year. This fund has donated more than 22 million euro to NGOs in nine years.

SAM's voting activity earned us a special mention from ShareAction in its latest report, "Voting matters 2023".

[1] Data as of 31 December 2023

2. Our ESG approach

2.1 Policies and procedures

We have ESG policies and procedures[2] that serve as the basis for the definition and methodological implementation of our SRI strategy:

Responsible Banking and Sustainability Policy

This is the transposition of the policy of Banco Santander, S.A. and its Group, setting out the principles, commitments, objectives and strategy regarding the treatment of its stakeholders, as well as integrating ESG criteria and the analysis of socio-environmental and climate change risks. Since 2024, the general principles of Santander Group's Responsible Banking and Sustainability Policy have been integrated into SAM's SRI and other policies. Consequently, SAM no longer has a separate policy with respect to responsible banking and sustainability.

Socially Responsible Investment Policy

Defines the principles of action for socially responsible investment, inspired by the best practices set out in applicable international conventions, codes of conduct and guidelines. This policy also defines the methodology and tools for integrating ESG variables into investment decisions.

Engagement Policy

Describes the principles that we follow in relation to ESG engagement, either individually or through collaborative initiatives, with the companies in which we invest or in which we are interested in investing. Details on the organizational structure and follow-up of engagement activities are also included, describing the responsibilities of the ISR team along with the forums that monitor these activities.

Voting Policy

Sets out the principles for voting in listed companies in which the investment vehicles hold open positions with voting rights. These principles are fundamental to promoting the long-term performance of the assets that we manage.

Internal Procedure for integrating Sustainability Risk

Establishes the criteria and procedures to be followed for identifying, evaluating, monitoring and managing ESG risk in the investment analysis and decision-making process, as part of SAM's fiduciary duty; it is applicable to all assets, industries and countries in which SAM invests through actively managed products.

Internal Procedures on Voting and Engagement

Define the criteria for voting and engagement activities. Describe the processes and participation of the teams and forums in decision-making.

Internal Sustainable Investment Procedure

Sets out the criteria and procedures for an investment to qualify as sustainable in accordance with Article 2.17 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR").

Internal Procedure for Integrating the Principal Adverse Impacts

Sets out our methodology for detecting and mitigating the principal adverse impacts (PAI) on sustainability arising from the business, both at the level of the firm (SFDR article 4) and for those SAM products that experience the principal adverse impacts (SFDR article 7).

[2] Policies available on the SAM global website.

Operations are also guided by Santander Group general framework for managing ESG issues, notably:

Santander Group Policy on Responsible Banking and Sustainability

sets out the Group's commitment to consider the environmental impact as well as the impact of its banking and finance activities. It is also committed to complying with best practices and regulatory requirements in relations with its stakeholders.

Santander Group Policy on Managing Environmental, Social and Climate Change Risk

sets out Santander Group's approach to the identification, evaluation, monitoring and management of environmental and social risks that may arise, among others, from investments in the oil and gas, power generation and transmission, mining, metallurgy and soft commodities sectors.

Santander Group Policy on the Defence Sector

establishes the commitment not to support relations with companies that manufacture, market, distribute or maintain materials designated as prohibited due to their relationship with the armaments industry.

The content of these policies and procedures is undergoing continuous improvement. Both SAM and Santander Group are reviewing their ESG policies in order to adapt them to best practices and regulatory developments.

2.2 ESG methodology

SAM has its own analysis methodology, based on market benchmarks and the main international frameworks and standards, which enables it to assess an asset's ESG performance by assigning an ESG rating to the issuer.

This analysis enhances the identification of issuers that are best positioned to meet future challenges and take advantage of new opportunities, while generating value for both their business and society as a whole.

The analysis for the ESG rating takes account of the following aspects:

Environmental factors

Any aspect of the issuer's activity with an environmental impact, such as greenhouse gas emissions, resource depletion, pollution, water management, etc.

Social factors

Issues related to society, ranging from workplace issues, labour standards and talent management to relations with local communities, product safety, privacy and data security, and human rights.

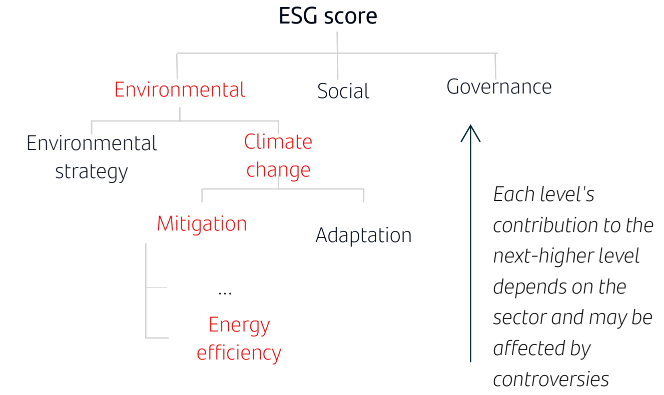
Governance factors

Assess the quality of the issuer's management, its culture and ethics, and the effectiveness and quality of its governance systems, as well as its ability to anticipate operational and legal risks that might represent a potential breach.

To obtain a multidimensational picture of how these factors are managed, an evaluation framework is applied that is based on different angles of analysis, including the existence of policies, the definition of objectives, the establishment of management systems, and performance in key indicators.

Each factor is then scored and the score is combined with the three pillars (environmental, social and governance) to generate a final ESG score of between 0 and 100 for each security that we cover, which translates into seven levels of performance, from worst (C-) to best (A+), as well as a relative rating with respect to its peers.

Example of ESG analysis



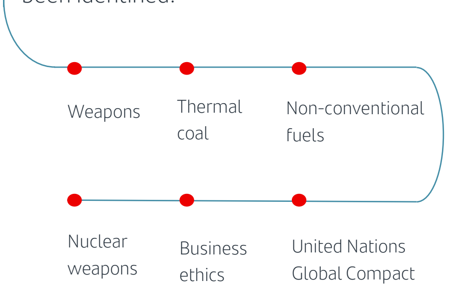
ESG information on individual issuers' performance is integrated into SAM's tools for managers and other stakeholders to consult at any time during the investment cycle.

2.3 ESG strategies

SAM combines the following strategies to incorporate ESG factors into our investment decisions [3]:

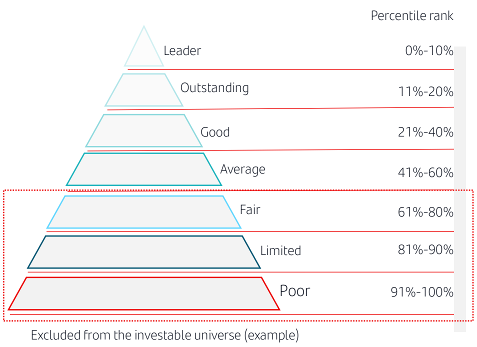
Negative screening

Exclusion of companies involved in sensitive or controversial activities, that do not comply with international standards and/or where critical controversies have been identified.



Best-in-class selection

Selection of the best ESG performers in their geography and industry.



ESG integration

Systematic, explicit consideration of ESG factors in investment decisions.

Thematic

Investments related to the implementation of specific aspects of sustainability.

Engagement and voting

Engage with issuers to understand how they manage ESG risks and opportunities and to promote sustainable and responsible practices through individual or collaborative engagement and the exercise of voting rights.

In addition to these strategies, SAM has its own ESG assessment methodology. This analysis methodology has been designed internally by SAM's SRI team and is based on market information and the main international frameworks and standards.

[3] Strategies can be combined and adapted to each product. For example, depending on the product, different exposure thresholds may be applied to controversial activities and there may be different best-in-class thresholds.

2.4 Specialized data providers and information sources

We use data compiled by third-party ESG data providers, which are analyzed internally by the SRI team.

Specifically, we use data provided by Clarity AI to build the ESG rating. That supplier also provides data on exposures to certain controversial industries and indicators of principal adverse impacts. We also use data provided by Sustainalytics to analyze controversies and compliance with benchmark standards such as the United Nations Global Compact and the Organisation for Economic Cooperation and Development (OECD) Guidelines for multinational companies. We use other ESG data providers for sustainable investment analysis, such as data provided by MSCI on companies' revenue aligned with the Sustainable Development Goals and databases of green, social and sustainable bonds provided by Nasdaq and Refinitiv.

Third-party providers use a variety of sources such as data from other general and specialized providers that analyze information from public sources, the media, NGOs, government databases, company information (sustainability report, annual report, etc.) and metrics estimated using internal models.

Data analysis is automated and data quality is monitored and processed on two levels:

- **Supplier:** Data suppliers deploy processes and systems at every stage of the analysis through automated and data quality controls. These processes include algorithms based on machine learning to perform the best automatic selection of sources, eliminate inconsistencies and detect outliers, using historical data trends, comparison with peers, and the variability between different input sources. These are integrated automatically in Aladdin, our investment management tool.
- **Fund manager:** Once data is entered into the management tool, we carry out additional checks to ensure that there are no technical flaws in data integration, i.e., that there were no errors in loading data and that the raw data underlying the ESG metrics has not been altered. These checks include:
  - Verifying the consistency of the uploaded data.
  - Data quality checks to analyze fluctuation in the values; if significant deviations are detected, the teams perform detailed analysis.

Additionally, issuers' ESG performance is monitored systematically on a continuous basis by the SRI team; this includes tracking any discrepancies flagged by managers between the knowledge of the issuer and the data used by the third-party model. The information is reflected in a review of the indicators and can trigger issuer engagement processes.

SAM expects issuers to report on ESG issues that are material to their business model, as this information can have an impact on the analysis and decisions made by investors and other stakeholders. Where possible, we seek to maximize ESG performance in the areas that are material for each sector through the fund's investment strategy.

If we do not have enough ESG information from an issuer, the SRI team conducts an ad hoc analysis that can include specific engagement actions and whose results are reviewed by the local compliance area.

3. Our SRI structure and governance

3.1 Governance structure

SRI governance at SAM comprises mainly the following bodies:

ESG Forum in the Wealth Management & Insurance Division

The forum is chaired by the global head of Wealth Management & Insurance and comprises, among others, the CEO and CIO of SAM, the global head of SRI, the SRI team, and representatives from Private Banking and Insurance. It is responsible for approving the SRI strategy at the division level and overseeing compliance with it. Depending on the topics to be discussed, representatives from other areas may participate.

SRI Strategy and Oversight forum

Members of this forum include SAM's CEOs and CIOs (LatAm and Europe), representatives from SAM's Product, Legal, and Global Risk and Compliance areas, and the SRI team; it is chaired by SAM's global CIO. Its mission is to supervise and coordinate SAM's SRI strategy and its compliance with the SRI Policy, and to monitor and oversee all activities related to the implementation of SRI at SAM. Depending on the topics to be discussed, representatives from other areas may participate.

Voting and engagement forums

These forums are made up of representatives from different areas of SAM involved in voting and engagement activities (SAM CIO, SRI, Risk and Compliance, Legal and Investments). They are responsible for overseeing compliance with SAM's voting and engagement policies, and for monitoring all activities related to these policies.

Investment and sustainability forums

An investment and sustainability forum oversees compliance by SRI products with ESG requirements. The forum also identifies and discusses discrepancies with a view to reaching consensus on a plan of action, ranging from monitoring via public information sources and data suppliers through to engagement.

There are other more specific working groups and forums, and reporting lines on SRI matters to the governing bodies (senior management) of SAM and the Group's Wealth Management & Insurance division at the global level, which are responsible for approving and overseeing compliance with the SRI strategy.

SRI team

SAM has a global team of SRI experts entrusted with developing and implementing our ESG methodology, implementing engagement and voting actions, and developing SRI policies, among others. It is made up of professionals with extensive experience in SRI and is multidisciplinary. There is also a local network of ESG experts for each of the geographies in which SAM operates.

ESG Leads and champions

Our network of ESG leads and champions plays a vital role in linking our investment with the SRI team. Coordination between the SRI team and the ESG leads and champions is essential to properly integrate sustainability into our investment and reporting processes at global and local level.

SRI team

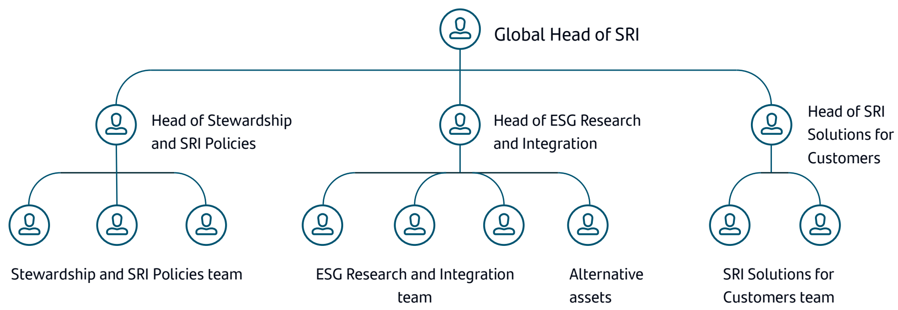
Integrated into the Global Investment Area

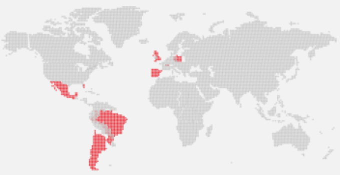
Multidisciplinary team with experience in various fields of SRI

13 full-time professionals dedicated to developing and promoting SRI

ESG Certification for SRI and Investment team (CESGA and CFA ESG)

Local network to ensure global presence





5 local ESG Leads	8 ESG Champions in Investments
Mexico	Fixed Income
Chile	GMAS
Argentina	Equity
Brazil	QIS
Poland	Institutional solutions

3.2. Training and development

We also believe it is vital to incorporate ESG knowledge throughout our organization. To this end, most of our investment teams, as well as part of other areas such as Risk and Compliance, have received training and certification in sustainability from third parties (CESGA and CFA ESG[4]).

Our goal is to extend this type of certification to all employees involved in SRI-related activities through an ESG training model tailored to their needs. In 2023, SRI training programmes were established at three different levels (Basic, Intermediate and Advanced). In 2023, we hired 24 people at the advanced level with the CFA ESG Certificate and 18 people with CESGA. At the end of the year, we had more than 100 employees with an advanced certificate, mainly in the area of investments.

[4] EFFAS Certified ESG Analyst® (CESGA) and CFA Institute Certificate in ESG Investing (CFA ESG).

3.3. Remuneration

It is Santander Group policy that Group companies (and, therefore, SAM) must manage remuneration for all employees by prioritizing efficient risk management in line with applicable legislation, and adhering to the following principles, among others:

- Remuneration is aligned with shareholder interests, focused on long-term value creation, and is compatible with sound, rigorous risk management, long-term strategies, values and interests, and maintaining a strong capital base. The main risks for Santander Group are credit, market, liquidity, structural, operational, compliance, model, reputational, strategic, environmental, social and climate change risks.
- Remuneration decisions are made without any type of discrimination other than that derived from performance evaluation.
- Together with the Human Resources function, the Group's Control functions and, in particular, the Risk function are actively involved in managing remuneration within the functions defined in the Remuneration Policy; in particular, they implement the necessary oversight indicators and may propose adjustments to certain remuneration items, such as variable remuneration, depending on how each Group unit managed all risks during the period.
- In the Santander Group, managing variable remuneration includes defining metrics that are consistent with prudent management of present and future risks; in addition to quantitative metrics, qualitative factors are also included to ensure that all types of risks are reflected, together with sustainability and proper assessment of results. The metrics used to calculate annual variable remuneration include ex ante adjustments for risks to ensure that variable compensation is fully aligned with the risks assumed.

For more information on how sustainability risks are factored into the Santander Group Remuneration Policy, please refer to the document on policies for integrating sustainability risks into the decision-making process and on the remuneration policy of Banco Santander, S.A. and its Group (https://www.santander.com/en/our-approach/policies).

Likewise, the annual variable remuneration of Santander Group employees (bonus pool) incorporates ESG metrics, including those related to climate, linked to the achievement of specific sustainability objectives. These metrics are also applicable to the annual variable remuneration (bonus pool) of all SAM employees (including directors, senior management, investment managers, and other employees).

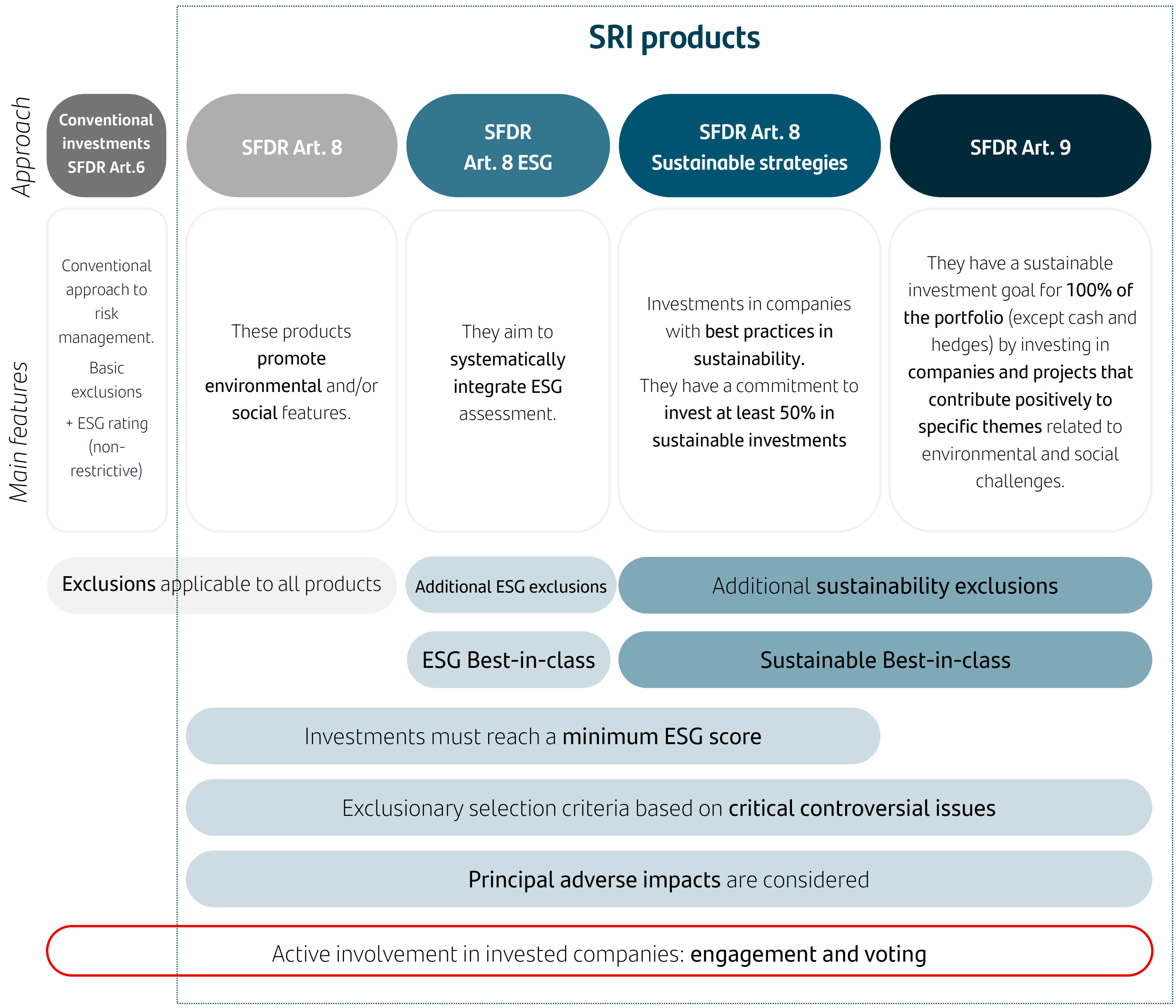
SAM is committed to keeping its remuneration policy aligned with regulations and market best practices. In 2023, it implemented a project, which is ongoing in 2024, to review and update employee performance evaluation criteria in connection with sustainability.

4. Our SRI product offer

4.1 Product categories

We have a broad range of SRI approaches to ensure that our offer can respond appropriately to our customers' preferences. The table below is a non-exhaustive depiction of the main categories into which our SRI products are classified. This classification is closely linked to the categorization contained in the SFDR.

However, for geographies where the SFDR is not applicable, we apply our framework on a consistent but flexible basis while making the necessary changes to adapt to local realities and conform to regulatory and supervisory expectations in each geography.



** In addition to the commitment to sustainable investment of the SFDR Art. 8 and 9 funds that are labelled as "Sustainable", the other SFDR Art. 8 funds have minimum sustainable investment requirements ranging from 1% to 10%. Because of the nature of alternative funds, their specific features may differ from those mentioned here.*

A changing regulatory framework

Due to the complexity of, and constant changes in, the regulatory situation, we regularly review our product framework to ensure that products always meet the requirements of regulators and supervisors. The SRI team works closely with the product team, as well as the Risk and Compliance and Legal teams, to anticipate regulatory changes and manage their impact in a timely manner.

In 2024, we are reviewing the criteria applied to each product to ensure that they conform to the ESMA Guidelines on fund names using ESG- or sustainability-related terms; those guidelines had not yet come into force at the date of publication of this report.

4.2 Innovation and transformation of products in 2023

We have 48.1 billion euro in SRI assets (+28% year-on-year) spread across eight countries. In 2023, we increased our SFDR-compliant product offering (Article 8 and 9 funds). Our thematic product range includes funds with a focus on climate (Santander Innoenergy Climate and Santander Sostenible Bonos), renewable energy (Santander Iberia Renewable Energy) and society (Santander Prosperity).

In 2023, our range of solidarity funds made donations to several NGOs to fund training for young people at risk of social exclusion and job searches for women in vulnerable situations, among other causes.

SAM's SRI product range

Main geographies offering SAM's SRI products

Total SRI products Inc. Feeders **123** products

SRI products by country

Country	Investment Fund	Pension Fund	Total
Spain	30	35	65
Luxembourg	21		21
Portugal	14		14
Alternatives	5		5
Brazil	3	2	5
Chile	5		5
Poland	4		4
Mexico	3		3
Argentina	1		1
Total	86	37	123

Total SRI Feeder Products **9** products

* Santander Alternative Investments

Total SAM € AuM exc. Feeders **48,09** mil M

SRI AuM by country inc. Feeder

Country	Investment Fund	Pension Fund	Total
Spain	31.360	11272	42632
Luxembourg	3014		3014
Portugal	2618		2618
Alternatives	125		125
Brazil	101	4	101
Chile	75		79
Poland	65		65
Mexico	63		63
Argentina	3		3
Total	37424	11276	48700

Total SAM € AuM Feeders **612** mill

* Santander Alternative Investments

5. Engagement

5.1 Our approach

Our Engagement Policy establishes the basis for dialogue between SAM and issuers (companies and sovereign and supranational entities), as well as with other stakeholders such as governments, regulators and other fund managers. In 2023, we updated our Engagement Policy to reflect our latest developments in this area. The new version of the policy strengthens transparency on the types of engagement according to the approach, the theme or the partners, mentions new types of engagement developed as a result of the changes in regulations and our commitments, and provides more detail on the engagement process and prioritization, and escalation strategies.

We use mainly two approaches for this purpose: individual engagement with each issuer, and collaborative engagement through initiatives that bring different investors together:

Individual engagement

In this case, SAM interacts directly with the issuer through a range of channels. Prior to contacting an issuer, an engagement plan is established that sets out the objectives to be achieved, with any applicable key performance indicators, as well as a timetable.

Collaborative engagement

In this case, we work in partnership with other investors through a number of formats: letters on a specific topic or sector, working groups, bilateral engagement between investors and companies, interaction with regulators in the development of regulations for the promotion of SRI, etc.

Engagement processes can have different objectives depending on the needs in each case. However, engagement has a clear sectoral focus and is based on materiality, to ensure that we focus on the material issues for each sector. Engagement processes can cover more than one topic in cases where several objectives converge at the same time.

In accordance with regulatory requirements and the voluntary commitments acquired by SAM, the most frequent reasons for which SAM may engage are the following:

Issue	Objectives
Transparency and ESG performance	• Enhance the production of ESG data by issuers. • Strengthen issuers' overall ESG performance based on our ESG rating methodology.
Thematic	• Engage with issuers on specific sustainability areas, such as climate change, or other issues such as biodiversity, social questions, etc.
Controversies	• Analyze the ESG performance of issuers that are potentially exposed to controversies or non-compliance with international standards. • Ensure that issuers comply with the legal requirements in each jurisdiction and with the requirements arising from SAM's initiatives and policies.
Controversial industries	• Analyze issuers' potential exposure to sectors that are excluded by investment policies and strategies.
Shareholders' meetings	• Gather additional information on company performance prior to shareholders' meetings. • Communicate SAM's voting criteria and/or voting plans at shareholders' meetings.
Guidance on sustainability plans	• Contribute to defining companies' sustainability plans and their ESG materiality analysis. • Enhance SAM's knowledge of companies' ESG plans.
Principal adverse impacts	• Engage with companies, other fund managers, and sovereign/supranational entities in connection with the principal adverse impact indicators, including environmental, social and governance aspects.

Escalation

SAM believes that it is more effective to engage in constructive dialogue with issuers than to exclude them from our investment universe. Therefore, as part of our governance system, SAM has an escalation process that is triggered in cases where we are unable to meet our 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.
- Our participation in collaborative engagement initiatives to pool support among investors.
- Voting against certain items at shareholders' meetings (e.g.: board appointments and adoption of reports).
- The reduction of the position in the issuer and, eventually, the divestment.

5.2. Application in 2023

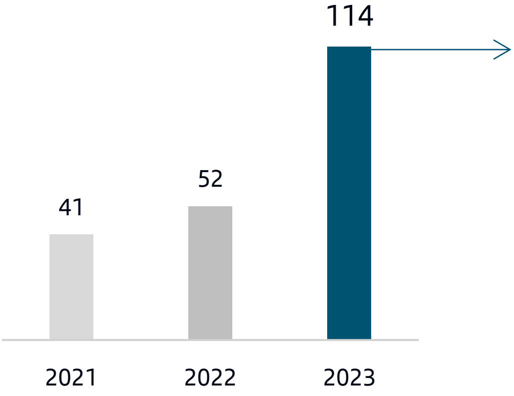
Below is a breakdown of how we conduct each type of engagement and the key data for 2023.

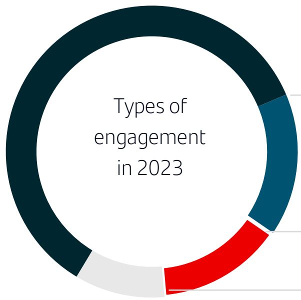
Our managers and analysts maintain an ongoing dialogue with issuers in which we are invested to inform them of investment decisions and to enhance our knowledge of those companies. However, the data relating to engagement in this report refer only to ESG engagement activities carried out in coordination with our SRI team.

In 2023, we increased the total number of engagements in which we participated actively. Engagements linked to companies' net zero plans, in the form of meetings and/or letters, were particularly important in 2023. We also focused during 2023 on engagement prior to shareholders' meetings or those related to the issuers' ESG transparency.

We also increased the geographic scope of our engagement (dealing with issuers in 22 different countries in 2023, compared with 14 countries in 2022).

Active engagements in 2023





60% *Net Zero*

16% Shareholders' meetings

14% Transparency

10% Others, including guidance on ESG strategic plans, controversies, etc.

Sector breakdown of active engagements in 2023

Materials
23%

Industrial
20%

Utilities
16%

Financial
10%

Consumer staples
10%

Energy
6%

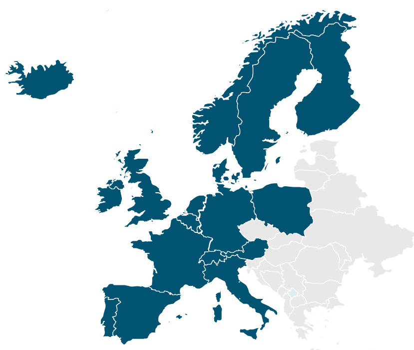
Consumer discretionary
5%

Other
10%

Geographical breakdown of active engagements in 2023

Americas

Europe



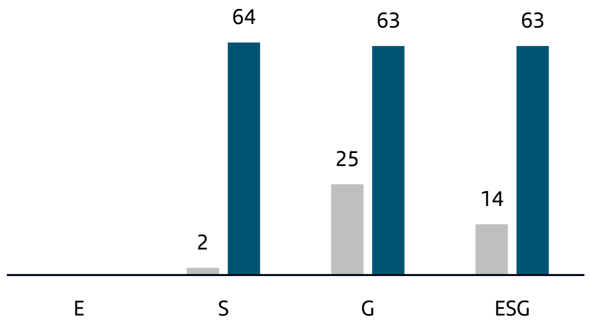
● Countries where engagement activities were performed in 2023

Examples of active engagements on ESG transparency and performance in 2023 - Companies' ESG ratings

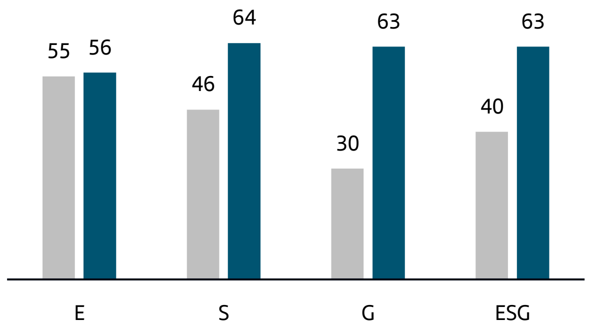
ESG scores before engagement

ESG scores following engagement

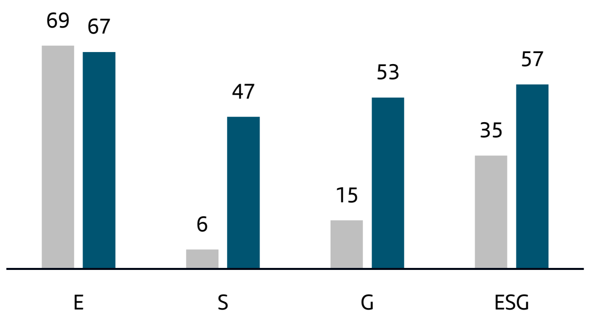
Company in the communication sector [5]



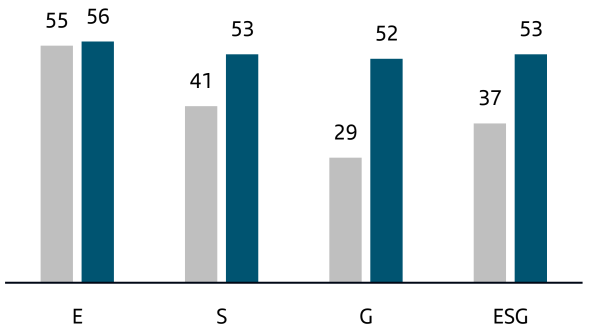
Company in the financial sector



Company in the utilities sector



Company in the financial sector



[5] The environmental dimension is not material for this issuer and, consequently, this area is not scored.

Case study: Examples of engagement in 2023

E

Environmental aspects

Sector: Energy

As part of our Net Zero (NZ) commitment, we initiated engagements of this type with the aim of understanding the company's plans to align itself with the goals of the Paris Agreement.

Specifically, the issuer was assessed in accordance with the climate maturity scale defined by the IIGCC Net Zero Investment Framework, the aim being to assess progress in the Net Zero transition and identify areas that may require greater action by the issuer.

This engagement was very well received by the company and was perceived as a good opportunity to continue advancing with their NZ commitments. This engagement was ongoing at the time of publication of this report and is expected to continue until the defined objectives are achieved.

S

Social aspects

Sector: Utilities

As a result of the engagement, the issuer has improved performance reporting in relation to, among other topics, data protection policies, quality systems, and employee training.

SAM also pointed out areas where there was scope for improvement to continue enhancing performance. They include diversity objectives and reporting on employee and customer satisfaction.

Upon conclusion of the engagement exercise, the issuer had significantly improved its social rating and achieved an ESG rating of "Good" under SAM's methodology.

G

Governance aspects

Sector: Financial

Engagement reinforced our information on the company's governance practices.

Its performance improved in indicators linked to the percentage of independent and non-executive members on board committees, as well as corporate ethics and integrity policies and procedures.

As part of the exercise, the issuer was also informed of areas for potential improvement in order to continue strengthening its governance practices. These include transparency on lobbying and strengthening competition policies.

We believe that collaborative engagement is an effective means of achieving our engagement objectives and is particularly important for promoting change with greater impact.

We work with other investors through several formats: open letters on a particular topic or industry, working groups, bilateral dialogue initiatives between investors and companies, interaction with regulators in the development of regulations to promote socially responsible investment, etc.

Since 2001, we have been an active member of Climate Action 100+, a collaborative engagement initiative whose purpose is to ensure that the largest greenhouse gas emitting companies take the necessary action on climate change. With the same objective, in 2023 we joined the IIGCC's Net Zero Engagement Initiative.

In certain specific cases, we also rely on the services of third parties to carry out collaborative engagement. Those suppliers act collectively, on behalf of all their customers.

Case study: Collaborative engagement with companies on climate change issues – Climate Action 100+

As part of this initiative, we are jointly leading the dialogue with a European company in the energy and utilities sector. In 2023, we had several meetings with the company to discuss the initiative's assessment of the company, as well as to evaluate how the company's climate ambition is aligned with its investments and projects.

In the latest analysis conducted by CA100+ in October 2023, the company had enhanced its transparency regarding its carbon-intensive capex plan, as well as its climate lobbying activities. We will continue to monitor the company's climate ambition in order to further strengthen its alignment with the initiative and the Paris Agreement's goal of limiting global warming to 1.5°C.

Case study: Collaborative engagement with companies on climate change issues – IIGCC Net Zero Engagement Initiative

We have joined the IIGCC Net Zero Engagement Initiative, which was launched in January 2023; its aim is to use collaborative engagement to help investors align their portfolio with the Paris Agreement objectives, as set out in their Net Zero commitments. Through this initiative, IIGCC expands its focus to companies beyond the scope of CA100+.

In March 2023, we signed the letters sent to the initiative's first focus list for all the companies that were part of the investment portfolio, with the aim of understanding each company's plans to align itself with the objectives of the Paris Agreement.

Case study: Collaborative engagement with companies on climate change issues via a third-party provider

Since December 2023, we have been using the services of a third party to undertake new collaborative engagement exercises with regard to Net Zero. We participate in meetings within the framework of these engagements with the companies that are relevant to us.

Case study: Collaborative engagement, via a third-party provider, with companies on complying with international standards

We use engagement as a key means of addressing the principal adverse impacts in accordance with the regulatory requirements derived from the SFDR.

To manage PIA No.10 "Violations of the principles of the United Nations Global Compact and the Guidelines of the Organisation for Economic Cooperation and Development (OECD) for multinational companies", we rely on the data and engagement services of an external supplier.

To identify violations, we rely on the findings made by the ESG data provider with respect to companies' compliance with the United Nations Global Compact, the OECD Guidelines for Multinationals, and other conventions on human rights, labour, the environment and weapons. To detect these outcomes, the provider analyzes daily news, information from NGOs, and the media

Based on these findings, during 2023 we systematically monitored outcomes and participated in some collaborative engagement actions alongside other investors and the engagement service provider, in order to mitigate serious violations. Companies at risk of breaching the standards are kept on a watchlist.

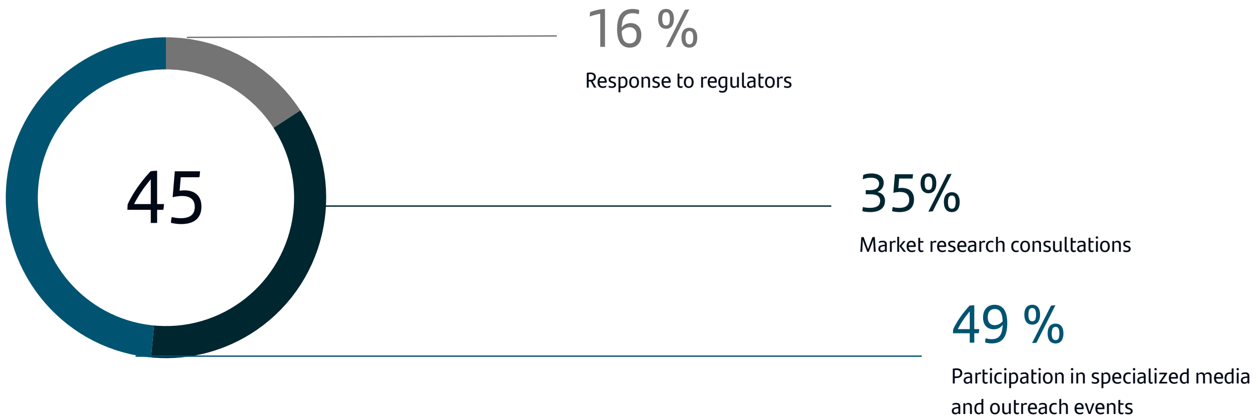
We participate in meetings within the framework of these engagements with the companies that are relevant to us. The ultimate goal is not only to resolve the breach, but also to improve the company's future ESG performance and risk management in order to avoid recurrence. As an example of this type of engagement, the SRI team participated in a roundtable with European mining companies on the external supplier's watchlist to discuss the importance of an ethical corporate culture, and of having internal policies and programmes that advocate compliance and monitor compliance, especially with regard to respecting local communities in the countries where the mining companies operate. As a result of this participatory dialogue, one of the companies managed to be removed from the watchlist as the engagement concluded satisfactorily.

At the end of this reporting period, all companies that were violating the principles set out in this indicator had been the target of engagement actions by the third-party provider.

We also engage with regulators through industry associations and working groups and we participate in consultations, providing our views on ESG regulation in a transparent manner. SAM is also an active member of industry associations and global and local initiatives such as Spainsif and Inverco, in Spain, and Anbima, in Brazil.

SAM also promotes and attends events and meetings to share challenges and collaborate with other investors in identifying solutions and best practices in ESG.

Participation in ESG consultations in 2023



Case study: Collaborative engagement with regulators — European Commission

During 2023, we participated through various industry associations in the consultation issued by the European Commission on the revision of the SFDR. The objective of this consultation was to gain market insight into the current challenges of the SFDR and possible ways forward for sustainability disclosure in the EU. Questions addressed such matters as how to ensure better consistency between the SFDR and other parts of the EU's sustainable finance framework, how to make disclosure more effective, as well as the possible introduction of product categories.

We played an active role in the working groups set up by industry associations and shared our position based on our experience in implementing SFDR, seeking to provide a practical view on the positive aspects and on the difficulties of the proposals put forward by European Commission.

6. Voting

6.1 Our approach

Our Global Voting Policy sets out the principles that we apply when exercising voting rights in listed companies in which the investment vehicles hold open positions with voting rights. We have our own voting criteria that are aligned with the applicable legislation and codes of good practice, and incorporate both local features and international best practices.

In addition to the Global Voting Policy, we have local voting policies tailored to local regulatory requirements, operational capabilities and their degree of development in various geographies.

Our voting approach pays special attention to ESG issues, such as the structure and composition of the board and its committees, compensation policies, and social and environmental practices.

Use of voting advisors

The information required to decide how to vote is obtained from a range of sources, including internal analysis and the use of voting advisory services, to ensure that voting decisions are based on standards and best practices.

During the reporting year, our policy was not to generally delegate voting to our proxy advisors based on their own guidelines, but rather to define our own voting criteria on the basis of domestic and international standards and best practices. We also perform an additional review of voting recommendations in the shareholders' meetings of the main companies in the portfolio to ensure that the vote is actually aligned with the principles established in the Voting Policy.

We also engage with companies before and after their shareholders' meetings, either proactively or reactively at their request, where we believe this to be advisable. This form of engagement is very useful for conveying our vision, approach and voting decisions, for gaining a better understanding of the issues being voted at the meeting, and for reaching a more informed opinion.

We reviewed our Global Voting Policy in 2023. We updated the policy's scope and significantly increased the number of shareholders' meetings at which we vote actively. We also reviewed our voting approach to further strengthen alignment with applicable legislation and codes of good practice.

Adherence to the Code of Good Practice for Investors of the CNMV in Spain

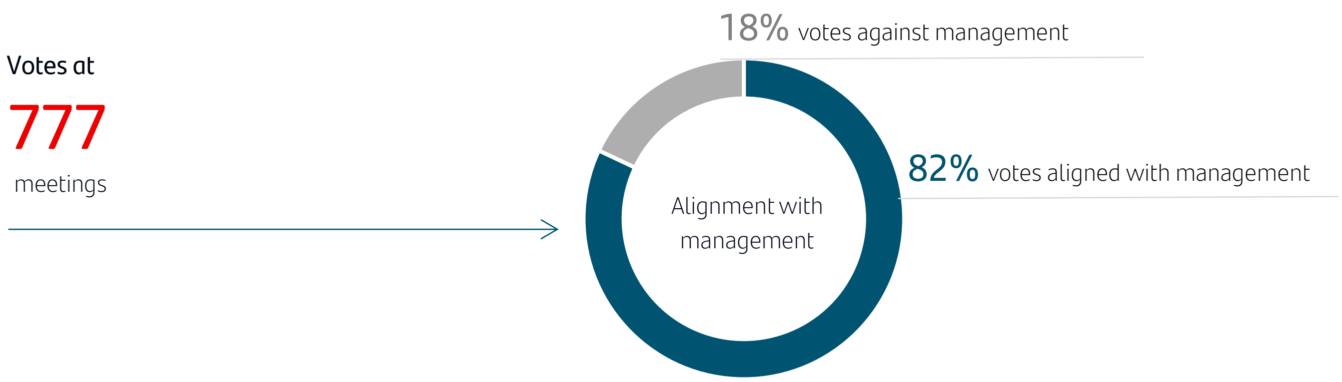
On 23 February 2023, Spain's National Securities Market Commission ("CNMV") published the "Code of good practices for institutional investors, asset managers and proxy advisors in relation to their duties in respect of assets entrusted to or services provided by them" (hereinafter, "Code of Good Investor Practices"), which was adopted by Santander Asset Management S.A., S.G.I.I.C. and or Santander Pensiones, S.A., E.G.F.P. on 23 June 2023.

As a result of this adoption, there is an obligation to publish an annual report on how the engagement and voting policy was implemented during the previous year. In accordance with this new obligation, in 2023 we published our first two engagement and voting reports in accordance with the Code of Good Investor Practices, complementing the annual voting reports of Santander Asset Management S.A., S.G.I.I.C. and Santander Pensiones, S.A., E.G.F.P. The plan and timetable for those two fund management firms to adapt to the Code of Good Investor Practice can be found at the following link.

Adoption of this code is another step towards our goal of creating value by integrating ESG factors into our strategies, increasing engagement with our stakeholders and exercising our voting rights responsibly.

6.2. Application in 2023

During 2023 we voted at a total of 777 meetings, which represents a significant increase in voting scope compared with 2022 (187 meetings). Those votes are summarised below:



The main issues where we voted against are related to director appointments/re-appointments and senior management remuneration policies; in each case, the goal was to remain aligned with international and local best practices, regulations and benchmark standards in the area of ESG.

SAM publishes detailed information about its voting on its website[6]. Detailed information on voting practices is available at the following link.

[6]Subject to regulatory requirements and availability of recording and reporting tools

Case study: Votes on proposals related to board composition

During the 2023 proxy season, we used our votes to promote best practices in the composition of boards of directors (diversity, independence, leadership, etc.). Our voting guidelines regarding board composition are aligned with regulations and codes of good practice. In certain cases, we engaged with companies to convey our expectations in this area and promote compliance with governance codes.

Case study: Votes on climate proposals

We expect companies to make progress in their Net Zero strategies. During 2023, at the shareholders' meetings of certain major emitters of greenhouse gases, we voted against the appointment or re-appointment of directors where we identified that the companies in question were not taking the minimum necessary steps to be aligned with Net Zero by 2050. Among others, we voted against the chair and/or members of the board committee responsible for monitoring climate risks, the chair of the board and/or other members of the board, on a case-by-case basis.

We also supported climate resolutions at those companies with robust Net Zero strategies.

Case study: Engagement in voting matters

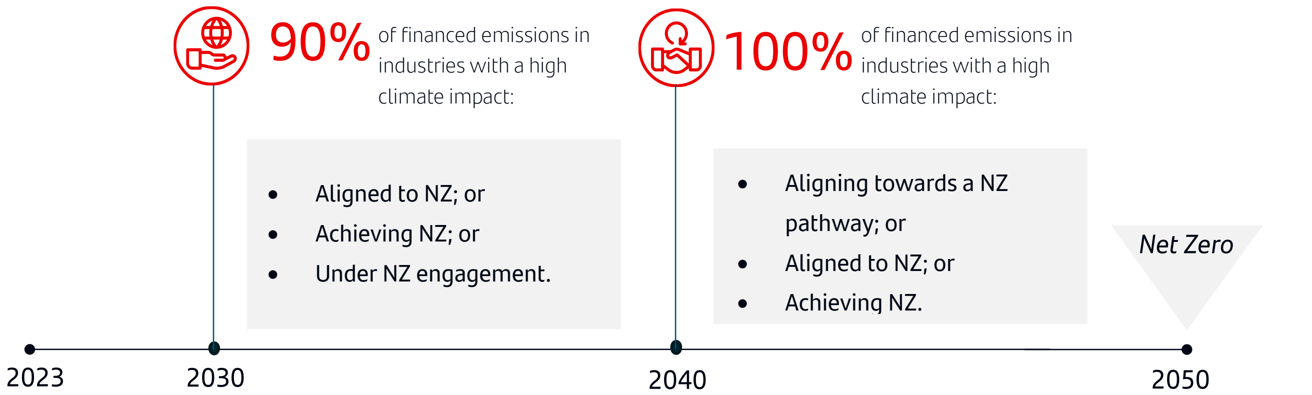
In cases where we consider it appropriate, we engage with companies before or after the shareholders' meeting. These interactions are key to conveying our expectations.

This engagement with companies enriches our voting decisions since it provides us with more information and/or first-hand explanations from the companies. Sometimes, these engagements also result in companies taking on additional ESG commitments to address our concerns.

7. Net Zero engagement strategy

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 also undertook to support investment aligned with Net Zero emissions by 2050.

As part of this commitment, SAM has initially targeted halving net emissions for 50% of our AUMs in scope[7] by 2030. In addition, as part of NZAM's requirements, we have engagement objectives aimed at promoting greater transparency, accountability and collaboration between investors and issuers in the transition to a net zero economy.



Horizontally, we will set specific measurable objectives for each issuer under NZ engagement actions with the goal of attaining "NZ-aligned" or "Achieving NZ" status.

Our progress to date

One of the main new developments in 2023 was the integration of information into our management tool, to be able to monitor the objective of Net Zero implication. We continued working to identify and regularly monitor issuers in our portfolio that have the greatest impact in terms of greenhouse gas emissions. Additionally, to be able to analyze each issuer's Net Zero efforts and progress, we worked with our ESG data providers to be able to classify assets in accordance with the IIGCC's Net Zero Stewardship Tool.

The alignment maturity scale assesses the degree to which issuers are aligned with achieving net zero emissions and provides us with a framework to evaluate the progress made by issuers in their transition and to identify areas where additional engagement efforts may be required.

To locate each issuer on the alignment maturity scale, SAM assesses the following:

- Net Zero ambition
- Decarbonization targets
- Emission performance and trend
- Reporting and transparency
- Decarbonization strategy

Net Zero alignment maturity scale

- Achieving NZ
- Aligned to a net zero pathway
- Aligning towards a net zero pathway
- Committed to aligning
- Not aligned

We reviewed the methodology and calculations of KPIs on the basis of the advances and developments in the Net Zero Investment Framework frameworks and guides. For subsequent reporting periods, we will include additional aspects such as governance, capex, etc.

[7] Assets in scope represent 54% of SAM's total assets that currently have a defined Net Zero methodology 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.

Process to define our Net Zero engagement strategy

During 2023, we worked on developing our Net Zero engagement strategy, which we reported via the UN PRI (United Nations Principles for Responsible Investment) questionnaire in 2024, as part of our NZAM commitments.

Our Net Zero engagement strategy aims, through engagement and voting policies, to encourage issuers to commit to decarbonization 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.

Accordingly, we believe it is vital to develop a Net Zero engagement strategy in order to fulfil our commitment to reduce net CO_2 emissions from assets in the applicable Net Zero scope, while managing climate risks and opportunities and positioning ourselves for the transition to a low-carbon economy.

Analysis

- Classification of issuers according to their Net Zero alignment maturity under the IIGCC classification framework.
- Identification of the most significant issuers in terms of emissions financed in sectors with a high climate impact.

Objectives

- Objective that 70% of financed emissions (90% by 2030) in sectors with a high climate impact are under engagement actions or aligned with the Net Zero pathway.
- Establishment of short- and long-term objectives for issuers based on Net Zero benchmark categories.

Prioritization

- Definition of priority companies based on engagement materiality, needs and prospects for change.
- Definition of escalation strategies in engagement and voting.

Implementation

- Implementation of individual engagement actions for priority issuers not covered by collaborative initiatives.
- Participation in collaborative climate engagement initiatives (CA100+, IIGCC, etc.).
- Definition of Net Zero voting policy.

Tracking

- Regular oversight of individual engagement actions.
- Monitoring progress of other priority companies not subject to individual engagement.
- Annual reporting of our engagement efforts.

SAM is also part of the Climate Action 100+ collaborative engagement initiative and conducts regular analysis of Net Zero collaborative engagement initiatives with a view to joining them. In 2023, we joined the IIGCC Net Zero Engagement Initiative, which was launched in January in 2023 and aims to expand the list of CA100+ companies. In March 2023, we signed the letters sent to the focus list of the initiative for all those companies that were part of our investment portfolio, with the aim of understanding each company's plans to align with the objectives of the Paris Agreement.

In addition, in 2023 we carried out individual engagements on Net Zero to prioritize emission reductions within the sectors and companies in which we invest. These engagements were ongoing at the date of publication of this report. Since December 2023, we have been using the services of a third party to undertake new collaborative engagement exercises with regard to Net Zero in which we play an active role.

In subsequent reporting periods, we plan to increase the number of companies under engagement or aligned with the NZ decarbonization path to meet their engagement target and reduce the potential adverse climate impact of their investments

In the case of companies that are significant emitters of greenhouse gases, in accordance with our Voting Policy, we consider voting against certain agenda items where we detect that the company is not taking the minimum necessary steps to be aligned with Net Zero by 2050.

Important information