

Stewardship Report 2021



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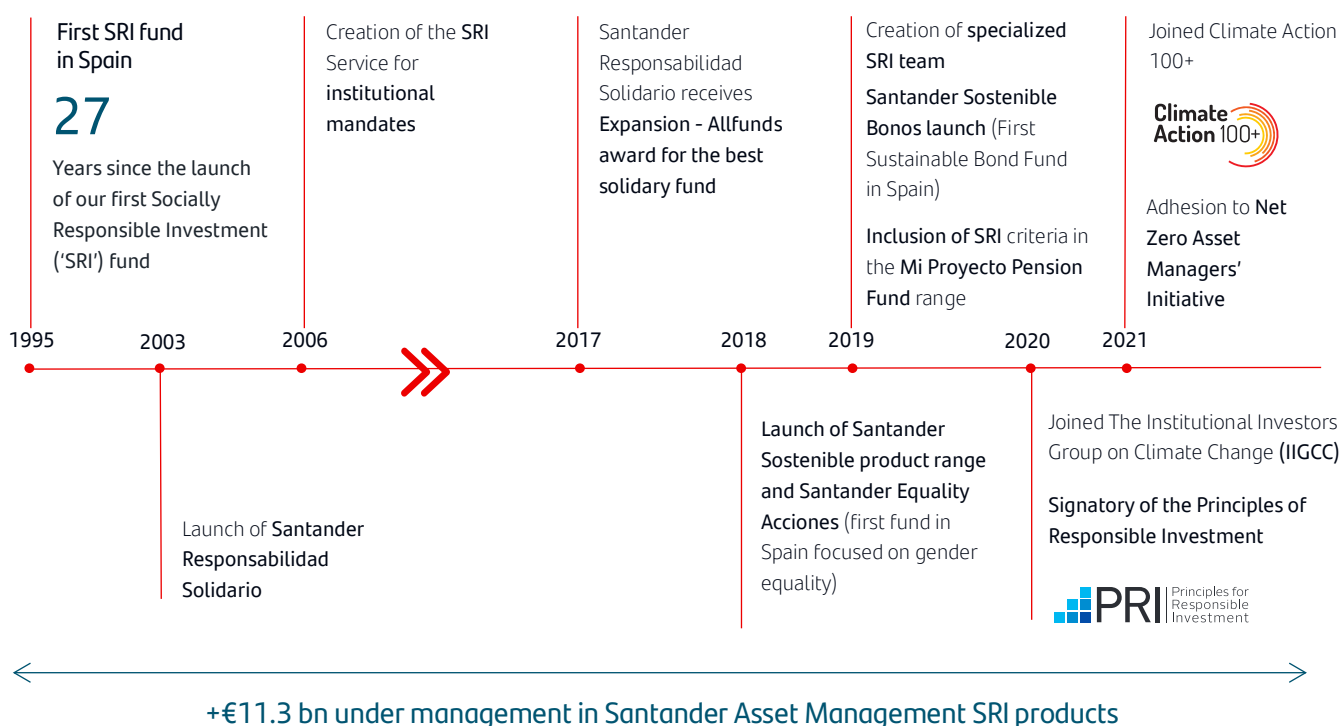
1. About us

Santander Asset Management Investment Holdings S.L. Group (hereinafter "SAM") has been committed to socially responsible investments (SRI) since 1995. Throughout these years, we have strengthened our practice, developing our own ESG (environmental, social and governance) methodology to help us integrate ESG factors in our strategies, increasing the dialogue with our investees and other entities, and exercising our voting rights in a responsible manner as part of our fiduciary duty to investors.

Our first Stewardship Report complements our annual Voting Reports, available on the websites of our local entities. The data included in this report refer to the financial year 2021 and have a global scope, except in cases where reference is made to a particular geography.

198bn Total AuM	51 Years in the industry	Presence in 10 countries	791 Employees worldwide	31 SRI funds	100% SRI Commitment Santander Pensiones ¹
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SAM has a proven track-record in SRI of over 27 years²



¹ This KPI does not include employment and associated pension schemes.

² Data of 31 December 2021

2. Our ESG approach

At Santander Asset Management, we believe SRI is a source of value for investments. Our strategy aims at contributing to the UN Sustainable Development Goals and the Paris Climate Agreement. As signatories of the Net Zero Asset Managers Initiative and members of Climate Action 100+, we place a special focus on combating and adapting to climate change.

Our SRI funds combine the following strategies:

Negative screening

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

Military Weapons	Child labour	Forced labour	Health & Safety
Coal exposure	Business Ethics	Nuclear Weapons	UN Global Compact

Best-in-class selection

Selection of the best ESG performers in their sector and geography of activity.

Thematic

Investments specifically related to the development of sustainability that contribute to addressing ESG challenges.

ESG integration

Systematic and explicit consideration of ESG factors in financial analysis and investment decisions.

Impact

Investments with the intention to generate measurable social and environmental impact alongside financial return.

Active ownership

We carry out voting and engagement activities, as part of our ongoing dialogue with companies, to encourage them to improve their ESG performance and accountability.

SAM has a dedicated SRI expert team responsible for developing and implementing our ESG methodology.

Embedding ESG knowledge across our organization is key. A significant part of our investment teams are trained and certified by recognized third parties (CESGA and CFA ESG³). We aim to expand this type of certification across all relevant employees through a three-level ESG training model adapted to their needs, which is currently available in Spain and will be rolled out to other geographies in 2023.

In addition, we designed a mandatory responsible investment training course for our board of directors and senior management that will be delivered in the second half of 2022.

³ EFFAS Certified ESG Analyst® (CESGA) and CFA Institute Certificate in ESG Investing (CFA ESG).

2.1. Governance

Stewardship activities are guided by SAM's ESG Policies. Our governance is based on a collaboration of the following bodies within SAM:

- SRI Governance Committee: approves and supervises the implementation of SRI at a global level.
- SAM Global Supervision & Strategy Committee: defines and supervises the implementation of our SRI strategy, including stewardship, while monitoring and controlling all related activities. Relevant stewardship topics are periodically reported to this committee.
- SAM Investments and Sustainability Committees: monitor compliance with the management strategy and ESG targets of the products, prioritize stewardship activities and track their progress.
- SAM Global & Regional Voting and Engagement Committees: monitor compliance with SAM's voting and engagement policies, supervise and discuss voting positions, and implement engagement activities. The global committee oversees and coordinates the local committees.
- SRI team: assesses companies' ESG performance in close collaboration with portfolio managers and analysts, being responsible for the definition of objectives, timing and monitoring of engagement activities.

More details on our governance can be found in our policies: available at SAM's website



[Global Sustainability Policy](#)



[Sustainable and Responsible Investment Policy](#)



[Engagement Policy](#)



[Global Voting Policy](#)

Escalation process

As part of our governance system, we have defined an escalation process that is initiated in those cases in which we cannot achieve our stewardship objectives. We consider the following scenarios:

- If our objectives have been achieved, we consider that the stewardship actions have been successful, and no further actions are required.
- If our objectives have not been met but are achievable within a longer period, SAM continues with the stewardship activities and reviews the performance periodically.
- If our objectives have not been met and are not expected to be achieved, an escalation process is initiated. Some examples of escalation activities include joining a collaborative engagement initiative, exercising our voting rights to show SAM's disagreement on the company's practices, or divesting, among others. In the event of a conflict of interest, the discussion is escalated to the SRI Strategy and Supervision Committee and to the SRI Governance Committee.

2.2. ESG methodology

We assess risks and opportunities associated to each company based on a proprietary score that measures performance of the most material topics for each ESG pillar, using both sector-agnostic criteria and criteria specific to sectors and activities based on internally and externally sourced data. This analysis is also the main driver of our stewardship efforts.

Our ESG score

We consider a double materiality lens, the impact of ESG criteria on our investees as well as the impact of our investees on environmental, social and governance factors, taking into account the latest market references and the main international frameworks. Our ESG score and all the ESG data produced by our SRI team is available to all global investment teams through SAM's front office platform.

Sustainability topics included in our ESG methodology

Environmental	Social	Governance
Environmental Strategy	Human Capital	Corporate Governance
Climate Change	Customers & Products	Business Ethics
Natural Resources	Community Relations	
Pollution Prevention & Control	Social Products & Services	
Natural Habitats		

2.3. Stewardship activity in 2021

Our stewardship activities enhance our ESG risk management in the short and long term, while delivering positive value by improving transparency and management of ESG issues. We believe engaging in a constructive dialogue with companies can influence their behavior and is a better way to drive change than through a divestment strategy.

We believe collaboration with other stakeholders and investors through initiatives such as the Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+, among others, is also key for accomplishing our ESG objectives.

Furthermore, we aspire to exercise our right to vote whenever possible and when the costs associated do not exceed the potential benefits.

In 2021, we implemented our new voting process derived from the practical implementation of the Global Voting Policy in Spain and we plan to expand its scope to other geographies in 2022 and throughout 2023. Additionally, we will focus on defining a new customized voting policy that reflects our ESG preferences. We are also planning to significantly expand the number of general shareholders' meetings in which SAM actively votes in the various geographies.

2021 stewardship activity in numbers



Engaged with

41

Companies individually



Participated in

12

Collaborative engagements and initiatives



Voted in

201

General shareholders' meetings in Spain and Latin America

3. Engagement

We believe that engagement activities are key to protect the value of SAM's investments and to reduce their adverse impacts on sustainability factors.

Through a constructive dialogue with our investees, we can get a deeper understanding of their business models while helping them to improve their strategy, management, and reporting of material ESG aspects.

In addition, SAM works with other actors (asset managers, investor networks, regulators, etc.) to promote socially responsible investments while encouraging the investment community and investee companies to engage in sound management of ESG issues, with a focus on climate change.

3.1. Our approach

Our engagement process is based on the criteria set out in [SAM's Engagement Policy](#). SAM uses mainly two approaches for these activities, individual engagement with each company and collaborative engagement through initiatives that bring together a group of investors.

Our key managers and analysts have an active dialogue with companies to inform their investment decision-making. Most of these meetings aim to improve our knowledge of the companies in which SAM is invested, including its management, performance, and value creation levers. However, the data in this report refer only to the dialogue activities with companies that have ESG objectives and are carried out by the stewardship team, which is part of SAM's SRI team.

SAM undertakes engagement with companies in different regions in an individual manner and through collaborative initiatives

3.2. Individual engagements

We mostly focused on transparency and ESG performance engagement, prioritizing those companies included in our SRI portfolios. Nevertheless, engagement with companies invested through other non-SRI products is also considered.

These individual engagements usually start by contacting the company to communicate our intention of beginning engagement activities, followed by a meeting to share SAM's SRI approach and proposed action plan.

The companies' potential lack of collaboration or commitment to improve has led to reduction of holdings, voting against items at the annual general meetings (i.e., directors' re-election, remuneration, among others) or divestment of holdings.

Types of individual engagement	Objective
Transparency and ESG performance	<ul style="list-style-type: none"> • To improve ESG data availability especially in some regions, sectors, small-mid caps where sustainability disclosure is not common practice. • To enhance overall ESG performance of companies based on an in-house analysis with focus on the most material topics for each sector.
Thematic alignment	<ul style="list-style-type: none"> • To engage with companies on the relevant and most material topics, such as climate change or other specific issues.
On controversial performance	<ul style="list-style-type: none"> • To analyze the ESG performance of companies exposed to controversies or breaches of international standards. • To guarantee that companies are meeting the legal requirement in each jurisdiction and the requisites derived from SAM's initiatives and policies.
Other engagements	<ul style="list-style-type: none"> • To contribute to the definition of companies' ESG materiality analysis and sustainability strategic plan development. • To communicate and engage prior to general annual meetings.

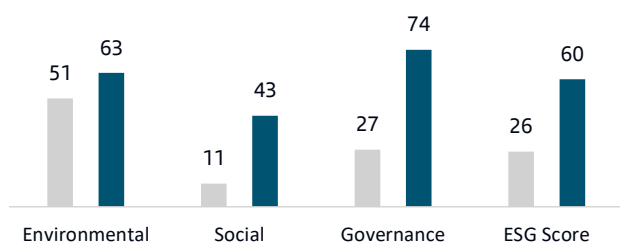
We expect companies to report on ESG aspects that are relevant to their business model and that can have a substantial influence on the analysis and decisions of investors and other stakeholders. We acknowledge that there are different sustainability topics where investments can have an adverse impact due to a company's management of sustainability issues (i.e., climate change, biodiversity, human capital, etc.). We seek to maximize the ESG performance on the most material topics for each sector whenever possible through the ESG integration strategies contained in SAM policies.

With regard to corporate governance, the quality of the information provided is essential for shareholders. Companies subject to a code of good governance applicable in their jurisdiction are expected to comply with it or, where appropriate, provide explanations on deviations in its compliance.

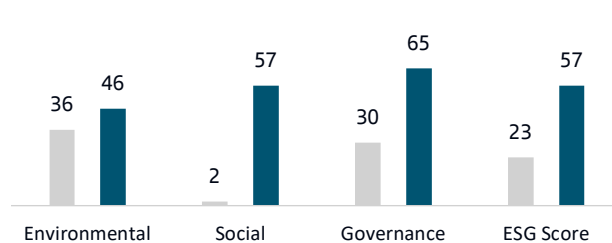
Examples of individual engagements on transparency and ESG performance

■ ESG scores before the engagement process ■ ESG scores after the engagement process

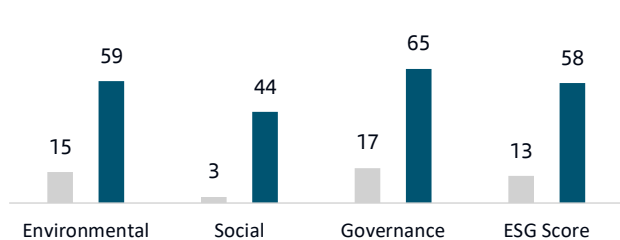
Company of the Construction & Engineering Sector (Europe)



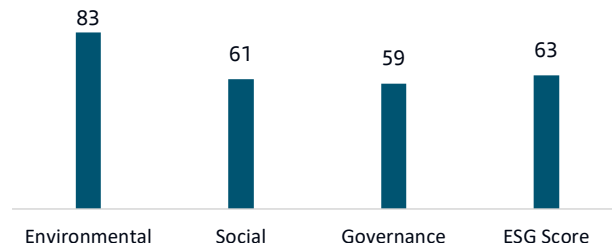
Company of the Commercial & Professional Sector (Europe)



Company of the Real Estate Sector (Latin America)



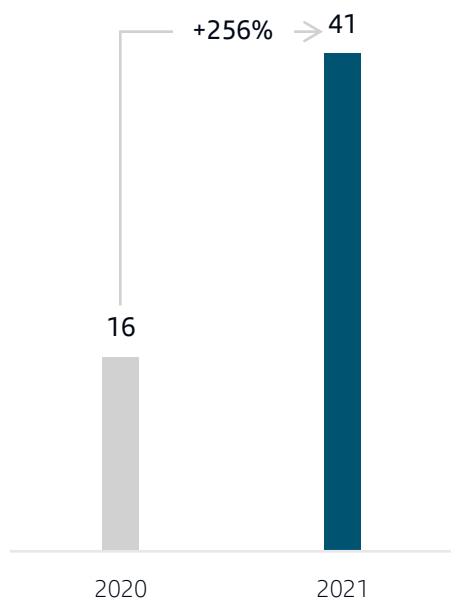
Company of the Consumer Sector (Latin America)⁴



⁴ This company did not have a score before the engagement.

In 2021, SAM engaged with several companies on this basis and with a more significant focus on improving ESG data availability and performance.

Individual engagements active in 2021



76%

Of our individual engagement activities in 2021 were focused on improving transparency and ESG performance of companies.

100%

Of the engaged companies⁵ on this matter improved their ESG score according to our proprietary methodology.

Types of individual engagement

76%

Transparency and ESG Performance

20%

Orientation on ESG strategies plans

4%

Others including thematic engagement and prior to Annual General Meetings

Sectorial distribution



Industrials
24%



Health Care
17%



Financials
17%



Real Estate
12%



Consumer Discretionary
12%



Consumer Staples
10%



Utilities
5%



Energy
3%

⁵ Companies that completed the engagement through our ESG data provider are considered in this KPI.

Geographical distribution

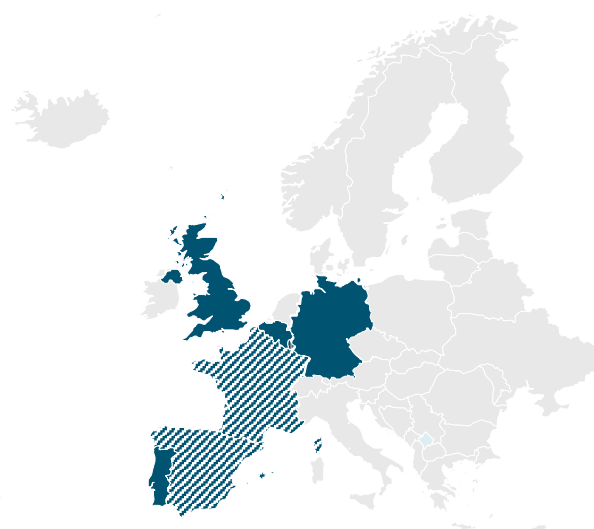
We leverage our global footprint to carry out engagement activities with companies operating in Latin America and Europe to enhance their sustainability performance and disclosure.

We have increased the number of countries where we have carried out engagement activities (10 countries in 2021 vs. 4 countries in 2020).

Latin America



Europe



- ▨ Countries where individual engagement activities were carried out in 2020 and 2021
- Countries where individual engagement activities were carried out in 2021

In the coming years we will continue to increase the number of engagements (transparency and ESG performance, thematic engagements, prior to Annual General Meetings, etc.) with a strong focus on engagements linked to our regulatory and net zero commitments.

2021 Case Studies on Individual Engagements

E

On environmental matters

Sector: **Real Estate**
Geography: **Latin America**

Our engagement outcomes

This engagement process could improve the environmental performance of the company while minimizing its potential negative impact.

We expected the company to improve the monitoring and disclosure of energy consumption and efficiency and carbon footprint. Likewise, the company published its energy efficiency, water efficiency, and emission reduction policies.

After our engagement process, the company improved its environmental performance achieving a "Leader" ESG score according to our methodology. To help them move forward, we have communicated some expected good practices and actions such as developing water efficiency and emission reduction targets.

S

On social matters

Sector: **Health Care**
Geography: **Latin America**

Our engagement outcomes

For an impactful industry like health care, we intended to target companies to improve and develop their socially responsible practices.

The company was highly involved in our engagement process and went from a "Sufficient" to a "Leader" rating in its activity sector, according to our methodology. This was achieved by improving transparency on quality management systems, product impact monitoring procedures as well as disclosing its whistle blowers' protection policy.

We also identified and reported to the company some areas for improvement such as developing a client health and safety policy and disclosing the level of satisfaction of both employees and customers.

G

On governance matters

Sector: **Industrials**
Geography: **Europe**

Our engagement outcomes

Our objective was to achieve improvements on the disclosure of the current company governance practices as well as the business ethics risk exposure.

The company was highly involved in the engagement process, explained their business ethics improvement tools as well as the composition of its board, including number of women, non-executive members and the independence of committees. Considering its sector of activity, we also believed it was relevant that the company disclosed information on which sites had an Environmental Management System certification.

As part of our engagement process, we also communicated to the company the potential material actions to improve their governance performance. This included developing a fair competitor policy, reputation recovery plans and disclosing lobbying contribution, among others.

3.3. Collaborative engagements

We collaborate with other investors through initiatives in different formats: open letters on a particular subject or sector, working groups, initiatives for bilateral dialogue between investors and companies, interaction with regulators in the development of regulations for the promotion of sustainable and responsible investment, etc.

We view collaborative engagement as a very useful and efficient tool for promoting change with a greater impact. As shown in the table, in 2021 we participated in 12 collaborative engagements through international organizations of which we are signatories.

In 2021, we also had other collaborative interactions such as the response to several consultations from third-party bodies. We also attended events to share challenges and collaborate with other investors to identify solutions and best practices on stewardship activities.

12 Collaborative engagements

Global



Europe



Spain



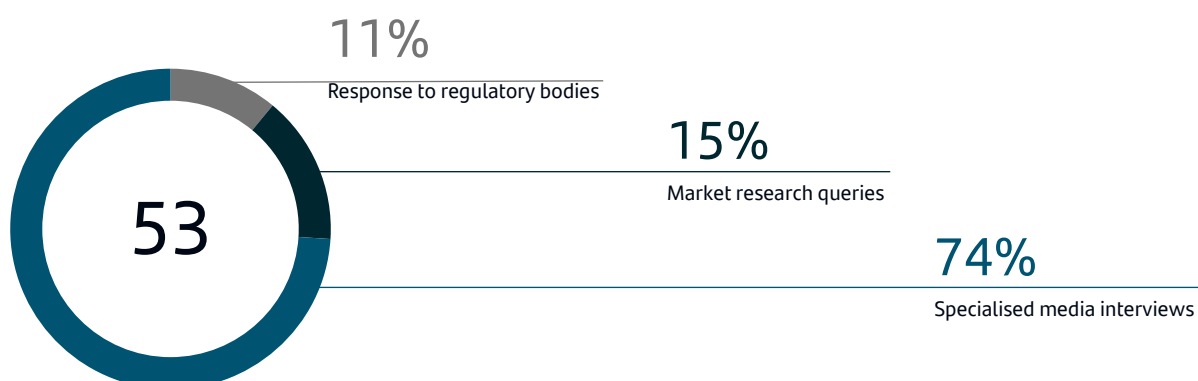
Brazil



Mexico



Other collaborative interactions in 2021



Case study: Engagement with Climate Action 100+

SAM has prioritized climate change, joining Climate Action 100+ ('CA100+'). To foster the goals of the initiative, CA100+ has set targets for companies to achieve net zero emissions by 2050 and annually publishes a benchmark of their progress.

SAM has engaged with a company of the Power & Utilities Sector as a lead investor in the CA100+ framework.

SAM's role as a lead investor:

1

Assesses whether the benchmarks adequately reflect the company's performance on climate KPI metrics and sub-metrics.

2

Works together with the company to support it in achieving CA100+ targets through meetings, formal letters, etc.

3

Defines intermediate actions to be met by the company in the short to medium term.

4

Establishes escalation strategies in case the objectives are not achieved.

During 2021, as part of this engagement process, we analyzed the company's scorecard against its benchmark as well as the alignment between the climate ambition of the company and their planned investments and projects.

We have also focused our engagement efforts on the company's disclosure of the following aspects:

- Reinforcement of the commitment to net zero by 2050 or before.
- Steps towards the development of a credible transition strategy.
- Short- and medium-term targets for greenhouse gas emissions reduction including scope 3.
- Capex allocation plan aligned with climate commitments.
- Climate policy engagement and governance.
- Task Force on Climate related Financial Disclosures (TCFD) reporting.

4. Voting

SAM Investment Holdings S.L. Group has a [Voting Policy](#), which has been established as a global framework for the application of all the companies of the SAM Group. Based on this document, local entities have defined their own policy.

Our Global Voting Policy is aligned with applicable legislation and non-mandatory codes promoting best practices and is consistent with the respective objectives of each vehicle. The information needed to decide the vote comes from various sources including SAM's internal analysis and the use of external proxy advisors, in order to be able to incorporate it in the voting recommendations based on standards and best practices.

Our voting focus is on sustainability topics such as board structure and composition, separation of roles chair/CEO, shareholders' rights, board committees, remuneration policy, accounts approval, and social and environmental aspects.

4.1. Our approach

In 2021, the practical implementation of the new process defined in our Global Voting Policy was carried out at Santander Asset Management S.A. S.G.I.I.C (hereinafter SAM Spain) and Santander Pensiones, S.A., E.G.F.P. (hereinafter SAN Pensiones) and the other geographies have worked on gradually adopting the process.

As of the date of the publication of this report, the process is also fully implemented in Santander Asset Management Luxembourg S.A. and Santander Asset Management, SGOIC, S.A., and in the process of implementation in Latin America.

In this sense, the voting figures in this report relate only to financial year 2021, covering the voting activity in Spain and in Latin America⁶.

In coming years, we are also planning to increase the number of general meetings in which we actively vote across the different geographies in which we are present.

Use of proxy advisors

With the implementation of the new voting process⁷, we use the information provided by proxy advisors in order to gather voting research and insights but do not delegate our voting rights. Instead, we review their recommendations before determining our voting position.

In this sense, we ensure that the voting recommendations provided meet the principles dictated by our Global Voting Policy.

⁶ During 2021, Santander Asset Management Luxembourg S.A and Santander Asset Management, SGOIC, S.A funds' positions in companies have not met the qualitative and quantitative criteria established in the voting policy; therefore, the funds have not exercised the right to vote at any general shareholders' meeting throughout 2021.

⁷ Since June 2021.

4.2. Voting activity in 2021

Spain

During 2021, we voted in a total of 63 general shareholders' meetings. The main indicators are then broken down according to the voting procedure applied:

1. From 1 January 2021 to 14 June 2021⁸

Voted in

40

General shareholder's meetings

100%

Votes in favour¹¹

Detailed information on voting activities in this period can be found at the following [link](#)⁹.

2. From 15 June 2021 to 31 December 2021¹⁰

Voted in

23

General shareholder's meetings

94%

Votes in favour¹¹

43.5%

Meetings with at least one vote against

The main points on which we have voted against or abstained during 2021 are related to the remuneration policies of senior management, the appointment or re-election of directors, or the capital increase processes.

Detailed information on voting activities from 15 June can be found at the following [link](#).

⁸ Application of the voting procedure derived from the old voting policy.

⁹ Santander Asset Management Spain website – Section Sustainability, Voting Activity, Voting Reports.

¹⁰ Application of the new voting procedure derived from the new voting policy, published in March 2021.

¹¹ Of the total number of resolutions voted.


Latin America

In 2021, we voted in a total of 137 general shareholders' meetings. We expect to implement our new voting process in future years.


Mexico

Voted in

94

General shareholder's meetings

94.4%

Votes in favour¹¹


Chile

Voted in

30

General shareholder's meetings

99.6%

Votes in favour¹¹


Brazil

Voted in

13

General shareholder's meetings

89%

Votes in favour¹¹

15.4%

Meetings with at least one vote against

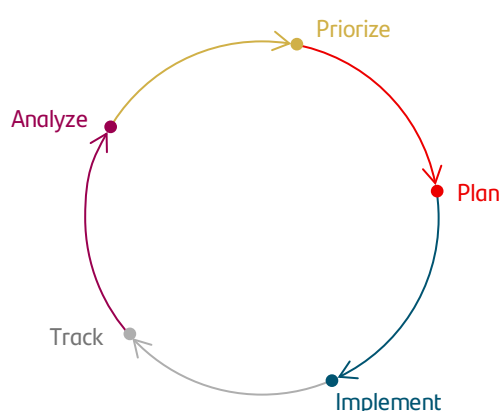
¹¹ Of the total number of resolutions voted.

5. Net Zero Stewardship Strategy

In March 2021, we joined the global Net Zero Asset Managers (NZAM) initiative for net-zero greenhouse gas emissions by 2050 with a formal initial target is to halve net emissions for 50% of our AuM in scope¹² by 2030.

In 2021, we have been working on developing our Net Zero Engagement Strategy, which will be disclosed as part of our NZAM commitments. Our company engagement plan aims to deliver our plan in our core markets, with a focus on SMEs, for fostering company engagement through dialogue and voting policies that encourage and support their decarbonization plans and an adequate reporting to create credible track records. We will also encourage companies to set ambitious goals that are consistent with net zero targets.

Process to define our Net Zero Engagement Strategy



Analyze

Identify highest emitters.
Assess corporates against alignment criteria based on science-based NZ transition plans:

- Higher impact (6 core criteria).
- Lower impact (3 core criteria).

Prioritize

Categorise according to carbon performance and quality of climate strategy in order to prioritize actions:

- Net zero.
- Aligned to a net zero pathway .
- Aligning towards a net zero pathway.
- Committed to aligning.
- Not aligned .
- Insufficient data .

Focus engagement actions on worst companies.

Key sources of guidance: IIGCC, SBTi, CA100+, NZ Investment Framework, etc.

Plan

Set a target to increase the proportion of assets which can be considered at least 'aligning' each year, to reach 100% by 2040 or sooner.

Design engagement actions and escalation process.

Implement

Engagement through CA100+ with companies on scope.

Individual engagement with companies out of the scope of CA100+.

Explore additional collaborative engagement initiatives.

Track

Assess results.

Apply escalation strategies when applicable. These escalation strategies could have an impact on portfolio management and asset selection/divestment.

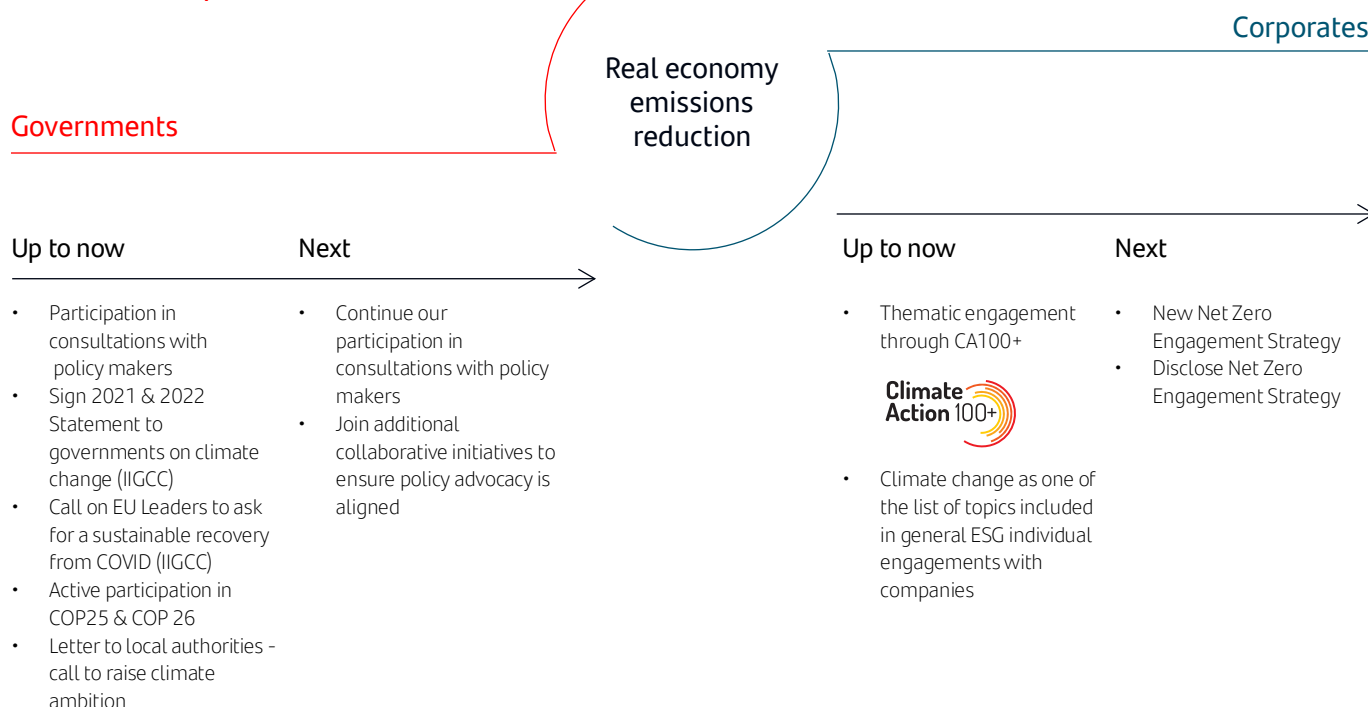
Review engagement plan and targets.

¹² Assets in scope are 54% of SAM total assets that currently have a defined Net Zero methodology and for c.50% of them we have carbon metrics available today. This objective might be reviewed upwards depending on data availability at least every five years.

SAM also aims to promote the stewardship and advocacy initiatives that the asset management industry endorses in our core markets. In addition, we will remain strongly involved in the EU consultation process; while in Latin America, we are already actively engaging with supervisors and associations to lead the journey to net zero.

During 2021, we have engaged in the following topics:

SAM's roadmap



We have also started to align our voting positions with our Net Zero commitment at general shareholders' meetings by voting on climate plans.

2021 Case Study on Net Zero Voting

Sector: **Utilities**
 Geography: **Europe**

Our voting position

In 2021, a European company communicated its intention to submit its net zero climate action policy to shareholders for voting. This policy was developed to guarantee that the net zero commitment of the company was supported by credible and measurable mid-term reduction targets in line with the Paris Agreement, including direct and indirect emissions.

SAM voted in favor of this proposal because the company presented a robust governance structure of climate-related practices and the integration of climate change into strategic and decision-making practices along the above-mentioned commitments warranted our support to this item.

SAM Corporate Presentation

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