

**POLICY ON THE INTEGRATION OF
SUSTAINABILITY RISKS INTO THE
INVESTMENT DECISION-MAKING PROCESS**

c o b a s

a s s e t m a n a g e m e n t

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CONTENTS

1. ABOUT THE DOCUMENT	1
1.1 DOCUMENT OWNER	1
1.2 APPROVAL, ENTRY INTO FORCE AND SUCCESSIVE UPDATES	1
2. PURPOSE AND SCOPE	2
2.1 PURPOSE OF THE POLICY	2
2.2 AREA AND SCOPE OF APPLICATION	2
2.2.1 <i>Area of application</i>	2
2.2.2 <i>Scope</i>	2
2.2.3 <i>functions and responsibilities</i>	2
3. REGULATORY FRAMEWORK	4
4. SOCIALLY RESPONSIBLE INVESTMENT. ESG CONCEPT AND CRITERIA	5
5. APPROACH AND GENERAL GUIDING PRINCIPLES	6
6. EVALUATION AND INTEGRATION OF SUSTAINABILITY RISKS IN THE ANALYSIS	8
7. TRANSPARENCY AND DISCLOSURE OF INFORMATION	10

1. ABOUT THE DOCUMENT

1.1 Document owner

The responsibility for preparing and updating this policy in accordance with the prevailing legislation belongs to the following functional areas:

- Risk Management and Regulatory Compliance Unit.
- Investment Analysis and Management Department.
- Investor Relations Department.
- Legal Department.

1.2 Approval, entry into force and successive updates.

This policy must be approved by the Board of Directors of Cobas Asset Management, S.G.I.I.C., S.A. ("the Company" or "the Entity"), and will enter into force upon approval.

The Company's Board of Directors is ultimately responsible for maintaining, regularly updating and ensuring proper compliance with this document.

The policy will be updated and/or amended in the following cases, such as:

- When legal or regulatory changes take place that affect the established policy, or which develop the regulatory technical rules provided for by the European Supervisory Authorities detailing the technical specifications regarding the content and presentation of specific information regarding sustainability.
- When there are internal changes in the Entity that affect the procedures described or the procedures of the delegated entities.
- When, following a proposal by the Risk Management and Regulatory Compliance Unit, it is understood that there are areas that can be improved to achieve the targets set or to adapt to the characteristics of the services offered by the Companies at any time.
- Following a recommendation by the heads of different departments of the Entities, internal or external auditors, or inspectors of supervisory bodies.

The different versions of this document are recorded in the document update log table at the beginning of this document.

2. PURPOSE AND SCOPE

2.1 Purpose of the policy

This document contains the criteria and principles defined by the Companies to effectively integrate i) the sustainability risks and ii) the adverse impacts or incidents on the company in this matter into the decision-making process for investing in assets for the investment fund and pension fund portfolios.

The purpose of the policy is to also guarantee an adequate level of transparency regarding this integration, offering the investor clear, concise and accurate information on the sustainability risks of the investments.

This is all in compliance with Regulation (EU) 2019/2088 of the European Parliament on sustainability-related disclosures in the financial services sector.

2.2 Area and scope of application

2.2.1 Scope of application

The Company will provide portfolio management, administration, marketing, risk control and regulatory compliance services and all other services required for its activity to Cobas Pensiones, S.G.F.P., S.A. (hereinafter the SGFP), which is wholly owned by Santa Comba Gestión, S.L., the Company's parent company, with the SGFP and its pension funds being managed under this policy.

2.2.2 Scope

This policy regulates the integration of the sustainability risks into the decision making processes regarding investments and the disclosure of relevant information, developing the following basic contents:

- Approach and general guiding principles (chapter 5).
- Evaluation and integration of sustainability risks in the analysis (chapter 6).
- Transparency and disclosure of information (chapter 7).

2.2.3 Functions and responsibilities

This policy details the intervention of the different organisational departments involved in the established procedures. The main roles and responsibilities will be detailed below:

- **Risk Management and Regulatory Compliance Unit:**
 - Maintenance of the brochures of the CISs managed and the comprehensive statements of the principles of the investment policy of the managed pension funds updated to include the ESG information requirements that the applicable legislation requires at all times.

- **Investment Analysis and Management Department:**
 - Execution of the procedure detailed in chapter 6 to evaluate and integrate the sustainability risks into the investment analysis and decision-making process.
- **Investor Relations Department:** Done, as of now all efforts will be made to comply with the law. This could be in the procedure that lends support to regulatory compliance
- - Maintaining the publication on the Companies' websites of the updated information on the socially responsible investment approach and the policy on integrating sustainability risks into investment decision-making processes.
 - Maintenance of the publication of the general remuneration policy on the Corporate website, which manages the CIS investments and the PF investments by delegation.
 - Maintenance of the RPP issued by the Companies associated with the updated managed investment vehicles, detailing the amendments introduced to the brochures of the CIS and the PF investment policies.
- **Remuneration Committee:**
 - Update of the general remuneration policy through the inclusion of information regarding the coherence of the remuneration with the policy on the integration of sustainability risks.

3. REGULATORY FRAMEWORK

The most important regulations applicable to this policy are as follows:

- Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector.
- Regulation (EU) 2020/852 of the European Parliament and the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

The amendment of Regulation 2019/2088 is particularly aimed at empowering the European Supervisory Authorities to develop future technical regulatory rules that specify the content and presentation of information regarding certain aspects. As these are published, this policy will adapt to adopt the corresponding standards and technical specifications that may be applicable to the Companies.

4. SOCIALLY RESPONSIBLE INVESTMENT. ESG CONCEPT AND CRITERIA

Socially Responsible Investment (SRI) is an investment discipline that goes beyond strictly financial concerns when making investment decisions, to consider additional environmental, social and good governance criteria.

The ESG criteria cover the following aspects:

- **The environmental factor (E)**, for making decisions depending on how the companies' activities affect the environment.
- **The social factor (S)**, to take into account the impact that the activities carried out by the company have on the community, for example, in terms of diversity, human rights or health care.
- **The governance factor (G)**, which studies the impact of the shareholders and the directors themselves, and is based on issues such as the structure of the board of directors, shareholder rights and transparency.

5. APPROACH AND GENERAL GUIDING PRINCIPLES

The Cobas AM and Cobas Pensiones investment and pension funds do not promote environmental or social characteristics nor do they have ESG objectives (articles 8 and 9 of Regulation 2019/2088). They are products that take into account ESG risks, but these do not determine the composition of the portfolio. For these products, it is necessary to measure the ESG risks of the investments carried out, as well as analyse the adverse impacts regarding sustainability.

In other words, at Cobas AM and Cobas Pensiones, we believe in the importance of these aspects for the long-term economic development of companies, and they are relevant throughout our entire research process. In spite of this, our ESG approach in the construction of portfolios is one of integration and not exclusion. In other words, we include the risks as an additional variable when selecting our investments.

From this perspective, our scope of action with regard to sustainability, regulated by this policy, focuses on the following two principles:

- **Evaluation and integration of sustainability risks in the analysis** (see chapter 6). Evaluate and integrate the sustainability risks into the investment decision-making process as an additional significant element in our analysis models.
- **Transparency and disclosure of information** (see chapter 7). Satisfy all the regulatory requirements with regard to transparency and the disclosure of information to the unit holder and the potential unit holder regarding the consideration and processing of these risks in the investment process.

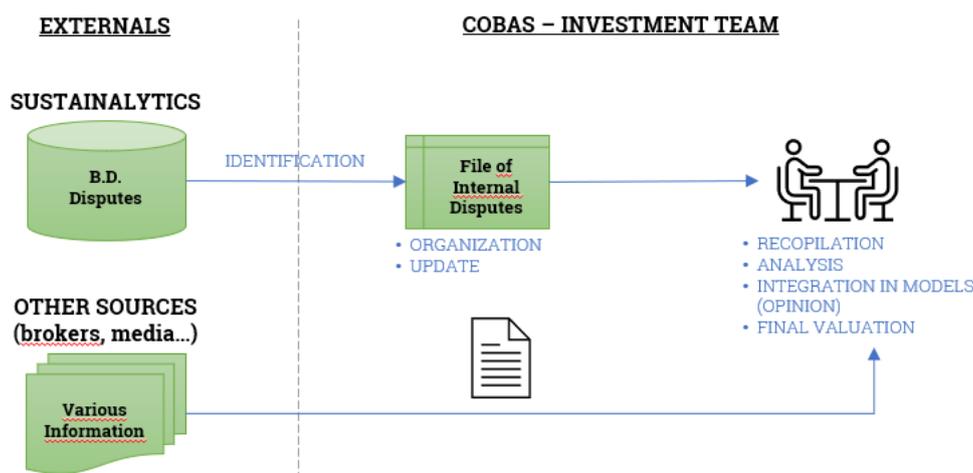
To reach a solid situation as a basis on which to develop these ideas, a series of measures were adopted prior to the approval and adoption of this policy to reinforce the awareness and commitment of the Entities with the principles of socially responsible investment:

- In 2019, Cobas AM was the first Spanish investment fund manager to join the B Corp. community, a movement that recognises the best companies for the world and their good practices throughout the entire value chain.
- In order to put our ESG approach into practice, in 2019, we contracted the services of an external information supplier (Sustainalytics), a leader in ESG and corporate governance research, that assists companies in identifying specific ESG concerns at an individual company level.
- Signature in January 2021 of the Principles for Responsible Investment (PRI), an internationally recognised initiative promoted by the United Nations to encourage responsible investment practices.
- Incorporation in January 2021 of a multidisciplinary working group, comprising the Risk Management and Regulatory Compliance, Investment Analysis and Management, Legal and Investor Relations

Departments, with the aim of complying with the ESG requirements, which have finally been set out in this policy.

6. EVALUATION AND INTEGRATION OF SUSTAINABILITY RISKS IN THE ANALYSIS

The Investments Analysis and Management Department assumes the function of evaluating and integrating the sustainability risks into the investment decision-making process. This process is laid out in the following diagram:



The valuation integration procedure of the risks is configured based on information supplied by Sustainalytics, the external provider for sustainability, which maintains an up-to-date database which is accessible by the analysis team of the Companies. This database includes information and opinions from multiple sources that could have an impact on the perception of the levels of sustainability within the universe of entities that could be the object of investment. In the adopted methodology, this information and the opinions issued from different sources are known as "disputes".

Disputes are classed according to their criticality or risk level in terms of potential impact on the ESG sustainability factors according to the valuation carried out by Sustainalytics. The methodology has a scale of ratings, from 1 (the lowest risk) to 5 (the highest risk) as quantitative metrics.

A person from the analysis team is appointed as responsible for organising the baseline information:

- Perform the corresponding tracking in the Sustainalytics databases to identify and gather all the relevant disputes concerning the issuing companies of the investment portfolio. By default, relevant disputes are considered to be those with a rating of between 3 and 5, although disputes with a lower rating can be recorded and analysed.

- Maintain an up-to-date file that contains all the recorded disputes. Update the disputes file at least once a year and the analysis team carries out a global review of all those aspects that may have a significant influence on the assessment of the actual situation of the companies object of investment in environmental, social and corporate governance terms.

Using the structured information as a basis, the members of the analysis team responsible for monitoring each company "filter" the disputes and use them, along with any other information that may be available and identified from their analysis studies deemed relevant for the purposes of ESG factors to reflect an informed and founded opinion in the internal analysis models of Cobas AM regarding the alignment of each company with the sustainability criteria.

Lastly, it will be evaluated what effect this opinion will have on the valuation of the investment.

In any event, this information is updated whenever a new company is included in the portfolio of any fund.

7. TRANSPARENCY AND DISCLOSURE OF INFORMATION

In fulfilment of the principle of transparency and disclosure of information already mentioned in Chapter 5, this policy contemplates the following actions:

- Maintaining the publication on the Companies' websites of the information on the socially responsible investment approach and the policy on integrating sustainability risks into investment decision-making processes. The Investor Relations Department is ultimately responsible for this activity, as well as updating the information.
- Update of the general remuneration policy through the inclusion of information regarding the coherence of the remuneration with the policy on the integration of sustainability risks. This remuneration policy must be published on the Corporate website, which manages the CIS investments and the PF investments by delegation. The Remuneration Committee is ultimately responsible for adapting the remuneration policy. The Investor Relations Department is responsible for managing the publication of this policy on the website.
- The CIS brochures and the comprehensive statement of the principles of the investment policy of the managed pension funds will contain information on i) how the sustainability risks are included in its investment decisions and ii) the results of the evaluation of possible impacts of ESG risks on the returns of the products. The Risk Management and Regulatory Compliance Unit is responsible for maintaining the above-mentioned documents of the investment vehicles up to date to include the ESG information requirements that the applicable legislation requires that all times.
- The Risk Management and Regulatory Compliance Unit is responsible for preparing and updating this document (Policy on integrating sustainability risks into investment decision-making process). The Investor Relations Department is responsible for maintaining the most recent version of this policy on the website of the Companies.
- The regular public reports issued by the Companies associated with the updated managed investment vehicles, must detail the amendments introduced to the brochures of the CIS and the PF investment policies set out in point 3 of this chapter. These amendments will be included in section 4 ("Relevant facts") under H ("Change in the essential elements of the informative brochure") and in section 5 ("Informative appendix of relevant facts"). The Investor Relations Department is responsible for complying with this obligation.
- Furthermore, we are waiting for the approval and publication of the amendments in the MiFID II Directive for the inclusion of new disclosure requirements with regard to sustainability. As soon as this happens, both this policy and all other internal regulations to which the

aforementioned requirements are applicable, will be updated in order to comply with them:

- Inclusion of sustainability aspects in the suitability and appropriateness tests, including the ESG preferences of investors.
- Inclusion of sustainability risks in the risk management procedure manuals, the conflicts of interest policy and the investment policy.
- Inclusion of quantitative metrics for the analysis of sustainability risks in the regular risk management report.
- Consideration of the ESG preferences in the governance obligations of products and in the identification of the target market.