BESTINVER'S RESPONSIBLE INVESTMENT PRINCIPLES AND POLICIES

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Bestinver's responsible investment principles

We want to play a role in the change towards a more prosperous and sustainable world by seeking to increase the positive impact of our investments on society.

At Bestinver, responsible investment is a core strategy in serving our clientes, allowing us to achieve better returns while promoting a genuine commitment to the prosperity of our present society and that of future generations.

In an ever-changing world, business models that take sustainability factors into account are better positioned to consistently generate long-term value over time.

Active and responsible investment management involves understanding how the companies we analyse relate to society and their environment conducting their activities. We believe that a company with defined and adequate environmental, social and governance capabilities is better prepared to safeguard and promote long-term value creation.

To define these capabilities, Bestinver has integrated sustainability risk into our fundamental analysis and investment decision-making process. Bestinver understands "sustainability risk" as any environmental, social or governance (“ESG”) event or condition which, should it occur, could cause a real or potential material negative impact on the value of the investment.

In addition, we have specific resources and external suppliers of recognised prestige that complement and enhance our skills. We are thus able to identify the financial and non-financial risks we incur when investing in a business and we can quantify those variables that determine the sustainability of its competitive position, growth, or profitability.

To this end, we attempt to quantify the intrinsic value of the companies in which we invest, not only by looking at financial profitability metrics but also by evaluating other fundamental aspects that promote the undeniable synergies existing between corporate success and the progress of society as a whole.

The systematic integration of sustainability criteria into our investment processes involves:

- **Fundamental analysis:** ESG criteria enrich our analysis and allow us to better understand how companies relate to their environment and to society, helping us to identify profitable business models over time.
- **Appropriate risk management:** ESG factors are key to improving our risk management process, enabling us to identify, narrow down and assess non-financial risks in our decision making.
- **Time horizon:** incorporating ESG criteria improves alignment with our long-term vision in investments, reinforcing and driving our firm’s strong commitment to companies that strive to create long-term value for their shareholders and for society as a whole.

In accordance with our responsibility and commitment, all Bestinver's investment strategies include three key components:

- **Rigorous analysis** of the main risks and opportunities linked to ESG factors across our portfolios.
- **Proactive promotion of** a sustainable agenda and improvement of the ESG performance of the companies in which we invest, through our engagement with management teams and voting at shareholder meetings.
- **Exclusion** from our investment universe of those sectors or companies in which we believe these improvements are not possible due to the nature of their business or to the absence of action and initiative from their management teams despite our proactive influence.

In conclusion, at Bestinver we aim to have an impact on companies' decision-making process, identify risks and opportunities and connect ESG agendas with competitiveness, differentiation and profitability. All these ingredients are essential for sustainable value creation.

Our aim is to improve performance from our position as investors, influencing and improving companies’ corporate culture and building relations with those that promote responsible practices towards the environment, their employees, their suppliers and, of course, their shareholders.

BESTINVER'S STATEMENT OF RESPONSIBLE INVESTMENT PRINCIPLES

As a demonstration of our commitment to responsible investment, Bestinver is a signatory of UNPRI *(Principles for Responsible Investment)*, assuming its fundamental principles:

1. Actively contributing to the positive impact of our investment instruments on society’s prosperity.

- Bestinver is oriented towards creating long-term value. Integrating ESG criteria into our investment decision-making process is essential to the fulfilment of our fiduciary duty towards our unitholders and improving risk management, long-term returns, and the impact of our investments on society.

2. Proactively influencing the companies in which we invest to drive real improvements in their ESG performance and reporting.

- We influence the improvement of the sustainable performance of the companies in which we invest, by incorporating ESG aspects into our ownership practices and policies, dialogue and engagement actions and proxy-voting at shareholder meetings, which we will document, monitor and report on a regular basis both to our unitholders and the market. We encourage the adequate disclosure of ESG matters by the companies in which we invest.
- We promote the acceptance and implementation of the Principles in the investment sector.

3. Having a first-class analysis process, both internally and externally, aimed at obtaining the best results for our clients.

- We complement the investment team's activities through the incorporation of external suppliers of recognised prestige, who reinforce our analysis capabilities in the companies within our investment universe. The goal is to have a deep understanding of the companies in which we invest, their risks and their opportunities.

4. Promoting and disseminating ESG and Responsible Investment policies in our area of influence.

- We use our position and influence in companies and opinion-forming groups to have a positive impact on society.
- Bestinver will publicly disclose the application of its policies, as well as its activities and progress in relation to these Principles by reporting on the integration and implementation of ESG matters in investment practices.
- Bestinver is a member of and actively participates in some of the foremost national and international responsible investment organisations and interest groups. Through this collaborative work, Bestinver increases its effectiveness in applying the UN PRI Principles, further contributing to developing a more sustainable society for future generations.

Bestinver's remuneration policy is consistent with its sustainability policies and risks (environmental, social and corporate governance), in accordance with Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. To this end, Bestinver’s remuneration policies include information on the consistency and linkage of these policies with the integration of sustainability risks in the company.

1. ACTIVELY MANAGED CIS AND PORTFOLIOS

Integration of ESG criteria into investment processes

In its investment analysis and decision-making processes, Bestinver considers traditional financial indicators and additionally incorporates an internal ESG rating methodology, ensuring that the assets in which it invests have an ESG assessment, in accordance with our Responsible Investment Principles.

The information obtained from ESG ratings and research complements the traditional financial indicators we use when assigning an intrinsic value to each company. The investment team's in-depth knowledge of the companies and the information acquired from reputable external ESG data providers underpin the assignment of these ratings, which are taken into account in the investment decission-making processes.

The methodology for evaluating and categorising assets under ESG criteria is therefore fully integrated into the investment analysis and decision-making process.

ELIGIBLE INVESTMENT UNIVERSE

Bestinver applies ESG exclusion criteria which, in contrast, act as a filter in defining the eligible investment universe. The Exclusion Policies determine that certain companies may require specific transition and/or transformation plans —or adherence/membership to international responsible practices bodies or certification programmes— to be eligible for investment. In such cases, the investment team will analyse, document and submit for approval by the ESG Board the inclusion or non-inclusion of these companies in the eligible investment universe.

INTERNAL RATING ASSIGNMENT

Once companies have been included in the eligible investment universe, the team of analysts and managers identify and internally discuss investment opportunities based on business models, financial performance and valuation.

At this stage of the process, the investment team conducts an in-depth fundamental analysis of the companies. Those whose analysis results positively for the portfolios and therefore represent a real investment opportunity for the investment team will be assigned an internal ESG rating that classifies companies into 4 categories: Gold, Green, Amber and Red. If, following this analysis, the decision is made to incorporate the company into the fund portfolios, the investment team will have a maximum of **30 days** from the time of the investment to record the result of the ESG analysis in Bestinver's internal tool.

Regardless of the ESG rating resulting from this analysis, Bestinver will encourage continuous dialogue and engagement actions with companies, seeking to influence continuous improvement in their ESG performance.

❑ Gold category

Companies which, based on the available information analysed, are considered to have outstanding ESG performance within their sector, with more robust sustainability standards than other comparable companies.

❑ Green category

Companies which, based on the available information analysed, are considered to have superior ESG performance than other companies in their sector, either because their adverse impact has been assessed as low or because they have high potential for mitigation and are managed with more robust sustainability standards than comparable companies.

❑ Amber category

The investment team considers that certain aspects of the company's business or ESG management are in line with the average of their sectors. While they can be improved, they do not create a significant risk to people and/or the environment nor do they jeopardise their potential benefit.

In such cases, the investment team activates engagement initiatives with the companies in question with the aim of promoting improvements in key ESG issues.

Bestinver monitors the evolution of the identified risks, which could lead to divestment if improvement expectations are not met.

❑ Red category

The analysis of the companies identifies high risks arising from their business or management in environmental, social or governance matters. These risks are considered inadmissible and/or, in any event, outweigh the potential benefit of investing in them.

However, these companies could become part of the eligible investment universe if the monitoring of their ESG performance shows an improvement in line with our standards, which would imply a potential re-categorisation to a rating other than red.

If at any point during the investment in an asset its rating changes to red due to unforeseen circumstances, the investment team may decide to sell the position or to report this situation to the risk committee. Provided that the investment in red assets does not exceed 10% of the portfolio, the risk committee may grant a exclusion moratorium for a period of three months, extendable for another three months provided that substantial improvements can be evidenced and justified.

PORTFOLIO MONITORING

The investment team will monitor the performance and ESG indicators of portfolio companies on an ongoing basis, at least annually, reassessing their rating in the light of the internal analysis and updated information available from external providers.

Meanwhile, the risk management and compliance department will continuously monitor portfolio's evolution, which will be reported monthly to the risk committee and submitting quarterly reports to the board.

If the review results in the identification of severe risks associated with activities defined in our exclusion policies, the investment must be reassessed. This review may result in a rating change. In addition, these reviews will be reported to the risk committee and ESG governance bodies, along with any engagement actions taken.

In the event of a rating change to red, the risk committee will be informed as soon as possible in order to assess the situation and determine the actions to be taken, which may range from immediate divestment to the granting of a three-month extension period, extendable for a further three months provided that the investment team justifies the reasons for the extension. Under no circumstances may the percentage of the investment with a red rating exceed 10% of the fund's assets.

Bestinver’s ESG governance model

Bestinver’s commitment to responsible investment principles is reflected in a governance model that involves the company’s senior management and includes the heads of the investment teams, risk team, regulatory compliance team and investor relations teams in its implementation.

This ESG governance model is composed of two levels:

- ESG Board
- ESG Executive Team

BESTINVER ESG BOARD

The ESG Board is composed of members of Bestinver's senior management (CEO, CIO, Sales Director, Risk and Compliance Director and Development and Strategic Projects Director) and may include members from outside the organisation with extensive experience in sustainability matters.

The ESG Board meets at least every six months and its main objectives and functions include the following:

- Promote, establish and approve ESG principles, policies and criteria and the model for their integration into investment and decision-making processes.
- Identify and prioritise key sustainability aspects and initiatives related to their implementation.
- Endorse the adopted responsible investment criteria and approve the proposals of the investment teams in accordance with the established exclusion criteria.
- Monitor the ESG performance of the company and its financial products based on regular reporting by the work teams.
- Promote, propose and validate the launch of specific responsible investment products and their specific ESG policies.

ESG EXECUTIVE TEAM

Responsible investment is at the core of our business. As such, we consider it essential that the implementation of our ESG investment policies —and ensuring their compliance— is fully integrated into the activities of the analyst and management teams and not in a separate, independent area from investment decision-making.

The ESG Executive Team is made up of members from Bestinver's investment, risk, compliance and development and strategic projects areas and its main objective is to drive the integration of ESG criteria in the teams they lead.

The ESG Executive Team meets at least quarterly and its main objectives include the following:

- Leading and coordinating the implementation of Bestinver's ESG policy (approved by the ESG Board), including the integration of these factors into investment processes, as well as in engagement actions and proxy-voting initiatives.
- Encouraging the involvement and participation of all Bestinver staff, particularly the investment, risk and sales teams, in the implementation and promotion of responsible investment practices, encouraging awareness and providing the necessary resources, tools and training for this purpose.
- Proposing changes in ESG policies or implementation models and processes to the ESG Board.
- Identifying, evaluating and proposing information ESG data providers and management tools necessary for the effective integration of ESG criteria into investment and decision-making processes.
- Monitoring and reporting to the ESG Board on the evolution of all these initiatives and their level of compliance and implementation.

Exclusion policy

Bestinver excludes from its investment universe those sectors or companies whose activities do not make a positive contribution to a sustainable economic model and where there is no transformation potential derived from our proactive influence

Our objective is to actively contribute to the development of a more prosperous and sustainable world, increasing the positive impact of our investments on society by seeking to improve the sustainable performance of the companies that make up our investment universe.

However, there are activities or companies that we consider do not fulfil this purpose and should therefore be excluded from the investment universe. This occurs in activities or companies where we believe this improvement is not feasible, either due to the nature of the business themselves or as a consequence of the management team's lack of interest in the values of transformation and impact that govern our activity.

For greater transparency in the application of this policy, we have compiled a list of activities that we consider do not meet this criterion. These apply to all Bestinver's investment vehicles in CIUs and actively managed portfolios, regardless of their specific investment policy or geographical universe.

Three groups of activities are considered:

- **Group 1. EXCLUDED ACTIVITIES:** Companies belonging to this group are excluded from Bestinver's investment universe. These companies are involved, whatever their percentage of revenue, in certain activities whose nature and impact do not allow us to promote material improvements in their businesses, irrespective of the profits or returns they obtain.

  These sectors or activities are as follows:

  - Controversial weapons (and investment in companies involved in such activities).
  - Production or distribution of assault weapons for civilian use (and investment in companies involved in such activities).
  - Thermal coal mining/extraction.
  - Operation and construction of nuclear power plants in certain countries. See next section on "Nuclear energy" exclusion criteria for more details.
  - Production of tobacco and tobacco-related products.
  - Companies that commit serious violations of international human rights standards and principles.

- **Group 2. ACTIVITIES IN TRANSITION:** This group includes companies that Bestinver considers "non-sustainable", unless there is a firm commitment by management to transform their business or conduct it in a responsible manner**.**

In this respect, companies with more than 10% of revenue derived from such "non-sustainable" activities are excluded from the investment universe unless they have defined a specific transformation plan that involves significant actions in the next three years or they adhere to international standards of responsible practices (in the case of the gambling and betting sector or palm oil production).

These sectors and activities are as follows:

- Thermal coal-fired power generation.
- Distribution of tobacco products and related services or products.
- Unconventional oil and gas extraction (shale gas and oil sands).
- Exploration and extraction of fossil fuels in Arctic regions.
- Palm oil production.
- Production or distribution of adult entertainment content.
- Operation, production and distribution of specialised equipment and support services for the gambling and betting sector.

Bestinver commits to monitoring the transformation plans defined by the companies classified as Group 2 and the business volume of the above-listed activities. In addition, wewill limit investments in these businesses to exceptional cases where the investment assessment shows asignificantly greater potential benefit thatn the risk of the activity, provided that the company demonstrates an ESG commitment and management aligned with our responsible investment principles.

- **Group 3. ACTIVITIES UNDER ENHANCED SUPERVISION:** In addition to the companies categorised as Group 2, the companies included in this group will under observation by Bestinver. In doing so, we commit to conducting a more thorough analysis to ensure that they are conducting their activities responsibly and that they have established medium to long-term transformation plans to improve their environmental, social and/or corporate governance performance.

  These sectors and activities are as follows:

  - Companies with more than 50% of their revenues derived from the production, generation, and related services of conventional oil and gas.
  - Companies with more than 10% of their revenues derived from alcohol production and distribution.
  - Companies with more than 10% of their revenues derived from the production and distribution of pesticides.

The activities included in our exclusion policies, as well as the limits they establish, will be periodically reviewed by Bestinver's ESG Board. Priority will be given to the topics considered most relevant in relation to sustainability and their alignment with the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement.

EXCLUSION CRITERIA: ARGUMENTS AND ESTABLISHED LIMITS

Group 1: EXCLUDED ACTIVITIES

Controversial weapons

Bestinver's exclusion policy applies the *zero-tolerance* principle in relation to weapons considered as "controversial". Therefore, we do not invest in companies involved in (or in companies with holdings in other companies involved in) the development, production, use, maintenance, sale, distribution, import or export, storage, stockpiling or transport of prohibited and controversial weapons, as defined by the main international conventions. These would be as follows:

- Anti-personnel mines: The Ottawa Convention, which entered into force in March 1999, prohibits the use, stockpiling, production and distribution of anti-personnel mines.
- Cluster weapons: The Cluster Weapons Convention (commonly known as the Oslo Convention) adopted in 2008 prohibits the use, stockpiling, production and distribution of cluster munitions and cluster weapons.
- Chemical weapons: The Chemical Weapons Convention (CWC), effective since 1993, prohibits the use, storage and stockpiling, production and distribution of chemical weapons.
- Biological weapons: The Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (BTWC), effective 1972, prohibits the use, storage, stockpiling, production and distribution of chemical and toxic weapons.
- Nuclear weapons: The Nuclear Non-Proliferation Treaty, signed in 1968 and entering force in 1970, restricts the possession of nuclear weapons and is part of the international community's efforts to prevent the proliferation of weapons of mass destruction in countries that have nuclear weapons (USA, Russia, UK, France and China).
- The manufacture or distribution of ammunition containing depleted uranium.

Assault weapons for civilian use

Bestinver excludes from the investment universe companies producing assault firearms and/or ammunition (or that have holdings in companies involved in this activity) which are intended for retail sale for civilian or non-professional use.

This decision, which responds to our commitment to promote investments that have a positive impact on the sustainable development of societies, is based on the fact that the primary purpose of assault weapons for civilian use is not to maintain public order, nor to guarantee the peace and security of nations (since this purpose is limited to their use by national security forces), nor personal defence or sporting practices.

Nuclear energy

The operation and construction of nuclear power plants is excluded if the company's activities are carried out in a country that does not meet any of these three conditions:

- The host country is not a member of the IAEA (International Atomic Energy Organisation).
- The host country has not ratified the Convention on Nuclear Safety, the Convention on the Physical Protection of Nuclear Material or the Joint Convention on the Safety of Spent Fuel Management and on the Safety of

Radioactive Waste Management (or has not taken appropriate measures to comply with the requirements of these conventions).

- The host country has not ratified the Treaty on the Non-Proliferation of Nuclear Weapons and the International Convention for the Suppression of Acts of Nuclear Terrorism.

❑ Violations of international human rights standards

Bestinver excludes from its investment universe companies that breach internationally recognised human rights. Companies that violate existing legislation and internationally recognized standards regulating abusive behaviours and practices will have no place in our portfolios.

In the event of any evidence of non-compliance or severe violations of international standards and principles, the investment team will enter into a dialogue with the company with the aim, depending on the severity of the infringement and the company's response, of assessing whether divestment is necessary.

In order to identify violations of this nature, Bestinver relies primarily on the study of violations of human rights, labour rights, environmental and corruption principles contained in the United Nations Global Compact (UNGC), the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The signatories of the UN Global Compact, which is the world's largest voluntary initiative in this field, commit themselves to universally accepted principles on human rights, labour, environmental protection, and anti-corruption set out in the following 10 fundamental principles:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

❑ Thermal coal – Extraction and power generation

With the aim of achieving carbon neutrality by mid-century, Bestinver recognises the incompatibility of the continued use of thermal coal in the context of a sustainable future.

Given that almost half of the world's electricity supply is still generated with this raw material, the negative contribution of coal-fired power plants to global warming is very significant (accounting for more than 40% of global carbon emissions). Meeting the scenario considered necessary to keep global warming under control (2°C reduction) would require a global phase-out of coal-fired power generation by 2050. Given the unfavourable development of global greenhouse gas emissions in recent years, this phase-out is likely to be necessary even sooner.

In addition, coal-fired power generation is also a major cause of air pollution, as power plants release mercury, lead, sulphur dioxide, nitrogen oxides, suspended particles and other heavy metals. As a result, investments in thermal coal assets are the subject of increased societal concern regarding their environmental and health impacts, as well as the high cost of mitigation and adaptation.

The future of thermal coal is increasingly compromised by future climate policies, technological developments in renewables, consumption trends, geopolitics, and the evolution of global energy markets. It is important to be aware that in developing countries coal is still a vital raw material when providing access to electricity for the population and industry, and that its maintenance is necessary on a temporary basis while society transitions to a more sustainable model based on cleaner energy sources.

Although it is true that these societies are heavily dependent on coal, at Bestinver we are convinced that this raw material is neither sustainable nor viable in the long term in the energy mix of nations and that, therefore, the extraction of coal in the first instance and subsequently its use as a raw material for power generation must have an expiry date.

Accordingly, Bestinver acts through clear exclusion policies with respect to companies involved in thermal coal mining and in companies engaged in the production of power derived from the use of coal:

- **Group 1: Thermal coal mining:** Companies with any involvement in, and revenues derived from, the extraction of coal for thermal use are excluded from the investment universe.
- **Group 2: Power production from thermal coal:** Companies whose percentage of revenues from coal-fired power generation exceeds 10% are excluded from the investment universe, unless they have a defined and realistic plan for transitioning to a more sustainable business model or one with a lower environmental impact and with zero emissions by 2050.

❑ Tobacco and tobacco products

For Bestinver, tobacco is no longer a controversial issue given that the serious adverse health effects of its consumption are well known. Tobacco use is the third leading cause of death in the world and a risk factor in six of the eight leading causes of death worldwide.

According to the World Health Organisation, tobacco kills more than 7 million people each year as a result of direct tobacco use and indirect exposure of non-smokers. More than 1.1 billion people smoke today, 80% of whom live in middle-income countries. Statistically, tobacco kills half of its users.

Tobacco cultivation also has a negative impact on workers' health through "Green tobacco disease", which is caused by nicotine absorbed through the skin when handling wet tobacco leaves.

Overall, there is little or no social or environmental benefit from tobacco cultivation, while tobacco consumption and production have massive detrimental effects on health, economic development and poverty alleviation. The World Bank states that tobacco is a major drain on national health budgets.

Bestinver believes that investing in tobacco companies is an unsustainable investment and not aligned with our core principles of investing for long-term sustainable impact. We therefore exclude tobacco-related companies from our investment universe and portfolios in the following ways:

- **Group 1:** Direct exclusion of all companies with activities related to the production of tobacco or tobacco products (without any limit on income from such activities).
- **Group 2:**
  - Exclusion of companies whose revenues from wholesale and retail sales and/or distribution of tobacco and tobacco products exceed 10% of their total revenues and which do not have a plan for transitioning to a more sustainable business model.
  - Exclusion of companies whose revenues from tobacco-related services and products or their components (such as filters or paperexceed 10% of their total revenues and which do not have a plan for transitioning to a more sustainable business model.

Group 2: ACTIVITIES IN TRANSITION

❑ Unconventional oil and gas (shale gas and oil sands)

Bestinver defines unconventional gas as those hydrocarbons which, despite being found in large quantities in nature, due to their location, reservoir type and physical characteristics, cannot be economically exploited using traditional extraction technologies but require special procedures for extraction. It should be noted that, although any fossil fuel extraction process consumes a very high amount of energy, shale gas and oil sands extraction have more significant environmental impacts and a larger carbon footprint than conventional fuels.

For this reason, all companies that derive more than 10% of their revenues from the extraction and production of unconventional oil and gas are excluded from all our investment strategies, unless they have a defined and realistic plan to transitioning to a more sustainable business model or one with a lower environmental impact.

❑ Exploration and extraction of fossil fuels in Arctic regions

Fossil fuels are defined by Bestinver as fuels derived from coal, oil, gas, oil shale, peat, lignite and anthracite deposits.

At Bestinver, we believe that the Arctic regions represent an additional risk in our investments and deserve special care, due to the greater impact of these regions on global warming and their relevance in keeping all the planet's ecosystems in balance and guaranteeing sustainable development in the long term. In this respect, the protection of this ecosystem should be encouraged, as its degradation could trigger large-scale irreversible environmental impacts.

- Arctic ice and permafrost store large amounts of methane, which is released when it thaws, contributing to climate change. This phenomenon causes an exponential acceleration of global warming.
- The snow and ice of the Arctic reflect heat back into space, helping to balance temperatures in other parts of the world that absorb heat. Higher levels of snowmelt mean less reflected heat, which in turn translates into more intense heat waves around the world.
- The melting of ice in these regions leads to significant changes in sea level and ocean salinity. Such changes directly affect marine life, coastal communities and, consequently, the global economy.

Therefore, all companies whose revenues from exploration, drilling and extraction of fossil fuels in Arctic regions exceed 10% of their total revenues are excluded from the investment universe. Those with a defined and realistic plan for the transition to a more sustainable business model are exempted, and studies demonstrating the reduction of their environmental impact in the Arctic regions are required to consider the investment in these companies.

❑ Palm oil

Bestinver considers palm oil production a process with significant environmental and social risks that may lead to breaches of the UN Sustainable Development Goals and compromise the achievement of the goals and commitments of the Paris Agreement. A transition to a more sustainable palm oil industry can be achieved through producer companies' compliance with the standards of the Roundtable on Sustainable Palm Oil or RSPO[1].

Bestinver expects companies throughout the palm oil value chain to make sufficient efforts to ensure traceability by creating relevant policies aligned with a "No Deforestation, No Exploitation" or "NDPE" policy[2] and following the standards of the Roundtable on Sustainable Palm Oil, as well as maximising the use of certified sustainable palm oil.

To discourage disproportionate growth of palm oil plantations, we apply exclusions to companies whose revenues from palm oil production exceed 10% of their total revenues, unless they meet the following requirements:

- At least 50% of their plantations are RSPO certified or they have a significant ownership in such companies.
- They have a defined plan to ensure that at least 80% of their plantations will be RSPO certified within 12 months of the investment.

1 RSPO: Roundtable on Sustainable Palm Oil

2 NDPE: No Deforestation, No Peat, No Exploitation Policy

❑ Adult entertainment and pornography

The adult entertainment and pornography industry is widely criticised for its alleged adverse effects on society at large: regressive and stereotypical gender images, impact on human psychology, etc. It is also denounced for intrinsically undermining human dignity, as well as for its working conditions and for contributing to the spread of contagious diseases.

Bestinver believes that there is a significant risk that the adult entertainment and pornography industry does not comply —indirectly— with basic human rights principles, in terms of both its labour practices (in particular the risk of human exploitation) and its impact on consumers.

For these reasons, we have decided to exclude adult entertainment companies whose revenues from the production (print, online and TV) and distribution and/or operation of adult content (pay channels, etc.) are more than 10% of their total revenues, unless they have a transformation plan in place.

❑ Gambling and betting

Gambling and betting can become an addiction with detrimental health consequences. The rate of problem gambling has increased significantly worldwide in recent years. Due to its harmful consequences, gambling addiction has become a major public health problem in many countries.

In line with our commitment to the social and health wellbeing of the societies in which we invest, Bestinver will analyse the companies involved in such activities and will consider eligible for investment those that are certified to the European Lotteries Association's Responsible Gaming Best Practice Standard, as well as those that are members of the following international industry best practice organisations:

- The World Lottery Association.
- European Gaming standards.
- European Betting & Gaming Association standards.

Companies that are not certified or do not belong to these best practice associations will be excluded from Bestinver's investment universe as long as more than 10% of their revenues derive from the following activities:

- Operation of gambling and betting establishments (casinos, gambling houses, online gambling, etc.), except lotteries and bingo.
- Manufacture of specialised equipment used exclusively for gambling and betting (slot machines, roulette wheels, etc.).

Group 3: ACTIVITIES UNDER ENHANCED SUPERVISION

❑ Fossil fuels – conventional oil and gas

Conventional oil and gas extraction is a controversial activity because of its negative contribution to climate change.

However, gas is still present in some situations as a complement to renewables for the future electricity generation mix of countries, following the model for the decarbonisation of energy systems to reach zero net emissions by 2050. The oil and gas sector also continues to play an important role in the economy, as they are widely used as a raw material in many industrial processes.

Accordingly, Bestinver analyses in detail and justifies investments in companies whose extraction, production and adjacent services activities related to fossil fuels (gas and oil) account for more than 50% of their total revenues, identifying and excluding those that do not operate in a responsible manner or are not investing in a transformation towards a more sustainable future.
Regarding this last point, companies' commitments to sustainable transformation are considered to be those that are aligned with science-based targets (SBTi). Also those companies that invest more than 50% of their CAPEX in activities included in the European taxonomy of sustainable activities.

❑ Pesticides

Pesticides are active substances and products that have the potential to kill or control harmful or unwanted organisms such as pests and weeds. Their use is mainly focused on agriculture or plant growth control on non-agricultural surfaces.

The use of pesticides brings multiple benefits, mainly economic, to farmers. Pesticides improve the productivityof farms and improve the quality of their products. In addition, they can contribute to limiting soil erosion and help ensure a reliable supply of a wide variety of affordable agricultural products, thereby helping to provide access to these products for the most vulnerable groups. Similarly, phytosanitary products also play an important role in regulating and ensuring compliance with essential sanitary requirements mainly linked to the food sector, enabling international trade in agricultural products.

However, due to their intrinsic properties and characteristics, pesticides may be harmful to organisms for which they are not designed or may have unintended adverse effects on human health and the environment. In humans, the impact can be on workers who are directly exposed to the use of pesticides or more indirectly on consumers and people exposed to their use on an occasional basis. The impact on the environment can also be very damaging. Their misuse, including overuse, can lead to chemical contamination of water (e.g. eutrophication), air and soil, with adverse effects on ecosystems and sustainable economic development.

As a result, Bestinver commits to thoroughly analyse and justify all companies with more than 10% of revenue derived from the production and distribution of pesticides prior to their inclusion in our portfolios.

❑ Alcohol

The main adverse risks of alcohol (addiction, chronic diseases, and increased road accidents) are associated with excessive alcohol consumption. In this respect, Bestinver is committed to investing in companies that promote responsible alcohol use and provide knowledge about the negative effects of alcohol on its consumers.

In addition, major global alcoholic beverage companies have been designing, manufacturing and promoting the consumption of non-alcoholic variants of their beverages (mainly beer companies, with their "non-alcoholic" or "zero" variants) for years. Bestinver supports these initiatives that favour the consumption of non-alcoholic beverages over alcoholic beverages and reduce cases of alcohol dependence.

Bestinver commits to analyse and justify investment in companies with more than 10% of revenue derived from the production and distribution of alcohol to ensure that the promote responsible consumption and seek to minimise the negative impact such activities have on society.

Active ownership policies

At Bestinver, investment decisions are aimed at maximising the value of our clients' investments.

As long-term, value-focused investors, we have found that companies with good governance practices that seek to have a positive impact on society and protect the environment outperform their competitors financially and are more resilient to adverse or uncertain situations and changes.

In order to promote these practices in its portfolio companies, Bestinver carries out a holistic and exhaustive analysis of ESG practices in the companies in which it invests and accompanies them over the whole investment cycle. Bestinver also promotes the implementation of best practices and ESG policies in these companies' business models and management through continuous dialogue and involvement with them *(engagement)* and voting at shareholder meetings *(proxy-voting)*.

DIALOGUE AND INVOLVEMENT - ENGAGEMENT

Bestinver wishes to play an active role in improving the companies in which it invests. To this end, weseek to build a lasting and solid relationship with our investee companies through dialogue and direct involvement.

As a result, Bestinver has the capacity to identify, integrate and develop, throughout the investment cycle (research, investment and management), the ESG aspects it considers most relevant to the company.

In addition, Bestinver will take into account the specific regulatory requirements of each sector and promote alignment with other investors who share a similar vision, with the aim of maximising the positive impact on the investment.

Bestinver has a Shareholder Engagement Policy which provides more detail on the dialogue and engagement process. This policy is available on Bestinver's website via the following link: https://www.bestinver.es/wp-content/uploads/211217_Politica_de_Implicacion_Bestinver-Gestion_SGIIC_EGFP_Publicar.pdf.

Engagement process at Bestinver

Both the analysis and Bestinver's involvement in the management of ESG aspects in investee companies are handled by the team of analysts and managers with extensive knowledge of the companies in which they invest. This knowledge is complemented by ESG information supplied by our external analysis providers.

First, the investment team conducts a thorough, in-depth analysis of the company, identifying the main ESG risks and opportunities. Secondly, once this information has been obtained, the same team defines and prioritises the most relevant issues to be addressed directly with the company. Through direct interaction with the companies, more detailed information can be obtained, allowing for the redefinition of the most significant ESG risks. Finally, through a fluid dialogue with these companies, the necessary improvements to efficiently manage the ESG issues identified as a priority will be defined and promoted.

The investment team is also responsible for monitoring the defined improvements and evaluating their impact on the companies' performance. Depending on the severity of the identified risk and the response and actions implemented, investment cases may be reassessed.

❑ Main areas of influence through engagement

Bestinver will address any issues it considers relevant to the ESG performance of its invested companies. However, Bestinver will focus its efforts on the following areas:

Corporate Governance

A company that seeks to have a positive impact and long-term profitability for both its shareholders and for society and the environment, is underpinned by credible corporate governance committed to sustainability and responsible management. Accordingly, Bestinver seeks to ensure that the boards of directors and senior management of investee companies lead and supervise the areas of management most relevant to their good performance and operation, validated by a third party to the extent possible. These key areas include the definition of the roles of the governing bodies and management, and the definition and implementation of the sustainability strategy.

Companies will therefore be encouraged to follow international corporate governance best practices, in line with the International Corporate Governance Network (ICGN), with a focus on:

- **Improving quality and promoting best practices among Boards of Directors:** Boards of Directors are tasked with monitoring and guiding the company's management in the best interest of shareholders. In order to ensure that this objective is met, Bestinver will seek to ensure that the majority of directors are independent and have the industry knowledge and expertise required to enable them to perform their oversight duties effectively. To this end, companies should share the necessary information on board members with shareholders.

  In addition, Bestinver will positively value and encourage the presence of a CSR (Corporate Social Responsibility) or Sustainability director and the existence of Sustainability Committees in the internal and organisational structure of the company.

- **Improving corporate culture:** Bestinver will ensure that its investees promote, at all levels, a corporate culture aligned with the company's sustainability principles by defining codes of ethics and conduct, applicable to all their employees and the value chain

- **Implementing an appropriate executive remuneration policy:** A company's executive remuneration policy is one of the main instruments for guiding, assessing and rewarding the conduct and achievements of the management team. Bestinver will also positively value transparency in the company's remuneration policies, including the level of compensation, the structure of the remuneration model and the performance targets defined (including the inclusion of non-financial indicators). From Bestinver's viewpoint, the remuneration policy should focus on aligning the interests of executives and shareholders towards the same objective: the creation of long-term sustainable value.

- **Improving disclosure and transparency:** Bestinver will encourage companies to be transparent about their ESG objectives and performance, promoting the disclosure of their sustainability strategies through specific reports, such as Annual Sustainability Reports.

Environmental impact and climate change

Bestinver recognises that climate change poses a global threat to all companies and governments, presenting significant, real risks to portfolios in the short, medium and long term. We therefore adhere to the conclusions reached in the Paris Agreement and promote the transition to a low-carbon economy.

To this end, Bestinver encourages its investee companies to clearly and transparently disclose their decarbonisation plans and their alignment with the goal of zero emissions by 2050, and to monitor the contribution of their activities to climate change (carbon footprint reporting) and/or any other environmental impact. Bestinver also positively values the integration of these indicators into management remuneration schemes.

Given the importance of this matter for the company, Bestinver encourages the implementation of the following initiatives:

- **Develop mechanisms for assessing and disclosing the environmental impact of their activities:** companies should systematically assess and address the actual and potential environmental impact of their activities through clearly defined quantitative and comparable indicators. In this respect, Bestinver will encourage companies to disclose the environmental impact of their activities in accordance with internationally recognised reporting methodologies (such as the Global Reporting Initiative). In the event that their activities have a significant environmental impact or they have been involved in a breach of any environmental regulation or agreement, Bestinver will request information on the extent of the impact and its mitigation or resolution. In addition, interaction with local communities will be encouraged to develop joint solutions to potential impacts in a way that ensures the well-being of all parties.
- **Define and implement mitigation and adaptation plans to reduce the impacts of its activities and respond to potential environmental incidents or disasters:** Bestinver will encourage its investees to define and implement contingency plans to prevent, mitigate and control any environmental damage that might arise from their activities. In line with this commitment, the promotion of training and capacity building among their employees in the environmental health and safety area will be appreciated.
- **Actively and committedly address climate change:** Bestinver will encourage its investee companies to analyse the risks and opportunities arising from climate change, integrating this risk into their management mechanisms. Specifically, investee companies should have policies to manage climate change, climate strategies linked to a set of measurable objectives, and governance models to directly monitor and manage climate change impacts on their activities. Likewise, the companies should have defined mechanisms that allow them to prevent, control or minimise the negative impacts that potential natural phenomena could have on their activities.

Effective social relations management

Companies must manage their social relations with all stakeholders effectively. To this end, Bestinver promotes social relations management based on the OECD Guidelines and the principles of the UN Global Compact, which include the following:

- **Contributing to and protecting human rights:** Bestinver supports and subscribes to the human rights principles set out in the Universal Declaration of Human Rights (UDHR) and detailed in the United Nations Guiding Principles on Business and Human Rights (UNGPs), as well as the OECD Guidelines and ILO Conventions. Accordingly, Bestinver seeks to ensure that its investee companies formally commit to respecting these rights, have processes in place to identify potential breaches of these rights, and ensure that any identified breaches are effectively resolved.

- **Respect for labour rights:** Bestinver investee companies must monitor and abide by International Labour Organisation (ILO) conventions related to child labour, forced labour, discrimination, freedom of association and collective bargaining, within the company and in its global supply chain and suppliers.
- **Ensuring the health and safety of its employees:** Bestinver considers the proper management of occupational risks to be essential and considers it crucial that companies offer their employees safe working conditions. Bestinver will therefore encourage companies to have defined health and safety rules to ensure decent working conditions and a good working environment for all employees.
- **Fostering diversity and developing human capital to attract and retain talent:** Companies that have a diverse workforce and promote the well-being and development of their employees are linked to more robust and stable long-term financial performance. In this respect, Bestinver favours companies that have a human capital management policy which promotes the attraction and retention of talent, provides sufficient training and education for employees, and fosters a diverse and inclusive work environment.
- **Reducing the negative ESG impacts of products or services:** The impact of a company's products or services on society is key to our engagement activities. Therefore, Bestinver will promote business models that have a positive social impact and will encourage companies to implement production or service provision methods that are responsible and safe in environmental and social terms.

❑ Transparency commitment

Bestinver encourages collaboration with national and international institutions and organisations that promote responsible investment practices. Bestinver is thus committed to disclosing the most relevant information on responsible investment to our stakeholders, including a detailed explanation of the criteria considered when excluding a company from our investment universe.

PROXY VOTING

Through its investment, influence and positioning, Bestinver seeks to promote the growth and development of responsible, resilient and sustainable companies with a long-term vision. To this end, it exercises its voting rights conveying its viewpoint and/or that of our clients on the matters it considers relevant, with the aim of maximising shareholder value and avoiding any possible conflict of interest.

Bestinver's shareholder engagement policy details the company’s proxy voting policy and is publicly available at the following link: https://www.bestinver.es/wp-content/uploads/211217_Politica_ de_Implicacion_Bestinver-Gestion_SGIIC_EGFP_Public.pdf

In developing these policies, Bestinver uses internationally recognised standards of governance and corporate responsibility as a benchmark. In this case, as of the date of publication of these policies, Bestinver applies the criteria laid down by ISS GOVERNANCE - Proxy Voting Guidelines Benchmark Policy Recommendations[3], and reserves the

[3] https://www.issgovernance.com/policy-gateway/voting-policies/

option to vote in the opposite direction depending on its consideration of specific circumstances and taking into account, at least, the following criteria:

Long-term value creation metrics

By means of its vote, Bestinver will promote the use of future value maximisation metrics and will seek to ensure that information on these metrics is transparently disclosed to its stakeholders, with a particular focus on the investment community.

ESG practices and transparency

Bestinver supports companies that are committed to positive social impact and environmental protection, and encourages companies to keep ahead of market trends in ESG.

In line with our commitment to transparency, Bestinver will promote the publication by companies of non-financial disclosures that enable investors to obtain adequate knowledge about the environmental, social, and ethical and responsible behaviour risks of their activities with respect to their suppliers, production activities and use of products and services. If these disclosures on environmental, social and governance issues are insufficient, Bestinver will encourage the preparation of more specific, complete and clear reports.

Climate change

Bestinver will assess whether companies have adaptation plans in place in accordance with:

- Scenarios assuming increased severity of climate events in the coming years.
- Emission mitigation scenario to meet the global commitment to avoid an average global warming of more than 1.5°C.

Bestinver will also actively promote the reporting and monitoring of companies' climate change management by recommending the use of internationally recognised transparency frameworks, including the Task Force on Climate-related Financial Disclosures or "TCFD"[4] and will demand disclosure of climate-related risks by companies. In addition, we will promote and encourage the publication of greenhouse gas (GHG) emission monitoring reports[5] by the companies, their climate strategy and the impact of their activities on the environment.

Human Rights

Despite the existence of various management frameworks and application criteria, Bestinver considers the principles of the United Nations Global Compact (UNGC), the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights in the workplace and the International Bill of Human Rights to be the benchmark criteria for managing business impacts in the field of human rights.

4 TCFD: Task Force on Climate-related Financial Disclosures
5 GHG: Greenhouse Gases

In view of its activities, Bestinver places particular emphasis on the following rights and safeguards: labour standards relating to fair compensation and decent working conditions, freedom of association and collective bargaining, freedom from discrimination and harassment at work, the prohibition of child and forced labour, and the right to safe and healthy working conditions.

Bestinver will encourage companies to develop a code of conduct that covers the above aspects and a management system appropriate to the activities and to the UN Guiding Principles on Business and Human Rights.

Diversity

Para Bestinver, el término «diversidad» engloba la diversidad de género, etnia, geografía, generacional, nacionalidad y de diferentes capacidades. Ésta debe promoverse tanto en la plantilla como en el Consejo y en la Alta Dirección para que las organizaciones sean un reflejo de las sociedades a las que sirven.

Más allá de los requerimientos y las recomendaciones en diversidad de género presentes en las diferentes jurisdicciones, Bestinver evaluará el equilibrio de género en los Consejos y Alta Dirección de las empresas con las que interacciona, ejercerá su voto en base a sus valores y principios de igualdad y diversidad, y supervisará las elecciones de puestos clave en la Alta Dirección y en el resto de organismos de la estructura corporativa.

❑ Bestinver's voting mechanism

Bestinver will use the services of an external advisor, whose expertise and local presence will enable us to vote at shareholder meetings around the world, ensuring that our votes are always aligned with our ESG policies.

2. ACTIVE MANAGEMENT VCEs FOR INVESTING IN INFRASTRUCTURE ASSETS

In general, there are significant differences between the ESG information available for listed companies and for infrastructure assets, as the former disclose a greater quantity of information with higher quality, as well as being subject to stricter transparency criteria. Given this distinction between investing in equity or fixed income (which is the focus of Bestinver's general responsible investment policies) and investment in real infrastructure assets, this document aims to detail and clarify these general policies when applied to infrastructure asset funds.

We believe that infrastructure projects must be sustainable. They must be designed to maintain good long-term performance and to have a real impact on improving the social, economic, or environmental processes around us. As defined by the World Bank, "sustainable infrastructure not only enables strong economic development, job creation and the purchase of local goods and services, but also improves quality of life for citizens, increases positive impacts, helps protect our vital natural resources and the environment, and promotes more effective cycle of life and efficient use of financial resources."

All of the above make the consideration of environmental, social and governance (ESG) factors a fundamental part of successfully achieving a real positive impact. In order to materialise this commitment, we have developed a proprietary methodology that allows us to identify, analyse and manage the main ESG risks in the infrastructure assets we analyse, both to incorporate ESG criteria in investment decision-making and to monitor and track ESG performance throughout the asset's lifecycle.

As a result, we have identified four phases in the ESG analysis process for infrastructure assets that adapt or broaden the points defined in Bestinver's general policies:

- **Exclusion policy for infrastructure assets –** Initial exclusion from the investment universe of assets engaged in certain activities or sectors that Bestinver considers to have no potential to ESG improvement, either due to the nature of the activity or the lack of commitment from the management team.
- **ESG pre-assessment of infrastructure assets –** Preliminary analysis at the Non-Binding Offer (NBO) stage to identify the most relevant ESG risks and the ESG performance of the assets, assigning an initial ESG rating to them.
- **ESG Due Diligence on infrastructure assets –** Assets that pass the first phase of assessment and are considered as potentially suitable for inclusion in the portfolios must undergo an in-depth ESG analysis prior to any binding offer. In this analysis, we will study all information relating to the asset's ESG management (policies, procedures, strategies, initiatives and measures taken), as well as the main metrics associated with its activity, resulting in a detailed ESG analysis that complements the financial analysis.
- **Active ownership policy in infrastructure assets –** Once incorporated into the portfolios, the investment team will monitor the evolution of the identified ESG metrics. It is in this phase where our active ownership approach

becomes most relevant, constantly encouraging improvement in the ESG performance of the assets through proactive engagement, and jointly defining with the assets' management teams, the action plans with the greatest potential impact in ESG terms.

Exclusion policy

Bestinver's Responsible Investment Principles and Policies set out the general exclusion criteria applicable to all investment funds managed by Bestinver.

The specific characteristics of private infrastructure asset investment make it necessary to define and develop specific exclusion criteria applicable to our closed-end infrastructure funds, in addition to those included in Bestinver's Responsible Investment Policies.

These criteria focus on activities which, by their very nature, do not make a positive contribution to a more sustainable economic model and in which we do not appreciate potential for transformation through our influence.

To this end, we have compiled a list of activities that we consider unsustainable due to the way their operations affect society or the environment in which they operate. Therefore, we assume a commitment not to invest in assets or projects involved in these activities.

ASSETS AND SECTORS EXCLUDED FROM THE INFRASTRUCTURE ASSET INVESTMENT UNIVERSE

When selecting the sectors and/or activities to be excluded, we have carried out a benchmark study to identify best practices in the infrastructure market in accordance with the recommendations of the most important associations in the field of sustainability in infrastructure assets, such as the Global Real Estate Sustainability Benchmark (GRESB) or the Equator Principles.

In general, the main reasons or factors considered by Bestinver when selecting which activities to exclude from the infrastructure asset investment universe focus on the following indicators:

- Greenhouse gas (GHG) emissions.
- Contribution to air and water pollution.
- Energy and resource use efficiency.
- Contribution to climate change.
- Impact on biodiversity.
- Infringements and violations of fundamental human rights standards.

Based on these factors, Bestinver has identified the following sectors and activities to be excluded, based on the impact of their activities on society and the environment:

❑ Thermal coal

Bestinver excludes from its infrastructure asset investment universe all assets that have any type of involvement and/or revenues derived from the extraction of coal for thermal use and the production of electricity derived from thermal coal, including the following assets:

- Thermal coal or petroleum coke mines.
- Thermal coal processing, handling, storage, loading and unloading facilities.
- Electricity generation plants based on thermal coal (thermal power plants).
- Petroleum coke (petcoke) generation and treatment plants.

❑ Fossil fuels (Oil & Gas)

Fossil fuels are defined by Bestinver as fuels derived from deposits of coal, oil, gas, oil shale, peat, lignite and anthracite.

We exclude from our infrastructure asset investment universe those assets that use fossil fuels as their main activity and source of income, i.e. those whose revenues from the extraction, processing, treatment, handling, storage and/or use for energy generation through such fuels account for more than 50% of their turnover.

More specifically, Bestinver does not invest in the following asset types:

Oil

- Oil exploration, drilling and extraction platforms, in all their variants (semi-submersible, gravity, FPSO, SPAR and TLP), including those that carry out such activities through fracking processes.
- Oil transportation assets (pipelines).
- Oil refining assets.
- Oil storage and packaging assets.
- Petroleum and petroleum derivative service stations.
- Assets for the generation, production and/or use as the main raw material for the production of the following oil derivatives:
  - Liquid gasolines.
  - Lubricants.
  - Waxes.
  - Paraffin waxes.

- Polyvinyl chloride (PVC).
- Plastics, paints, varnishes, solvents, fertilisers, insecticides.
- Polyethylene.
- Carbon black.
- Detergents.
- Sulphur for industrial use.
- Tar.
- Asphalt.
- Petroleum coke.
- Petrochemicals.

Natural gas and Liquefied Petroleum Gas (LPG)

- Natural gas exploration, drilling and extraction platforms, including those that carry out such activities using fracking processes.
- LPG refining and generation assets.
- Natural gas and/or LPG processing plants.
- Natural Gas and LPG transportation assets (pipelines) intended solely for the transportation of CNG and LPG (see note 1).
- Natural gas based electricity generation plants, including combined cycle power plants (see note 2).

Note 1: In the case of natural gas and LPG pipelines, Bestinver will study in detail the potential use of pipelines for the distribution of biogas and green hydrogen, as these activities are classified as sustainable and therefore suitable for investment. In order to determine whether a gas distribution infrastructure can be used to transport biogas and green hydrogen, Bestinver will require that the asset owners provide a realistic business model transformation plan aiming at a full transition from natural gas and/or LPG to biogas and/or green hydrogen. This transition should have concrete milestones with specific dates and the full transition should be completed not later than by 2030.

Note 2: In the case of power generation plants based on the use of natural gas, particularly in relation to combined cycle plants, Bestinver will exclude assets that do not operate in a responsible manner or that are not investing in a transformation towards a more sustainable future. It should be noted that the European Union (through the ongoing definition of the new taxonomy of sustainable activities) has declared that natural gas will be necessary in the transition process from the current energy model to the target sustainable energy model. Therefore, when faced with a potential investment in a combined cycle power plant, Bestinver will study the asset in depth and, when making an investment decision, will consider positively the existence of defined and realistic plans for transitioning to a more sustainable business model and a strong commitment to sustainable transformation, including:

- The existence of planned, ongoing or already implemented projects for achieving substantial improvements in process efficiency and productivity, and reductions in pollutant gas emissions and in the use of sustainable alternatives to natural gas.

- Assets that are aligned with science-based targets (SBTi).
- Assets investing over 25% of their CapEx in activities included in the European taxonomy of low-carbon activities (mainly in the replacement of natural gas by renewable energy resources).

Other fossil - fuel related activities

- Services aimed solely at the supply or provision of services to the assets described in the above sections:
  - Cabling for supplying power from fossil fuels.
  - Cabling for fibre optic and telephony supply linked to the use of energy from fossil fuels.
  - Pipelines for water supply linked to the use of energy from fossil fuels.

Nuclear energy

Bestinver excludes nuclear power generation plants from its investment universe for infrastructure assets. Despite being a resource that is currently necessary in some countries' energy mix, and though we are aware of its role as a transition technology to achieve a more sustainable energy model in the future, we believe that we should focus our investments solely on renewable technologies in order to develop and increase their efficiency and accelerate their implementation in society's energy mix.

Controversial weapons

Bestinver excludes from its infrastructure asset investment universe those assets whose activity includes any involvement in the development, production, use, maintenance, sale, distribution, import or export, storage, stockpiling or transport of prohibited and controversial weapons, as defined by the main international conventions:

- Anti-personnel mines: The Ottawa Convention, which entered into force in March 1999, prohibits the use, stockpiling, production and distribution of anti-personnel mines.
- Cluster weapons: The Cluster Weapons Convention (commonly known as the Oslo Convention) adopted in 2008 prohibits the use, stockpiling, production and distribution of cluster munitions and cluster weapons.
- Chemical weapons: The Chemical Weapons Convention (CWC), effective since 1993, prohibits the use, storage and stockpiling, production and distribution of chemical weapons.
- Biological weapons: The Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (BTWC), effective 1972, prohibits the use, storage, stockpiling, production and distribution of chemical and toxic weapons.
- Nuclear weapons: Assets intended for the production and/or use of nuclear weapons in those countries that are not signatories to the Nuclear Non-Proliferation Treaty signed in 1968 and which entered force in 1970, which restricts the possession of nuclear weapons and is part of the international community's efforts to prevent the proliferation of weapons of mass destruction. Accordingly, the only assets that may be considered for investment are those related to nuclear armament in states that possess nuclear weapons Russia, UK, France and China).
- The manufacture or distribution of ammunition containing depleted uranium.

❑ Violations of international human rights standards

Bestinver is committed to excluding from its infrastructure asset investment universe companies owning assets that violate human rights and/pr operate in regions where human rights are violated. Companies that seriously violate existing laws in this area and/or have committed serious violations of international standards governing abusive behaviour and practices will not be included in our portfolio.

In the event of any evidence of non-compliance or severe infringements/violations of international standards and principles, the investment team will enter into a dialogue with the company with the aim, depending on the severity of the infringement and the company's response, of assessing its potential exclusion from the investment universe.

In order to identify violations of this nature, we rely primarily on the study of violations of human rights, labour rights, environmental and corruption principles contained in the United Nations Global Compact (UNGC), the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The signatories of the UN Global Compact, which is the world's largest voluntary initiative in this field, commit themselves to universally accepted principles on human rights, labour, environmental protection and anti-corruption set out in the following 10 fundamental principles:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

DIVESTMENT OF ASSETS IN THE EVENT OF NON-COMPLIANCE WITH EXCLUSION CRITERIA

As stated in our Responsible Investment Policies, we are committed to monitoring the ESG performance of the assets in our portfolio, reassessing their positioning through our internal analyses and publicly available information.

If severe risks associated with the asset's involvement in activities falling within the defined exclusion criteria are identified subsequent to its inclusion in the portfolio, the investment will be reassessed. Likewise, the fund must seek a way to divest from the affected asset as soon as possible and depending on the severity of the identified risks, considering the best interest of our investors.

ESG Pre-Assessment

Bestinver is committed to ensuring that all assets for which a Non-Binding Offer (NBO) is submitted have been previously ESG screened and their main environmental, social and governance risks have been identified, complementing the financial analysis performed by the investment team.

The design of this pre-assessment process has been based on the main sustainability criteria established in the European taxonomy (the main classification system for sustainable activities), which can be summarised in four main points:

1. Belonging to the universe of eligible activities established by the European Commission.
2. Substantial contribution to one or more of the six defined environmental objectives:
    - climate change mitigation
    - adaptation to climate change
    - sustainable use and protection of aquatic and marine resources
    - transition to a circular economy
    - pollution prevention and abatement
    - protection and restoration of biodiversity and ecosystems
3. No significant harm to any of the other environmental objectives mentioned (*Do No Significant Harm* or DNSH)
4. Respect for minimum rights and safeguards relating to individuals and communities (Social Safeguards).

The definition of each of the four points, as well as all the criteria and parameters to be analysed in each of them, are contained in two documents published on European Commission website:

- *Final Report on EU Taxonomy*: This document contains recommendations related to the overall design of the EU taxonomy, as well as extensive implementation guidance on how to use and disseminate the EU taxonomy (https://ec.europa.eu/info/files/200309-sustainable-finance-teg-final-report- taxonomy_en)
- *Technical Annex*: This document contains updated technical screening criteria for 70 climate change mitigation activities and 68 climate change adaptation activities, including criteria for Do No Significant Harm, criteria to be considered as Social Safeguards and ethical risks inherent to such activities. In addition, it includes an updated methodology section to support the recommendations on the technical selection criteria (https:// finance. ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy- annexes_en.pdf)

The European Commission has also developed tools with the aim of facilitating the taxonomic analysis of activities:

- *EU Taxonomy Compass*: Online tool for checking which activities are included in the EU taxonomy (taxonomy-eligible activities), to which objectives they substantially contribute and which criteria they must meet, as well as the minimum safeguards (social standards) that must be met for an economic activity to be considered aligned with the taxonomy.
- Excel file with a summary of the Technical Annex, to facilitate analysis of assets and activities.

Both tools are easily accessible at EU Taxonomy Navigator (europa.eu) and https://finance. ec.europa.eu/publications/technical-expert-group-sustainable-finance-teg_en, respectively.

Beyond these principles, Bestinver has also used the principles, commitments and best practices of the world's most recognised international standards for ESG analysis to design the ESG pre-assessment process:

- Sustainable Development Goals (SDGs) – UN Global Compact (https://unglobalcompact.org/sdgs/17-global-goals).
- Equator Principles (https://equator-principles.com/about-the-equator-principles/).
- UNPRI – Responsible Investment in Infrastructure (https://www.unpri.org/investment-tools/private-markets/infrastructure-and-other-real-assets/infrastructure).
- Operating Principles for Impact Management (https://www.impactprinciples.org/9-principles).
- GRESB (https://www.gresb.com/nl-en/infrastructure-asset-assessment/).

SCOPE OF THE ESG ASSET PRE-ASSESSMENT PROCESS

The process applies <u>to all assets prior to the delivery of an NBO</u>.

It also applies to assets that are not yet at the NBO stage but for which the investment team considers it necessary to make an early-stage assessment (due to concerns about the potential ESG performance of the asset or for any other reason, at its discretion).

The investment team is responsible for conducting the analysis and deciding whether the asset meets the general investment criteria.

ESG ASSET PRE-ASSESSMENT PROCESS

The ESG asset pre-assessment will be carried out through the following steps:

1. Use of an internal tool to generate an ESG risk map of the asset.
2. Generation of an executive summary with the main conclusions of the analysis and the preliminary identification of the asset's main ESG risks.

The objective of this process is to identify the most relevant ESG risks and aspects of the asset that should be further explored, both during the due diligence phase and during the proactive engagement and monitoring of the investment's ESG performance (in the event of its final incorporation into the portfolio).

In this way, Bestinver ensures through a structured and systematic process that all assets identified by the investment team are analysed from an ESG perspective at a very early stage. This allows the investment team to discard any assets that involve significantly high risks, while in cases where the decision is taken to continue with the analysis process, it allows us to focus on the most relevant ESG issues with the greatest potential impact on the asset's performance.

The application of this methodology allows us to fulfill our commitment as asset managers in terms of sustainability, identifying and investing in high-quality infrastructure assets with a real impact on society, both environmentally and socially, as well as in terms of good governance.

ESG Due Diligence

Prior to investing in any asset or project, Bestinver considers it necessary to establish a control process in which each asset considered eligible for inclusion in our infrastructure fund portfolios is analysed and evaluated from an ESG perspective. Such an assessment will be considered as a necessary and essential part of the decision-making process and will therefore be submitted to the Investment Committee before it takes the final decision whether to invest in the asset concerned. This process applies to any asset analysed by the infrastructure investment team.

The ESG Due Diligence will be conducted after the ESG pre-assessment has been presented to and approved by the Investment Committee in order to proceed with the analysis of the asset. This process will be required and must be completed prior to the formal launch of an NBO (Non-Binding Offer) on the assets analysed.

ESG DUE DILIGENCE PROCESS

ALIGNMENT WITH THE EQUATOR PRINCIPLES

After conducting an exhaustive analysis of best practices in the performance of Due Diligence studies for infrastructure assets and in collaboration with the Acciona Group's Sustainability area, Bestinver has decided to adopt the standards established in the **Equator Principles** (**EP**). The Equator Principles, their scope and the approach to be adopted for their analysis are described on the official Equator Principles website at the following link: https://equator-principles.com/

The Equator Principles are among the financial industry's most recognised standards for managing environmental and social risks in investment and project finance. Financial institutions adopt the EP to ensure that the projects they finance are developed in a socially responsible manner and reflect sound environmental management practices, minimizing where possible the negative impacts on the environment and the local communities where they operate. In the case of unavoidable impacts, by applying the EPs, institutions may ensure that these impacts are reduced, mitigated and/or offset in accordance with those principles.

In summary, the Equator Principles have been developed with the aim of serving as a common reference and risk management framework for financial institutions to identify, assess and manage environmental and social risks in project finance processes. To this end, the 10 fundamental principles governing the EP must be applied:

- **Principle 1: Review and categorisation –** Financial institutions categorise the project according to its level of risk and its environmental and social impact. This categorisation is based on the environmental and social categorisation process of the International Finance Corporation (IFC).
- **Principle 2: E&S Assessment –** Financial institutions categorise the project according to its level of risk and its environmental and social impact. This categorisation is based on the environmental and social categorisation process of the International Finance Corporation (IFC).
- **Principle 3: Applicable E&S Standards –** The assessment process must demonstrate the Project's overall compliance with the applicable standards or justify/explain any possible deviations from them.
- **Principle 4: E&S Management System & EP Action Plan –** Verification that the asset develops and/or maintains an Environmental and Social Management System (ESMS) that includes actions necessary to comply with applicable standards.

- **Principle 5: Stakeholder Engagement –** Evidence and documentation of effective stakeholder engagement on an ongoing and structured basis. The process should be culturally inclusive and should take into account affected communities, workers and any other stakeholders that could be involved in the project either directly or indirectly.
- **Principle 6: Grievance Mechanism –** Need to establish a grievance mechanism for use by affected communities and workers, to receive and facilitate the resolution of concerns and complaints related to the project's environmental and social performance. These complaints should be resolved promptly, free of charge and without retaliation.
- **Principle 7: Independent Review -** A review by a third party (Independent Environmental and Social Consultant) of the environmental and social assessment process, the environmental and social management system and the stakeholder engagement process, to assess compliance with the Equator Principles.
- **Principle 8: Covenants -** Commitment by financial institutions that the project will comply with host country environmental and social laws, regulations and permits in all relevant aspects.
- **Principle 9: Independent Monitoring and Reporting –** Over the life of the asset, it will be necessary to assess the project's compliance with the Equator Principles. To this end, financial institutions will prepare project monitoring reports independently reviewed by qualified external parties.
- **Principle 10: Reporting and Transparency -** Requirement for the asset to make publicly available online at least a summary of the project's environmental and social impact assessment, including the project's human rights, climate change and greenhouse gas risks and impacts, and other relevant ESG issues.

In practical terms, the process to ensure compliance with these 10 principles in the course of the Due Diligence carried out for each asset entails the application of a methodology established by the Equator Principles Association that details the requirements that all members must apply in the management of environmental and social risk in the projects they manage. This methodology sets out the scope of the Due Diligence process and the requirements to meet the analysis and management needs for covering the 10 defined principles. The latest version of this methodology, called EP4, came into force on 1 October 2020 and is available at the following link:

https://equator-principles.com/app/uploads/The-Equator-Principles_EP4_July2020.pdf

In this way, at Bestinver, we have decided to use the analysis framework and methodology developed in the Equator Principles for conducting ESG Due Diligence on any infrastructure asset.

❑ ESG ANALYSIS METHODOLOGY DURING THE DUE DILIGENCE PROCESS

When carrying out the ESG Due Diligence, Bestinver's investment team will rely on external providers with experience in the sector and in the application of the Equator Principles. These providers will ensure that they apply the methodology established by the Equator Principles, following the most up-to-date guidelines published by the Equator Principles Association (currently the EP4 version).

Bestinver is committed to using the services of globally recognised providers and to closely monitoring the application of the EP methodology in the Due Diligence process, in order to remain aligned with best industry practices in terms of ESG analysis.

❑ REPORTING TO INVESTORS AND THE MARKET

Once the investment in one of the assets analysed has been made, Bestinver will commit to provide its investors and stakeholders with a summary of the ESG report obtained, which will be shared through the investor's customer area (and occasionally by means of digital mailings to the fund's investors interested in receiving this information).

❑ ESG PERFORMANCE MONITORING AND TRACKING

During the Due Diligence phase, the investment team and the supplier appointed to make the ESG analysis (in compliance with the Equator Principles) will identify the most relevant ESG risks and issues to be addressed through active engagement actions and will monitor the asset's ESG performance during their tenure in the fund. These interactions and its results will be documented and archived by Bestinver.

Active Ownership Policy

Infrastructure assets play a key role in the sustainable development of the economy and society. In the words of the United Nations, "Lasting sustainable development requires significant investment. The majority (72%) of the targets set by the SDGs need infrastructure development, requiring an investment of more than 7.6% of global GDP each year between 2015 and 2030. Currently only 5.5% of GDP is being invested in these solutions." This need to develop infrastructure assets in a sustainable and responsible manner provides a unique opportunity for Bestinver.

We are convinced that one of our responsibilities as infrastructure asset managers is to ensure not only that the assets we analyse and incorporate into our portfolios meet best-in-class ESG standards and requirements, but also, through our proactive influence and our participation in the management decisions of these assets, that they enhance their environmental, social and governance performance.

This engagement is a cornerstone of our asset investment and management process and aims to ensure that our investments have a real, positive and long-term impact on society. By incorporating ESG issues into our analysis and dialogue with asset management teams, we are able to drive real change and foster long-term sustainable value creation.

ACTIVE OWNERSHIP APPROACH

The analysis of and influence on the ESG aspects of the portfolio assets are handled by the investment team, as they have in-depth knowledge of each of the assets in which they invest. This knowledge is complemented by a large volume of ESG information provided by external providers and the assets in which we invest.

In the first instance, the team of analysts and managers (supported by external providers) is responsible for conducting a comprehensive analysis of the companies, identifying the main ESG risks and opportunities. This analysis is carried out through two processes (already detailed above): ESG asset pre-assessment (preliminary phase) and ESG Due Diligence (assets with potential for inclusion in our portfolios).

Once all the information has been gathered, the investment team defines and prioritises the agenda of topics to be included in its dialogue with the asset's management team. This interaction allows the investment team to obtain more comprehensive and detailed information on the risks that have been directly identified in the analysis. Once the findings and conclusions have been shared with the asset's management team, and through a fluid dialogue with them, the identified ESG improvements are defined and start to be driven forward.

The investment team monitors asset ESG performance and improvements once they have been defined, through dialogue and engagement with the asset's management team.

Depending on the severity of ESG risks, the outcomes of engagement initiatives and the response and actions taken by the company, investment cases may be reassessed, potentially even requiring significant changes in the management models of those assets (through the mechanisms designated for this purpose).

KEY AREAS OF INFLUENCE THROUGH DIALOGUE AND ENGAGEMENT

Bestinver addresses any issues relevant to the assets' ESG performance. However, some of the areas on which we are focusing our efforts are:

Environmental and climate change management

Bestinver recognises that climate change is a global issue which has already materialised in all companies and governments, presenting significant, real risks to portfolios in the short, medium and long term. Bestinver therefore adheres to the conclusions reached in the Paris Agreement and the need to transition to a low-carbon economy.

In line with this conviction, Bestinver encourages its investee companies to clearly and transparently disclose their decarbonisation plans and their alignment with the 2050 zero emissions goal. In addition, the Company promotes the use of indicators linked to climate change in monitoring the companies' performance, mainly those related to the greenhouse gas emissions generated by their activity, as well as their annual reporting to the market.

Given the importance of this issue for the company, Bestinver promotes the implementation of the following initiatives related to environmental management and, above all, climate change:

- **Mechanisms for assessing and disclosing the environmental impact of their activities:** the assets should systematically assess and address the actual and potential environmental impact of their activities through clearly defined quantitative and comparable indicators. In cases in which their activities have a significant environmental impact or they have been involved in a breach of any environmental regulation or agreement, Bestinver will request information on the extent of the impact and the way in which the company addresses its mitigation or resolution. Bestinver will also actively encourage the assets to disclose the environmental impact of their activities in line with internationally recognised reporting methodologies. In addition, we will encourage the assets to be in constant contact with the local communities in the area and any users who may be affected by the impact of their activities, reaching agreements and joint solutions that guarantee the wellbeing of all parties.
- **Define and implement mitigation and adaptation plans to reduce the impacts of its activities and respond to potential environmental incidents or disasters:** Bestinver will encourage its assets to define and implement contingency plans to prevent, mitigate and control any environmental damage that might arise from their activities. Likewise, the companies should have defined mechanisms that allow them to prevent, control or minimise the negative impacts that potential environmental threats could have on their assets. In line with this commitment, we will positively value that, in their corporate cultures, the assets promote training, education and capacity building for their employees in relation to environmental health and safety, so that the defined action plans can be implemented.
- **Actively and committedly address climate change:** Bestinver will encourage its portfolio assets to analyse the risks and opportunities connected with climate change, integrating this risk into their management mechanisms. The Company also aims to ensure that these assets have a policy in this area, a climate strategy linked to a number of objectives and a governance model that oversees the correct implementation of this strategy.

Effective social relations management

At Bestinver we believe that the assets should manage their social relationships with all their stakeholders effectively. To this end, we base our dialogue and define our commitments on the principles of the United Nations Global Compact (UNGC), the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and

Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights. In line with these expectations, we will encourage the assets in which we invest to implement the following guidelines:

- **Contributing to and protecting human rights:** we support and subscribe to the human rights principles outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs), as well as the OECD Guidelines, the International Labour Organisation (ILO) Conventions and the International Bill of Human Rights, which encompasses the Universal Declaration of Human Rights (UDHR). In line with this vision, our commitment to these principles means that we encourage our assets to formally commit to respecting human rights, to have processes in place to identify potential human rights abuses and to ensure that identified potential abuses are dealt with effectively.
- **Respect for labour rights:** assets must abide by the principles set out in the International Labour Organisation (ILO) conventions related to child labour, forced labour, discrimination, freedom of association and collective bargaining, not only themselves but also their global supply chain and suppliers. Bestinver will encourage compliance with these conventions by the assets in which it invests.
- **Ensuring a healthy and safe working environment for employees:** Bestinver attaches great importance to the proper management of occupational risks and therefore requires its portfolio assets to offer their employees safe and healthy working conditions. In this respect, Bestinver analyses and verifies that these assets have health and safety measures in place which ensure decent conditions and a good working environment for their employees.
- **Developing a human capital management policy to attract and retain talent:** companies that promote the well-being of their employees tend to have more robust and stable operational and financial performance in the long term. In line with this philosophy, Bestinver seeks to ensure that our portfolio assets develop a human capital management policy that seeks to attract and retain talent, provides the necessary training and education for employees and fosters a diverse and inclusive working environment.
- **Reducing the negative environmental and social impacts of the company's products or services:** the effect that an asset's products or services might have on society is a relevant factor for Bestinver and therefore this aspect is analysed and evaluated in our engagement processes. As a result, Bestinver promotes business models that have a positive impact on the environment and communities and that encourage the development of products or services responsibly and safely from an environmental and social viewpoint.

❑ Governance model

A credible corporate governance structure is inherent to assets that seek to create long-term sustainable value, both for their shareholders and their environment. Bestinver expects the Boards of Directors and senior management of the assets in which it invests to lead and supervise the areas of management that are most relevant for the company’s operation, even if they are validated by a third party. These areas include the supervision of Board and management functions, the sustainability strategy and the implementation thereof.

Accordingly, we will encourage the assets in which we invest to follow, within their limitations, international corporate governance best practices in accordance with the International Corporate Governance Network (ICGN), with a focus on:

- **Improving quality and promoting best practices among Boards of Directors:** Boards of Directors are tasked with monitoring and guiding the assets’ management in the best interest of shareholders. In order to ensure that this objective is met, Bestinver will seek to ensure that the majority of directors are independent and have

the industry knowledge and expertise required to enable them to perform their oversight duties effectively. In addition, shareholders, including Bestinver, should be able to judge and assess whether an appointed member possesses such qualities and whether all members have adequately carried out their supervisory duties.
We consider it essential that all assets share the necessary information about the members of the Board of Directors with shareholders.

In addition, Bestinver will value positively and encourage the presence of a CSR (Corporate Social Responsibility) or Sustainability director and the existence of Sustainability Committees in the internal and organisational structure of the company, as Bestinver considers this to be a strategic factor for its future.

- **Improving corporate culture:** Bestinver will ensure that its investees promote, at all levels, a corporate culture aligned with the company's sustainability principles by defining codes of ethics and conduct applicable to all employees, and for the value chain.
- **Implementing an appropriate executive remuneration policy:** An asset's executive remuneration policy is one of the main instruments for guiding, assessing and rewarding the conduct and achievements of the management team. It is therefore in the interest of the asset, its shareholders and other stakeholders that it has an easily accessible executive remuneration policy. Bestinver also encourages the transparent disclosure of the assets' remuneration policy, including the level of compensation, the structure of the remuneration model and key performance objectives. Remuneration policies should be structured in such a way that the interests of executives and shareholders are aligned towards the same goal: the creation of long-term sustainable value. In addition, the inclusion of non-financial objectives (environmental, social and governance) will be considered.
- **Improving disclosure and transparency:** Bestinver will encourage assets to fully disclose their ESG objectives and performance, promoting the disclosure of their sustainability strategies through specific reports, such as Annual Sustainability Reports.

❑ MECHANISMS USED FOR DIALOGUE AND ENGAGEMENT ACTIONS

In general, Bestinver will implement its recommendations and improvement proposals regarding ESG matters through the Boards of Directors, in which it participates as a shareholder of the assets in which the funds are invested. Under this approach, two distinct situations may arise, each of which deserves to be addressed separately:

- **Assets in which Bestinver holds a majority stake:** As a majority shareholder, Bestinver has greater influence over the management of these assets and a greater capacity to make decisions that impact the improvement their ESG performance. In this context, Bestinver will seek to ensure that the strategic decision-making of the assets incorporates ESG aspects, aiming for the creation of sustainable value over the long term. These ESG aspects should be measurable, so that Bestinver is able to track improvements in their performance over time.
- **Assets in which Bestinver holds a minority stake:** Given Bestinver's minority position as a shareholder of these assets, the fundamental approach should be to influence and promote ESG improvements. To achieve this, Bestinver will ensure that its view on key ESG issues and realistic proposals to improve the ESG performance of the assets are incorporated into all Board of Directors meetings, ensuring they are always a relevant point on the agendas of such meetings. Additionally, Bestinver will seek the support of the other shareholders (both minority and majority) when proposing changes and/or improvements involving ESG matters, aiming to achieve greater consensus in decision-making with the goal, once again, of achieving a more sustainable long-term impact.

However, before attending meetings to make recommendations and/or improvement proposals regarding the ESG performance of the assets (either in general or to address specific issues identified through ongoing analysis by the investment team while the assets are in our portfolios), Bestinver commits to establishing a fluid and recurring dialogue with the management of the assets. The aim is to align key decisions and strategies before Shareholders' Meetings and to ensure that ESG aspects considered relevant by Bestinver are raised and addressed at these shareholder meetings (seeking at all times to reach general agreements with other stakeholders to achieve the best performance of the assets and improve their environmental, social, and governance impact).

❑ TRANSPARENCY COMMITMENT: TRACKING, MONITORING AND REPORTING OF ENGAGEMENT ACTIONS

During the investment period, Bestinver commits to monitoring the ESG performance of the assets in our portfolios by tracking the key ESG aspects identified during the pre-evaluation and asset Due Diligence phase, as well as conducting subsequent analyses to identify new relevant risks and opportunities. In general, we will monitor all measurable aspects where we believe we can have the greatest impact through our influence.

As a fundamental part of our commitment as responsible investors, Bestinver pledges to transparently disclose the most relevant information related to responsible investment decisions and strategies to our stakeholders.. This information will be made available to investors through specific reports, and our team will be available to investors should they require detailed explanations about our interactions with the assets in our portfolios.

3. INVESTMENT IN FUNDS OF FUNDS

When Bestinver invests in funds managed by Management Companies other than Bestinver (e.g. with fund of funds vehicles), the investment decisions ultimately rest with the investment teams of the Management Companies managing those underlying funds.. These investment decisions are made based on the responsible investment policies that each fund manager has developed and integrated into their investment processes.

However, in line with our commitment to responsible investment, Bestinver commits to analyzing the responsible investment policies applied by the Management Companies that manage the underlying funds in which we invest, paying particular attention to the following aspects:

- Identify and inform Bestinver's fund investors in the event that the responsible investment policies applicable to the underlying funds in which we invest differ materially from our own policies.
- Periodically analyze (at least annually) the investments made by the underlying funds, so that we can identify and inform Bestinver's fund investors in case any of these investments are not aligned with our general exclusion policies.
- Provide Bestinver fund investors, upon request, with documentation on responsible investment policies applicable to the underlying funds.

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