



FRAMEWORK OF ACTION IN THE RESPONSIBLE INVESTMENT OF MAPFRE

MAPFRE's Framework of Responsible Investment (RI)

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MAPFRE's Framework of Responsible Investment (RI)

I. Introduction

MAPFRE develops its commitment to sustainability by integrating environmental, social, and governance criteria (hereinafter, ESG) into the business and also its investment decisions.

MAPFRE, aware that investment based on these ESG criteria (Responsible Investment - RI), can create sustainable value in the medium and long-term for the customer and, in addition, can have a positive impact on society and the environment, adhered in 2017 to the Principles for Responsible Investment of the United Nations (PRI). Thus, as proof of this commitment, MAPFRE has joined the Net Zero Asset Owner Alliance (NZAOA).

All of this reaffirms the commitment MAPFRE made in 2004 to sustainable development, through its adherence to the United Nations Global Compact and, subsequently, with its adherence in 2012 to the Principles for Sustainable Insurance (PSI).

Our business model as an insurer has a long-term approach; therefore, sustainability criteria play a key strategic role in the investment. As a major asset owner and investor, MAPFRE is aware of its responsibility and its impact on sustainability. MAPFRE is therefore obliged to invest customers' money wisely and profitably, with strict safety and profitability requirements. To this end, environmental, social, and governance (ESG) criteria will be integrated into investment decisions.

MAPFRE is aware that responsible investment is constantly evolving, keeping pace with major global trends in relation to the risks and opportunities of environmental, social, and governance factors. Therefore, these investment principles focus on those key aspects that must accompany the organization in the process of integrating ESG aspects, and will be complemented by those that MAPFRE determines in each case.

II. Principles of Responsible Investment Management

MAPFRE's framework of reference in this area is determined by the Principles for Responsible Investment developed by the PRI¹, which are detailed below:

1. To incorporate ESG issues into our investment analysis and decision-making processes.
2. To be pioneers in incorporating ESG issues into our ownership practices and policies.
3. To seek transparent disclosure of ESG issues by the companies in which we invest.
4. To promote the acceptance and application of the Principles in the investment sector.
5. To work together to improve our effectiveness in applying the Principles.
6. To report our activity and progress in applying the 6 Principles.

These Principles coexist with the responsibility assumed by the company as manager of the savings and investments of its customers and the soundness of its own balance sheet; therefore, MAPFRE applies prudent investment criteria, seeks to create long-term value, and

¹ <https://www.unpri.org/pri>

incorporates environmental, social, and corporate governance (ESG) factors as a complement to traditional information.

III. Scope

The aforementioned principles apply to all assets in which MAPFRE invests, and specifically to equities, fixed income, and real estate.

In the event of any type of delegation to a third party for the management of certain investments, it will be analyzed that these are aligned with the principles described in this document and it will be requested that they follow the principles described herein in the delegated management that they carry out for MAPFRE. Therefore, these commitments will apply to all active, passive, and third-party managed investments.

In any case, the relevant governing body will have the power to exclude a third party from complying with the principles mentioned in the framework and policies, based on justified reasons.

IV. Implementation

MAPFRE's annual investment plan sets out the principles that must govern investment management, the structure of the portfolios, the reference framework to be applied, and the general guidelines to be followed in investment management procedures.

This plan, which is approved by the Board of Directors of MAPFRE S.A., constitutes the reference framework in which to integrate the responsible investment principles to be applied throughout the investment process.

MAPFRE also has its own ESG analysis framework, which is reviewed on a regular basis to incorporate the best practices in this area.

Therefore, MAPFRE has an Investment Policy and a series of policies that supplement this commitment to responsible investment:

- Sustainability Risk Integration Policy
- Voting Rights Exercising Policy
- Engagement Policy
- Due Diligence PIAS (Policy Statement on Due Diligence Policies in relation to Major Adverse Events)

The investment team is responsible for implementing the methodologies included in the above framework, seeking investment opportunities, and minimizing potential risks.

In the event of any discrepancy (for example, when investing in a company with low ESG ratings or that does not meet any of the criteria described in this framework or in any of the aforementioned policies), these will be submitted to the corresponding governing body, in order to analyze and make decisions on the assets that may generate any type of dispute.

Likewise, the investment team at each Management Center is responsible for applying the sustainability criteria approved by MAPFRE. In the event that a portfolio investment, prior to the approval of these criteria, fails to comply with them, the feasibility of reducing or eliminating such investment will have to be analyzed. In Immunized portfolios, the

investment may be held to maturity due to the commitments assumed with the insured parties.

In the case of delegation, the company to which management is delegated will be informed of the sustainability criteria and approaches established, so that the sustainability guidelines approved by MAPFRE are applied, determining the term for their implementation by mutual agreement.

V. Investment approach and strategies

The sustainability strategy will be applied at MAPFRE, from an investment perspective, in a transversal manner, considering an integration approach, which defines the ESG rating thresholds permitted (best in class), exclusion policy, as well as a policy of long-term shareholder involvement through the exercising of voting rights, which applies to all assets managed by MAPFRE as a whole.

Therefore, MAPFRE's sustainable investment management is supported by different pillars:

- ✓ **ESG integration:** as defined in this Framework and in the Sustainability Risk Integration Policy, the integration of environmental, social, and good governance criteria is carried out in all investment processes, both for own and third-party portfolios, taking into account the aspects defined by the applicable regulations and market trends, among others.

This approach will help us identify risks and opportunities by going beyond the traditional financial analysis. We are convinced that the integration of ESG criteria will lead to better investment decisions in the long-term.

- ✓ **Best in class:** the Integration Policy incorporates guidelines and minimum thresholds for investing in companies that are at the forefront of their industry in terms of meeting environmental, social, and corporate governance criteria.

- ✓ **ESG Exclusions:** likewise, when making investment decisions and managing sustainability risks, exclusion criteria are taken into account, focused mainly on environmental aspects, which may go against the objectives set by MAPFRE.

The Exclusions Policy in relation to coal, gas, and oil supports MAPFRE's commitment to continuously reducing its investment in economic activities that pose a significant environmental risk, serving as a sectoral guide for sustainability.

For more information on the environmental commitments: <https://www.mapfre.com/media/compromisos-ambientales-inversion-suscripcion-plan-22-24.pdf>

For more information on environmental and human rights commitments, see **Appendix 1** and **Appendix 2**.

- ✓ **Voting and engagement:** the guidelines set by MAPFRE are included in the Voting and Engagement Policy, the objective of which is to actively pursue a positive impact.

With regard to voting, the aim is to influence the governance of the companies in which we invest, and to contribute to greater transparency and better performance in terms of sustainability. And in terms of dialogue (engagement), the aim will be to be able to access the companies in which we have invested directly or collectively to promote high standards of sustainability, and thus take an active role as a fiduciary responsible for the investments.

The strategies described are supplemented by the statements made in chapter 9 'terminology and references'.

VI. SRI products for customers

MAPFRE is committed to developing a range of sustainable products that, in addition to being profitable for the customer, have a positive impact on society and the environment.

To this end, it has developed its own analysis methodology, with the academic support of institutions of recognized prestige, as well as the experience of French fund manager La Financière Responsable, of which MAPFRE is a shareholder.

VII. Monitoring, information, and control

MAPFRE has a highly qualified working group in sustainability matters and it must also have a Risk Committee at each Management Center, which must regularly analyze the composition of the managed portfolios, their ESG rating, and the associated risks. It will also monitor the approved integration policy, oversee compliance with the voting policy, and monitor the evolution of the investment portfolio's carbon footprint, among other tasks.

The MAPFRE Group's Sustainability Operating Committee, of which the head of MAPFRE's Investment Area is a member, is also informed on an annual basis.

The Risk Management Department of each Management Center will be responsible for issuing regular ESG reports on the monitoring and control of the sustainability risk of managed portfolios, which will be provided to the Investment Management for analysis, and which will be presented regularly to the Company's Risk Committee and Board of Directors.

Notwithstanding the foregoing, and as a first layer of control, the investment team at each Management Center will carry out constant monitoring to alert the Corporate Investment Area on ESG disputes or risks that may arise in the normal course of investment operations.

In addition to the Responsible Investment report that MAPFRE prepares annually for the United Nations PRI, the company will regularly publish its performance in this area.

VIII. Approval and control

MAPFRE's Responsible Investment Framework has been approved by the MAPFRE Group's Sustainability Committee, dated February 24, 2021, from which date it enters into force.

MAPFRE's Corporate Investment Area is responsible for monitoring that this Framework is complied with in the organization.

IX. Terminology and References

Responsible Investment (RI): the investment philosophy that, from a long-term approach, integrates environmental, social, and corporate governance criteria (ESG criteria) in the process of studying, analyzing, and selecting securities for an investment portfolio. ²

Environmental Criteria: related to those aspects of the company's activity that positively or negatively affect the environment. ² Source: Spainsif.

Social Criteria: these include everything from community aspects, such as improving health and education, to workplace issues, including adherence to human rights, non-discrimination, and stakeholder relations.

Good Governance Criteria: these have to do with ethics, quality of management, culture, the risk profile of the company or transparency, among other characteristics. Also the creation of shareholder value.

Sustainable Development: this is about reconciling the economic, social, and environmental objectives, and finding a balance between their different dimensions. (OECD, 2001).

INTERNATIONAL INITIATIVES MENTIONED:

United Nations Principles for Responsible Investment (UNPRI): It aims to understand the impact that environmental, social, and governance (ESG) issues have on investments and to advise signatories to integrate these issues into their investment and proprietary decisions. <https://www.unpri.org/pri>

United Nations Global Compact: this is a global movement of companies and stakeholders to create the most sustainable world. To make this happen, the Global Compact supports companies that can align their strategies and operations with Ten Core Business Principles on human rights, labor, environment, and anti-corruption, and that adopt strategic actions to promote the United Nations Sustainable Development Goals, with an emphasis on collaboration and innovation. <https://www.pactomundial.org/2017/01/adhierete-al-pacto-mundial/>

Principles for Sustainable Insurance (PSI) of the United Nations Environment Program Finance Initiative (UNEP FI). It promotes four specific principles for the insurance industry, aimed at incorporating environmental, social, and governance aspects into business management, both as a risk and as an opportunity. <https://www.unepfi.org/psi/>

SUSTAINABLE AND RESPONSIBLE INVESTMENT STRATEGIES³

Exclusion: this strategy is based on excluding companies from the investment portfolio whose activity is contrary to that defined by the company in its investment policy. In this regard, the policy may define the exclusion of companies for behavior contrary to international regulations and human and labor rights, or for the development of certain activities.

Standards-based screening: this strategy was born in Northern European countries as an evolution of exclusion and with the aim of giving them a more regulatory character. The

² <https://www.spainsif.es/>

³ Source: Spainsif: <https://www.spainsif.es/>

process is carried out based on whether or not the companies comply with an external standard, usually international, on environmental protection, labor rights, human rights, or anti-corruption. Generally speaking, the most commonly used standards are: The United Nations Global Compact, the OECD guidelines for multinational enterprises, the ILO standards, or the guiding principles on business and human rights.

Best-in-Class: this is characterized by the inclusion of those companies with the best ESG performance within the different sectors and markets. This strategy requires a definition of the ESG criteria to be assessed and how these criteria will be measured. There is currently a mature market for Sustainable Stock Exchange Indices and specialized analysts.

ESG Integration: this is based on including the analysis of ESG criteria in the financial analysis performed by the company when making investment decisions. ESG integration is the next step up from Best-in-Class. ESG integration is highly adaptable, depending on the company, the sector, investment type, and the management of risks and opportunities in the short and long-term.

Voting (or active voting strategy): this refers to the ability of shareholders to vote at Shareholders' Meetings, taking into consideration issues related to environmental, social, and governance (ESG) criteria.

Engagement (or active dialog): this strategy focuses on opening up a line of communication between the investor and the company to avoid or correct ESG-related disputes.

Thematic investments: focuses its strategy on the choice of securities that respond to an ESG theme. In this way, there are thematic investment funds that only invest in green bonds, funds that select companies and projects related to responsible water management, low-carbon economy funds, funds focused on the Sustainable Development Goals, etc. In order for thematic investments to be considered sustainable, they must consider all three ESG approaches, not just one of them.

Impact investments: these seek to simultaneously obtain a competitive financial return and produce a positive environmental and/or social impact. The measurement of impact must be quantifiable, in order to achieve significant changes in the resolution of social and/or environmental problems. It must seek an ESG balance, because, if the impact is social but damages the environment, it would not be a sustainable financial product. Impact investment can be used to finance projects of various kinds, related, for example, to health, education, the environment, or climate change.

Appendix 1. ENVIRONMENTAL COMMITMENTS

The fight against climate change requires a model change that facilitates the transition to a low-carbon economy. This model, which must make progress and development compatible with the sustainability and conservation of our environment, requires a social, technological, and economic transformation.

The Intergovernmental Panel on Climate Change (IPCC), in its latest 2018 report⁴, has remarked that it is critical to keep global warming below 1.5 °C rather than 2 °C with respect to pre-industrial levels, therefore, a far-reaching and unprecedented change is needed in the coming decades to achieve reductions in global human-caused CO₂ emissions.

Therefore, economies must reduce the greenhouse gases (GHG) emitted as a whole, that is, their carbon intensity, which will imply a gradual abandonment of the use of fossil fuel-based energy and related assets, which will be replaced by a new development model based on clean technologies.

MAPFRE is committed to sustainable development and, particularly, to the fight against climate change. For this reason, among others, it is a signatory to the United Nations Global Compact, the United Nations Environmental Program Finance Initiative (UNEPFI), the UNEPFI Principles for Sustainable Insurance (PSI), the United Nations Principles for Responsible Investment (PRI), and also the Paris Pledge for Action, in line with the Paris Agreement. The company has also set a target of achieving global net zero emissions by 2050 in its insurance and reinsurance underwriting portfolios.

In 2022, we have strengthened our environmental commitments in the investment business to help speed up the energy transition and make progress in the fight against climate change, reinforcing our commitment to be a net zero emissions company by 2050. For this reason, MAPFRE has joined the Net Zero Asset Owner Alliance (NZAOA), committing to set individual targets in 2023 to be carried out on its investment portfolio.

In order to quantify the contribution to the environment and be able to evaluate the achievement of the objectives set in this area, a Carbon Footprint measurement methodology has been developed for listed equity assets, corporate and sovereign bonds, which will continue to be used in 2023, adapting to the Technical Regulatory Standards and PCAF (Partnership for Carbon Accounting Financials) Standards in order to cover all asset classes in which MAPFRE invests.

The Group also has an Environmental Policy and, since 2021, also a Corporate Environmental Footprint Plan to 2030, through which, among other issues, we are committed to reducing our CO₂ emissions year after year, measuring and controlling our carbon footprint and reporting through the Integrated Report and the corporate website.

In order to work in all areas where our activities can contribute to climate change and the transition to a low-carbon economy, the company has established exclusions in certain sectors based on coal, oil, or gas.

⁴ <https://www.ipcc.ch/sr15/chapter/summary-for-policy-makers/>

For more information: <https://www.mapfre.com/media/compromisos-ambientales-inversion-suscripcion-plan-22-24.pdf>

Appendix 2. COMMITMENT TO HUMAN RIGHTS

For MAPFRE, respect for human rights is inspired by the international declarations and standards set out in the Group's Human Rights policy, therefore demonstrating its commitment to not investing in companies that violate the United Nations Guiding Principles (UNGP) for Business and Human Rights.

Any non-compliance with this criterion will require an orderly restructuring. In other words, the circumstance that caused it will be evaluated and the relevant measures will be taken for the benefit of the participants/customers

Approved on February 24, 2021

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