“MAPFRE RESPONSIBLE INVESTMENT FRAMEWORK”

MAPFRE's Responsible Investment Framework (RI)

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MAPFRE's Responsible Investment (RI) Framework

I. Introduction

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

MAPFRE is aware that investment based on these ESG criteria (Responsible Investment - RI) can create sustainable medium- and long-term value for the client and can also have a positive impact on society and the environment. For this reason, in 2017, it committed to the United Nations' Principles for Responsible Investment (PRI).

This commitment reaffirmed the one that MAPFRE made to sustainable development in 2004, when it joined the United Nations Global Compact and in 2012, when it committed to the Principles for Sustainable Insurance (PSI).

MAPFRE is aware that RI is constantly evolving, following the pace of the big global trends in relation to the risks and opportunities of environmental, social and governance factors. Therefore, these investment principles focus on the key aspects that must accompany the organization in the process of integrating ESG elements, and will complement those that MAPFRE determines in each case.

II. Responsible Investment Management Principles:

The reference framework that MAPFRE assumes in this area is determined by the principles of responsible investment developed by the PRI[1], which are detailed below:

1. Taking ESG issues into account in our analytical and decision-making processes when dealing with investments.
2. Pioneering the incorporation of ESG matters into our property policies and practices.
3. Encouraging the companies in which we invest to be transparent in their disclosure of ESG issues.
4. Promoting the acceptance and application of the Principles in the investment industry.
5. Collaborating to improve our efficiency in applying the Principles.
6. Reporting our activity and progress in applying the six Principles.

These principles coexist with the obligation assumed by the company as guardian of clients' savings and investments and the strength of their own balance sheet. Therefore, MAPFRE applies prudent investment criteria, seeks long-term value creation and uses environmental, social and corporate governance factors (ESG) alongside traditional information.

[1] https://www.unpri.org/pri

III. Scope

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

In the event that a third party is appointed as a proxy to manage certain investments, an assessment will be made to ensure these are in line with the principles described in this document or a request will be made to follow the principles described here in MAPFRE's management by proxy.

IV. Implementation

MAPFRE's annual investment plan provides for the principles governing investment management, the portfolio structure, the framework to be applied and the general guidelines to be followed in investment management procedures.

This plan, which is approved by MAPFRE S.A.'s Board of Directors, constitutes the framework in which to incorporate the principles of responsible investment that must be applied throughout the investment process.

In addition, MAPFRE has its own ESG analysis framework that is reviewed periodically to incorporate best practices in this area.

The investment team is responsible for implementing the methodologies included in the above framework, always looking for opportunities and avoiding risks.

In the event of any discrepancy (e.g., when investing in a company with low ESG valuations), these will be submitted to the appropriate governing body, with the aim of analyzing and making decisions on assets that may generate some form of controversy.

Likewise, the investment team is responsible for applying any grounds for exclusion approved by MAPFRE. In this regard, an indicative period of three months is set for adapting and executing the company's mandate.

In the case of the proxy, the company that is managing the portfolios shall be informed so that the exclusions are applied, with the time limit of their implementation being determined by common agreement.

V. Approach and Investment Strategies

MAPFRE recommends that the integration strategy be applied to its investments and does not rule out using the following:

- Exclusions
- Engagement
- Best – in – class
- Proxy – voting
- Industry action guides

VI. SRI products for clients

MAPFRE is committed to developing a range of RI products that, in addition to being profitable for the client, have a positive impact on society.

To this end, it develops its own analysis methodology, with academic support from renowned institutions, as well as the experience of the French manager La Financière Responsable, which MAPFRE has shares in.

VII. Monitoring, information and control

MAPFRE has a highly qualified RI work group and, in addition, it has an Investment Risk Committee at MAPFRE AM, which periodically analyzes the composition of the portfolios, its ESG evaluation and its associated risks.

In addition, the Sustainability Committee, which the head of MAPFRE's Investment Area is a member of, is reported to annually.

The investment team regularly issues ESG reports, which are analyzed by the RI team prior to their presentation by the Investment Risk Committee.

Notwithstanding the foregoing, the investment team will constantly monitor in order to warn of disputes or risks related to ESG that may arise in the normal course of business.

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

VIII. Approval and control:

MAPFRE's Principles of Responsible Investment (RI) have been approved by the Sustainability Committee of the MAPFRE Group, dated February 24, 2021, which is when it becomes effective.

The MAPFRE Investment Area is responsible for ensuring that these principles are complied with in the organization.

IX. Terminology and references:

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

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

Social Criteria: these range from community-related aspects, such as improving health and education, to workplace issues, including respect for human rights, non-discrimination and relationships with interest groups.

[2] Source: Spainsif: https://www.spainsif.es/

Good Governance Criteria: these have to do with ethics, the quality of the company's management, culture, risk profile, transparency, among others. The creation of shareholder value is also included.

Sustainable Development: the aim is to reconcile economic, social and environmental objectives and to find a balance between their different dimensions. **(*OECD*, 2001).**

INTERNATIONAL INITIATIVES DISCUSSED:

United Nations Principles for Responsible Investment (UNPRI): Aims to understand the impact of environmental, social and governmental (ESG) issues on investment and to advise signatories on integrating these issues into their investment and property decisions. https://www.unpri.org/pri

United Nations Global Compact: A global movement of companies and stakeholders to create a sustainable world. To accomplish this, the Global Compact supports companies that can align their strategies and operations with ten basic principles of action on human rights, labor, environment and anti-corruption, and that take strategic actions to promote the United Nations Sustainable Development Goals, with emphasis on collaboration and innovation. https://www.pactomundial.org/2017/01/adhierete-al-pacto-mundial/

Principles for Sustainable Insurance (PSI) from the United Nations Environment Program Finance Initiative (UNEP FI). Promotes four principles specific to the insurance industry, aimed at incorporating environmental, social and governance aspects into business management, such as risk and opportunity. https://www.unepfi.org/psi/

SUSTAINABLE AND RESPONSIBLE INVESTMENT STRATEGIES[3]:

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

Standards-based screening: this strategy originated in northern European countries as an evolution of exclusion and with the aim of making them more standards-based. The process is carried out on the basis of whether or not companies comply with an external standard, usually international, on environmental protection, labor rights, human rights, or anti-corruption. Generally, the most widely used standards are: The UN Global Compact, the OECD Guidelines for Multinational Enterprises, ILO Standards or the Guiding Principles on Business and Human Rights.

Best-in-Class: characterized by the inclusion of companies that have the best ESG performance within different sectors and markets. This strategy requires a definition of the ESG criteria to be assessed in addition to how these criteria are to be measured. There is now a mature market for sustainable stock indices and specialized analysts.

[3] Source: Spainsif: https://www.spainsif.es/

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

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

Engagement (or active dialog): this strategy focuses on opening a line of communication between the investor and the company, in order to avoid or solve ESG disputes.

Thematic investments: focuses the strategy on choosing stocks that respond to an ESG theme. For example, there are thematic mutual funds that invest only in green bonds, funds that select companies and projects related to responsible water management, funds on the low-carbon economy, 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: the aim is to simultaneously obtain a competitive financial return and to produce a positive environmental and/or social impact. Impact measurement should be quantifiable in order to achieve significant changes in resolving social and/or environmental problems. An ESG balance must be sought, because if the impact is social, but it damages the environment, we would not consider this to be a sustainable financial product. Impact investment can be used to finance different kinds of projects, for example, those related to health, education, the environment or climate change.

Annex 1. FRAMEWORK FOR INVESTMENT IN COAL

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

In its latest report from 2018[4], the Intergovernmental Panel on Climate Change (IPCC) highlighted that it is critical to keep global warming below 1.5°C rather than 2°C above pre-industrial levels. Thus, far-reaching and unprecedented change is needed in the coming decades to achieve a reduction in global human CO_2 emissions.

Economies must therefore reduce greenhouse gases (GHGs) emitted as a whole, i.e. their carbon intensity. This involves a gradual shift away from fossil-fuel-based energy use and related assets, which will be replaced by a new development model based on clean technologies.

MAPFRE is committed to sustainable development, and especially to the fight against **climate change**. For this reason, among others, it is a signatory to the United Nations Global Compact, the United Nations Environment Program – Finance Initiative (UNEP FI), the UNEP FI Principles for Sustainable Insurance (PSI), the United Nations Principles for Responsible Investment (PRI) and the Paris Pledge for Action, in line with the Paris Agreement.

In addition, the Group has an Environmental Policy and, since 2014, a Corporate Strategic Plan for Energy Efficiency and Climate Change by 2030, whereby, among other things, we commit to reducing our CO2 emissions each year, measuring and controlling our carbon footprint and reporting through the Integrated Report and corporate website.

With the aim of working in all areas that, with our work, can contribute to climate change and the transition to a low-carbon economy, all of the above is reflected in the investment area. For this reason, **MAPFRE will not invest** in:

- Power companies in which 30 percent or more of their revenue comes from generating electric power from thermal coal or that have "expansion plans" of coal-based energy of more than 3 GigaWatts (GW).

- Mining companies that obtain 30 percent or more of their revenue from the mining or production of more than 20 million tons of thermal coal per year.

[4] https://www.ipcc.ch/sr15/chapter/summary-for-policy-makers/