Engagement Policy

BBVA Asset Management, S.A., S.G.I.I.C.

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1. Introduction

BBVA Asset Management (BBVA AM) is the unit of the BBVA Group that covers its asset management activities, a business that is carried out through the management companies of collective investment institutions and pension funds present in different geographies. It stands as a global reference in the world of asset management, with leading positions in both Spain and Latin America.

The BBVA Group is committed to the future and sustainable development of society in all its areas of activity. In terms of asset management, seeing through on this commitment lies mainly on BBVA AM.

In this regard, BBVA AM is firmly convinced that the way it invests can have a significant impact on people, society and the environment, and that the combination of Investment and Sustainability can contribute to a better world.

Currently, the investment management of the BBVA AM unit in Europe is managed by BBVA Asset Management, S.A., S.G.I.I.C. (the Management Company). The Management Company is responsible for managing the investments of collective investment institutions (CII) domiciled in different countries in the continent (Spain, Luxembourg, etc.), venture capital entities and other instruments and portfolios through its discretionary management service (pension funds, voluntary social welfare entities, insurance portfolios, etc.).

This Engagement Policy has been developed by the Management Company, as shareholder and manager of shareholders and thus applies to their own portfolio and all those instruments and portfolios that are managed by the Management Company, except for those instruments or customers that, as an exception, have decided to retain the exercise of voting rights and carry out engagement activities themselves or those local entities that, due to regulatory requirements, have their own policy (in the latter case, this Engagement Policy is provided to those local units as a reference document).

The Engagement Policy is available free of charge on the Management Company’s website (www.bbvaassetmanagement.com) and is subject to ongoing review.
2. Sustainability at BBVA

2.1. Responsible Banking

The BBVA Group has a distinct banking model, called Responsible Banking, based on the pursuit of profitability grounded on principles, strict compliance with legal regulations, best practices, and the creation of long-term value for all stakeholders.

The key strategic initiatives of responsible banking are:

- The creation of lasting and more balanced relations with clients through transparent, clear and responsible communications, and financial education in the solutions we offer them.
- A fully integrated approach in the way of doing business via responsible business policies, a reputational risk model and a people-centric culture throughout the organization.
- The promotion of responsible and sustainable growth, through financial inclusion, sustainable financing, support for SMEs and responsible investment.
- Investment in the community, prioritizing financial education initiatives, entrepreneurship, knowledge, and other locally significant social causes.

2.2. 2025 BBVA Commitment: Climate Change and Sustainable Development Strategy

The BBVA Group is committed to the United Nations Sustainable Development Goals (SDG).

BBVA’s Climate Change and Sustainable Development strategy is set out in “The Pledge 2025”, which seeks to align the Group’s activity and business with the Paris Agreement and with the Sustainable Development Goals, which aim to achieve the gradual decarbonisation of the global economy and promote sustainable development. The strategy is based on a threefold commitment: to finance, to manage and to engage.

2.3. BBVA AM Commitment

Consistent with the BBVA group's strategy, the Management Company takes into account in its investments, in addition to financial factors, non-financial factors (ESG), such as:

Environmental: Environmental: Associated with the potential risks caused by the deterioration of the environment and the physical and transitional risks of climate change. Some topics include the carbon footprint, scarcity of natural resources, energy transformation and renewable energies.
Social: Associated with employees and other stakeholders who interact with the company. The level of engagement of the issuers with society as a whole. It includes consumer rights, working conditions, labor law, fair and just transition and respect for the communities in which it operates.

Good Governance: This includes aspects that have to do with the proper performance and compliance of the issuers’ management teams, in accordance with the good governance recommendations of supervisory authorities.

In 2008, and being the first managing company in Spain to sign it; the pension scheme manager - E.G.F.P., S.A. (GPP) - belonging to the BBVA Group, endorsed to the UNPRI (United Nations Principles for Responsible Investment). Since becoming a signatory of the UNPRI, significant advances in ESG have been made in GPP, which have been incorporated into the rest of the investment vehicles managed by BBVAAM.
3. Engagement policy

When developing its Engagement Policy, the Management Company takes into consideration the rules, principles and treaties of broad international consensus:

- The United Nations Global Compact and Sustainable Development Goals
- The Paris Agreement
- The European Union’s agreements in the field
- The CNMV’s Good Governance Code of Listed Companies.

3.1. Monitoring investments and corporate relationships

The Management Company oversees the companies in which it invests to make sure they create long-term value for its investors and stakeholders and act in the interest of shareholders. This supervision involves regular monitoring of various indicators and metrics that not only include economic-financial aspects, but also environmental, social and corporate governance elements, (as, for example, if they have had a severe controversy in any of the three aspects).

In this respect, the Management Company has an evaluation policy of the companies based on ESG criteria that is part of the investment process and complements the traditional financial evaluation criteria, which enable to make more informed investment decisions and control the risks in a more complete way. The ESG evaluation involves both the Management Company's own criteria and information from specialized providers.

As complement to the above, the Management Company considers that maintaining a relationship with the companies in which it invests, which guarantees that its customers' interests will be defended, is a very important part of its investment process, essential in the search for the creation of long-term value for managed vehicles and portfolios. Interlocution with companies is a relevant source of information to detect risks and opportunities and take them into account in the corresponding investment decisions. Some of the topics discussed in these meetings have to do with the separation of powers and good governance of the company, as well as all those activities that may cause environmental or social damage, analyzing the actions planned to avoid it. In addition, this relationship and the exercise of voting policy can be used to convey to companies the philosophy and stance of BBVA AM in social, environmental and corporate governance matters, as well as to verify that the standards of the BBVA AM engagement policy are upheld (or, if they are not, to confirm that this is in the best long-term interest of investors and stakeholders).

Therefore it refers to the specific case of third-party investment vehicles, the Management Company, directly or by the mediation of the brokerage platform that underwrites these vehicles (BBVA - Quality Funds Unit -), maintains a continuous dialogue with those management entities in order to have them integrate aspects of ESG into their investments, vote and remain continuously and appropriately involved in the companies in which they invest.
3.2. Dialogue and engagement with other shareholders and stakeholders.

Aiming to create long-term value for the investment vehicles and portfolios it manages, the Management Company consider that it is very important to act for the improvement of the quality of corporate governance of the companies in which it invests, ensuring that they act in the best interest of their investors. Therefore, when necessary and being considered the best option for the vehicles and portfolios it manages, the Management Company may act jointly with other investors and shareholders.

In particular, the Management Company participates in numerous fora in which promotes best market practices in the interest of its investors (especially in the sustainability arena) to the different participants of the financial markets, regulators and interested parties. These fora can be set up ad hoc, in compliance with a specific purpose, or solid associations representing various sectors such as INVERCO (Spanish Association of Collective Investment Institutions and Pensions Funds), ALFI (Luxembourg Association of Collective Investment Institutions), ASCRI (Spanish Association of Capital, Growth and Investment), etc. It is very common for the Management Company to actively participate through these associations when handling with different regulatory projects, consultations with regulators and financial supervisors, etc.

Moreover, in the best interest of the investment vehicles and portfolios managed, the Management Company may also interact with other collective groups related to the companies in which it invests, such as other shareholders, employees and workers’ representatives, associations of the sector to which the company belongs, regulatory bodies, providers, clients and other investors.

3.3. Exercising the right to vote

The Management Company exercises the attendance and voting rights on behalf of the investment vehicles and discretionary mandates that manages as long as they have been delegated in the following cases:

1. In representation of the investment companies and investment funds, in the General and Extraordinary Shareholders’ Meetings of Spanish companies, when the overall position of the investment companies that have delegated the exercise of voting rights to the Management Company and of the investment funds managed by this entity is greater than or equal to 1% of the capital of the company, provided that the participation has been held for more than 12 months (unless there are reasons that justify the non-exercise of such rights and this is reported in the corresponding annual report of the Investment vehicle).

2. On behalf of the pension funds, when the securities included in the fund have quantitative relevance and are of a stable nature, unless there are reasons that justify the non-exercise of such rights and this is reported in the corresponding annual management report of the pension fund.

3. In such other cases as may be required by applicable regulations from time to time.

4. When the company is based in Spain and the payment of a premium for attendance is foreseen.

5. When all vehicles and portfolios together hold a stake of more than 1% in the capital stock of the company

6. In the case of companies that are part of the Ibex 35.

7. When the Management Company considers that the shareholding is significant (depending on the company, if it is one of the main European or North American companies and has a minimum percentage of voting rights, etc.) or when there is any other particular circumstance considered in this Engagement Policy that makes it advisable to do so.
The right to attend and vote may be exercised directly or by proxy and in person or by remote voting (either in physical or electronic format).

To make decisions regarding attendance and exercising the right to vote, the Management Company, in addition to being protected by local laws and the recommendations of good corporate governance (in Spain, of the CNMV), has signed agreements with third parties that provide analysis and advisory services for the various proposals presented on the agendas at the various meetings.

The Management Company will always vote in the exclusive interest of the participants and/or shareholders of the represented vehicles and portfolios. In this sense, the Management Company considers that the following matters are of special relevance in the exercise of voting rights:

1. The approval of the annual accounts and the proposal for the application of the results by the governing bodies of the company is essential. As a general rule, the item of the agenda will be approved provided that the annual accounts are endorsed by an independent audit report without qualifications (or with qualifications, if after analysis it is determined that they are not significant).
2. A vote will be taken in favour of the appointment and renewal of the company's auditors, unless there are special circumstances that make it unadvisable.
3. In relation to proposals that have an immediate impact on the valuation of the company's securities (such as mergers, acquisitions, capital increases, issue or exchange of convertible bonds, etc.), it will be chosen in each case, the most favourable option for the vehicles and portfolios represented.
4. In the case of modifications to the bylaws or the regulations of the General Shareholders’ Meeting, it will be analysed on a case-by-case basis in accordance with the best interest of the vehicles and portfolios represented.
5. The structure of the board of directors is a key pillar in the corporate governance of company boards. The separation between the CEO and the chairman of the board of directors, the existence of a minimum percentage of independent directors, as well as the rotation and diversity in the composition of the board of directors are valued positively, and the vote will be exercised accordingly with these criteria.
6. Regarding the remuneration policy for administrators and directors, their transparency will be rewarded and will be supported those in which the administrators’ objectives are aligned with the performance of the company and with the shareholders’ objectives.
7. Likewise, a specific analysis will be carried out for proposals related to modifications in the capital structure and financing of the company (issuance of preferred shares, debt issues, treasury shares, capital increases without preferential subscription rights, etc.).
8. A vote in favour will be given on proposals for social and environmental issues for which there is sufficient information and transparency and are in accordance with the pertinent regulations in the geography of the company.

When exercising voting rights, the Management Company relies on the opinion of an independent proxy advisor, which provide advice for the exercise of voting rights established by agenda item. The Management Company has the power to modify the proposed and depart from this advice if it deems it necessary and justified (generally, due to discrepancies with the CNMV’s Good Governance Code in the case of Spanish companies, or incompatibility with the criteria established in this Engagement Policy).

### 3.4. Managing conflicts of interest

When exercising voting rights, the Management Company may have conflicts of interest, especially with BBVA Group entities. To minimize these conflicts, the Management Company has a voting procedure that provides for the existence and management of these conflicts. This procedure prevents conflicts of interest by avoiding the participation of decision-makers outside the Management Company, and it establishes internal mechanisms for segregating voting decisions and reporting conflicts.
In order to guarantee the independence of any voting rights that are exercised, the Management Company will not, under any circumstances, require or accept from BBVA, as its parent entity, or of any other controlled undertaking of the parent undertaking, direct or indirect instructions regarding how to vote.

For the purposes of complying with the stipulations in Art. 27.5 of Royal Decree 1362/2007, a “direct instruction” any instruction given by the parent undertaking, or another controlled undertaking of the parent undertaking, specifying how the voting rights are to be exercised by the management company or investment services firm in particular cases. ‘Indirect instruction’ means any general or particular instruction, regardless of the form, given by the parent undertaking, or another controlled undertaking of the parent undertaking, that limits the discretion of the management company or investment services firm in relation to the exercise of the voting rights in order to serve specific business interests of the parent undertaking or another controlled undertaking of the parent undertaking.

The Management Company has mechanisms to determine, escalate and manage possible conflicts of interest that may appear in this and any other area of its activity.

3.5. Annual information

The Management Company will publish on an annual basis, free of charge, on its website (www.bbvaassetmanagement.com) the application of this Engagement Policy, which will include, among other aspects, a general description of its performance in relation to its voting rights, an explanation of the most important votes and specify if any voting advisers were used.