BBVA Asset Management

Annual report

Engagement and voting Fiscal year 2024

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

FUNDSPEOPLE AWARDS 2025 España | Mejor Equipo de Asset Allocation y Multiactivos en Gestora Nacional 2025

FUNDSPEOPLE AWARDS 2025 España | Mejor Equipo de Sostenibilidad en Gestora Nacional 2025

FUNDSPEOPLE AWARDS 2025 España | Mejor Selector/a de fondos **Patricia Gutiérrez**

Signatory of PRI | Firmante de los UNPRI

RACE TO ZERO | Firmante The Net Zero Asset Managers

BBVA Asset Management

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Introduction

This report has been prepared following the structure of the "Principles" defined in the Code of Good Practices for Institutional Investors, Asset Managers, and Proxy Advisors regarding their duties with respect to the entrusted assets or services provided (the "Investor Good Practice Code" or the "Code"), published by the National Securities Market Commission on February 22, 2023. It was considered that using this structure would facilitate a better presentation of the information.

BBVA Asset Management, S.A., S.G.I.I.C., joined the Code of Good Practices for Investors on December 20, 2024, availing itself of the three-year transitional period starting from the date of its publication (i.e., until February 2026). The company is working to fully comply with all the principles established in the Code before this period ends.The updated timeline for full compliance with the Code's principles can be viewed here.

Principle 1. Long-Term Strategy

Sustainability at BBVA Asset Management & Global Wealth

BBVA Asset Management & Global Wealth (hereinafter, BBVA AM&GW) is the BBVA Group's division that encompasses its investment fund and pension fund managers as well as its global portfolio management services.

At present, investment management within the **BBVA Asset Management Europe** unit (which comprises the entities **BBVA Asset Management, S.A., S.G.I.I.C.,** BBVA Pensiones, S.A., E.G.F.P., and Gestión de Previsión y Pensiones, E.G.F.P., S.A.) is conducted by BBVA Asset Management, S.A., S.G.I.I.C.(hereinafter, the "Management Company"). The Management Company is responsible for handling the investments of collective investment institutions located in different European countries (Spain, Luxembourg, Portugal, etc.), of venture capital entities and other instruments and portfolios through its discretionary management service (pension funds, voluntary social welfare entities, insurance portfolios, etc.).

The 2019 strategic plan of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, the BBVA Group) identifies combating climate change and promoting social inclusion as one of its principal areas of focus. In its General Sustainability Policy, it spells out its contribution to the United Nations 2030 Agenda for Sustainable Development. BBVA AM&GW also considers sustainability as one of the strategic priorities of its business.

BBVA AM&GW's commitment to sustainability and responsible investment has a long-standing history, demonstrated by the launch of its first solidarity-based investment fund — BBVA Solidaridad Investment Fund — in 1999, and its first sustainable investment fund — BBVA Desarrollo Sostenible Investment Fund — in 2004. Additionally, Gestión de Previsión y Pensiones, E.G.F.P., S.A. (hereinafter referred to as GPP), a member of the BBVA Group that primarily manages occupational pension funds, was the first Spanish management company to join the United Nations Principles for Responsible Investment (hereinafter referred to as UN PRI) in 2008.

BBVA Asset Management

Sustainability track record of the BBVA AM&GW unit

In **2008**, GPP was the first manager to join UNPRI

1999

BBVA Solidaridad
Balanced fund with a partial donation of fees and comissions

2004

BBVA Bolsa Desarrollo Sostenible

2008

Adherence to **UN PRI**[1] by GPP[2] and Plan de Empleo BBVA

2010

Voting in AGMs
Spanish companies

ESG model equity porfolio
For corporate pension funds

2011

Voting in AGMs
European companies

Exclusion
Controversial weapons

2013

SRI[3] integration
In Employment Plans

2017

BBVA Bolsa Desarrollo Sostenible
Redesign of the investment process and benchmark

2018

BBVA Futuro Sostenible
Redesign of the investment process, benchmark and donation of fees and commissions

2019 - 2020

Creation of the **Sustainable Investment department**

Design and approval of the **Sustainable Plan**

Voting in AGMs
Northemerican companies

2021

- Adaptation to **EU Regulation**
- Global **implementation** of sustainability in BBVA AM&GW
- Provision of **resources and IT** developments
- **Sustainable product** launch
- Adherence to **UN PRI** by the asset management unit of BBVA AM&GW
- **Adherence to NZAM**[4] by the asset management unit of BBVA AM&GW

2022

- Adherence to **IIGCC**[5] by the asset management unit of BBVA AM&GW
- Setting of **decarbonization objectives** by BBVA AM&GW
- **Voting in AGMs** Mexican companies

2023

- Adherence to **NZEI**[6] by the asset management unit of BBVA AM&GW
- **TCFD**[7] publication by the asset management unit of BBVA AM&GW
- Adherence to **Good practices code for investors** by GPP

2024

- BBVA AM SGIIC joins the CNMV's **Code of Best Investing Practices**[8]
- BBVA Pensiones SA EGFP joins the CNMV's **Code of Best Investing Practices**[8]
- Signs commitment share delegation agreement with **EOS Federated Hermes**

(1) UN PRI: United Nations Principles for Responsible Investment
(2) GPP: Gestión de Previsión y Pensiones, E.G.F.P., S.A.
(3) SRI: Social Responsible Investment
(4) NZAM: Net Zero Asset Managers Initiative
(5) IIGCC: Institutional Investors Group on Climate Change
(6) NZEI: Net Zero Engagement Initiative
(7) TCFD: Taskforce on Climate- Related Financial Disclosures
(8) CNMV: Comisión Nacional del Mercado de Valores

I) Development of policies, procedures, and strategies

1. Policies, standards, and procedures

The Management Company executes its responsible investment actions based on the parameters outlined in the **policies and standards** available for review on the BBVA Asset Management Europe website.

Engagement activities are governed by the **Engagement Policy.** This Policy extends beyond the scope of Directive (EU) 2017/828 on the encouragement of long-term shareholder engagement, as it encompasses not only investments in companies listed on a regulated market within or operating in a Member State of the European Union, but also the broader spectrum of investments managed across the vehicles and portfolios.

The following briefly describes the Management Company's principal sustainability policies and standards:

General sustainability policy

It transposes BBVA Group's overall policy concerning the principles, goals, and promotion of sustainability.

Exclusions policy

It defines the exclusions applicable to the investment universe.

Policy for managing principal adverse impacts (PAI)

It describes the process, principles, and criteria for monitoring the PAIs in investment decisions with respect to environmental, social, and corporate governance aspects, as specified by European legislation.

Conflicts of interest policy

It sets forth the criteria and guidelines defining the policy for preventing and managing conflicts of interest.

Internal sustainability risk integration policy

Internal sustainability risk integration policy

It outlines the integration of sustainability risks into the investment decision-making process.

Engagement policy

It delineates the strategies for engagement and dialog, and the voting procedures for invested companies.

Remuneration policy

It elaborates on the management company's general remuneration policy in accordance with relevant regulations, and it transposes, in those sections that apply to it, the BBVA Group's general remuneration policy.

This report addresses the most significant actions undertaken in 2024 following the Engagement Policy.

2. Sustainability Strategy

The Management Company incorporates sustainability criteria with the aim of improving the long-term value of investments, mitigating risks, and identifying growth opportunities. To this end, it operates under a **Sustainability Plan** based on four pillars, one of which is engagement:

PILLAR 1. INTEGRATION

Environmental, social, and governance (ESG) risks and opportunities are integrated into the investment decision-making process. The Management Company has devised a proprietary ESG rating system that it applies to companies, governments, and investment funds.

PILLAR 2. EXCLUSION

Investments are excluded in companies for non-compliance with key international standards, certain economic activities, and in issuers of specific government bonds.

PILLAR 3. ENGAGEMENT

With the companies and governments in which investments are held,

through engagement and dialog activities, alongside the exercise of voting rights.

PILLAR 4: IMPACT

Investments are made with environmental or social objectives that meet certain criteria.

3. Responsible Investment Strategy

UN PRI is an international network of institutional investors supported by the United Nations, which in 2006 developed the **Principles for Responsible Investment**, due to the growing relevance of environmental, social, and corporate governance issues in investment practices. By implementing these principles, the signers contribute to the development of a more sustainable global financial system.

GPP joined the UN PRI in 2008, and in 2021, this commitment was extended when **BBVA AM&GW's asset management unit** also adhered, broadening its application to the rest of the vehicles and portfolios managed by the unit.

BBVA AM&GW is committed to **adopting the Principles and implementing them** insofar as they align with its fiduciary duties. It also has to assess their effectiveness and help improve the content of the Principles over time. This approach leads to a better alignment of the managed investments with the wider interests of society.

PRINCIPLE 1	Incorporate ESG (environmental, social and governance) criteria into investment analysis and decision-making processes.
PRINCIPLE 2	Be active owners and incorporate ESG issues into ownership policies and practices.
PRINCIPLE 3	Seek appropriate disclosure on ESG issues by the entities in which we invest.
PRINCIPLE 4	Promote acceptance and implementation of the Principles within the investment industry.
PRINCIPLE 5	Work together to enhance our effectiveness in implementing the Principles.
PRINCIPLE 6	Each signatory will report on its activities and progress towards implementing the Principles.

4. Climate strategy

In 2021, the BBVA AM&GW asset management unit adhered to the **Net Zero Asset Managers** (NZAM) initiative, a global coalition of international asset managers committed to supporting the ambition of net-zero greenhouse gas emissions by 2050 or sooner, in line with worldwide efforts to limit global warming to 1.5 degrees Celsius above pre-industrial levels and to ensure that investments are aligned with this target.

This commitment involved developing a **decarbonization plan** for the investment vehicles managed by the unit, establishing interim milestones to reach net-zero emissions by 2050, and actively monitoring the achievement of these targets.

In 2022, the committed decarbonization targets were disclosed, initially applying to **22% of assets under management in Europe and Mexico.** This figure is comprised of 12% of investments in companies (including both equity and fixed-income instruments) and 10% in Eurozone government bonds. This initial pledge is subject to upward revision as more comprehensive data and methodologies for the remaining assets in the portfolios become available. For **2030, three objectives** were set: to reduce emissions generated by investee companies, to improve the climate data rating for countries, and to ensure that 60% of the committed investments are aligned or on track to align with Net Zero.

In 2023, in line with the commitment to transparency, the first report was published following the recommendations of the **Task Force on Climate-Related Financial Disclosures** (TCFD) and is available on the website of BBVA Asset Management Europe.

To broaden engagement actions with portfolio companies needing improvements on the path to decarbonization, the asset management division of BBVA Asset Management & Global Wealth (AM&GW) joined the **Institutional Investors Group on Climate Change** (IIGCC) in 2022. IIGCC is the benchmark European body for partnership between investors in the field of climate change. IIGCC's membership includes both asset owners and asset managers. Its mission is to support and encourage investments to make a real and meaningful contribution to achieving the Net Zero by 2050 targets of the signatories, as well as a resilient future, built upon proper capital allocation, solid governance, and strong commitments from companies, governments, and other investors.

IIGCC supports global climate initiatives. In 2023, IIGCC launched its own initiative, the **Net Zero Engagement Initiative** (NZEI), which focuses on companies essential for achieving Net Zero goals that are not covered by Climate Action 100+.BBVA AM&GW's asset management division became a founding member of NZEI in 2023. In 2024, it took a further step by participating as an associate member in dialogue actions with a European energy supply company.

At the end of 2024, the change in the US government signaled a shift in the country’s approach to sustainability commitments, particularly climate-related ones, focusing, among other things, on global collaborative climate initiatives. Meanwhile, the EU renewed the composition of the Commission, which remains committed to the Green Deal, although it plans to revisit some regulations and their implementation to better align them with the new roadmap focused on improving the Union’s competitiveness, in line with the recommendations of the “Draghi Report.” Given this, it is expected that the divergence between the sustainable investment policies of the US and Europe will increase, and that global collaborative initiatives will review the parameters guiding their future actions.

The asset management unit, as part of its ongoing review and enhancement of engagement activities, continues to evaluate possible adherence to global initiatives to boost collaborative engagement efforts—considered a key element to achieving the environmental and social goals it has committed to, with due diligence and close attention to any changes arising from the current geopolitical landscape.

ii) Corporate governance culture

1. Codes of conduct

The Management Company is guided by:

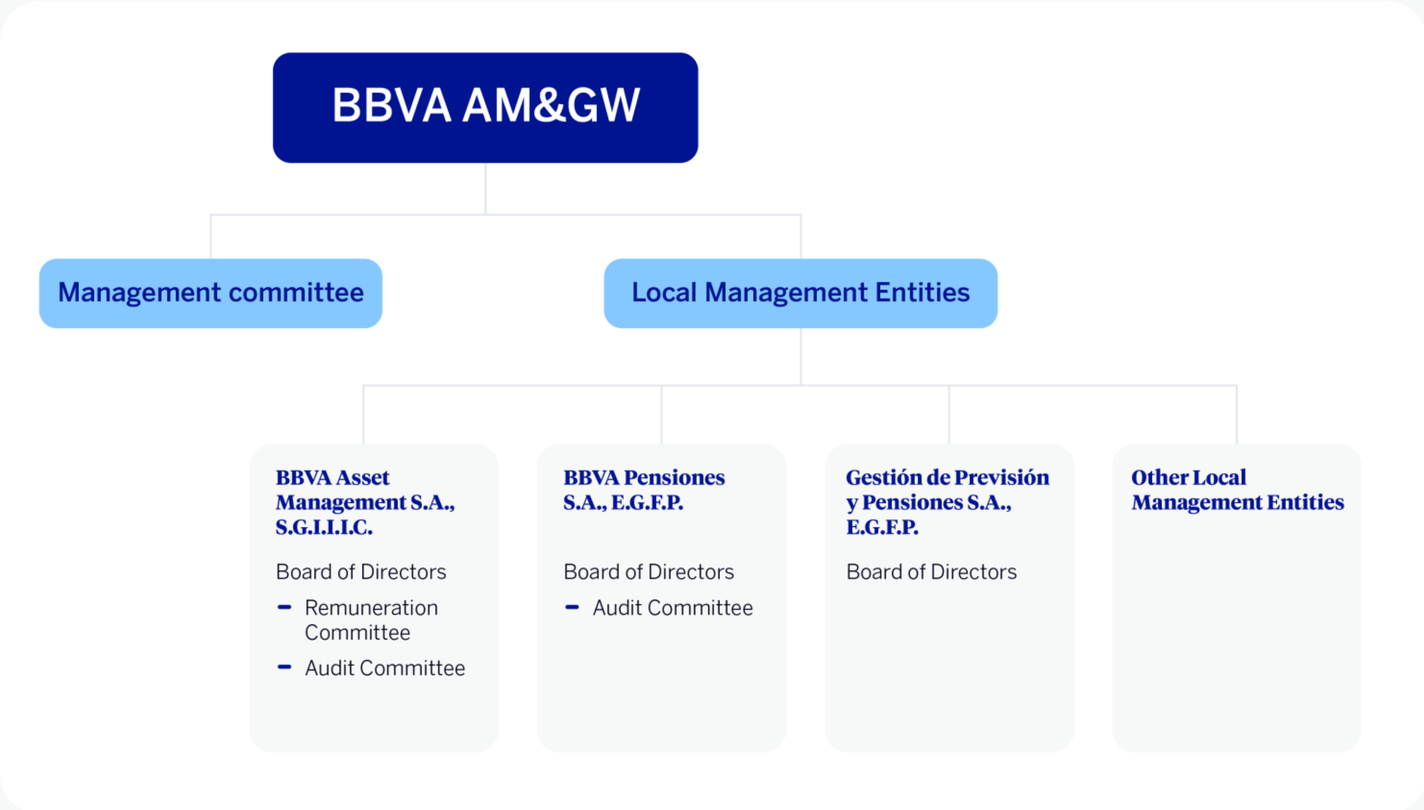
- **Code of Conduct of the BBVA Group.** This Code sets forth behavioral guidelines that all Group employees must follow to align their behavior with BBVA Group's values. The values of the BBVA Group define its identity and shape the attitudes that, when applied daily by everyone working for the Group, enable us to fulfill the BBVA Group's Purpose: to make the opportunities of this new era accessible to everyone. All BBVA Group employees are expected to act with integrity and responsibility, respecting applicable laws and regulations, with prudence and professionalism befitting the social impact of the financial activity and the trust our customers and shareholders place in the BBVA Group. The BBVA Group offers all employees specific training on this Code of Conduct.

- **CFA Institute's Investment Manager Code of Professional Conduct.** This Code encompasses customer loyalty, investment procedures, operations, risk management, investment returns, and customer information, among others.

- **The Code of Good Practices for Institutional Investors, Asset Managers, and Proxy Advisors** of the National Securities Market Commission.

2. Governance structure

Governance structures and committees



The **asset management unit of BBVA AM&GW** establishes the principal criteria and strategies related to sustainability, which are then communicated to each geographic region and each local management entity. These entities, in turn, tailor them to their specific regulatory and business characteristics, and so forth.

Within BBVA AM&GW, the following Committee has been established:

> Global **Management Committee** of BBVA AM&GW. It comprises the global departments of Investments, Product, Risk, Control and Regulatory Compliance, Quality Funds, High Net Worth, Strategy and Business Development, as well as Country-specific Business units.

The Management Company tailors and applies these sustainability criteria and strategies to its specific circumstances (business, regulations, etc.) as defined by the BBVA AM&GW unit it belongs to. Within the Management Company, the primary governing body is the Board of Directors.

Board of Directors. The Board is responsible for the administration, management, management and representation of the Management Company. It is composed of the Chairman and Chief Executive Officer, the Directors and the Non-Director Secretary.

The following committees/commissions are set up within the Board of Directors:

Remuneration Committee. Its main mission is to assist the Board of Directors in matters relating to the preparation of the decisions about remuneration policy, including those that have repercussions for the Management Company's risk and risk management, whilst protecting the long-term interests of the investors and other stakeholders, as well as ensuring compliance with the remuneration policy established.

Audit Committee. Its main mission is to assist the Board of Directors in the monitoring of both the financial information and the exercise of the function of the Company's internal control and risk management, to supervise and protect the independence of the internal audit and to monitor and assess the progress of the external audit, as well as to protect its independence as well.

Working groups and committees

Throughout 2024, various teams, working groups, and forums within BBVA AM&GW or the Management Company were maintained, most notably the following:

Sustainable Investments Team. A team specialized in sustainability within the Investments area to integrate this matter into investment solutions and coordinate investment sustainability across various areas.

Sustainable Risks Team. A team specialized in sustainability within the Risk division tasked with assessing sustainability risks associated with investments.

Sustainability Governance Group. Composed of the global heads of their respective areas: Compliance, Risk, Investments, and Product, as well as the head of the Sustainable Investments division (within Investments).

Sustainability Forum. Consisting of the Sustainability Governance Group, this forum is in charge of designing the sustainability strategy and the related execution plans. It presents these plans for approval to the global head of BBVA AM&GW and the Global Management Committee.

Sustainable Investment Forum. Comprising the Sustainable Investments team and the Investments teams, this forum monitors the incorporation of sustainability into the managed investment vehicles. For example, it reviews potential issues related to issuers (companies, governments, or quasi-governments) to discuss action plans, considering the interests of the Investment teams and other aspects relevant to the issuer in question. The forum also evaluates new sustainable investment vehicles of potential interest to the asset selection teams.

Sustainability Risk Forum. Comprising members of the Sustainable Investments, Global Product and Risks teams. They oversee the implementation of the sustainable strategy and the decarbonization plan.

Engagement Forum. Composed of members from the Sustainable Investments, Investments, Risk, and Compliance teams. This group debates action plans for engagement with individual companies, whether proactive or reactive, and monitors these as well as those related to collaborative and delegated engagement approaches. Additionally, it reports on the exercise of voting rights.

Matters related to the operations and activities of external voting and engagement service providers are also discussed.

Principle 2. Knowledge and Monitoring of Companies

I) Analysis and monitoring of companies

The Management Company carries out its management activity with a long-term vision, which necessitates a **thorough understanding of the companies** in which it invests.

The investment process for actively managed vehicles is based on **fundamental analysis**, which in our case, is divided into two areas: qualitative and quantitative analysis.The qualitative process focuses on analyzing the industry to which the companies belong. This includes both the evolution of the industry structure and prices. The quantitative analysis examines parameters which include: the company's liquidity and ability to meet its short-term obligations, its solvency—its long-term ability to pay, its activity, the profitability of its assets and equity, and, lastly, its growth.

Moreover, the **non-financial information** of the companies is considered. The inclusion of these non-financial factors allows for more informed investment decisions through more comprehensive risk control. **The ESG sustainability factors** we consider include:

- **Environmental:** Such as climate change mitigation and adaptation, sustainable use and protection of water and marine resources, and the transition to a circular economy. This also includes pollution prevention and control, and the protection and restoration of biodiversity and ecosystems, among others.

- **Social:** Such as human rights, labor rights, human capital management, personal data protection, and social responsibility in product development, among others.

- **Governance:** Such as remuneration policy, division of duties on the Boards, and efforts to combat corruption and bribery, among others.

The Management Company has developed a **proprietary internal ESG rating model** for companies, countries, and funds. It applies to all actively managed vehicles and portfolios managed by the Management Company, with specific exceptions outlined in the internal Risk Control and Management Policy on ESG integration in the investment process. Therefore, the ESG rating can be categorized as **A, B, or C,** with C being the lowest rating. Assets that obtain this rating are excluded from the investment universe.

This model takes into account information from public sources, fund managers, and others. and internally calculated data, as well as information from external sustainability data providers, such as ratings, controversies, breaches of international standards, decarbonization data from issuers, and so on. No conflicts of interest have arisen with these data providers.

II) Monitoring Processes

The need to use a vast amount of data to obtain both financial and non-financial information requires the Management Company to rely on **specialized external data providers,** beyond the internal analyses and models it develops.

All sustainability-related information is internally analyzed and is accessible through an internal **tool** compiling data on internal ESG ratings, controversies, decarbonization, and more.This tool is available at any time to the teams engaged in the investment process. This information on non-financial factors complements the managers' understanding of the companies.

The monitoring of financial factors and sustainable characteristics in investments in vehicles managed by third-party managers, as well as the approach to sustainability employed by such managers, is performed by the Quality Funds team (in the event that such funds have been selected by this unit).

Data processing is digital, automated, and undergoes continuous **quality monitoring and analysis.** The control layers are as follows:

- **Layer 1.** Data Provider Control: responsible for reporting any detected issues and variations in data. They also communicate improvements and modifications to the methodologies used for data calculation.

- **Layer 2**. BBVA AM&GW Control: tasked with verifying that the data supplied by the provider has been correctly uploaded to the internal databases and ensuring the data's coherence. This layer also monitors aspects such as coverage, frequency of revisions, and proactivity in implementing improvements.

Sustainability data is generally calculated once a month to maintain up-to-date information, although some data may be gathered more frequently.

Lastly, in terms of **oversight by the Management Company's personnel,** they possess the requisite training to integrate sustainability into investment strategies. Training on this topic is provided by the BBVA Group for all employees. Furthermore, the Management Company advocates for all staff involved in sustainability to pursue specialized **training** in sustainable investment through external certifications, such as the Certificate in ESG Investing from the CFA Institute, the EFFAS Certified ESG Analyst, the EFPA ESG Advisor Certification, and similar programs.

III) Identification of Events

The Management Company **routinely ensures** that portfolio positions comply with the criteria set forth in the internal procedure for integrating sustainability risks. It also has an alert system due to worsening of disputes or the ESG rating of the data provider.

These dynamics allow us to detect positions that either fail to comply with the management company's sustainability policy and should therefore be excluded from the investment universe, or deserve to be the subject of an **action plan** in accordance with the policy of engagement.

As described above, a company's **internal ESG rating** can be classified as **A, B or C,** the latter being the worst rating. Assets that obtain this rating are excluded from the investment universe. A company in the portfolio with an initial A or B rating may become “C” rating due to worsening of ESG factors or because it incurs a very severe controversy directly attributable to the company. When these **events** are identified, each case is analyzed and an action plan is established to assess whether the position is sold or an action is initiated to engage in and dialogue with the company, with a defined time horizon, aimed at improving its sustainability actions.

Principle 3. Development and Dissemination of the Engagement Policy

The Management Company has established an **Engagement Policy** aimed at **creating long-term value** in the issuers it invests in. It may also actively engage with bodies, regulators, and other stakeholders.

The Policy is **available** on the website of BBVA Asset Management Europe together with the annual report on its application in the previous year.

The Engagement Policy encompasses both engagement activities and the exercise of voting rights.

A. Regarding **engagement,** it refers to the dialogue actions carried out with the issuers in which the Management Company invests, aimed at creating long-term value. These engagements can be initiated proactively, in line with the sustainability objectives adopted, or reactively, when a company with a position receives a “C” rating—the lowest—and improvement through engagement is feasible.In any case, the selection of companies for engagement is based on a prioritization guided by criteria such as materiality, position size and weight, the interest of the management teams, the relevance to the Management Company, and the feasibility of the action plan.

   The **issues** addressed aim to achieve precise goals.

Objectives	Circumstances
ESG rating	When data can be improved
New Culture	When there are serious or very severe disputes
Negative impacts	When there is room for improvement in PAI data
SDG	Where there is room for improvement in SDG data
Sector	When they are sectors with ESG metrics that can be improved
Topics	When they are related to climate strategies, etc.
Voting	When it is necessary to gather additional information or to anticipate voting intentions ahead of shareholders' meetings

These interactions can be carried out in various **ways**:

Individual

- Direct, individual dialogue
- Dialogs and working groups with companies
- Action plans defined by the Management Company
- Reactive and/or proactive

Collaborative

- Direct dialogue, through initiatives with other investors
- Dialogs and working groups with companies
- Action plans defined by the investor group
- Proactive

Delegation

- Indirect dialogue, through service providers
- Dialogs and working groups with companies
- Action plans defined by service providers
- Reactive and/or proactive

The Management Company evaluates each instance individually to determine the appropriate course of action and sets **escalation** protocols if the intended objectives are not met.

B. In terms of **voting**, the Engagement Policy stipulates when the Management Company will exercise political rights associated with the securities in its managed vehicles and portfolios and details the criteria for making voting decisions. For this purpose, it relies on information provided by an external specialist voting service provider. Further information on the exercise of voting rights can be found in section 4.

As for the **material and human resources** needed to implement the Engagement Policy effectively, there are databases and tools for handling provided data, including both financial and non-financial information such as ESG ratings, controversies, Sustainable Development Goals, key adverse events, carbon footprint, and other decarbonization metrics. The involved teams are seasoned in sustainability and possess specialized training in sustainable investment.

Principle 4. Exercising Right to Vote

The Management Company exercises voting and attendance rights on behalf of the vehicles and portfolios it manages, provided that these rights have been delegated to it, in the **cases** described in its Engagement Policy:

- When required by the applicable regulations.
- When the company is based in Spain and the payment of an attendance premium is expected.
- When, for all the vehicles and portfolios represented by the Management Company, a 1% stake in the company's share capital is exceeded.
- For companies that are part of the Ibex 35.
- In addition, the Management Company estimated in 2024 that the exercise of these rights was also relevant in the following cases:
- The main European and North American companies for which it has more than 0.07% of voting rights for all delegated vehicles.
- Other companies in which a total investment of more than 12.75 million euros was held in all delegated vehicles, and which were not in the cases described in the Engagement Policy or in the above case.
- The 40 companies with the highest carbon intensity in the global portfolio with voting rights, excluding the Mexican ones.

For the exercise of political rights, the Management Company has relied on the opinion of an independent voting advisor, Institutional Shareholder Services (ISS). This company specializes in providing responsible investment solutions and advice on Corporate Governance issues. The services contracted consist of issuing reports and advising on how to vote on the different items on the agenda at shareholder meetings.

The Management Company always votes in the exclusive interest of the owners and/or shareholders of the vehicles and portfolios represented. It considers that the votes taken in relation to the matters of special relevance described in its Engagement Policy are significant, for which the following **criteria** have been followed:

- The **annual financial statements** were approved when they were endorsed by an independent audit report without qualifications (or with qualifications, if an analysis determined that they were not significant)

- It voted in favor of appointing and renewing the company's **auditors**, unless special circumstances occurred that advised against it.

- It voted in the most favorable way for the vehicles and portfolios represented in the proposals that had an **immediate impact on the value** of the company's securities (such as mergers, acquisitions, capital increases, issue or exchange of convertible bonds, etc.).

- It voted in the most favorable way for the vehicles and portfolios represented in the event of modifications to the **articles of association** or to the regulations of the General Shareholders' Meeting.

- It voted in favor of renewing or modifying the **structure of the board of directors** provided there was separation between the CEO and the Chairman of the Board, or a minimum percentage of independent directors. Turnover and diversity on a Board were also seen as positives.

- It voted in favor of the **remuneration policy** for directors in those cases where it was transparent and the directors' objectives were determined by the company's performance and the shareholders' objectives.

- It voted in the most favorable way for the vehicles and portfolios represented in the proposals involving **changes to the capital structure and financing of the company** (issue of preferred shares, debt issues, treasury stock, capital increases without preferred subscription rights, etc.).

- It voted in favor of **social and environmental proposals** for which there was sufficient information and transparency, and that were in keeping with the relevant regulation in the company's region of operation.

The Management Company did not follow the recommendation of the external adviser on those agenda items that went against the CNMV's Code of Good Governance for listed companies in the case of Spanish companies. Specifically, it voted in favor of items involving capital increases without preferred subscription of shares up to 20% of the capital, which is the limit set by the aforementioned Code, while the external adviser had set a limit of 10%.

Principle 5. Transparency of Engagement and Voting Activities and Their Outcomes in 2024

I) Implementation of the Engagement Policy in 2024

As referred to in Section 2, the knowledge and supervision of the companies in which investment is made sometimes require, from a sustainability standpoint, that the Management Company implement engagement actions.

The initiation of dialogue may be the result of either a **proactive action plan** with issuers whose metrics, information, and/or practices are amenable to improvement, or a **reactive action plan** in response to the deterioration of certain sustainability metrics.

1. Action plans launched in 2023

In 2024, the reactive action plan pending decision from 2023 was closed with a decision to sell.

Automotive sector. **C rating: Social aspects and governance. Sale**

In late November 2023, the company's rating declined from B to C due to social issues, notably the inferior quality of its products compared to competitors, and governance issues related to poor corporate governance and unethical business practices by the leadership and major shareholders. Following an evaluation period and in light of the issues presented, no feasible plans for engagement were found. Therefore, the position **was sold** in mid-December 2023. And in January 2024, the sale of the position was definitively executed.

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2. Action plans launched in 2024

Throughout 2024, the Management Company continued to explore and develop various ways of engaging in dialogue with companies. Thus, in addition to maintaining the action plans derived from reactive individual engagement, it became a collaborating partner in dialogue actions with a company within the framework of delegated engagement and analyzed the universe of delegated engagement service providers as described below.

a) Individual reactive **engagement**:

Discretionary consumption sector **C rating: Social aspects and governance. Sale**

In mid-December 2024, the company's rating worsened from B to C due to a series of poor social and corporate governance practices, including legal proceedings and investigations related to the possible sale of illegal products and potential violations of consumer protection laws. Additionally, the company had a board that was not majority independent and limited transparency in executive compensation. The accumulation of these poor practices and the company's negative performance trend led to the decision to sell in late December.

b) **Collaborative engagement** Net Zero Engagement Iniciative (NZEI)

BBVA AM&GW's asset management division became a founding member of NZEI in 2023. Initiative focused on dialogue with companies that have high greenhouse gas emissions, outside the scope of Climate Action 100+, aiming to determine whether they have decarbonization targets and, if so, whether the companies' investments and policies are adequate to meet those targets—or if not, to understand why and whether there are improvement plans.

In the second half of 2024, it took a further step by becoming a collaborating member in dialogue actions with a European energy supply company.

c) **Delegation of engagement** analysis of suppliers and negotiation of delegation contract.

In 2024, the asset management unit of BBVA AM&GW, committed to its fiduciary duty to investors and aiming to enhance engagement activities with the companies in which it invests, conducted an analysis of various service providers for delegated engagement actions.

This analysis took into account factors such as experience in carrying out different types of engagement activities, capability for dialogue on various sustainability factors (environmental, social, and governance), geographic coverage, team expertise, information provided, the length of time they have been performing such activities, and the coverage of the portfolio's company universe.

The analysis concluded with the selection of a delegated engagement service provider, with whom a contract was signed at the end of the year, making the service effective from the beginning of 2025.

3. Engagement and dialog with shareholders and stakeholders

The Management Company's intervention has focused primarily on regulatory aspects, the media and training activities.

In the **regulatory arena,** the Management Company usually takes a very active role within the financial industry, both during regulatory processes and through dialog with supervisors, which sometimes includes lobbying for legislative initiatives.

This activity includes participation in numerous **forums** such as INVERCO (Spanish Association of Collective Investment Institutions and Pension Funds), ALFI (Luxembourg Association of Collective Investment Institutions), ASCRI (Spanish Association of Capital, Growth, and Investment), among others — with the aim of promoting best market practices in the interest of its investors (especially regarding sustainability).

The year 2024 has continued the trend of previous years, being very active in terms of launching regulatory initiatives and the ongoing debate around the development of the European Commission's Sustainable Finance Action Plan.

Regarding **regulatory updates** themselves, the publication of the European Regulation on the transparency and integrity of ESG ratings (Regulation (EU) 2024/3005) stands out. This regulation focuses on ensuring greater transparency in the methodology of ESG ratings and on preventing and mitigating conflicts of interest in the preparation of such ratings. Additionally, the European Green Bond Regulation (Regulation (EU) 2023/2631), which establishes a voluntary, reliable, and fully EU Taxonomy-aligned standard for the issuance of green bonds, will come into force at the end of the year, enhancing transparency and preventing "greenwashing" practices in sustainable debt markets.

During this year, European supervisory authorities (EBA, EIOPA, and ESMA) have continued studying the definition and driving factors of "greenwashing" in order to design a strengthened supervisory and prevention framework, issuing respective final reports.

An example of this supervisory analysis in practice is ESMA's publication of its guidelines on the use of ESG terminology in the naming of investment funds. The Management Company has participated in consultations with national supervisors and ESMA from the industry side to refine and provide greater consistency to these guidelines in relation to other sustainable finance regulations. As a result, ESMA has issued several clarifications, notably a more coherent treatment of green, social, and sustainable bonds when assessing compliance with the requirements set out in the guidelines by investment fund portfolios.

Within regulatory matters at the **national level**, the publication of the Green Paper on Sustainable Finance stands out. This initiative aims to guide the transition toward a financial system that respects environmental, social, and good governance criteria. As part of the actions outlined in the Green Paper, the Sustainable Finance Council has been established, whose main role is to coordinate and promote the adoption of sustainable practices within the financial sector, as well as to advise the competent authorities on the design of policies and regulatory measures. INVERCO, the association to which this Management Company belongs, participates in this body, opening the way for it to indirectly contribute to achieving the sustainability goals set by the Council through its membership.

In addition to the aforementioned activities, concerning **communications**, the Management Company participated in various industry forums and conferences in 2024:

- BBVA Asset Management Europe's Investment Conferences in Madrid, Bilbao, and Barcelona.
- Annual Conference of EOS Federated Hermes
- IIGCC Conference (October 2024)
- 2024 Fide Oxford Congress: "Exploring opportunities and challenges in accelerating sustainable finance".
- MadBlue Roundtable
- Breakfast on Sustainable Finance – Funds People in Spain (October 2024)
  Roundtable on Sustainable Finance – Funds People in Portugal
- 2024 SPAINSIF Survey

In all these forums, the need to continue promoting sustainable finance has been highlighted, as it helps identify and mitigate risks while fostering investment opportunities. It has also become clear that simplification and harmonization of the applicable regulations are needed to enhance legal certainty for investors, prevent "greenwashing" practices, and improve understanding and comparability of the various investment solutions. All this without losing sight of the fact that the focus of these investments is not only on the net-zero greenhouse gas emissions commitment but also on issues related to natural capital and social inclusion.

The website of BBVA Asset Management Europe **contains** sustainability-related information. Specifically, in 2024, an article on just transition was published along with two biannual editions of the newsletter "In-Depth Sustainability," which count as 3 hours of recertification for EFPA EIA, EIP, EFA, EFP, and ESG certifications upon passing the test.

Internally, the 2nd Sustainable Investment Conference of BBVA AM was held, covering topics related to integrating BBVA Asset Management Europe's sustainability pillars into the investment process, climate strategy, and regulatory updates.

Regarding individual **training activities,** four international ESG certifications were obtained in 2024 by employees of BBVA AM&GW, including one from the Management Company's staff. Altogether, 89 individuals at BBVA AM&GW now hold prestigious ESG credentials, with 43 being part of the Management Company staff.

II) Application of the Voting Policy in 2024

In accordance with the criteria described in section 4 above ("Exercise of voting rights"), in the 2024 fiscal year, the Management Company exercised voting rights in 285 companies (51 Spanish, 138 European, and 96 North American), representing approximately 80% of the Management Company's voting rights.

Breakdown of points voted in 2024

Votes	In favor	Against	Abstentions	Total
Points	42,502	4,416	30	46,948
Percentage	91%	9%	0%	100%

Details of the aspects in which a no vote was cast:

Votes	Remuneration of Executives	Financial transactions	Selection of Directors	Account Approval	Other resolutions	Total
Points	1,227	149	1,692	10	1,338	4,416
Percentage	28%	3%	38%	0%	30%	100%

Besides direct investments in fixed-income and equity assets, the Management Company also invests in **funds and investment vehicles managed by third-party asset managers** for the vehicles and portfolios it oversees. The fund selection unit Quality Funds, a part of BBVA, is responsible for monitoring the engagement policies of these external managers. Information provided by Quality Funds indicates that, during the 2024 fiscal year, every equity collective investment scheme where the Management Company held a position maintained an active engagement policy and exercised voting rights in the invested companies.

This report details the voting activities conducted by the Management Company for the investment vehicles under its primary management. It also covers voting actions based on portfolio management mandates received from other asset managers, including, among others, BBVA Pensiones, S.A.,

E.G.F.P (hereinafter, BBVA Pensiones) and GPP. Both BBVA Pensiones and GPP have published their respective detailed engagement and voting reports for the 2024 fiscal year, accessible on the website of BBVA Asset Management Europe.

Principle 6. Conflict of Interest Management Policy

Engagement actions and the exercise of voting rights can sometimes lead to conflicts of interest within the Management Company and/or among the unitholders or shareholders of the represented vehicles and portfolios. In these instances, the **Conflict of Interest Policy**, which is available on the website of BBVA Asset Management Europe, will be applicable.

The Management Company has implemented several measures to prevent and manage potential conflicts of interest in the execution of engagement actions and voting rights, including:

- Implementing an Engagement Policy guided by best practices and subject to regular review and updates.
- Maintaining an organizational structure that ensures independent and neutral action in the best interest of vehicle participants or shareholders.
- Establishing decision-making committees for addressing voting and engagement matters, as well as any associated potential conflicts of interest.
- Providing training for employees and board members on sustainability and conflict of interest issues.

Should the measures taken by the Management Company prove insufficient to prevent the risks of harming the interests of the managed vehicles, their investors, or other clients, the responsible service or activity area will promptly report to the Management Company's senior management. This enables them to make the necessary decisions to act in the clients' best interests.

If the measures adopted to manage a particular conflict of interest are inadequate to prevent client harm with reasonable certainty, the Management Company will impartially, clearly, and non-misleadingly disclose the general nature or origin of the conflict of interest to the client before acting on their behalf. This allows the client to make an informed decision on the investment.

Regarding **voting in BBVA Group companies,** conflicts of interest could arise. The Management Company has a voting procedure that avoids such conflicts by preventing the involvement of decision-makers from outside the Management Company and by setting up internal mechanisms for segregating voting decisions and reporting conflicts. The Management Company will not request or accept, from BBVA or any other controlled companies, any direct or indirect instructions on voting.

No conflicts of interest were detected in 2024 that could not be prevented or managed in advance.

Principle 7. Remuneration Policy

The General Remuneration Policy arises from compliance with the applicable regulations governing management companies in this field and the directives issued by regulatory authorities. It also involves adopting the relevant sections of the BBVA Group's remuneration policy. This policy is available on the **BBVA Asset Management Europe website.**

The Policy governs both the fixed and variable components of remuneration:

- **Fixed remuneration:** reflects each employee's level of responsibility, job functions, and professional background, along with the principles of internal fairness and market valuation for their role. The granting and amount of fixed remuneration are based on pre-established objective criteria that are not subject to discretion. Constitutes the predominant portion of the overall remuneration.

- **Variable remuneration:** Consists of monetary or non-monetary payments or benefits supplemental to fixed remuneration, dependent on variable factors. It includes annual variable remuneration as well as, where applicable, other variable incentive plans and any other variable components that the Management Company may from time to time grant to its staff or specific employee groups.

The Policy **supports the Management Company's business strategy, thereby contributing to the BBVA Group's overall strategy.** It includes elements that ensure the prudent management of risk, the prevention and management of conflicts of interest, long-term sustainability, the robustness of the business model, and its sound growth and profitability. A range of indicators are utilized to determine the annual variable remuneration. These are aligned with the values and interests of the managed CIIs (Collective Investment Institutions) and portfolios, as well as with the Management Company's strategic priorities and those defined at the Group level that are consistent with them. Included are sustainability indicators linked to the BBVA Group's direct actions on climate change.

Remuneration takes into account suitable quantitative and qualitative criteria. The total sum of remuneration tied to performance relies on an assessment beginning with a target annual variable remuneration. Metrics or indicators from the BBVA Group, area-specific and individual, both financial and non-financial, are applied on an annual basis. These metrics take into account the strategic priorities set by the

BBVA Group and the Management Company, as well as present or potential future risks, which are weighted according to the fulfillment of specified objectives.

The Policy is founded on the following **principles**:

- Creating long-lasting value and sustainability.
- Achieving results through prudent and responsible risk management. Attracting and retaining top talent.
- Rewarding the level of responsibility and professional career.
- Upholding internal fairness, competitive parity in the market, and gender pay equality.
- Fostering responsible conduct, equitable client treatment, and the avoidance of conflicts of interest.
- Ensuring transparency in the remuneration model.

The Management Company's remuneration policy is in alignment with regulatory requirements and best market practices, which includes accounting for sustainability risks. **During 2024, it reviewed its policy** to align it, where applicable, with that of the BBVA Group.