Exclusion Policy

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BBVA Asset Management, S.A., SGIIC

Contents

1. Introduction and purpose 3
2. Definition...4
3. Scope of application 5
4. Types of exclusions 6
   4.1. Exclusions based on international standards 6
   4.2. Exclusions based on economic activities 6
   4.3. Geographical exclusions 8
   4.4. Exclusions based on climate benchmark indices..................................... 8
5. Implementation..9
6. Transparency and updating...11
Change log...11
Appendix I. International standards 12
Appendix II. Controversial weapons 15
Appendix III. Climate benchmark indices 17

This English Version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail

1. Introduction and purpose

BBVA Asset Management (hereinafter, "BBVA AM") is the unit of the BBVA Group that encompasses its management firms for investment and pension funds at the global level.

Currently, the investments of the BBVA AM Europe unit are managed 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.).

BBVA AM has established **sustainability as one of its business' strategic priorities.** Its **mission** is to incorporate sustainable features in all investment vehicles it manages. In this context, the Management Company has prepared the **Sustainability Plan**[1], which sets out the overarching principles and the objectives to be pursued in sustainable matters. This plan is based on four pillars: integration, exclusion, engagement and impact.

The Sustainability Plan applies to all the managing entities that make up the BBVA Asset Management Europe unit and is mainly executed in practice by the Management Company, as the investment manager of all the portfolios and vehicles within the mentioned unit (either on a directly way, or by delegation).

The **purpose** of this **Exclusion Policy** (hereinafter, the "Policy") is to describe the pillar of exclusion.

This Exclusion Policy is the responsibility of the Management Company, but it not only applies to the investment decision-making processes of its own portfolio and the portfolios of the IICs and ECRs of which it acts as the managing director, but also to the rest of the portfolios and vehicles whose investments it manages by delegation. Both BBVA Pensiones, S.A., E.G.F.P., and Gestión de Previsión y Pensiones, E.G.F.P., S.A., have delegated the management of the financial assets of the pension funds they manage to the Management Company, so this Exclusion Policy also applies to the investment decision-making processes of the portfolios of the mentioned pension funds.

[1] It can be viewed here: https://www.bbvaassetmanagement.com/es/sostenibilidad/plan-de-sostenibilidad/

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2. Scope of application

The Policy applies to the **direct investment** of the Management Company's own portfolio and of all vehicles and portfolios entrusted to the management.

However, due to various reasons, specifically due to the lack of decision-making power with regard to the active management or the specific composition of the portfolios or for the purpose of efficient management of the client portfolios with the derivative instruments and indices available and customary in the market, there are exceptions, which **remain outside** this Policy's application. These exceptions are as follows:

- By type of investment. With regard to any of the managed vehicles and portfolios, the exclusions provided for in this Policy do not apply to the investment made in the following:
  - Funds and vehicles of management companies not pertaining to BBVA AM
  - Derivatives on financial indices

- By type of vehicle or managed portfolio. This Policy does not apply to investments carried out by the following vehicles or portfolios managed by the Management Company:
  - Passively managed index and exchange-traded funds and vehicles
  - Funds and vehicles under discretionary management with client mandate, explicit with respect to sustainability positioning and/or exclusions[2]
  - Funds and vehicles with a specific target return and/or guaranteed, if any of the investments of these funds and vehicles becomes affected by this Policy after they are launched
  - Funds and vehicles likely to receive specific investment orders or instructions from the client (e.g. SICAVs, occupational pension funds, etc.), with regard exclusively to the content of such orders or instructions. Notwithstanding the foregoing, the client shall be informed in those cases where the order or instruction executed does not comply with this Rule, in order for him to be aware of its nature.

If for any reason, specifically and not generally, any of the exclusions set out in this document apply to any of these investments or products outside the scope, it shall be specifically documented.

[2] In such cases, the customer's mandate shall apply.

3. Definition

Exclusions of **various types** have been defined: on the basis of non-compliance with international standards and regulations on environmental, social and governance aspects; based on certain economic activities such as controversial weapons, certain fossil fuels, tobacco, alcohol and gambling; geographical exclusions; on the basis of EU climate benchmark indices.

Regulation (EU) 2019/2088 of the Parliament and of the Council of November 27, 2019 on sustainability-related disclosures in the financial services sector (hereinafter, the "**SFDR**") lays out the disclosure criteria that affect financial products promoting environmental and social characteristics (Article 8), whose objective are sustainable investments (Article 9) and the rest of financial products (Article 6).

Based on the classification of products defined in the previous paragraph by the SFDR, we can differentiate the exclusions according to their **scope:**

- **Universal exclusions**. They apply to all managed portfolios and vehicles
- **Additional exclusions**. They apply only to vehicles or portfolios that disclose information under Article 8 or 9 of the SFDR

	UNIVERSAL			ADDITIONAL	
	International standards	Regions	Economic Activities	Economic Activities	
	UN Global Compact, OECD Guidelines, Human and Labor Rights	AML Sanctions, Weapons embargo	Controversial weapons, Fossil fuels	Tobacco	Alcohol, Gambling, Other
Conventional	X	X	X		
ESG promotion	X	X	X	X	
With a sustainable goal	X	X	X	X	X

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4. Types of exclusions

4.1. Exclusions based on international standards

They are universal exclusions.

There are several widely accepted international standards that **define the basic principles that companies must adhere to in relation to environmental, social and governance aspects**. Failure to comply with any of these standards will result in exclusion from the investor universe of investment products and services.

The international standards that the Management Company takes into account for all its activities are defined in **Appendix I** and are the following:

- United Nations Global Compact (UNGC)
- OECD Guidelines for Multinational Enterprises
- United Nations Guiding Principles on Business and Human Rights
- International Labour Organization Declaration on Fundamental Principles and Rights at Work

The OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights advocate for the compliance with the International Bill of Human Rights. Therefore, companies that do not comply with the International Bill of Human Rights are also excluded.

4.2. Exclusions based on economic activities

Based on certain economic activities carried out by companies and issuers due to their association with controversial weapons, fossil fuels, tobacco, alcohol and gambling.

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4.2.1. Controversial weapons

They are universal exclusions. These include anti-personnel mines, biological weapons, chemical weapons, cluster munitions, depleted uranium and white phosphorus munitions and nuclear weapons, as detailed in **Appendix II**.

4.2.2. Fossil fuels

They are universal exclusions. The process of extracting, processing, refining and distributing certain fossil fuels is associated with significant environmental and climate impacts, according to scientific evidence and the position of key international organizations. Companies whose share of total activity exceeds 25% in the case of mining and distributing thermal coal, 10% in the case of mining oil sands or 10% in the case of oil and gas production in the Arctic.

4.2.3. Tobacco

They are additional exclusions. Tobacco is a controversial product because, according to scientific evidence and the position of main international organizations, it can cause health damage and problems in society. Companies that produce tobacco are excluded from all products promoting ESG (Article 8) and those with an objective of sustainable investment (Article 9).

4.2.4. Alcohol

They are additional exclusions. Alcohol is a controversial product because, according to scientific evidence and the position of the main international organizations, it can cause damage to health, an increase in road accidents and other negative effects on society. Companies that produce alcohol are excluded from products with an objective of sustainable investment (Article 9).

4.2.5. Gambling

They are additional exclusions. Gambling is a controversial activity as it can have a negative impact on society, according to scientific evidence and the position of the main international organizations. Companies directly linked to gambling are excluded from all products with an objective of sustainable investment (Article 9).

4.3. Geographical exclusions

They are universal exclusions.

They have a distinct geographic and jurisdictional allocation and are usually associated with certain criminal activities.

Specifically, this type of exclusions is based on the current international regulations on money laundering and the financing of terrorism, tax evasion, sanctions, arms embargoes, war and other criminal activities (drug trafficking, human trafficking, genocide, etc.).

This type of exclusions considered by the Management Company are fully consistent with those that the BBVA Group defines in the geography for all its activities and local regulation. In this regard, the BBVA Group has Policies, Regulations and Procedures that establish the applicable criteria and determine the specific tasks, actions and controls, as well as responsibilities throughout the organization. Policies, Regulations and Procedures that the Management Company adapts and implements for its activity.

The Management Company will not invest in bonds issued by countries subject to an arms embargo imposed by the United Nations Security Council, the European Union and/or the United States.

In accordance with the General Policy for the Prevention of Money Laundering and Financing of Terrorism and the Code of Conduct of the BBVA Group, the Management Company will not invest in assets of countries, territories, governments, entities and individuals designated by national and international organizations (the United Nations Security Council, the European Union and the Office of Foreign Assets Control “OFAC” of the US Department of the Treasury), nor in assets of countries that have financial sanctions imposed by national legislation. The exclusions referred to in this paragraph always apply, even to those cases that are outside the scope of application of this Standard in accordance with section 3 above.

4.4. Exclusions based on climate benchmark indices

Vehicles that replicate or take as a benchmark the climate indices regulated by the European Union have to comply with the exemptions set out in Article 12 of Regulation 2020/1818 of the European Parliament and of the Council on EU climate change transition benchmarks (Climate Transition Benchmark- CTB) or EU benchmarks aligned with the Paris Agreement (Paris Aligned Benchmark- PAB) (hereinafter, "Regulation 2020/1818").

Further details on these exclusions are provided in **Appendix III**.

5. Implementation

The **implementation** of these exclusions is carried out by differentiating them according to their **scope**:

- **Universal exclusions**. Under no circumstances may investments be made in controversial arms companies, certain fossil fuels, or bonds issued by countries subject to arms embargoes or embargoes related to money laundering or sanctions. Nor may investments be made in companies that do not respect the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work or the International Bill of Human Rights

- **Additional exclusions**. These are the remaining exclusions. They apply to certain investment products and services

The Control & Compliance, Risk, Investments, Product and Risks global areas of the Management Company work together to identify and define the exclusions to be implemented, in coordination and coherence with the proposals of BBVA AM's **Sustainability Governance Group** (hereinafter, the "**GGS**"). The GGS consists of the global heads of the aforementioned areas and the head of Sustainable Investment (area within Investments); is responsible for designing the sustainability strategy and BBVA AM's execution plans, which include the Exclusion Policy.

When selecting the universe and defining the exclusions, information from external providers and internal information from the Management Company are used.

Once the Policy is approved and in force:

- Control & Compliance and Global Financial Risk (hereinafter, the "GFR") draw up the **exclusion list** of companies and communicate it to all affected areas

- Investments area applies **blocking and control mechanisms** in the investment implementation system to prevent managers from investing in the affected companies

- Control & Compliance is responsible for detecting, monitoring and communicating the **breaches**. If any of these are identified, it is analyzed by the GGS. Breaches can be of two types:

- **Not unexpected**. When an active investment is made in a security subject to the list of exclusions. This breach must be remedied within one week

- **Unexpected**. The rest of cases. Two decisions can be made:

  - **Divestment**. Liquidation of the position within a maximum period of three months

  - **Commitment or Interaction**. When it is understood that the dialogue with the company and the proposal of certain plans or improvements will help to correct the breach in good time and form. The Management Company may carry out a series of actions, as described in its Engagement Policy. Engagement with the companies is another of the four pillars on which BBVA AM's Sustainable Plan is based. Compliance with the objectives set in the ongoing dialogues with companies to define the degree of alignment or improvement thereof will be reviewed on a case-by-case basis. The process may take three years. Once this period has elapsed, if the engagement activities have not been satisfactory, the position will be definitively liquidated

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6. Transparency and updating

The Exclusion Policy is published on the Management Company's website (www.bbvaassetmanagement.com), where you can also view the rest of policies that affect sustainability (including the Engagement Policy mentioned in section 5 above).

It will be reviewed once a year. Although it may be subject to early review if relevant issues requiring it arise.

Change version

BBVA AM reserves the right to amend, review and update the policy in order to extend and/or align it with reforms, regulatory developments, the creation of new indicators and trends in social, environmental and/or governmental matters.

V.	Date of change	Approved by	Summary of changes
1	09/29/2022	BBVA AM SGIIC Board of Directors	Newly created
2	12/13/2023	BBVA AM SGIIC Board of Directors	Change of document structure Update of exclusions based on international standards Update of exclusions based on economic activities. Inclusion of clarification regarding certain fossil fuels Implementation updating Incorporation of Transparency and updating section
3	06/27/2024	BBVA AM SGIIC Board of Directors	Intro Update Scope update Updating geographic exclusions

Appendix I. International standards

1.1. United Nations Global Compact

The UN Global Compact was launched in July 2000 by the then UN Secretary-General Kofi Annan. It is a call for companies around the world to align their activities and strategies with ten universal principles in the areas of **human rights, labor, environment and anti-corruption**, as well as to act in such a manner that progress is achieved in social goals and the implementation of Sustainable Development Goals (SDGs).

That is, it seeks to influence "how" a company operates in society. Companies that abide by these ten principles and establish a culture of integrity not only fulfil their core responsibility to people and the planet, but also lay the foundation for long-term success.

1.2. OECD Guidelines for Multinational Enterprises

These Guidelines are one of the components of the OECD Declaration on International Investment and Multinational Enterprises. They are recommendations from the OECD governments to multinational enterprises operating or headquartered in OECD member countries.

These are principles and standards of good practice aimed at a responsible business conduct and compatible with applicable legislation.

The Guidelines aim to **promote companies that make a positive contribution to economic, environmental and social progress in the world, while mitigating the potential negative impacts of their activities.**

1.3. United Nations Guiding Principles on Business and Human Rights.

These Principles are the first global standard for preventing and remedying human rights abuses by business. Beforehand, the role of guarantor of these rights had been solely performed by governments. Approved in 2011, they establish a framework for action based on three pillars:

- The state duty to **protect** against human rights abuses by third parties, including business, through appropriate policies, regulation and adjudication
- The **respect** for human rights as a standard of conduct worldwide expected of all companies
- The companies providing victims of abuse with access to **remedies or redresses**

1.4. International Labour Organization Declaration on Fundamental Principles and Rights at Work

This Declaration was adopted in 1998 at the 86th International Labour Conference. It contains the fundamental principles that Member States of the International Labour Organization must respect by virtue of their condition as Members, even if they have not ratified the ILO conventions that contain them.

At the time the Declaration was adopted, it encompassed the following:

- freedom of association, trade-union freedom and the effective recognition of the right to collective bargaining;
- the abolition of forced or compulsory labor;
- the abolition of child labor; and
- the elimination of discrimination in respect of employment and occupation.

In June 2022, the International Labour Conference amended this Declaration to add safe and healthy working conditions as the fifth principle and right.

1.5. International Bill of Human Rights

The International Bill of Human Rights is **the set of human rights instruments proclaimed by the United Nations** at various times.

- The Universal Declaration of Human Rights is an exhaustive list of inalienable human rights approved by the United Nations General Assembly on December 10, 1948.
- And the two international covenants, known as the "International Covenants", which establish the civil, political, economic, social and cultural rights that everyone should have. Both adopted by the General Assembly of the United Nations in 1966, they entered into force in the first quarter of 1976:
  - International Covenant on Economic, Social and Cultural Rights
  - International Covenant on Civil and Political Rights

It identifies the **responsibilities that States have to respect, protect and comply** with the aforementioned rights.

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Appendix II. Controversial weapons

The Management Company excludes the following companies from the total direct investment universe:

- Companies selling arms to countries or groups subject to United Nations, European Union and/or United States arms embargoes
- Producers of controversial weapons and their key components: anti-personnel mines, biological weapons, chemical weapons, cluster munitions, depleted uranium and white phosphorus munitions and nuclear weapons
- Companies involved in the production or marketing of nuclear weapons or nuclear weapons components in countries that are not signatories to or non-compliant with the Treaty on the Non-Proliferation of Nuclear Weapons
- Manufacturers of military assault weapons for civilian use
- Companies that are not in possession of the relevant export license

In defining controversial weapons, the Management Company applies the **exclusion criteria defined by BBVA**, based on the following international conventions (or when not available, on the opinion of independent experts):

- **Anti-personnel mines:** as defined in the Ottawa Convention on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines and on their destruction (1997)
- **Biological weapons:** as defined in the Convention on the prohibition of the development, production and stockpiling of bacteriological (biological) and toxin weapons and on their destruction (1972)
- **Chemical weapons:** as defined in the Convention on the prohibition of the development, production, stockpiling and use of chemical weapons and on their destruction (1993)
- **Cluster munitions:** as defined in the Convention on cluster munitions (2008) on the prohibition of the use, stockpiling, production and transfer of cluster munitions
- **Depleted uranium and white phosphorus munitions:** as defined by the independent external consultant who prepares defense exclusion lists for BBVA, in the absence of international conventions and legal frameworks governing their use

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- **Nuclear weapons:** BBVA will not invest or offer financial services to companies that directly participate in the development, production, testing or maintenance of nuclear weapons in countries that have not signed the Non-Proliferation Treaty (NPT) or in countries that breach this treaty (1968). Nuclear weapons are considered controversial because of their potential impact on civilians and their indiscriminate use, but are not prohibited under international law. The possession, production, proliferation and use of nuclear weapons are strictly regulated and supervised by the NPT

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Appendix III. Climate benchmark indices

The managers of the EU climate change transition benchmarks (Climate Transition Benchmark- CTB) or EU benchmark indices aligned with the Paris Agreement (Paris Aligned Benchmark- PAB) must apply certain exclusions to when composing said indices, in accordance with that set forth in Regulation 2020/1818. Therefore, it is expected that the vehicles that replicate or adopt as a benchmark one of the aforementioned indices also follow the same exclusions.

This regulation states that administrators of **EU benchmark indices aligned with the Paris Agreement** must exclude the following companies from these benchmark indices:

- Companies engaged in activities related to controversial weapons[3]
- Companies engaged in the cultivation and production of tobacco
- Companies determined by management to be in breach of the UN Global Compact principles or the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- Companies deriving 1% or more of their revenues from prospection, mining, extraction, distribution or refining of anthracite, hard coal and lignite
- Companies deriving 10% or more of their revenues from the exploration, extraction, distribution or refining of liquid fuels
- Companies deriving 50% or more of their revenues from the exploration, extraction, production or distribution of gaseous fuels
- Companies deriving 50% or more of their revenues from electricity generation with a GHG intensity above 100 g CO2 e/kWh

[3] For these purposes, Regulation 2020/1818 deems as "controversial weapons" those referred to in international treaties and conventions, the principles of the United Nations and, where appropriate, the national legislation.

In addition, the managers of the EU climate transition benchmark indices must exclude the following companies from these benchmark indices:

- Companies engaged in activities related to controversial weapons[4]
- Companies engaged in the cultivation and production of tobacco
- Companies determined by management to be in breach of the UN Global Compact principles or the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises

In addition, the managers of both types of indices **will exclude companies** which, in their opinion or that of external data providers, constitute a **significant harm to one or more of the environmental objectives** referred to in Article 9 of Regulation (EU) 2020/852.

[4] See previous note.