

ENGAGEMENT POLICY (GP-P2).

Version 3

LORETO MUTUA, MPS

LORETO INVERSIONES, SGIIC, S.A.U.

Approved by the Board of Directors of Loreto Mutua, MPS on 25 October 2022

Approved by the Executive Board of Loreto Inversiones, SGIIC, S.A.U. on 4 November 2022

Responsible for review:	RCU.
Responsible for implementation:	Members of management bodies, the Engagement and Sustainable Investment Committee, General Managers, heads of the investment departments, risk management and regulatory compliance units.
Scope of application:	Engagement and Sustainable Investment Committee LORETO MUTUA, MPS Board of Directors General Management Investment Department Risk Management Regulatory Compliance LORETO INVERSIONES, SGIIC, S.A.U. Executive Board General Management Investment Management Department Risk Management Regulatory Compliance
Dissemination:	Members of the Engagement and Sustainable Investment Committee. Members of the Board of Directors, the General Manager, staff of the Investment Department, UGR staff, and RCU staff of LORETO MUTUA, MPS. Members of the Executive Board, General Manager, Investment Management Department staff, UGR staff, and RCU staff of LORETO INVERSIONES, SGIIC.

CHANGE CONTROL

Date	Version	Changes made
02.08.2021	1	Approved by the General Managers of Loreto Mutua, MPS and Loreto Inversiones, SGIIC, S.A.U.
September 2021	1	Ratified by the Board of Directors of Loreto Mutua, MPS on 28.09.2021 and by the Executive Board of Loreto Inversiones, SGIIC, S.A.U. on 29.09.2021.
July 2022	2	(i) Paragraph in section 3.2 amended to state that sustainability risks have become part of the decision-making process. (ii) Name of the Engagement Committee changed to the Engagement and Sustainable Investment Committee. (iii) New section 6 added, on reporting obligations on the investment strategy of the insurance entity and of the occupational pension fund, which will be published in the Annual Engagement Report.
Oct/Nov 2022	3	Composition of the Engagement and Sustainable Investment Committee replaced by a reference to the composition outlined in the Sustainability Policy.

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1. INTRODUCTION

1.1 Aims of the Policy

The purpose of this document is, in application Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the promotion of long-term shareholder engagement and the regulations transposing it into Spanish law, to establish the general guidelines on engagement followed at LORETO MUTUA, MPS (hereinafter, “LORETO MUTUA” or “MPS”) and LORETO INVERSIONES, SGIIC, S.A.U. (hereinafter, “LORETO INVERSIONES” or “SGIIC”) –these entities will be referred to as “ENTITIES”– as asset managers and institutional investors, in relation to investment in companies that have their registered office in a Member State and whose shares are admitted to trading on a regulated market located or operating within the European Union, in order to contribute to the companies’ long-term performance and value creation.

The Policy, available to the public on the ENTITIES’ websites, describes how the listed European companies are monitored, the dialogue process with these companies, communication and cooperation with other shareholders, the exercise of rights attached to shares, as well as the management of actual and potential conflicts of interest arising from the various engagement activities of the ENTITIES.

1.2 Who draws up, approves and updates the Policy

The body in charge of drawing up the Policy is the Regulatory Compliance Unit (hereinafter, “RCU”), which, for this purpose, collaborates with those affected by it. Likewise, the RCU shall update the Policy in accordance with the regulations in force.

The management bodies of LORETO MUTUA and LORETO INVERSIONES are responsible for approving the Policy, as well as any subsequent updates.

The Policy shall be subject to periodic review by the RCU at least on an annual basis. It will be updated in the following cases:

- a) When regulatory changes affecting the Policy occur;
- b) When the management bodies approve new measures or amend those set out in the Policy;

c) When suggested by the Supervisory Authority or an internal audit.

The different versions of the Policy are listed in the Change Control table at the beginning of the document.

1.3 Who implements the Policy

The investment departments of the ENTITIES shall carry out the engagement activities described, for the benefit of the investment vehicles and portfolios under management, in accordance with the provisions of the Engagement Plan.

The Engagement and Sustainable Investment Committee shall draw up the Engagement Plan on an annual basis. It will assess the progress made on the objectives set for the previous financial year, outlining the engagement strategies and prioritising the engagement activities for the year.

The RCU shall draw up the Annual Engagement Report based on the information provided by the investment departments, as well as monitor compliance with this procedure.

The General Managers shall ensure that the ENTITIES comply with the provisions of this Policy.

The management bodies of the ENTITIES are ultimately responsible for ensuring that the guidelines set out in the Policy are effectively implemented.

1.4 Who this Policy is for

The procedure is intended for the staff of the Investment Management Department (hereinafter, “IMD”) of LORETO INVERSIONES, which is responsible for carrying out the engagement activities set out in the Policy for the benefit of the investment funds and discretionary portfolios under management. For this purpose, the guidelines set by the Engagement and Sustainable Investment Committee, led by the head of the IMD, will be followed. The IMD shall provide the RCU with information on the engagement activities carried out during the financial year.

Moreover, this Policy is intended for the staff of the Investment Department (hereinafter, “INVD”) of LORETO MUTUA, which is responsible for carrying out engagement activities for the benefit of LORETO MUTUA. These activities include, where appropriate, exercising the share voting rights of the portfolios managed by LORETO INVERSIONES, in accordance with the provisions of the discretionary management agreements.

Engagement activities will follow the guidelines of the Engagement and Sustainable Investment Committee, of which the INVD is a member. The INVD will provide information to the RCU on the engagement activities carried out.

This Policy also applies to the General Manager of LORETO INVERSIONES, as well as to the risk management units of LORETO MUTUA and LORETO INVERSIONES, which shall be part of the Engagement and Sustainable Investment Committee. To this end, they will collaborate to establish the general guidelines for engagement and the prioritisation of engagement activities.

Lastly, this Policy is intended for the RCU staff, which shall be part of the Engagement and Sustainable Investment Committee and is responsible for drawing up the Annual Engagement Report to be published on the LORETO MUTUA and LORETO INVERSIONES websites.

This document is available to all LORETO MUTUA and LORETO INVERSIONES employees on the intranet and on the document manager, respectively. The RCU will update the published version, provided that the changes to the Policy have been approved by the management bodies of LORETO MUTUA and LORETO INVERSIONES, and also publish it on the ENTITIES' websites.

The RCU will notify anyone subject to the Policy of any changes, once approved by the management bodies.

2. SCOPE

The Policy applies to investments in shares of companies with registered offices in a Member State, listed on a regulated market located or operating in the European Union (hereinafter, "LISTED COMPANIES"), made by LORETO INVERSIONES for the managed investment funds, within the framework of discretionary and individualised portfolio management. This portfolio management includes the delegated management of the LORETO MUTUA pension fund portfolios as well as part of the MPS portfolio. Hereinafter, these will be referred to as the MANAGED PORTFOLIOS AND FUNDS.

In addition, the Policy applies to investments in LISTED COMPANIES made by LORETO MUTUA for its own investment portfolio ("MUTUAL SOCIETY PORTFOLIO").

This Policy is intended for group-wide application, with the aim of unifying the ENTITIES' position vis-à-vis the LISTED COMPANIES. Any possible conflicts of interest that may arise in the engagement activities will be taken into account, so that they are always carried out in the best interests of the MANAGED PORTFOLIOS AND FUNDS, as well as of the MUTUAL SOCIETY PORTFOLIO.

3. ENGAGEMENT ACTIVITIES

Engagement activities comprise the following areas of action:

- The exercise of rights attached to the shares of the LISTED COMPANIES, in particular the exercise of voting rights;
- Monitoring of LISTED COMPANIES in which investments are made;
- Dialogue with LISTED COMPANIES;
- Communication and cooperation with other shareholders of LISTED COMPANIES;
- Managing potential conflicts of interest arising from engagement activities.

The engagement activities, except for the exercise of rights attached to shares, shall be carried out by LORETO INVERSIONES in connection with the investments made in the LISTED COMPANIES for the benefit of the MANAGED PORTFOLIOS AND FUNDS. LORETO MUTUA will play a lesser role in the engagement activities, insofar as LORETO MUTUA's investments in LISTED COMPANIES are made within the framework of the discretionary management mandate signed with LORETO INVERSIONES.

By virtue of the above, the LORETO INVERSIONES IMD is primarily responsible for the implementation of the engagement activities set out in this Policy, without prejudice to LORETO MUTUA's responsibility regarding the exercise of rights attached to shares belonging to the MANAGED PORTFOLIOS, in accordance with the provisions of the discretionary management agreements.

3.1 Exercise of voting rights

3.1.1 Investment funds

LORETO INVERSIONES is responsible for exercising the rights attached to the securities of the investment fund portfolios. SGIIC has a Procedures Manual for the exercise of rights, distinguishing between economic and political rights.

Economic rights

- (i) Scrip dividends: the default decision will be to subscribe to the new shares. Any decision to the contrary must be approved by the IMD.
- (ii) Takeover bids, swaps, voluntary redemptions and others: as a general rule, the short-term economic benefit to the investment funds will be maximised, unless the price offered in the relevant transaction is deemed to be substantially lower than the current market value or what could reasonably be expected in the medium term. In the latter case, the decision will be taken by the IMD.

Political rights

In the event that (i) the issuer is a Spanish company, (ii) the holding is held with a view to stability, this being understood to be the case when the holding has been held for at least one year, unless the intention is to sell or there is an obligation to transfer it in the short term, and (iii) the aggregate holding of all the managed investment funds exceeds 1% of the capital or voting rights, the guidelines set out below shall be followed.

As a general rule, the right to attend and vote at shareholders' meetings shall be delegated to the Chairman of the Board of Directors of the company in which the investment is held, without indicating how to vote. However, when the IMD considers it necessary to properly defend the interests of the unitholders, they shall attend the general meetings and vote exclusively for the benefit of the unitholders or, alternatively, delegate their vote to the company's Board of Directors, expressly indicating how to vote. In this case, if it is decided to go to the general meetings, the direction of the vote shall be approved by the IMD. In those cases where a premium is payable to attend the general meeting, the right to attend and vote shall be exercised.

The guidelines set out in the two preceding paragraphs for the exercise of political rights in Spanish companies, as set out in SGIIC's Procedures Manual for the exercise of rights, shall also be followed for the exercise of voting rights in companies with registered office in a Member State, listed on a regulated market located or operating in the European Union.

3.1.2 Managed portfolios

In the case of MANAGED PORTFOLIOS, SGIIC shall comply with the provisions of the agreement signed. If the exercise of rights is delegated, the terms and conditions governing this delegation of rights will be followed.

3.1.3 Own portfolio

To exercise the rights attached to the shares of the LISTED COMPANIES in the MUTUAL SOCIETY PORTFOLIO, MPS shall follow the guidelines set out in section 3.1.1, understanding that the functions attributed to the IMD correspond to LORETO MUTUA's INVD.

3.2 Monitoring of companies

Monitoring of the LISTED COMPANIES includes, inter alia, the following aspects:

- Financial performance;
- Non-financial performance;
- Risks;
- Capital structure;
- Social and environmental impact;
- Corporate governance.

The IMD makes investment decisions taking into account the investment strategy and the long-term positioning set by the Investment Committee, taking into account the issuer's cash generation potential, its indebtedness, the expected return on investment and the risk-return trade-off. The managers monitor investments on an ongoing basis, both prior to investment and during the term of the portfolio.

To carry out its functions, the IMD relies on the information provider Bloomberg, as well as on external financial analysis services from different providers, covering macro and microeconomic market aspects, real-time news, as well as fundamental and technical analysis of the LISTED COMPANIES.

With regard to non-financial aspects, the IMD is committed to the most relevant environmental, social and corporate governance (ESG) issues, which are taken into account in investment decisions. In this respect, the IMD integrates sustainability risks by having a policy of integrating these risks into the investment decision-making process.

The IMD does not take adverse impacts on sustainability factors into account, as a result of the current lack of a procedure for the analysis of reliable and available information that would allow a rigorous quantification of the foreseeable and real impact of investment decisions on environmental, social, human rights, anti-corruption and anti-bribery issues. Nevertheless, it is the intention of LORETO INVERSIONES to consider the adverse effects of investment decisions, once the processes, procedures and metrics affecting investment management in this regard have been clarified.

3.3 Dialogue with companies

When it is considered to be in the interest of the MANAGED PORTFOLIOS AND FUNDS, collaboration with the LISTED COMPANIES invested in will focus on long-term sustainable management, without ruling out the contribution to financial performance. Companies will be contacted directly when aspects to be improved in their management are detected.

Possible actions may include writing to companies to raise concerns, requesting clarification on matters on the agenda of general shareholders' meetings, or submitting proposals at the meetings, without ruling out any other means deemed appropriate in each case.

3.4 Communication with other shareholders

In certain circumstances, while always remaining independent, working in collaboration with other investors can be considered a very effective means of participation to maximise the impact of the LORETO MUTUA Group's initiatives to promote changes in the companies' performance. In this respect, the Group participates in various formal and informal investor organisations, both nationally and internationally, which provide access to other investors.

3.5 Managing conflicts of interest

LORETO INVERSIONES and LORETO MUTUA have procedures in place to manage possible conflicts of interest and to avoid any possible prejudice to clients. These procedures are fully applicable to any engagement actions carried out.

Where engagement activities may give rise to conflicts of interest, in particular where entities of the same group are involved, the potential conflicts shall be analysed in order to verify that the engagement activities are not detrimental to the interests of the MANAGED PORTFOLIOS AND INVESTMENT FUNDS.

In any case, as regards voting rights, LORETO INVERSIONES is independent of its parent company and exercises the rights attached the securities of the INVESTMENT FUNDS and, where applicable, of the MANAGED PORTFOLIOS, in accordance with the provisions of the discretionary management agreements, through the IMD, which will not accept direct or indirect instructions from LORETO MUTUA on how to vote.

LORETO MUTUA will abstain from participating in voting or engagement activities where there is a conflict of interest.

4. ORGANISATIONAL STRUCTURE AND SCOPE OF ENGAGEMENT ACTIVITIES

4.1 Scope of engagement activities

In order to optimise the engagement activities to be carried out by the ENTITIES, the most relevant and impactful for the LISTED COMPANIES will be selected, contributing to the creation of value for the MANAGED PORTFOLIOS AND FUNDS. To this end, the volume of investments held in LISTED COMPANIES may be taken into account, so that engagement initiatives are focused on activities where the impact is considered likely to be real.

4.2 Engagement and Sustainable Investment Committee

The Engagement and Sustainable Investment Committee (hereinafter, “ESIC”), the composition of which is described in the Sustainability Policy, will define the engagement activities.

The ESIC shall establish, on an annual basis, an engagement plan (“Engagement Plan”) identifying the engagement strategies and selecting the most relevant engagement activities that will have the greatest real impact on the performance of the LISTED COMPANIES. The Plan will review the progress on the objectives set in the previous year and prioritise the activities to be carried out in the following year.

4.3 Implementing engagement activities

The IMD of LORETO INVERSIONES is responsible for carrying out the engagement activities for the benefit of the INVESTMENT FUNDS and MANAGED PORTFOLIOS. LORETO MUTUA’s INVD shall carry out the engagement activities in the best interests of the MUTUAL SOCIETY PORTFOLIO, as well as, where appropriate, exercise the rights attached to the securities of the MANAGED PORTFOLIOS, in accordance with the provisions of the discretionary portfolio management agreements.

The engagement activities will be implemented in accordance with the guidelines established in the Engagement Plan.

5. TRANSPARENCY

On an annual basis, LORETO INVERSIONES and LORETO MUTUA will publish on their websites a report (“Annual Engagement Report”) disclosing how the Engagement Policy has been applied to clients, investors, markets and any stakeholders, including, in particular, the following information:

- (i) A general description of the exercise of voting rights;
- (ii) An explanation of the most important votes;
- (iii) Procurement of the services of proxy advisers, if any;
- (iv) The direction of the vote in the general meetings of the LISTED COMPANIES in which they have participated, although insignificant votes may be excluded on account of their purpose or the small size of the shareholding in the company.

In the event that voting rights have not been exercised at the general shareholders’ meetings of LISTED COMPANIES because the shareholding threshold established in this Policy has not been reached, this fact will be included in the Report.

In addition to the above information, a description of any other relevant engagement activities may be included.

The Annual Engagement Report will be prepared by the RCU, based on the information provided by the investment departments of LORETO INVERSIONES and LORETO MUTUA in relation to the engagement activities carried out during the financial year.

The first Annual Engagement Report will be published in 2023 and will cover engagement activities in 2022.

6. REPORTING OBLIGATIONS ON THE INVESTMENT STRATEGY OF THE INSURANCE ENTITIES AND OCCUPATIONAL PENSION FUNDS

Insurance entities must publicly disclose information regarding how their investment strategy in companies whose shares are admitted to trading on a regulated market located or operating in a Member State is consistent with the profile and duration of their liabilities, particularly their long-term liabilities, and how they contribute to the medium to long-term performance of their assets.

The supervisory committee of an occupational pension fund shall also be subject to the above obligation.

LORETO MUTUA and LORETO INVERSIONES will include the following information in relation to the insurance entity and the occupational pension fund in the Annual Engagement Report (addressed in section 5):

- (i) How its investment strategy and its implementation are consistent with the management agreements and contribute to the medium to long-term performance of the assets, and how the investment strategy is suited to the profile and duration of the liabilities;
- (ii) Description of the main medium and long-term risks associated with the investments, the composition of the portfolio, portfolio turnover and associated costs, as well as the engagement activities undertaken to improve its medium and long-term performance and its securities lending policy;
- (iii) Information on whether and how investment decisions have been made by LORETO INVERSIONES based on the assessment of the medium and long-term performance of investee companies, including non-financial performance, as well as whether and how conflicts of interest have arisen in relation to the engagement activities and, if so, which conflicts and how they have been resolved.

7. POLICY COMPLIANCE OBLIGATIONS

7.1 Duties of the General Managers

The General Manager of LORETO MUTUA has the following obligations:

- a) Approving, along with the General Manager of LORETO INVERSIONES, the Engagement Policy of the LORETO MUTUA Group;
- b) Ensuring compliance with the provisions of the Engagement Policy at LORETO MUTUA.

The General Manager of LORETO INVERSIONES has the following obligations:

- a) Approving, along with the General Manager of LORETO MUTUA, the Engagement Policy of the LORETO MUTUA Group;
- b) Ensuring compliance with the provisions of the Engagement Policy at LORETO INVERSIONES.
- c) Participating in the ESIC.

7.2 Duties of the Engagement and Sustainable Investment Committee

The ESIC has the following obligations:

- a) Setting annual engagement strategies, choosing the most relevant and impactful activities;
- b) Reviewing progress on the engagement goals set in the previous financial year;
- c) Drawing up the annual Engagement Plan.

7.3 Duties of the Investment Management Department

The IMD of LORETO INVERSIONES has the following obligations:

- a) Carrying out the engagement activities, as set out in this Policy and in accordance with the guidelines of the Engagement Plan, for the benefit of the MANAGED PORTFOLIOS AND INVESTMENT FUNDS;
- b) Running the ESIC;
- c) Providing the RCU with information on the engagement activities carried out during the financial year;
- d) Providing the RCU with information on the investment strategy of the insurance entity and the occupational pension fund.

7.4 Duties of the Investment Department

The INVD of LORETO MUTUA has the following obligations:

- a) Carrying out the engagement activities, as set out in this Policy and in accordance with the guidelines of the Engagement Plan, for the benefit of the MUTUAL SOCIETY PORTFOLIO;
- b) Exercising, where applicable, the voting rights associated with the MANAGED PORTFOLIOS, in accordance with the provisions of the discretionary portfolio management agreements;
- c) Participating in the ESIC;
- d) Providing the RCU with information on the engagement activities carried out during the financial year;
- e) Providing the RCU with information on the insurance entity's investment strategy.

7.5 Duties of the risk management units

The risk management units of LORETO MUTUA and LORETO INVERSIONES have the following obligation:

- a) Participating in the ESIC.

7.6 Duties of the management bodies

The management bodies of LORETO MUTUA and LORETO INVERSIONES have the following obligation:

- a) Ratifying the Engagement Policy approved by the General Managers and approving subsequent updates.

7.7 Duties of the RCU

The RCU must carry out the following tasks:

- a) Submitting the Policy to the management bodies of LORETO MUTUA and LORETO INVERSIONES for approval;
- b) Updating the Policy in the light of regulatory changes, whenever new measures are required and upon proposal of the Supervisory Authorities and the Internal Audit, and submitting it to the management bodies for approval;
- c) Giving anyone affected by the procedure notice of the Policy and any changes to it, once approved by the management bodies;
- d) Keeping the Policy up to date on the LORETO MUTUA intranet and the LORETO INVERSIONES document manager;
- e) Ensuring that the Engagement Policy and any subsequent updates get published on the LORETO MUTUA and LORETO INVERSIONES websites;
- f) Drawing up the Annual Engagement Report based on the information provided by the investment departments of LORETO INVERSIONES and LORETO MUTUA;
- g) Ensuring that the Annual Engagement Report gets published on the LORETO MUTUA and LORETO INVERSIONES websites;
- h) Bringing any non-compliance detected in relation to the Policy to the attention of the management bodies and, where appropriate, proposing measures to be adopted;
- i) Participating in the ESIC.