



Sustainability Policy

Sustainable Principles and ESG Risk Integration

TR3A Asset
Management

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Message from the Executive President

As asset management companies committed to creating sustainable value, TREA ASSET MANAGEMENT SGIIC, S.A. and TREA PENSIONES EGFP, S.A. (with its incorporation to Trea's Group in December 2020) ("**Trea**" or "**Management Company**") constantly review their positioning and procedures related to risks and corporate governance regarding sustainability. Therefore, Trea has reformulated the policy it has been applying for several years in order to specify its sustainability corporate governance and its positioning on voting procedures and engagement with invested companies, with the aim of safeguarding certain critical issues that ensure the good financial performance and excellent reputation of those companies. In this sense, the Management Company considers the environmental, social and corporate governance criteria ("**ESG**") as integrated in the risk management strategy.

Trea will continue to work for contributing to a system that is economically efficient and financially sustainable on a global level, by creating long-term value for all the stakeholders. The purpose is to reward our clients' investments on the long run and to benefit the environment, the real economy and society as a whole.

This new Sustainability Policy has been adopted in order to widen understanding of our positioning on ESG issues, our internal procedures and our commitment to transparency.

With kind regards,

Carlos Tusquets

Executive President

The Board of Directors of Trea Asset Management SGIIC, SAU (**TREA** or the “**Entity**”), by means of this Policy, aims to formulate the Entity’s commitment to an efficient and accountable model for action.

This Policy contains the acting Principles and core strategy of the Entity with regard to sustainable investments, as well as its ESG risk management.

1. Positioning

TREA considers that integrating environmental, social and corporate governance criteria into investing is a necessary step in order to incorporate to the company the promotion of best practices of society as a whole, and the financial sector in particular.

We believe that a system that is economically efficient and financially sustainable on a global level is a precondition for the creation of long-term value for all the stakeholders. Such a system will reward investors on the long run and will benefit the environment, the real economy and society as a whole.

We signed up to the United Nations Principles for Responsible Investment (**PRI** or the **Principles**) in 2019, as the culmination of the respect for good practices we have long been applying. With PRI, we contribute to developing a more sustainable global financial system. We commit ourselves to:

1. Integrate ESG principles in our research and investment decision making processes.
2. Be active owners and integrate ESG criteria in our policies and voting practices.
3. Foster transparency in the ESG information provided by the companies we invest in.
4. Promote acceptance and application of the Principles (PRI) within the investment sector.
5. Work together with other signatories in order to improve our efficiency on the application of the Principles.
6. Report our activity and progress as we apply the Principles.

PRI integration and the subsequent assessment of ESG matters within the

investment processes occurs at the Entity in a gradual and steady manner. This way, we can secure the steps already taken and anticipate any regulatory changes.

As an independent management company, we can fulfil management mandates both by integrating ESG risks and through different sustainable investment strategies, as far as they are consistent with the spirit of this Policy.

Besides, TREA's aim is the integration of sustainability at an internal level with its employees, as well as with all its stakeholders. To this end, we have an Ethics Code and an Anti-Corruption Policy in place.

Finally, the sustainability strategy at TREA is aligned with the 2030 Agenda and the Sustainable Development Goals ("SDG") of the United Nations.

TREA has identified three (3) SDG as the ones it contributes most through its activity:

- SDG 4: Quality education
- SDG 8: Decent work and economic growth
- SDG 17: Partnerships for the Goals

2. Corporate Governance

The Board of Directors of TREA is responsible for approving the Policy and its subsequent updates. Therefore, the ultimate responsibility for the continuous updating and proper fulfilment of this document lies with the Entity's Board of Directors.

The workflows involve the Senior Management in the ESG corporate governance model.

A 2-level workflow has been designed:

- Sustainability Committee: This is the discussion forum for sustainability matters. It is responsible for the periodical assessment of sustainable practices at TREA and the fulfilment of the management mandates received, as well as establishing the guidelines to be applied in the ESG risk strategy and sustainable strategies (master plan); and
- Sustainability Team: this is the team in charge of implementing the master plan with regard to sustainability.

Annex 2 contains a description of the composition, roles and reporting of the Sustainability Committee and the Sustainability Team.

Regarding monitoring and follow-up of compliance with this Policy, TREA has the technical means, information tools and human resources necessary to comply with the criteria set in the Policy. The fulfilment of this Policy and its related procedures will be assessed by the relevant Control areas (Legal Compliance, Risks and Internal Audit).

The Sustainability Policy is aligned and consistent with the Remuneration Policy, as the risk approach of the latter also includes regulatory and sustainability risks.

3. Integration of sustainability in TREA investments

3.1 Integration of ESG criteria

At TREA, we consider that integrating ESG criteria in the investment processes represents an opportunity to supplement our fundamental financial research in order to deepen our knowledge of our investment universe. By obtaining more information from the companies, we exponentially increase our possibilities of improving investment decisions and mitigating associated risks. Expanding our research in order to include ESG factors is a natural development in our investment process, while we keep our goal of achieving risk-adjusted returns through our comprehensive fundamental research. ESG framework is, therefore, an additional tool which will help us achieve our performance goals.

At TREA, we integrate the ESG criteria systematically in our investment processes, and incorporate them in the decision making process together with conventional financial criteria. The integration of sustainability risks helps inform due diligence processes and portfolio building and control.

Management teams will use different approaches to the integration of ESG criteria in the investment process, depending on the asset class, market and product. Other relevant elements considered are the client's goals, the investment style, the sector and the market tendencies.

Notwithstanding the general principles set by this Policy, the specific ESG features

will depend on the management mandate and investment policy applicable to each fund (the ESG investment strategies, i.e. best-in-class, best-efforts, etc., are detailed in Annex 1 to this Policy). This way, the criteria agreed for each management mandate received will be applied in a way that is consistent with TREA's criteria, as well as capable of supplementing the goal and purpose sought. These criteria may be set under different meanings and may be based in measures that help alignment with ESG matters by the invested companies, e.g. policy and management system transparency, scarcity of controversy, engagement, etc.

TREA has specific information tools for the identification of risks and opportunities within portfolios and takes decisions related to ESG, making great or little use of this information in the same way as it does with regard to any other financial risks. TREA's internal procedures for the integration of ESG risks establish that, if the data exist, the information provided by the tool shall be taken into account. When the information is not easily accessible due to the current status of technical and regulatory aspects (as it occurs with our private market strategy), ESG information will be integrated through specific ESG questionnaires and active dialogue.

3.2 Exclusion

Exclusion criteria:

TREA's investment strategy excludes companies that are engaged in any activities related to the following sectors:

- Gambling, casinos and similar, with the following exceptions: charitable sport betting and recreation games or bets in established social or family uses, provided that they are not lucratively exploited by the players or by third parties, or that have little economic and social significance.
- Adult entertainment.
- Controversial weapons: Land mines, cluster bombs, chemical and biological weapons.
- Tobacco, except for companies which derive less than 50 per cent of their income from tobacco distribution.
- Companies whose core activity (more than 50 per cent of their income) derives from coal mining.

Additionally, it is excluded the investment in:

- Companies that are embroiled in child exploitation and terrorist financing situations; and
- Companies whose registered address is located in a jurisdiction of the EU list of non-cooperative jurisdictions for tax purposes.

3.3 Stewardship: active dialogue and voting

In order to promote an adequate corporate governance and to include corporate practices that are sustainable in the long run, TREA pursues interaction with relevantly invested companies with the aim of fostering a proper ESG risk management. Therefore, TREA promotes an active dialogue with institutional clients and invested companies.

As an integral part of TREA's commitment to responsible management, the Entity has a separate policy in place which regulates voting rights exercise and active dialogue mechanisms vis-à-vis the companies it invests in.

3.4 Control

TREA's internal procedures include specific controls regarding compliance with matters related to ESG risk integration. On a quarterly basis, the management team reports on this issue to the Sustainability Committee. Subsequently, the Board of Directors is informed too.

Procedures are revised by the different control areas according to their responsibilities.

3.5. Reporting and transparency

TREA reports on ESG matters through different means: (i) PRI Annual Report; (ii) Report to clients based on a mandate; (iii) commercial presentations; (iv) Due Diligence questionnaires for investors; (v) Annual Report; and (vi) corporate web site.

In all of them, TREA aims to carry out transparent communication and field of the processes carried out in the company with the objective of communicating to clients, interest groups and society in general the practices linked to the company's

sustainable products, thus avoiding “greenwashing”.

We define greenwashing as the materialization of a practice by which uncertain and/or exaggerated information is revealed regarding matters linked to sustainability, making it appear that certain practices and/or products are more sustainable than they actually are. To prevent this from happening, Trea has different procedures that establish how to monitor that investments comply with the ratios and percentages that have been established in order to comply with the sustainability framework standards set by the regulator and disclose accordingly.

Trea also applies the same processes to avoid “greenbleaching”, a term that defines the hiding of data regarding sustainable products or services to prevent them from being considered as such and, therefore, evade the duty of control and disclosure that entails. TREA uses the same procedures described above to avoid this practice.

4. Internal awareness:

One of TREA’s priorities is awareness and training on ESG matters for all its employees and partners. To this end, TREA has implemented: (i) an internal communication strategy on ESG themes (including regulatory aspects); (ii) a sustainability learning pathway according to the annual Training Plan; (iii) the inclusion of sustainability objectives in assessment aspects of human resources; and (iv) engagement in forums.

5. ~~Adverse Impacts~~Statement regarding the main adverse impacts of investment decisions on sustainability factors”

Taking into account the size, nature and scale of the activities carried out by the Company, as well as the robustness of the internal procedures for integrating sustainability risks in investment decisions, as of the date of this Policy, TREA declares that it does not take into account, specifically at the entity level, the adverse incidents of investment decisions on sustainability factors as defined in Disclosure Regulation 2019/2088.

However, the consideration of said adverse incidents may be subject to development in the event that the company's circumstances change.

Annex 1

Definitions of terms

As a general rule, we evaluate the following ESG aspects:

- **Environmental:** Actions taken by the companies for climate change mitigation, adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution, and recovery of biodiversity and ecosystems.
- **Social:** Companies' exposure and actions with regard to respect of human rights, labour relations, prevention, health and safety, supply chain, diversity within the firm or relations with the community.
- **Corporate governance:** Companies' exposure and actions with regard to the composition and procedures of their governing body, reporting model and accountability, remuneration practices or criminal compliance (bribery, corruption).

Investment strategies

The investment strategies applicable to socially responsible investing are as follows:

- **Best-efforts (improvers):** This strategy selects those companies that show the best evolution of ESG ratings. Therefore, this approach rewards companies and issuers that are making the utmost effort to improve their sustainability, even when they do not have a high ESG rating at the time of the investment.
- **Best-in-class:** This approach selects, within **each sector**, the best rated companies in terms of ESG. Therefore, it performs a positive discrimination.
- **Best-in-universe:** This approach selects, within the entire universe of investable companies (whatever the sector), the best rated ones in terms of ESG.
- **Thematic sustainable investing:** This strategy invests in companies or activities that are aligned with a sustainable development, either environmental or social.
- **SDG-linked investing:** The SDG-based strategy consists of investing in activities that make a direct contribution to the achievement of SDG, being such contribution measurable.

- **Impact investing:** The objective of this strategy is to generate, on the one hand, a positive social or environmental impact and, on the other hand, financial returns.

The following tools supplement ESG-based management:

- **Exclusion:** This strategy entails the elimination from the investment universe of companies or issuers that do not comply with sustainability criteria according to certain predetermined rules or values, or that belong to controversial sectors or industries.
- **Stewardship (engagement and proxy voting):** Direct and active dialogue and voting between the investor and its invested companies with a view to generate best ESG practices. Should the dialogue not be fruitful, voting rights are used at general meetings of shareholders.

Annex 2

Sustainability Committee

Members:

The members of the Sustainability Committee will be the ones listed below, although representatives of other areas may be invited occasionally:

- CIO
- COO
- Analyst of Equity Research Senior manager of Fixed Income
- Head of Legal & Compliance
- Head of Business & Sales
- Head of Risks
- Head of Marketing & Communication
- Senior manager of Direct Lending

Meetings:

The Sustainability Committee will meet on a quarterly basis, within the following month after the end of each quarter.

The meeting will be convened by the Head of Legal & Compliance, who will draw the minutes of the proceedings and monitor the progress of any matters agreed.

Reports:

The Sustainability Committee will issue:

- An annual report on sustainability compliance to the Board of Directors of TREA containing the procedure followed for the implementation, management and monitoring of the principles defined in this Policy; and
- Reports on sustainability compliance for every mandate received, with the frequency and contents agreed.

Competencies:

Some of this Committee's competencies are:

1. Assess the alignment of the activities of selected securities with the policies and practices stated in this document.
2. Note any major changes in ESG risks and opportunities within the portfolio. Be informed of any incidents or events related to sustainability in the portfolio assets.
3. Establish the materiality of any controversies, considering the specific features of every investment.
4. Improve the ESG-criteria identification and management processes, assessing any impacts on other internal policies. Monitor and adjustment to the legal frame.
5. Keep this Policy updated, taking into account the different business lines at TREA.
6. Assess the direct or indirect engagement in forums and working groups aimed at promoting dialogue with asset managers and invested companies.
7. Promote the exercise of voting rights linked to equity positions, either for own positions or on behalf of our clients; attend general meetings and vote in favour of PRI.

8. Assist the Investment Committee in the definition of strategic lines and decision making in sustainability matters.
9. Report to the Board of Directors on relevant issues, including control of internal policies and procedures related to ESG.
10. Approve any non-substantial modifications of this Policy.

SUSTAINABILITY TEAM

Members:

The members of the Sustainability Team are one Senior manager of Fixed Income, one analyst of Equity Research, the Head of Risks and the Head of Legal & Compliance.

Competencies:

The Sustainability Team is in charge of defining specific actions in the master plan with regard to sustainability, as well as coordinating the adoption by the Entity, products and processes of any legal requirements, in coordination with the Sustainability Committee and the rest of departments at TREA. It reports directly to the CIO.

Additionally, it is responsible for resolving, in an agile and traceable manner, any concerns that the implementation of this Policy and other sustainability policies may give rise to during the research and investment steps. On a quarterly basis, it will report to the Sustainability Committee on the main issues raised.



