

Engagement Policy

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

January 2021



Expansión - Allfunds Bank 2019 Awards
for Fund Managers
Best Asset Allocation Manager



Conference & Awards 2019
Best European Employment PF Award



Expansión - Allfunds Bank 2020 Awards
Best Solidarity Fund
BBVA Futuro Sostenible ISR, FI

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Introduction

BBVA Asset Management (BBVA AM) is the unit of the BBVA Group that is responsible for the Group's asset management activities, which it does through collective investment institutions and pension fund managers located in various places. It is a global benchmark in the world of asset management, with leading positions in both Spain and Latin America.

In every area of its activity, the BBVA Group is committed to the sustainable future and development of society. In terms of asset management, seeing through on this commitment falls primarily on BBVA AM.

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

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

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

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

Sustainability at BBVA

Responsible Banking

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

The key strategic initiatives of responsible banking are:

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

2025 BBVA commitment: Climate Change and Sustainable Development Strategy

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

BBVA's Climate Change and Sustainable Development strategy is set out in "Commitment 2025", which seeks to align the Group's activity and business with the Paris Climate Accord and with the Sustainable Development Goals, which aim to achieve the gradual decarbonization of the global economy and promote sustainable development. This commitment is based on 3 pillars: finance, management and involvement.

BBVA AM Commitment

In keeping with the strategy of the BBVA Group, in its investments, the Management Company takes into account not only financial factors, but non-financial ones as well (ESG), such as:

Environmental: Associated with potential risks caused by environmental degradation and by the physical and transitional risks of climate change. Some topics include carbon footprint, the depletion of natural resources, the energy transformation and renewable energies.

Social: Associated with employees and other stakeholders who interact with the company. The degree of engagement of issuers with society as a whole. This includes consumer rights, work environment, labor law, fair transition and respect for the communities in which it operates.

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



In 2008, and as the first management company in Spain to sign it; the job pension fund manager Gestión de Previsión y Pensiones, E.G.F.P., S.A. (GPP), part of the BBVA Group, endorsed the United Nations Principles for Responsible Investment (UN-PRI). Since signing the UNPRI, significant advances have been made at GPP with regard to ESG, which have been incorporated into the remaining vehicles managed by BBVA AM.

Engagement policy

When developing its Engagement Policy, the Management Company takes into consideration internationally accepted standards, principles and treaties, including:

- The United Nations Global Compact and Sustainable Development Goals
- The Paris Climate Accord
- The European Union's agreements in the field
- The CNMV's Good Governance Code

Monitoring investments and corporate relations

The Management Company oversees the companies in which it invests to make sure they create long-term value for its investors and stakeholders and act in the interest of shareholders. This supervision involves regular monitoring of various indicators and metrics that not only include economic-financial aspects, but also socio-environmental and corporate governance elements.

Additionally, the Management Company has formalized a transparent process for assessing companies based on ESG criteria that is part of the investment process and that complements traditional financial assessment criteria.

In its search for long-term value creation for its investors, the Management Company is of the opinion that maintaining a relationship with the companies in which it invests that guarantees that its customers' interests will be defended is a very important part of its investment process. This relationship provides a source of information to identify the risks and opportunities facing the company and take them into account in the relevant investment decisions. This relationship and the exercise of voting policy can be used to convey to companies the philosophy and stance of BBVA AM in social, environmental and corporate governance matters, as well as to verify that the standards of the BBVA AM engagement policy are upheld (or, if they are not, to confirm that this is in the best long-term interest of investors and stakeholders).

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

Dialogue and engagement with other shareholders

The Management Company seeks to create long-term value for its investors by improving the quality of the corporate governance of the entities in which they invest, and ensuring that they act in the best interest of their investors. In this regard, when necessary and when it is deemed to be the best option for the vehicles and portfolios that it manages, the Management Company may act in concert with other investors.

Exercising the right to vote

The Management Company exercises its right to attend and vote:

1. On behalf of investment funds, at the General Shareholders' Meetings of most of the companies headquartered in Spain and the main European companies, taking into account, in addition, whether an attendance premium is expected to be received.
2. On behalf of investment companies, pension funds and other vehicles or customers that have delegated voting rights to the Management Company:
 - a. At General Shareholders' Meetings, when the overall position of the investment companies that have delegated the right to vote to the Management Company and of the investment funds managed by this company are at least 1% of that company's capital, provided that it has owned said position for longer than 12 months.
 - b. When the payment of an attendance premium is expected. The Company shall be present when the issuing entity is based in Spain.
 - c. When the Management Company believes that any particular circumstance contained herein warrants it, in spite of the aforementioned provisions.

The right to attend and vote may be exercised directly or by proxy, and in person or via electronic voting.

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

Managing conflicts of interest

When exercising voting rights, the Management Company may have conflicts of interest, especially with BBVA Group entities. To minimize these conflicts, the Management Company has a voting procedure that provides for the existence and management of these conflicts. This procedure prevents conflicts of interest by avoiding the participation of decision-makers outside the Management Company, and it establishes internal mechanisms for segregating voting decisions and reporting conflicts.

In order to guarantee the independence of any voting rights that are exercised, the Management Company will not, under any circumstances, require or accept from BBVA, as its parent entity, or from other companies controlled by it, direct or indirect instructions regarding how to vote. For the purposes of complying with the stipulations in Art. 27.5 of Royal Decree 1362/2007, a "direct instruction" is understood as any instruction given by the parent entity or by another company controlled by it that specifies how the Management Company should exercise the voting rights under its control, and an "indirect instruction" as any general or specific instruction given by the parent entity or by another company controlled by it by any method that seeks to specifically promote its commercial interests by limiting the decision-making ability of the management company when exercising the voting rights under its control.

Annual information

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