

# Latin American Investment Grade ESG Bond

## Social and environmental characteristics

*The Sub-Fund promotes environmental and/or social characteristics within the meaning of article 8 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial sector ("SFDR").*

*The Sub-Fund targets the systematic integration of ESG assessment into investment decisions with the aim of enhancing risk management and investment performance.*

*The Sub-Fund applies ESG assessment criteria at the issuer level, according to Santander Asset Management's ESG analysis methodology, as well as the following Sustainable and Responsible investment strategies (SRI), in order to manage risks and mitigate potential adverse impacts that may impact the fund's profitability:*

- *Exclusion criteria based on the issuer's activity. Activities considered not aligned with the fund's social and environmental characteristics are excluded from the investable universe.*
- *Controversy analysis to identify breaches of internationally recognized norms and standards. Those companies that are involved in controversies considered critical are excluded from the investable universe.*
- *ESG Integration strategy. ESG assessment is combined with financial information and systematically integrated into investment decisions.*
- *ESG target: the sub-fund's aims to beat the ESG performance of its benchmark.*
- *Engagement in line with the social and environmental characteristics of the sub-fund's and with SAM's Engagement Policy.*

## Methodology and monitoring of compliance with social and environmental characteristics

*Santander Asset Management's ESG assessment is a robust process that takes into account different components:*

*- Valuation analysis where the behaviour of issuers is assessed in relation to different environmental, social and governance criteria. This analysis results in an ESG rating for each issuer that is used as a metric to assess their suitability for investment in terms of ESG risks and opportunities.*

*The ESG evaluation is composed of general analysis criteria - common to all sectors - and specific criteria - depending on the sector and activity - covering all relevant ESG factors belonging to the fundamental thematic areas for environmental, social and good governance analysis. Examples of these indicators can be found in the SAM SRI Policy.*

*- Exclusions based on the nature of the activities carried out by the issuers or on the identification of risks through the monitoring of possible controversial issues. Exclusions are based on Santander Group's policies, which apply to different sensitive sectors. Likewise, exclusions for non-compliance with regulations and additional exclusions related the social and environmental characteristics of the product apply.*

*This ESG assessment allows a broader view of the risks and opportunities that assets are exposed to. This analysis seeks to identify those issuers that are best prepared to face the challenges of the future and that,*

*therefore, have policies and management systems with the greatest potential for positive impact on society and the environment and that allow them to anticipate and avoid potential risks associated with these fields.*

*At portfolio level, SAM uses different indicators to measure the social and environmental characteristics of the product, such as the average portfolio ESG score and rating and the portfolio score in the three pillars, environmental, social and governance.*

*Compliance with the investment strategy is monitored monthly by the investment and sustainability committees. In these committees, compliance with the ESG requirements of the products is monitored, controversies identified are presented and discussed in order to reach a consensus on how to proceed, and if it is necessary to exclude from the fund those assets affected by relevant controversies. Likewise, these committees propose individual engagement activities with companies.*

*For more information, please refer to SAM's SRI Policy.*

### **Sources of information**

*Santander Asset Management conducts its ESG assessment based on data provided by external providers, incorporating them into its own assessment methodology, designed internally by SAM's SRI team and based on market references and the main international reference frameworks and standards. Additionally, SAM complements this quantitative analysis with a qualitative analysis based on the public information of the companies and the information gathered in engagement activities.*