

ADVERSE SUSTAINABILITY IMPACTS DUE DILIGENCE POLICY STATEMENT

June 30th 2021



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1. Introduction

1.1 Liberty Mutual's environmental commitments

1. Introduction

Liberty International European Holdings, S.L.U. (“**LIEH**” or the “Company”) is the holding company of the European Liberty Mutual Subgroup. The Company’s ultimate parent company is Liberty Mutual Holding Company Inc., domiciled in Massachusetts, United States of America.

At the Liberty Mutual Group, environmental, social and corporate governance (ESG) issues - such as employee engagement, responsible business practices and climate change - are not only closely linked to the purpose of the organization but are also of crucial importance to the success of the business. Liberty Mutual is committed to evolving towards a sustainable economy in accordance with the Sustainable Development Goals.

These commitments, which Liberty Mutual embraces, nurture the entire organisation and its subsidiaries. In this case, they will guide the activity of LIEH as its subsidiaries, including Liberty Seguros, Compañía de seguros y Reaseguros, S.A. (Liberty Seguros).



1.1. Environmental commitments

- The Group's fundamental principle is that **progress happens when people feel secure**. This principle is underpinned by the conviction that insurance is a socially responsible product that provides security for people and businesses.
- Liberty's commitment to society, environmentally sound decision-making and upholding the highest standards of corporate governance is an essential part of what has defined us for more than 100 years.
- Last year, five Climate Aspirations were established to guide Liberty Mutual's low-carbon program and energy transition*, and to give entities a concrete roadmap for adapting and implementing them in their operations. For Liberty Mutual, being value-driven means proactively adopting climate strategies that emanate from Liberty Mutual's purpose **helping people to embrace the present and look confidently to tomorrow**.

*Liberty Mutual's Aspirations serve as a guide for the entire American group included its subsidiary companies.



Liberty Mutual's climate aspirations

Aspiration 1: We are committed to transitioning to a low-carbon economy and are undertaking activities that will help inform our climate strategies.

Aspiration 2: We are building capabilities to help us monitor and measure the progress of our transition journey.

Aspiration 3: We support the development of responsible investment and underwriting guidelines that will enable our climate journey while supporting businesses in traditionally high-impact sectors that are committed to transitioning to a low-carbon economy.

Aspiration 4: We aim to support innovation that can significantly impact the pace and design of the transition to a low-carbon economy.

Aspiration 5: We favor a '3-Rs' strategy for our operations' low-carbon transition roadmaps with preference being given to i) reducing our emissions through improved efficiency, followed by ii) investing in renewable/alternative technologies and businesses and finally, iii) buying RECs (renewable energy credits) and offsets.



2. European legislation on adverse impacts



2. Adverse impact regulation

Article 4 of the **Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR)** establishes the following obligations for LIEH as a participant in the financial markets:

- Publish and maintain on its website, if it considers major **adverse impacts of investment decisions on sustainability factors**, a statement of its due diligence policies in relation to such adverse impacts, taking into account its size, nature and the scale of its activities.
- The **minimum content** of such a declaration shall be as follows:
 - a) information on its policies for the identification and prioritisation of key adverse sustainability impacts and key sustainability indicators;
 - b) a description of the main adverse sustainability impacts and any action taken in relation to these, where relevant, planned;
 - c) brief summaries of engagement policies;
 - d) reference to their adherence to responsible business codes of conduct and internationally recognised standards of due diligence and reporting and, where relevant, their level of alignment with the long-term objectives of the Paris Agreement.

Bearing in mind that the Regulatory Technical Standards (RTS) that develop the above-mentioned Regulation are not yet final and that the information available on this matter is still limited, the content of this statement corresponds to the best interpretation and practical possibilities of the principles set out above.



3. Transparency on adverse impacts

3.1 Information on policies regarding sustainability

3.2 Example of investment decisions

3.3 Engagement policies

3.4 Reference to internationally recognised standards for due diligence and reporting



3.1 Information on policies regarding sustainability

The LIEH and Liberty Seguros framework for sustainable investment is based on the incorporation of **environmental, social and corporate governance factors (ESG criteria)**, in addition to traditional financial criteria, in investment decision-making.

ESG factors can be defined as:

- **Environmental:** those factors related to the quality and functioning of the environment and natural systems, such as air, water and soil quality, carbon and climate, ecology and biodiversity, CO2 emissions and climate change, energy efficiency, natural resource scarcity and waste management.
- **Social:** those factors related to the rights, welfare and interests of people and communities.
- **Corporate governance:** those factors related to the good governance of investee companies and other entities, such as board independence and oversight, best practices and transparency, remuneration of senior management, shareholder rights, management structure, anti-corruption and insider trading measures.

For Liberty Group, the integration of ESG criteria throughout our entity and its subsidiaries means a sustainable mindset in both our businesses and our employees. To build sustainable business strategies, we imagine the world of tomorrow in order to assess what we must do today to help make that world a reality by viewing ESG criteria as an opportunity. This allows us to embrace change and seek innovative solutions that will help build a more sustainable world tomorrow.

Liberty Mutual ESG principles



Principle 1:

We view ESG as integral to our company's purpose.

We believe that ESG is integral to our company's purpose and we strive to foster a sustainability mindset across our global enterprise. Our company Values are at the core of all that we do; they inform and drive our sustainability activities and programs.



Principle 2:

We strive to balance different stakeholder needs to deliver results.

Our approach to ESG seeks to balance the interests of our key stakeholders – customers, employees, investors, regulators and the community – while maintaining our financial strength so that we can deliver on our purpose and promises.



Principle 3:

We view ESG as an opportunity.

We believe that ESG ultimately creates strategic opportunities for our company, in spite of short-term challenges to our operations and business.



Principle 4:

Our ESG journey is informed by research, data and outcomes.

Our views and approach to material ESG topics are evidence-based and are informed by the availability of credible data, ESG research findings and outcomes. We are committed to transparency and work to measure, quantify and report the outcomes of our ESG activities and decisions.



Principle 5:

We strive to develop a consistent approach to ESG across the enterprise.

While we seek to align our activities across all dimensions of our global enterprise – including operations, underwriting and investment – our program is flexible and accommodates differences in business demands and regional expectations.

*The Principles embraced by Liberty Mutual as the Group's parent company inform the entire organization and all its subsidiary companies



3.1 Information on policies regarding sustainability



For Liberty Group, integrating **ESG criteria** throughout our organization means instilling a sustainable mindset in both our businesses and our employees. To build sustainable business strategies, we imagine the world of tomorrow in order to assess what we need to do today to help make that world a reality by viewing ESG as an opportunity. This allows us to embrace change and look for innovative solutions that help build a more sustainable world tomorrow.



LIEH's Investment Risk Policy 2020 establishes that the existing Investment Guidelines -with which the Investment Policies of the subsidiaries must be aligned- will take into account, among others, the characteristics of the assets in which investments are made, considering sustainability, in addition to the usual aspects such as the credit quality of the counterparties, liquidity, etc. Liberty Seguros currently has an investment policy that includes the same fundamentals.



Liberty has a process in place to regularly review and update its policies. In this regard, **LIEH's and Liberty Seguros Remuneration Policies** include ESG statements. This review will, among other things, promote the inclusion of information on the integration of sustainability risks and impacts. Both companies will commit to include a sustainability risk approach in its strategy in order to achieve among other things greater transparency on remuneration policies that promote sound and effective risk management with respect to sustainability risks. In any case, the remuneration structure shall not encourage excessive risk-taking with respect to sustainability risks and shall be linked to risk-adjusted performance.



3.2 Compliance with article 4.2 b SFDR

In **Spain**, Liberty Seguros is the promoter of three individual pension funds. The investment policy of these funds is based on the monitoring of the benchmark indices presented below, which encourage and include ESG considerations and principles in their investment policies:

- For equities, the benchmark is the MSCI All Countries ESG Focus index, which maximizes exposure to positive ESG factors and excludes tobacco and arms.
- For fixed income, the Bloomberg Barclays MSCI Euro Corporate 0-3 Sustainable SRI TR index applies ESG screening filters with responsible investment principles. Liberty Seguros also has an occupational pension fund in Spain for its employees.

The management entity of the above-mentioned pension funds, **FINECO**, also takes sustainability risks into consideration in its decision making process.

- Thus, the Fineco Group entities have a Sustainability Risk Integration Policy that is also applicable to the investment vehicles managed by them. The Fineco Group, in addition to financial criteria, generally applies non-financial criteria related to environmental, social and governance (ESG) aspects in the investment selection process and in making investment decisions.
- As part of its commitment, the Fineco Group takes into account the main adverse impacts that its investment decisions may have on sustainability factors.



3.3 LIEH & Liberty Seguros integration policies

Remuneration Policy

LIEH's and Liberty Seguros remuneration policy promotes the inclusion of information on the integration of sustainability risks and impacts. The Companies is are committed to include a sustainability risk approach in its strategy in order to achieve greater transparency on remuneration policy that promotes sound and effective risk management with respect to sustainability risks.

Further initiatives are being developed, including those **being reviewed** within the policies, where the integration of sustainability into decision-making processes is taken into account.

Therefore, LIEH and its subsidiaries take **sustainability** into consideration among the characteristics of the assets to be invested in.



Investment Risk Policy

Currently, the **LIEH and Liberty Seguros Investment Risk Policies** states that the existing Investment Guidelines (IMA) - with which the Investment Policies of the subsidiaries must be aligned - will consider, among others, the characteristics of the assets invested in considering sustainability, in addition to the usual aspects such as the credit quality of the counterparties; liquidity; etc....



Policies* under revision to include revised to include sustainability issues

- ORSA Policy
- Risk Appetite Statement
- Risk Management Framework

* Non-exhaustive list of policies under review process



3.4 Reference to internationally due diligence recognized standards

PRI



Liberty Mutual* has announced that it has become a signatory to the United Nations-backed **Principles for Responsible Investment (PRI)**. Liberty Mutual is the first US property and casualty (P&C) insurer to join the leading international network of institutional investors committed to including ESG factors in their investment decision-making.

The objective of the PRI is to understand the implications of sustainability for investors and to support signatories in incorporating ESG factors into their investment decision-making and ownership practices. As a signatory, Liberty Mutual is committed to incorporating the PRI's six Principles for Responsible Investment, which offer a range of possible actions to introduce ESG factors into investment practice. The decision to join the PRI underscores Liberty Mutual's ongoing commitment to ESG and sustainability.

*The Principles embraced by Liberty Mutual as the Group's parent company inform the entire organization and all its subsidiary companies.



4. Control of updates



4. Control of updates

Update #	Description	Date	Comments
1.0	First Version	June 2021	This document is subject to update

This document is subject to updating both by the organization, which is constantly reviewing its governance framework and the risks that affect it, and to adapt to developing regulations.





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