

Sustainable Investment Policy

Responsibilities Identification

Preparation: Investments Division and Fidelidade Property

Review: Sustainability Division, Risk Division and Legal Division and General Directorate of Corporate Affairs

Final approval: Executive Committee

Approval

Executive Committee: 14/06/2023

Version history

Version	Date	Summary of Changes
1.0	14/06/2023	First Version

Summary of the main changes from the last version

Chapter / annex revised	Summary of Changes
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1. Introduction

Fidelidade Group acknowledges the strong value proposition in what relates to the transition to a sustainable world, in the financial sector as a whole and in the insurance sector as a specific case. Fidelidade Group is committed to achieve the Sustainable Development Goals – UN 2030 Agenda, with SDG 3 – Good Health and Well-Being, SDS 8 – Decent Work and Economic Growth, SDS 9 – Industry, Innovation and Infrastructure, SDS 10 – Reduced Inequalities, SDS 12 – Responsible Consumption and Production, SDS 13 – Climate Action and SDS 17 – Partnerships for the Goals as priorities. This same policy goes hand in hand with the SDGs as a lever for achieving them.

With this background, Fidelidade Group has a strong conviction that integrating **E**nvironmental, **S**ocial and **G**overnance (“ESG”) factors in its global investment strategy will contribute to creating long-term value for its policyholders and all the other stakeholders.

Conforming with the commitment to Sustainable business, Fidelidade Group has signed a set of initiatives with sustainability programs outlined by international and domestic organizations, which guide their positioning and its performance as a responsible and sustainable Entity, namely, UN Global Compact, PSI – Principles of Sustainability Insurance and Charter of Principles of BCSD Portugal.

Fidelidade Group Sustainable Investment Policy follows Group’s global sustainable approach mentioned above and aims to comply with the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure in the financial services sector and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment. With legal regulation in rapid evolution, all other normative provisions approved or to be approved in terms of sustainability will also be taken into account in the investments.

This policy is applicable to the Fidelidade Group insurance Companies in Portugal.

The principles contained in this Policy will apply as guidelines to the Group insurance companies in other geographies.

2. Investment Management Principles

Fidelidade Group believes that adopting a sustainable Investment strategy foremost facilitates a better understanding of risks and opportunities of underlying investment portfolios, but at the same time strengthens the overall profile of environmental, social and governance practice of Fidelidade Group itself. It is, therefore, of paramount importance to incorporate the ESG factors into the conventional investment process alongside with traditional financial analysis factors. Ultimately such strategy has the purpose of controlling exposure to investees whose conduct is not aligned with Fidelidade Group's principles and the efforts of Fidelidade Group on the engagement approach with the investees proves to be unsuccessful.

The following principles provide a general framework to Fidelidade Group Sustainable Investment strategy:

- Fidelidade Group applies a long-term approach;
- Fidelidade Group considers all ESG factors, particularly those having material financial impacts with the purpose of reducing the exposure to issuers whose behaviors are not aligned with Group's principles and investment strategy;
- Fidelidade Group identifies ESG risk factors and incorporates them into its general risk management and monitoring process;
- Fidelidade Group acknowledges that sustainable investment is an ongoing journey. The sustainable investment approach is expected to evolve over time to reflect changes in business practices, structures, technology, and regulations.

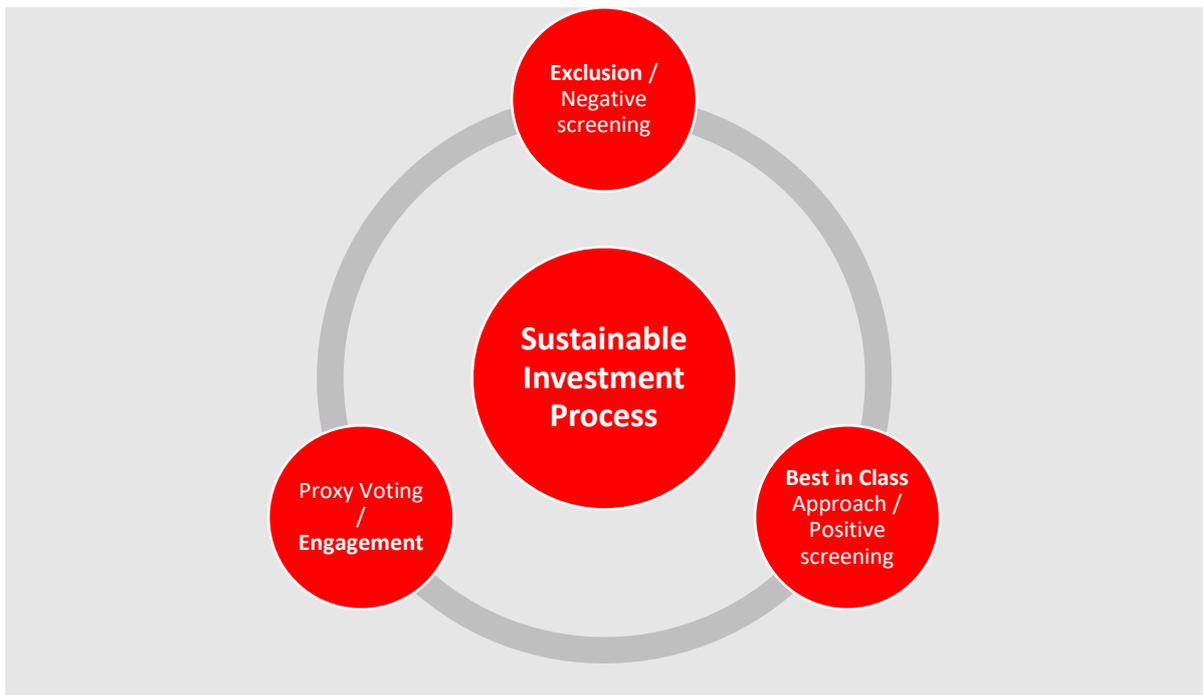
In 2020, Fidelidade Group integrated ESG principles during the review of its Investment Policy, which is called "ESG Factor Compliant. These principles evaluate aspects, namely composition and responsibility of the board of directors, human capital stability and sound and responsible environmental practices that signal operational excellence and management quality.

With respect to direct investment, Fidelidade Group leverages a third-party's independent data to implement internal controls on investment portfolios' ESG metrics.

3. Investment Process – Financial Assets

Fidelidade Group affirms that ESG factors have material impacts on investment returns. Consequently, they are integrated into both pre-investment (namely investment analysis and the investment decision-making) and post-investment (monitoring and performance review) processes.

Fidelidade Group ESG direct investment strategy takes into consideration three main dimensions:



1.1. Exclusion / Negative screening

- Fidelidade Group does not consider new investments in socially controversial industries. More specifically, the underlying company cannot have its revenue exposed towards gambling, tobacco, or unconventional weapons. For legacy portfolios, the goal is to reduce existing investment related with arms & weapons, gaming, and tobacco to no more than 3% of total investment portfolio within the next 3 years and to 0% of total investment portfolio within the next 5 years.
- To comply with the objectives of GHG net-zero emissions for the investment portfolio by 2050, Fidelidade Group is committed with the following guidelines:
- Reducing investment related with fossil fuels extraction and thermal coal production to no more than 5% of total investment portfolio within the next 5 years.

- Reducing investment related with other environmental issues, namely polluting materials, mining or airlines and others to no more than 5% of total investment portfolio within the next 5 years.

1.2. Best in Class Approach / Positive screening

Fidelidade Group integrates ESG factors in its investment process by a strong preference to investees with sustainable business models and promoting long-termism, both of which should create lasting performance. Thanks to the assessment of ESG factors of each investee, it enables to identify and respond to possible risks and opportunities at environmental, social and governance levels. The goal of such an investment process is to positively screen out those best performing in ESG aspects and reduce those deteriorating in their ESG outlooks throughout the process of portfolio construction.

The integration process is achieved by complementing the traditional fundamental analysis with paid data and analysis from at least a tier-one ESG research provider focusing on ESG risk, framed with a rating interval between negligible risk (best) and severe risk (worst), with equivalence to a score that ranges from 0 (maximum) to above 40 (minimum). Other providers may be used, which although they may have a different classification system, allow distinguishing which assets have the best and worst classification within the same rationale mentioned above.

Fidelidade therefore incorporates the following guidelines in managing investment portfolios:

- Portfolios shall consist of at least 75% of assets with ESG rating.
- Portfolios should have a minimum weighted average ESG rating of low risk.
- Based on the ESG assessment, Companies revealing their involvement in the above controversies and/or in the above business sectors are either (i) excluded from the investment universe if not meeting Group requirements (Restricted List) or (ii) strictly monitored and possibly engaged if presenting some poor ESG practices (Watch List).

1.3. Proxy Voting / Engagement

According to the terms expressed in the Fidelidade Voting Rights Policy and the Fidelidade Engagement Policy, Fidelidade Group aims to broaden the scope of shareholder voting and deepen the interaction with shareholders on ESG matters. The focus will be issues associated with ESG controversies alongside with the potential breaches of main ESG standards and conventions, particularly:

- Local and international legislation.

- Recognized international standards (UN Global Compact, UN Guiding Principles on Business & Human Rights, OECD Guidelines for Multinationals and UN Sustainable Development Goals).

1.4. Climate change strategy

Fidelidade Group is committed to promote the transition towards a low-carbon economy, integrating the social dimension into the climate strategy and disclosing the risks and opportunities associated with climate change.

To these purposes, the Group:

- monitors portfolio's exposure to Carbon-intensive Companies.
- integrates investment strategies aimed at managing and reducing the portfolio's carbon emissions to contribute to the objective of the COP21 ("Paris Agreement") to limit global warming.
- integrates investment strategies to promote green/sustainable investments.

2. Investment Process – Real Estate

For Real Estate Assets, the analysis of the relevant sustainability factors for new investments is being incorporated as part of the pre-acquisition Due Diligence process, through the appointment of ESG advisors.

- Throughout the assets' lifecycle, a detailed and regular analysis is performed in what concerns the assets' relevant ESG characteristics, in order to identify and implement the necessary initiatives to ensure the assets' compliance with the appropriate ESG standards and continuous improvement from a sustainability point of view.
- Furthermore, a periodic review is conducted with the aim of obtaining (or improving) the assets' relevant ESG certifications (e.g., LEED, BREEAM, WELL, etc.) in line with the best market practices.

3. Responsibilities

The definition of the general principles and the implementation of this policy is carried out by the Investment Division and Fidelidade Property respectively, with Fidelidade’s Operational Sustainability Committee being responsible for reviewing and verifying compliance with the strategy and policies established in matters of Socially Responsible Investment in managed assets. The Operational Sustainability Committee meets on a regular basis, and it has the participation of the Investment and Sustainability divisions, along with members of the Executive Committee (namely CEO and CIO) as permanent members. The CEO will also have the managerial responsibility for responsible investment.

Activities	Responsibilities					
	DIV/FPE	DGR	DAJ	DSU	Sustainability Committee	Executive Committee
Definition of General Principles	●			●	●	●
Implementation of Sustainable Investment Policy	●			●	●	●
Control and Monitoring	●	●	●	●	●	●

● Execution
 ● Review
 ● Approval

Companies outside Portugal define their own responsibilities for the investments they are managing, in accordance with the strategic guidelines defined for the Group and which result from this Policy.

4. Final Considerations

This Policy articulates with other Fidelidade Group's Internal Rules, Code of Conduct, Sustainability Policy, Investment Policy and will be reviewed whenever internal and/or external changes occur with relevant impact.

This Policy is published on Fidelidade's website (www.fidelidade.pt), and also in the internal repository of existing Policies and regulations.