

MAGALLANES



VALUE INVESTORS

Magallanes Value Investors S.A., SGIC: Social Corporate Responsibility Policy

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2019



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MAGALLANES VALUE INVESTORS, S.A., SGIIC: OUR SOCIAL CORPORATE RESPONSIBILITY POLICY

Magallanes Value Investors, SGIIC, S.A. (hereinafter "Magallanes" or the "Entity"), considers high environmental, social and corporate governance investment standards (hereinafter ESG) are fundamental to the long-term growth and sustainability of the Entity.

I. FOREWORD

There is sufficient evidence to confirm that, in any organization, everything related to Social Responsibility is, today, essential to the strategy-definition process. Socially responsible behavior clearly has a positive effect on generating value in the company.

Being socially responsible in the development of our activity means being environmentally friendly, efficient, transparent, taking care of our suppliers, employees and customers, and being responsible with investment policies. All of the above results in more loyal customers and committed employees, which in turn will generate greater stability and profitability in the future.

We are convinced that investing in these policies, in every area in which Corporate Responsibility has a place, does not detract from shareholder or employee resources. Corporate Responsibility is part of any company's management strategy and, indeed – like any other investment made in a company, – leads to greater savings and efficiency.

Magallanes' corporate social responsibility policies are complemented by other policies such as:

- Code of Ethics
- RIC of Inverco
- ESG policy in the investment process
- Remuneration Policy



- Compliance Policy
- Combating Money Laundering and Financing of Terrorism
- Information Security Policy
- Supplier Selection and Best Execution Policy
- Honorability Procedure
- Gift and Invitations Policy
- Corporate Voting Policy
- Corporate Governance Policy

II. MAGALLANES' SOCIAL CORPORATE RESPONSIBILITY POLICY

- **Goals of this policy**

To seek a sustainable business model that in the medium and long term brings value, profitability and competitiveness, contributes to the progress of the social community and generates the trust of our stakeholders

To promote a responsible management culture that complies with current legislation and with the control and management of business risks, including tax risks and internal control of financial information.

To promote a corporate strategy based on the principles of the Magallanes Code of Ethics, which is sustainable in the long term and committed to the environment and stakeholders.

- **Social Corporate Responsibility: Definition and Impact**



We, at Magallanes, understand a Social Responsible Company (SRC) as the one, which behaves on a responsible manner with all of the agents with whom it interacts in the development of its activity, as well as with its environment. A company that is managed from the ethics and integrity, and that is capable of reversing into society a part of the benefits that society granted to it.

Therefore, we understand social responsibility in a very practical way. We believe it is about to manage the impacts of our company's activities in order to generate value for all those who interact with us in the performance of our activities.

In this sense, Magallanes has transcended the goal of achieving only financial profitability and has integrated into its decision-making processes, as well as economic variables, environmental, social and ethical criteria.

Magallanes establishes its Social Corporate Responsibility ("SCR") as the creation of a sustainable business model that, in addition to providing value, profitability and competitiveness, contributes to the progress of society and generates the trust of our groups of interest.

At Magallanes, we take as a reference the seven principles of social responsibility set out in ISO 26000 - accountability, transparency, ethical behavior, respect for the interests of stakeholders, respect for legality, respect for international standards of behavior, respect for human rights.-

To this end, four strategic axes have been identified, our customers and society, our products and the companies in which we invest, our team and shareholders and the Environment. We must therefore focus on transparency, ethics, accountability, responsible investment, human team, people (society) and Environment.



1. SOCIETY AND OUR CLIENTS

One of the main impacts Magallanes has to manage is the one related to its customers (over 18,000) and to society in general. Our internal commercial procedure states the principles and values that should govern customer relationships and that can be summarized as follows: knowledge of our customers and of the service provided, trust and transparency, honesty and independence and attention to complaints.

Magallanes tries to add value to its customers and society in three different ways:

a. Improving financial security and taking care of investor savings

Our investors are our priority and represent the most important part of Magallanes. We are aware of our fiduciary responsibility in managing our clients' money. We manage our clients' money in a diligent, responsible and committed manner.

We try to do so under the best practices, acting with **transparency, confidentiality and alignment of interests (through co-investment), long-term vision, integrity** and independent thinking.

Our investment principles are based on the guidelines mentioned above, that could be explained as follows:

- **Alignment of interests:** we manage our clients' money as if it were our own; in fact, a significant part of our own money is invested in the funds we manage. We co-invest with our clients.
- **Long-term vision:** We are patient and we believe that well-done work is rewarded over time.
- **Integrity:** We work in strict compliance with our internal code of ethics, which is present in every aspect related to Magallanes, its customers, employees, partners and directors. Magallanes defines its basic attributes as integrity, dedication and knowledge. The last two are of no use without integrity. Magallanes also complies



with INVERCO's internal code of conduct. Integrity, that looks for the companies in which it invests too, as set out in the ESG Investment Process Policy Manual.

- **Independent thinking:** We believe that independent and extraordinary decisions bring with them equally extraordinary results. It is not possible to differentiate yourself from the rest if we all make the same decisions. At Magallanes, independent, original and well-considered thinking is of utmost importance. We praise original, critical and non-consensus thinking. We do not accept generalized or consensus opinions, or in trends or thinking which lacks critical and reflective thought.

b. Promoting education

We believe there is much to do in education. We are aware that there is a lack of financial knowledge in Spain and we try to participate and organize conferences and meetings to divulgate our investment philosophy "*value investing*" and to teach about long-term investing/saving. These actions are not only directed to our clients, but to society in general, including universities, organizations, schools, etc.

Within our aim to promote financial culture and saving to young people, our funds have a special share class for clients under 25 years old with a lower management fee, that allows them to start investing since early ages.

In addition, there is no better way to support financial education than avoiding minimum investment amounts and facilitating regular contributions. It is our way of getting independent management to the entire small investors with no kind of discrimination. The minimum investment in our funds has always been of a fund share (about 150 euros), being affordable to anyone who is willing to start saving/investing.

Magallanes collaborates with other initiatives in the sector to promote financial culture such as Value School and Value Kids, several universities, book dissemination, etc.



c. Creating awareness among our customer

We rely on the relationship with a big base of clients that are worried about their future to make them conscious about other people's future. In this sense, we have linked our individual pension fund to four NGOs that work with children with no money, handicap and people addicted to drugs. Magallanes gives 10bp of the fund inflows based on the clients' decision. While donations are the ultimate goal, we also give visibility to the chosen NGOs, as the customer is the one who chooses between them.

d. Offering a range of quality and responsible products

Magallanes covers the whole range: from the basis of having ESG policies in the investment process to having impact products where we do not only look for economic profitability but also social impact, going through products which include the philanthropy of the asset management company.

2. PRODUCTS OFFER AND INVESTMENT POLICY

Regarding Magallanes' products:

- At Magallanes funds, the investment policies take into account ESG criteria, which are set out in the ESG Policy in the Investment Process Manual.
- We offer among our products an impact fund: Magallanes Impact Fund FIL. This fund combines social and economic performance, to help fight poverty. It addresses potential social concerns with a "teaching how to fish" model against philanthropic models, and we believe it can help thousands of people getting out of poverty. The fund shares the same values as the rest of Magallanes' products: long-term, value, transparency, and alignment of interests. Magallanes Impact Fund FIL is a non-profit fund for Magallanes, it measures social impact and returns the management fee if it does not reach the expected social impact.



- Through the pension fund, we make a donation linked to the contributions of clients to the plan.
- Magallanes complies with its tax obligations in the different countries and territories in which it operates, and avoids any practice that involves the unlawful circumvention of the payment of taxes or the damage of the public purse. To this end, Magallanes has a fiscal strategy in line with the principles of integrity, transparency and prudence, and fosters a relationship with the authorities in tax matters based on trust, good faith, professionalism, collaboration, loyalty and reciprocity.
- With our activity we help to provide liquidity and financing supporting economic growth

3. TEAM AND SHAREHOLDERS

With regard to labor issues, we ensure those policies that promote training, facilitate the achievement of a work-life balance, provide flexibility, and guarantee equality, among others. Actions that contribute to personal motivation will result in increased productivity, which in turn will generate greater benefits.

We recognize that we are able to deliver positive value for our investors through the dedication of our team, and therefore it is our responsibility as an employer to create a positive and supportive environment for our staff, where they can thrive.

We believe that working in a socially responsible company influences talent recruitment and retention in a very positive way. It generates pride and feeling of belonging, strengthens the emotional bond between the company and the employee; and we believe that it has a positive impact at the time of recruitment. Anyone looking for a job would prefer those companies that are known to be doing well and that offer good policies to their employees.

Magallanes' remuneration policy sets out the values governing employee relations:

- Excellence
- Meritocracy



- Equal opportunities and non-discrimination
- Respect for people.
- Teamwork.
- Management styles: mutual respect, fluid communication and management quality
- Reconciliation of work and personal life.
- Prevention of labor risks
- Environmental protection.

We also have the following practices with Magallanes' employees:

- At Magallanes, the diversity of our workforce is very important, and our success is influenced by the wide variety of experiences and capabilities our staff brings to our business. We work to ensure that Magallanes offers equal opportunities to all of our employees and candidates regardless of (but not limited to) their gender, religion, race, nationality or age.
 - In this sense, two of the four members of the investment team are foreigners.
 - We have a policy of opportunities for internships, through agreements with universities to give opportunities to students during the summer months.
 - We promote the integration into the labor market of people with disabilities. At Magallanes team, we have a person with a disability. We collaborate with the Capacis Foundation (<http://fundacioncapacis.org/>).
 - We promote gender equality, inclusion and non-discrimination. At Magallanes, there is no discrimination with women. We promote the empowerment of them. In fact, nine of the fifteen people of our team are women:

TOTAL STAFF	15
MEN	40%
WOMEN	60%



- Magallanes seeks to balance family and working life. We facilitate the balance between family and work responsibilities and respect the right to privacy of its professionals.
- The access to a job in Magallanes states on a selection process, in which the skills and requirements necessary for the position are valued, based on objective principles and non-discrimination. The sources from which candidates arise can be internal or external. Given our recruitment and non-discrimination policies, there is equal opportunities between men and women.
- We guarantee a safe and healthy working environment for our employees, taking all necessary measures to maximize occupational risk prevention.
- Magallanes offers its employees training programs in different fields (financial, languages, money laundering prevention, computer science and other topics related to our activity) to continue learning and in order to promote professional development within the company.
- All employees are trained to protect the privacy of our customers, to detect bribes and to prevent money laundering.
- Professionals are offered a fair and adequate level of remuneration to the labor market.
- As part of our dedication to ensuring equal pay throughout our organization, we conduct an annual review of staff salaries, details are reflected in our remuneration policy.
- Other social benefits: Employees have access to a special share class with a lower management fee, and have the possibility of joining collective health insurance.

Regarding Magallanes' relationship with the Board of Directors and shareholders:

- The Board of Directors is composed of five people. The three founding partners of Magallanes (two of them women) plus two independents. The Board meets at least once a quarter.



- In relation to good corporate governance and ethical management, we promote ethical management, based on practices of good governance and fair competition.
- At Magallanes, we comply with current legislation, always acting from a preventive approach and minimizing economic, social and environmental risks, including fiscal risks.
- Relationships with our shareholders are subject to the principles of transparency, truthfulness, permanent, adequate and immediacy information, as well as the principle of non-discrimination and equal treatment of all shareholders who are not affected by conflicts of jurisdiction or interest.
- Shareholders and investors will be provided with the maximum possible profit in a sustained and equitable manner.

4. ENVIRONMENTAL PROTECTION

- We are aware of energy use and recycling.
- We have a recycling policy; we all try to avoid the use of paper, the paper used is recycled and destroyed, and we tend to minimize its use through digital means.
- At Magallanes, we are committed to technological innovation and take care of our customers and suppliers. With the launch of the 100% digital onboarding and online operations through the customer area, we contribute to the technological development of the sector.
- Magallanes' investment policy considers ESG criteria and encourages companies to follow appropriate policies in this area.
- We respect the applicable environmental regulations.
- We make rational use of resources by developing circular economy initiatives.
- We promote a culture of environmental protection between employees and suppliers.
- We promote society's awareness of respect for the environment, and in particular biodiversity.



- **Commitments and Alliances**

In 2018, Magallanes Value Investors SA SGIC became a signatory to the United Nations Principles of Responsible Investment (UNPRI), to demonstrate our commitment to responsible investment.

The PRI looks after the long-term interests of its signatories, the financial markets and the economies in which it operates, and ultimately, of society and the environment. Magallanes is also part of other associations in the sector, such as INVERCO (Association of Collective Investment Institutions and Pension Funds) and defends the interests of independent management in Spain in collaboration with other Spanish managers.

- **Meeting the United Nations Sustainable Development Goals (SDGs)**

At Magallanes, we believe that meeting the SDGs (the sustainable development goals to transform our world of the United Nations) is everyone's responsibility. From Magallanes we share all of the objectives but with the policies mentioned above, we believe that we are interfering more favorably in the following objectives:





Moreover, with our impact fund, Magallanes Impact Fund FIL, we additionally contribute to the following objectives:



More specifically, with our impact fund, we go further in measuring the goals in each of the objectives in which we are more active.

Through its investment strategy, Magallanes Impact Fund contributes to the SDGs, both by focusing and resourcing allocation to entities that promote the sustainable development of communities, and by a proactive management of their portfolio, with an emphasis on momentum and monitoring based on the social due diligence implemented in the field.



(1) October 2019



In addition, we measure the fund's direct contribution to the SDG targets annually:

	Metas y situación a 2019 	Impacto de las entidades en los ODS 	(2)
	<p>Meta: cero personas en pobreza extrema Actualmente 650 millones de personas Previsión para 2030: 500 millones de personas</p>	<p>Porcentaje de entidades con herramienta de medición de salida de la pobreza de clientes ▪ 40%</p> <p>Incr. ingresos de clientes en pobreza extrema (3 años) ▪ 133%</p>	
	<p>Meta: 7% de crecimiento del PIB. Actualmente 4,8%. Meta: pleno empleo. Alto desempleo especialmente en países en desarrollo, 3/4 empleos precarios y 1/5 de los jóvenes no estudian ni trabajan</p>	<p>Clientes trabajando en una actividad productiva ▪ 1,2 Millones</p> <p>Crecimiento anual de ventas de las microempresas ▪ 20%</p> <p>Puntuación media "Trato Responsable a Empleados" ▪ 85%</p>	
	<p>Meta: inclusión financiera de todas las personas Meta: incr. ingresos del 40% más pobre de la población. Actual: solo mitad de países los ingresos del 40% más pobre aumentaron en mayor % que los ingresos medios del país</p>	<p>Número de personas incluidas financieramente ▪ 1,23 Millones</p> <p>Incr. ingresos de clientes vulnerables/pobres (3 años) ▪ 59%</p>	
	<p>Meta: cero malnutrición. Actual 821 millones (+ 40M últimos 2 años), 277 millones en Sur de Asia, más del 70% son pequeños campesinos Meta multiplicar X2 ingresos de pequeños campesinos</p>	<p>% de clientes en zonas rurales ▪ 42%</p> <p>Pequeños campesinos atendidos ▪ 132k</p> <p>Mult. de ingresos de pequeños campesinos (3 ciclos) ▪ X3,7</p>	
	<p>Meta: asegurar el acceso a las mujeres al trabajo y a los servicios financieros. Actualmente las mujeres representan el 39% de los trabajadores, el mismo nivel que tenían en 2010</p>	<p>Número de mujeres realizando una actividad productiva ▪ 1 Millón</p> <p>Número de mujeres con acceso a formación sobre emprendimiento dada por nuestras entidades ▪ 860k</p>	
	<p>Meta: 100% niños con educación primaria+secundaria. Actualmente 380 M niños no asisten a la escuela Meta: acceso de adultos a la enseñanza. Actualmente 750 M de adultos analfabetos (2/3 son mujeres). Meta: construir y mejorar instalaciones educativas. Meta: mas personas con competencias para el emprendimiento</p>	<p>% de clientes con acceso a servicios de formación ▪ 64%</p> <p>Número de niños vulnerables escolarizados ▪ 2 Millones</p> <p>Número de colegios asequibles construidos/mejorados ▪ 4k</p> <p>% niños que continúan a la universidad ▪ 98%</p>	

(2) October 2019