



**Liberty**  

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**Seguros®**

***Statement on principal adverse impacts of investment  
decisions on sustainability factors***

***June 2023***

## Overview

Liberty Seguros, Compañía de Seguros y Reaseguros, S.A is committed to sustainable development and is aware of the fundamental role of financial institutions in directing their financial resources towards sustainable activities, that is, activities that do not significantly harm any environmental or social objectives.

Regulation (EU) 2019/2088<sup>1</sup> on sustainability-related disclosures in the financial services sector ("SFDR") which was approved in 2019 with the aim of promoting transparency on how financial market participants integrate sustainability risks into their investment decisions and processes, establishes in its article 2 (1) which companies are considered to be "financial market participants" (hereinafter, "FMP"). In this regard, Liberty Seguros, Compañía de Seguros y Reaseguros, S.A. is considered to be an FMP as it is an insurance undertaking which makes available insurance-based investment products (IBIPs), and therefore is subject to this regulation and its provisions on sustainability disclosures apply to it.

In addition, article 4 SFDR establishes the obligation to publish a statement on principal adverse sustainability impacts (hereinafter, "PASI Statement") at entity level, for those financial market participants that exceed an average number of 500 employees during the year, as is the case of this company.

In this sense, the objective of this statement is to report on the sustainability factors that Liberty Seguros, Compañía de Seguros y Reaseguros, S.A. considers when making investment decisions, and the extent to which the principal adverse impacts on sustainability factors are taken into account according to the regulation.

Both the structure and content of this document have been prepared in accordance with Commission Delegated Regulation (EU) 2022/1288<sup>2</sup> on regulatory technical standards (hereinafter "RTS"), which complement the SFDR. These technical standards specify the content, methodologies, and presentation of information in relation to the sustainability indicators and adverse sustainability impacts.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022 in reference to assets under management for SFDR purposes. The scope of the analysis includes Liberty Seguros' IBIPs, composed by investment funds whose underlyings include fixed income, equity, common stocks, and funds (additionally is composed of assets out of the scope of the analysis such as cash, depository receipts and derivatives).

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<sup>1</sup> 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.

<sup>2</sup> Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

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## **Statement on principal adverse impacts of investment decisions on sustainability factors**

**Liberty Seguros, Compañía de Seguros y Reaseguros, S.A.**  
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### **1. Summary**

Liberty Seguros, Compañía de Seguros y Reaseguros, S.A.<sup>3</sup>, 549300ODC1UIUYG6ZW52, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Liberty Seguros, Compañía de Seguros y Reaseguros, S.A., with its branches (from now on, "Liberty Seguros"), but such statement does not include any such principal adverse impacts of its direct or indirect parent companies or affiliates.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022, in reference to Liberty Seguros' IBIPs, composed by investment funds whose underlyings include fixed income, equity, common stocks, and funds (additionally is composed of assets out of the scope of the analysis such as cash, depository receipts and derivatives).

In accordance with regulatory requirements and the methodology for measuring and managing adverse sustainability impacts developed by Liberty Seguros, the indicators related to principal adverse impacts in the Regulatory Technical Standards ("RTS") set out for the European Commission's on ESG disclosure will be taken into consideration:

#### **Indicators applicable to investments in investee companies:**

Climate and other environment-related indicators:

- Greenhouse gas emissions
- Biodiversity
- Water
- Waste

Indicators for social and employee, respect for human rights, anti-corruption, and anti-bribery matters:

- Social and employee matters

#### **Indicators applicable to investments in sovereigns and supnationals:**

- Environmental

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<sup>3</sup> Liberty Seguros, Compañía de Seguros y Reaseguros, S.A. ("Liberty Seguros" or the "Company") is part of a group of companies whose parent company in Spain is Liberty International European Holdings, S. L. U. ("LIEH") and whose ultimate parent company is Liberty Mutual Holding Company Inc., domiciled in Massachusetts, United States.

- Social

**Indicators applicable to investments in real estate assets:**

- Fossil fuels
- Energy efficiency

**In addition, information regarding selected additional indicators applicable to investments in investee companies is included relating to:**

- Water, waste and material emissions
- Social and employee matters

## ***2. Description of the principal adverse impacts on sustainability factors***

Liberty Seguros is committed to acting as a force for social good, making environmentally conscious decisions and upholding the highest standards of corporate governance. This commitment to ESG criteria is a joint effort across the Company and the Liberty Mutual Group, its parent company, to ensure greater transparency of ESG efforts for all stakeholders.

As part of its global ESG ambition and in order to improve its business decisions, Liberty Seguros has set 4 strategic pillars: increasing customer resilience, enabling sustainable growth, improving lives and communities and advancing diversity, equity and inclusion (DEI). Through these four pillars, the company focuses its efforts on four main areas: climate change, environmental management, human capital management and diversity & inclusion, with the ultimate goal of accelerating ESG culture, complying with all applicable sustainability related regulations and advancing on Liberty Seguros' DEI journey.

Liberty Seguros' commitment has enabled sustained and sustainable growth by maintaining a transparent governance structure and lines of defense and striving to integrate ESG into day-to-day decision making, which involves, among other lines of action, the integration of ESG factors into underwriting and investment decisions.

The principal adverse sustainability impacts of investment decisions ("PASI") should be understood as those relevant or potentially relevant negative effects on sustainability factors caused by investment decisions. To be able to monitor, measure and identify these adverse impacts, Liberty Seguros performs an analysis on each of the indicators to determine and mitigate as far as possible the negative impacts on sustainability that may be generated from investment decisions.

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**Indicators applicable to investments in investee companies**

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**CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS**

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period

Greenhouse gas emissions	<b>1. GHG emissions</b>	Scope 1 GHG emissions	20974.035 tons CO2e		<p>Liberty Mutual has established five Climate Aspirations to guide the low-carbon program and energy transition.</p> <p>These Aspirations are</p> <p>1- Commitment to transitioning to a low-carbon economy, for which activities are undertaken to help inform the Group's climate strategies.</p> <p>2- Measure and monitor the progress of the transition through competency development.</p> <p>3- Support the development of responsible investment guidelines and assurance guidelines and support businesses in high-impact sectors that are committed to transitioning to a low-carbon economy.</p> <p>4- Support innovation that can influence the transition to a low-carbon economy.</p> <p>5- Adopt a "3R" strategy as part of the roadmap in operations, giving preference to:</p> <p>(i) reducing the Group's emissions by improving efficiency, followed by.</p> <p>(ii) investing in alternative technologies and companies, and finally,</p> <p>(iii) purchasing renewable energy credits (RECs).</p> <p>In addition, the Group declared in 2021 its global commitment to emissions, through which it sets a target of 50% reduction of global Scope 1 and 2 greenhouse gas emissions from 2019 levels by 2030.</p>
		Scope 2 GHG emissions	4724.5703 tons CO2e		
		Scope 3 GHG emissions	206476.11 tons CO2e		
		Total GHG emissions	243797.81 tons CO2e		
	<b>2. Carbon footprint</b>	Carbon footprint	476.12744 tons CO2e / EUR M invested		
	<b>3. GHG intensity of investee companies</b>	GHG intensity of investee companies	939.09393 tons CO2e / EUR M revenue		
	<b>4. Exposure to companies active in the fossil fuel sector</b>	Share of investments in companies active in the fossil fuel sector	9.51%		
<b>5. Share of non-renewable energy consumption and production</b>	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Consumption: 65.4 % Production: 66.79 %		<p>As part of its environmental commitments, Liberty Mutual adopts the "3R" strategy for transitioning the Group's operations to a low-carbon future, which consists of:</p> <p>(1) Reducing emissions by improving efficiency.</p> <p>(2) Investing in renewable or alternative technologies and businesses.</p> <p>(3) Using RECs (renewable energy credits and offsets).</p>	
<b>6. Energy consumption intensity per high-impact climate sector</b>	Energy consumption in GWh per million EUR of revenue of	Total: 0.6547353 GWh / EUR M revenue Sector A: 1.0199971 GWh / EUR M revenue			

		investee companies, per high-impact climate sector	Sector B: 1.5830328 GWh / EUR M revenue Sector C: 0.3303212 GWh / EUR M revenue Sector D: 5.9343576 GWh / EUR M revenue Sector E: 2.7256298 GWh / EUR M revenue Sector F: 0.13636433 GWh / EUR M revenue Sector G: 0.07225379 GWh / EUR M revenue Sector H: 1.0695469 GWh / EUR M revenue Sector L: 0.32149842 GWh / EUR M revenue		
Biodiversity	<b>7. Activities negatively affecting biodiversity-sensitive areas</b>	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	3.06 %		
Water	<b>8. Emissions to water</b>	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.0018414222 tons / EUR M invested		
Waste	<b>9. Hazardous waste and radioactive waste ratio</b>	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	109.806175 tons / EUR M invested		

**INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

Social and employee matters	<b>10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</b>	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	11.3 %	The result of this indicator is constituted by the ESG Data provider's controversies module, where any controversy identified as "Medium", "High" or "Very High" is considered a potential breach	Liberty Seguros is committed, through its HR statement, Employee Handbook, and Code of Ethics and Business Conduct, to the best practices contained in international conventions and protocols, codes of conduct, and applicable ESG guidelines and standards, such as the human rights principles and standards contained in the United Nations Universal Declaration of Human Rights and the United Nations Global Compact.
	<b>11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</b>	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.27 %		
	<b>12. Unadjusted gender pay gap</b>	Average unadjusted gender pay gap of investee companies	9.94 %		
	<b>13. Board gender diversity</b>	Average ratio of female to male board members in investee companies	33.74 %		



	<b>14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)</b>	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.01 %		
<b>Indicators applicable to investments in sovereigns and supranational</b>					
<b>Adverse sustainability indicator</b>	<b>Metric</b>		<b>Impact 2022</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Environmental	<b>15. GHG intensity</b>	GHG intensity of investee countries	251.94144 <i>tCO<sub>2</sub>e/ Billion GDP</i>		
Social	<b>16. Investee countries subject to social violations</b>	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	4.46%		
<b>Indicators applicable to investments in real estate assets</b>					
<b>Adverse sustainability indicator</b>	<b>Metric</b>		<b>Impact 2022</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Fossil fuels	<b>17. Exposure to fossil fuels through real estate assets</b>	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	No exposure		
Energy efficiency	<b>18. Exposure to energy-inefficient real estate assets</b>	Share of investments in energy-inefficient real estate assets	No exposure		
<b>Other indicators for principal adverse impacts on sustainability factors</b>					

Adverse sustainability indicator	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Indicators applicable to investments in investee companies</b>					
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>					
Water, waste and material emissions	<b>8. Exposure to areas of high-water stress</b>	Share of investments in investee companies with sites located in areas of high water stress without a water management policy	0.65 %		
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>					
Adverse sustainability indicator	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Indicators applicable to investments in investee companies</b>					
Social and employee matters	<b>7. Incidents of discrimination</b>	1. Number of incidents of discrimination reported in investee companies expressed as a weighted average 2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average	1: 0.38415092 2: 0.052856963		

### **3. Description of policies to identify and prioritize principal adverse impacts on sustainability factors**

Following is a brief synthesis of the ESG policies, which form a control framework to prevent, manage and mitigate potential negative impacts. The applicability of these policies is responsibility of Liberty Seguros.

- ✓ **Remuneration Policy (June, 2023):** it establishes a commitment to integrate a sustainability impact risk approach into remuneration policy and practices in order to achieve greater transparency. The policy also establishes that the structure of remuneration does not encourage excessive risk-taking with respect to sustainability risks.
- ✓ **Risk Management Strategy & Policy (March, 2023):** they effectively integrate sustainability risks into the company's risk management framework. To this end, the company establishes processes to identify, manage, measure, monitor, and report on sustainability risks affecting the business, integrating these ESG risks into the design of Key Performance Indicators.
- ✓ **Investment Risk Policy (May, 2022):** it integrates ESG factors into the Group's investment strategy, practices and decision-making with the objective of enhancing its ability to meet its long-term investment objectives.
- ✓ **Risk and Solvency Assessment (ORSA) Policy (June, 2023):** it integrates emerging and sustainability risks, such as climate change risks, into the Company's risk and solvency assessment, similar to all risks. In particular, the processes provided for in the Policy include the identification of any significant climate change risks to the Company and also the analysis, as appropriate, of short- and long-term climate change risks.
- ✓ **Risk Appetite Statement (March, 2023):** it is an integral element of the company's Risk Management Framework, whose main purpose is to define the company's overall risk appetite and outline the framework of tolerances for all risk categories, including climate change and sustainability & ESG risks.

Additionally, Liberty Seguros integrates its sustainability efforts through the adoption of five general commitments, which include the following:

- Undertake activities that help inform the Group's climate strategies.
- Develop capabilities to monitor environmental impact, opportunities, and risks, and measure progress.
- Integrate sustainability considerations into underwriting and investment strategies.
- Utilize the "3Rs" strategy for transitioning the Group's operations to a low-carbon future: reduce emissions by improving efficiency; invest in renewable/alternative technologies and businesses; and use RECs (renewable energy credits) and offsets. In this regard, Liberty Seguros has committed to a 50% reduction in global Scope 1 and 2 GHG emissions by 2030 from 2019 levels.
- Accelerate the adoption of innovative technologies and alternative energy solutions through customer and consumer risk identification, underwriting, and investments.

### Application of policies:

The policies mentioned in the previous section refer to the framework for action and the definition of responsibilities for managing and mitigating the possible negative impacts that may be generated on ESG criteria.

The process of identifying these adverse impacts is integrated into the investment decision-making process carried out by Liberty Seguros, therefore, a methodology has been defined and applied to identify the adverse impacts derived from its activity.

This methodology is based on the comparison of the results on the indicators according to an *ad hoc* benchmark configured based on the type of assets that make up the Liberty Seguros investment portfolio.

Additionally, Liberty Seguros is also committed to serving as a force for social good by empowering its employees to be inclusive and embrace unique perspectives, supporting the most vulnerable neighbors, and considering the societal impacts of its business decisions. To achieve this vision, Liberty Seguros will:

- Identify the topics, frameworks and best practices to focus on as it engages with all our stakeholders.
- It will continually measure its progress as a global industry leader in sustainability,
- Work to ensure the sustained progression of its goals

### **Methodology for selecting additional indicators:**

Liberty Seguros has conducted an analysis based on the selection of the additional indicators to be reported included in Table 2 and Table 3 of Annex I of the RTS.

This analysis has been carried out taking into consideration: the coverage of the indicator data, the objectivity of the calculation metrics, and ultimately the probability of occurrence, the severity of those principal adverse impacts, including their potentially irremediable character for each additional indicator.

The alignment of the additional indicators with Liberty Seguros' policies, adherences and initiatives, and commitments were taken into account, resulting in the selection of the following indicators for this reference period:

- Table 2: O8 - Exposure to areas of high water stress.

- Table 3: O7 - Incidents of discrimination.

This selection may change in the future according to the evolution of regulatory requirements.

The methodology used for selecting these additional indicators is based on the use of an ESG data provider, to the extent possible, avoiding the possibility of a margin of error in the data on the indicators used in the process.

### **Data:**

To have the maximum coverage of information available on adverse impact indicators, public information sources and data from external data providers have been used.

The average coverage of the indicators for this reference period is over 90%, with some exceptions where data coverage is less than 60% for the following indicators: 8, 9, and 12.

## **4. Engagement policies**

Liberty Seguros considers sustainability among the characteristics of the assets that they invest. Therefore, all indicators of adverse impacts reported in this statement are taken into consideration.

At this stage, no specific engagement policy has been developed, nor any other engagement policies aimed at reducing the main adverse impacts has been developed. However, Liberty Seguros takes into consideration various ESG policies of its own or adopted by the Liberty Mutual Group, as mentioned in the previous section. These policies constitute a control framework with the aim of preventing, anticipating, or mitigating the possible adverse sustainability impacts.

In the future with the evolution of the regulation, the policies could be adapted to reduce the principal adverse sustainability impacts.

## 5. References to international standards

Liberty Seguros adheres to best practices contained in international conventions and agreements, codes of conduct, and applicable ESG guidelines and standards, and has voluntarily adopted certain ethical, social, and environmental commitments with key stakeholders that go beyond legal obligations.

These include the following:

- **Principles for Responsible Investment (PRI):** as part of its ongoing commitment to environmental, social, and governance progress, Liberty Seguros Insurance is a signatory to the United Nations-endorsed Principles for Responsible Investment and is the first U.S. property-casualty insurer to join the leading international network of institutional investors committed to including ESG factors in their investment decision-making. The goal 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 Seguros is committed to incorporating the PRI's six Principles for Responsible Investment, which offer a range of possible actions with which to introduce ESG factors into investment practice. The decision to join the PRI underscores Liberty Seguros's ongoing commitment to its ESG and sustainability evolution.
- Internationally recognized human rights principles and standards, as defined in the **International Bill of Human Rights** (specifically the United Nations Universal Declaration of Human Rights).
- The **ILO Declaration on Fundamental Principles and Rights at Work** and its eight fundamental conventions.
- **UN Global Compact**, including the **Sustainable Development Goals (SDGs)** and the **10 Global Compact Principles**. Liberty Seguros also supports the initiatives developed by the UN, including its commitment to the recommendations and standards of the High-Level Expert Group on Sustainable Finance and the guidelines of the Climate Financial Risk Forum (CFRF) Disclosures Working Group.
- **Partnership for Carbon Accounting Financials (PCAF):** establishes the Global Greenhouse Gas (GHG) Accounting and Reporting Standard for the assessment and disclosure of GHG emissions associated with the company's loans and investments. Liberty

Seguros is collaborating with the PCAF Insurance-Associated Emissions Working group to develop and enhance a global framework for measuring and reporting insured GHG emissions, reaffirming its commitment to the industry in the search for applicable and meaningful global solutions that drive the energy transition.

- **IUA (International Underwriting Association) Climate Risk Committee:** its mission is to promote knowledge and awareness of climate risks and to encourage action in the insurance industry to meet these challenges.
- **ClimateWise:** a global initiative led by the insurance industry that aims to address the challenges of climate change and promote sustainable action within the insurance industry.
- **FCLT Global (Focusing Capital on the Long Term):** a non-profit organization whose purpose is to address the excessive focus on the short term that often prevails in financial markets and businesses, and to promote a more sustainable, long-term perspective in business and investment decision-making.
- **FORCE for GOOD:** a project of the “Force for Good” Foundation, which works with leading institutions to accelerate their efforts to address increasingly complex and interrelated challenges, such as climate change, social inclusion, and sustainable development, with the aim of fostering collaboration and making a positive impact on the world.
- **CEF (Corporate Eco Forum):** an organization comprised of Fortune and Global 500 companies that demonstrate a serious commitment to sustainability as a business strategy issue. Its goal is to help accelerate sustainable business innovation by creating the best neutral, safe space for influential business leaders to exchange best-practice insights, build trusted relationships and collaborate to advance progress and drive bold change.

These references to international standards in conjunction with the information on the ESG policies indicated in the previous sections, are part of the roadmap to prevent, measure and manage possible negative impacts that may arise. All PAI mandatory and/or additional indicators reported in this document have been taken into consideration, even in case these commitments don't directly pursue the reduction of PAI indicators' results.

For this first statement, no forward-looking climate scenarios have been developed because Liberty Seguros considers that the external ESG data provider used has sufficient strength and credibility in the financial market, which allows Liberty Seguros to analyze the ESG data obtained from quarter to quarter. The use of forward-looking climate scenarios may be considered for future reports.

Despite this, the Pricing Team (in collaboration with our Liberty Mutual colleagues) has been working on new catastrophe models for households in Spain since 2021. In Portugal, these risk models were built in 2017 and are planned to be revised during 2023. This information could help Liberty Seguros to identify potential negative impacts in regarding PAI sustainability indicators.

## ***6. Historical comparison***

The first comparison of historical data will be made starting in 2024. This Statement corresponds to the first quantitative data reference period on the PASI indicators and, therefore, no historical data is available on which to make the comparison.