

# NZBA: Sectoral decarbonisation targets

- Power Generation
- Oil & Gas
- Thermal Coal
- Automotive
- Iron & Steel
- Commercial Real Estate
- Residential Real Estate
- Shipping
- Aviation
- Agricultural
- Cement & Aluminum

April 2024



Calidad, confianza y compromiso social

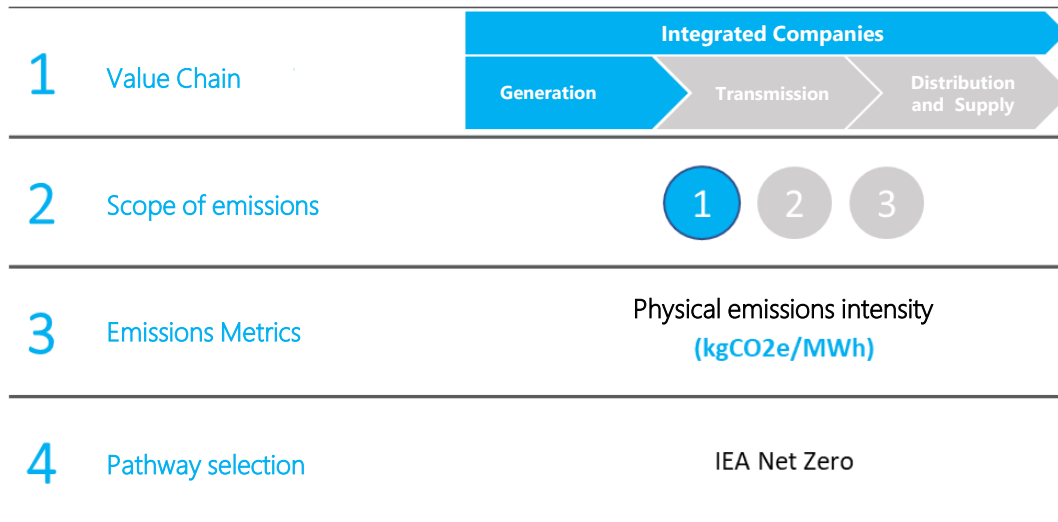
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# Power Generation

Main characteristics of the Electricity Generation target

## Design of the Power Generation target

### Key Design Decisions



- **Value chain:** focus on the electricity generation segment, the part of the value chain on which decarbonization actions have the greatest impact on the reduction of global emissions in the sector. Integrated companies (active throughout the value chain) are also included.
- **Scope of emissions:** Scope 1 captures most emissions from electricity generation. The rest of the scopes are not included since the materiality of scope 2 is minimal and scope 3, in addition to being difficult to influence from generation, is covered by the objectives of other sectors.
- **Metric:** physical intensity metric, which allows growth into emission-efficient groups and comparison between customers of different sizes.
- **Reference path:** NZE2050 by the International Energy Agency.

## CaixaBank's target for 2030



A target of 30% reduction in the intensity metric by 2030 is established, with the following characteristics:

<b>Baseline 2020</b> (kgCO <sub>2</sub> e/MWh)	<b>136</b>	<b>Arrival level 2030</b> (kgCO <sub>2</sub> e/MWh)	<b>95</b>	<b>Ambition 2030</b> (%)	<b>- 30%</b>
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## Narrative



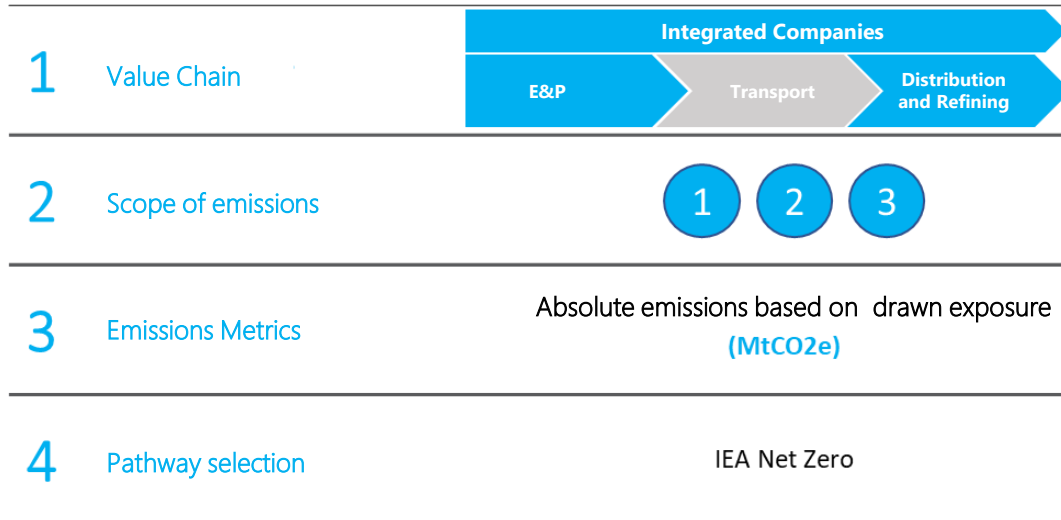
- The starting point for the electricity sector (136 kg CO<sub>2</sub>e/MWh) is much lower than that of most entities that have disclosed targets to date for this sector and is even below the IEA's 2030 target metric. This is because CaixaBank has been financing renewable energies for years (which is reflected, for example, in the issuance of 7 green bonds since 2020).
- However, this low starting point poses a challenge when it comes to setting additional decarbonization targets. Thus, the 30% reduction together with a comparatively low starting point reflects CaixaBank's ambition to continue supporting the transition and leading the way in renewable energy financing.

# Oil & Gas

Main characteristics of the objective for the Oil & Gas sector

## Design of the Oil & Gas target

### Key Design Decisions



- **Value chain:** includes companies primarily active in the upstream (exploration and extraction) and downstream (refining, distribution and marketing) segments and integrated companies (active throughout the value chain). This perimeter captures most of the sector's emissions.
- **Scope of emissions:** includes scopes 1, 2 and 3; In this sector, scope 3 is very material. This approach is aligned with the NZBA Guide, stakeholder expectations and peer practices.
- **Metric:** Metric of absolute financed emissions based on drawn risk, in order to avoid the over-attribution of financed emissions that would result from basing it on the granted risk. The approach is consistent approach with the PCAF methodology and facilitates comparison with reference peers.
- **Reference path:** NZE2050 by the International Energy Agency.

## CaixaBank's target for 2030



A target of 23% reduction in absolute emissions by 2030 is established with the following characteristics:

Baseline 2020 (MtCO <sub>2</sub> e)	Arrival level 2030 (MtCO <sub>2</sub> e)	Ambition 2030 (%)
9.08	6.99	- 23%

## Narrativa



- A decarbonization target based on an absolute emissions metric is in line with industry expectations. The decarbonization of the oil and gas sector is expected to be driven both by improvements in energy efficiency and by the direct substitution of these fuels as an input into other processes (demand effect).
- For the energy sector, the last few years have been atypical due to the impact of the global geopolitical situation on energy security. From the point of view of lending activity, this has been reflected in an increase in 2022 in exposure to O&G sectors focused on securing energy supply in the short/medium term. However, this increase in O&G funding, which responds to the current extraordinary situation, does not alter CaixaBank's commitment to decarbonisation in the medium and long term, but it is foreseeable that this increase will result in high volatility in the metric. This also implies that the 23% alignment target on a 2020 basis represents a much higher level of ambition than the 2020 baseline reflects.

# Thermal Coal Phase-out

Main features of the target for coal – complete exit by 2030 from counterparts with a >5% dependence on thermal coal revenues

## Design of the Thermal Coal Phase-out target

- As thermal coal is one of the most emitting technologies and can be replaced by clean technologies, the focus of decarbonisation is on the entity's full exposure to thermal coal. For this purpose, exposure is defined as the presence in the portfolio (incl. credit and investment of both CaixaBank S.A. and BPI) of companies whose economic group is dependent on thermal coal for more than 5% of revenues.
- As of December 2022, exposure to companies in this area was €2,845 million. However, this exposure is mostly to counterparties with mitigating factors: counterparties to which CaixaBank is only financing energy transition or counterparties with their own phase-out commitments before 2030.

## CaixaBank's target for 2030



A phase-out target is set for 2030, with the following characteristics:

**Baseline  
2020**  
(M€)

**2,845**  
*(213 with no  
mitigating  
factors<sup>1</sup>)*

**Arrival level  
2030**  
(M€)

**0**

**Ambition  
2030**  
(%)

**- 100%**

**Following the IPCC guidelines, CaixaBank will stop financing companies related to thermal coal, reducing its exposure to zero by 2030 ("phase-out"). CaixaBank will continue to finance the energy transition towards a carbon-neutral economy and support those customers who have an exit strategy from thermal coal until 2030**

## Narrative



- According to the United Nations Intergovernmental Panel on Climate Change (IPCC), to reach the Paris Agreement's goal of a maximum rise of 1.5°C, OECD countries should stop using coal completely by 2030

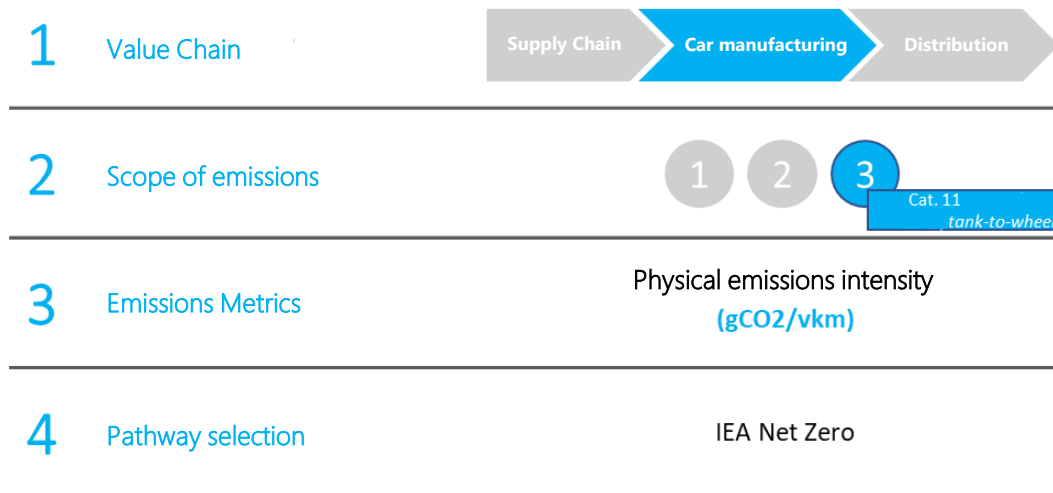
<sup>1</sup>Mitigating factors: financing the energy transition or companies with phase-out commitments from coal before 2030

# Automotive

Main characteristics of the objective for the Automotive sector

## Design of the Automotive target

### Key Design Decisions



- **Value chain:** focus on the segment of manufacturers - OEMs (Original Equipment Manufacturers) - of light duty vehicles (passenger cars and vans), on which the European initiatives to decarbonise the sector are focused.
- **Scope of emissions:** Scope 3 Category 11 (vehicle use) tank-to-wheel emissions, i.e. emissions produced using the vehicle over its lifetime, are included in the target; These are by far the most relevant emissions within the sector's value chain.
- **Metric:** A physical intensity metric, which describes the emission efficiency per km driven over the lifetime of the vehicle, expressed in gCO<sub>2</sub>/vkm.
- **Reference path:** NZE2050 by the International Energy Agency.

## CaixaBank's target for 2030



A target of 33% reduction in the intensity metric by 2030 is established, with the following characteristics:

Baseline 2022 (gCO <sub>2</sub> /vkm)	Arrival level 2030 (gCO <sub>2</sub> /vkm)	Ambition 2030 (%)
154.1	103.1	- 33%

## Narrative



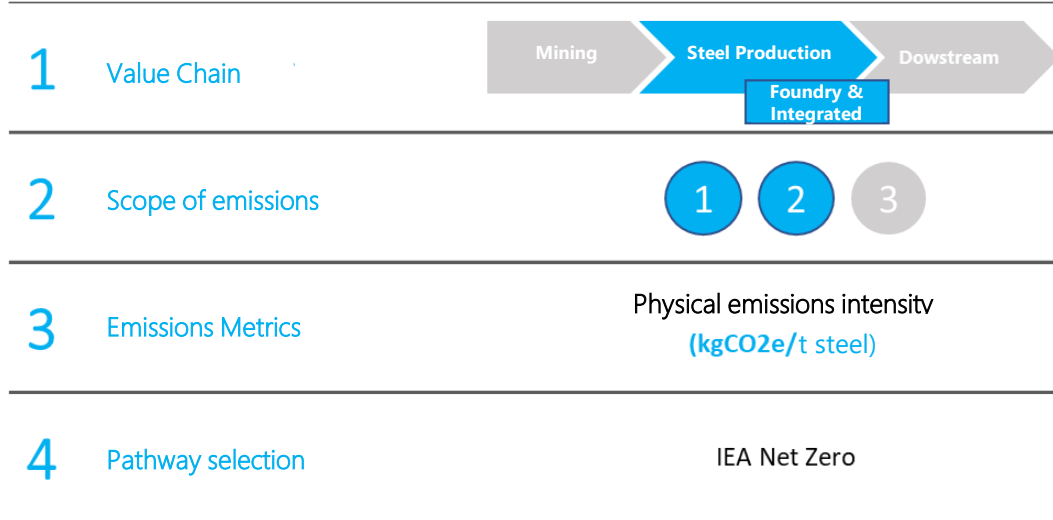
- One of the sectors prioritised by the NZBA as being CO<sub>2</sub> intensive is the transport sector. Given the heterogeneity of activities that make up the sector and following best practices in target setting, it has been decided to divide this sector into 3 subsectors: automotive, aviation and shipping.
- The automotive sector represents a significant percentage of CaixaBank's loan portfolio and a concentration of financed issues (approx. 15% of the total emissions financed for the transport sector as a whole in 2021). There are also methodologies and scenarios for calculating decarbonization targets.
- The target has been set at a consolidated level, including exposure to CaixaBank and BPI's loan and investment portfolios.
- This metric supports the sector's transition, in line with CaixaBank's Strategic Plan.

# Iron & Steel

Main features of the Iron & Steel target

## Design of the Iron & Steel Target

### Key Design Decisions



- **Value chain:** iron and steel manufacturing segment, including smelters and integrated groups (foundry + processing); Foundry is the phase that concentrates most of the emissions from manufacturing.
- **Scope:** scopes 1 and 2, which are the relevant emissions in the production process; The use of the final product and its upstream supply chain are of little relevance in terms of relative emissions.
- **Metric:** physical emissions intensity per tonne of steel produced expressed in kgCO<sub>2</sub>e/t steel.
- **Reference path:** International Energy Agency's NZE2050 benchmark pathway.

## CaixaBank's target for 2030



A target for reducing the intensity metric to 2030 is set in the form of a range of between 10% and 20%, with the following characteristics:

Baseline 2022 (kgCO <sub>2</sub> e/t steel)	Arrival level 2030 (kgCO <sub>2</sub> e/t steel)	Ambition 2030 (%)
1,230	1,107	-10%
	984	-20%

## Narrative



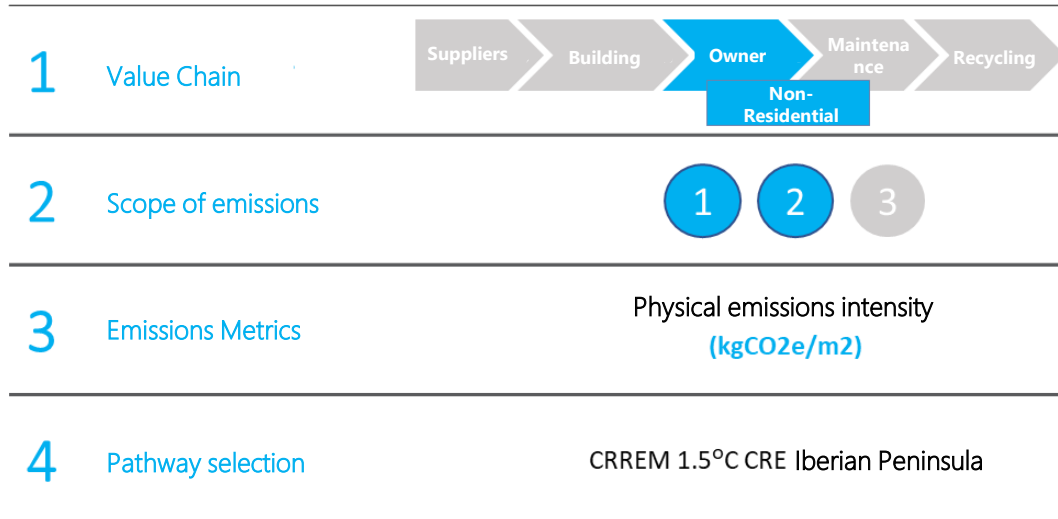
- In view of the relatively low exposure in this sector and its high concentration in a few counterparties, the current technological limitations of a "hard to abate" sector and the uncertainty in the face of methodological and scenario changes, it has been decided to establish a target in the form of a range for the iron and steel sector.
- CaixaBank recognizes the difficulty implicit in the decarbonisation of this sector, which leads to a certain level of prudence in terms of the margin for managing the decarbonisation of the portfolio. However, CaixaBank is also aware of the existence of certain levers for the decarbonisation of its portfolio, which depend substantially on the ambition of its main customers. Through engagement processes and rebalancing of its portfolio, CaixaBank will pursue an intermediate target compatible with the 1.5°C target. Thus, the range (reduction of between 10% and 20%) reflects CaixaBank's ambition, given that it incorporates, in its low range, the level of arrival determined by the IEA's NZE.

# Commercial Real Estate

Main characteristics of the objective for the Commercial Real Estate sector

## Design of the Commercial Real Estate Target

### Key Design Decisions



- **Value chain:** the objective is focused on decarbonising the "use" phase of the property, where 85% of greenhouse gas emissions are produced: owner (groups with non-residential activity).
- **Scope of emissions:** scope 1, direct emissions from burning fuel in the building (e.g. heating) and scope 2, indirect emissions from purchased energy (electricity, steam, heat and cooling).
- **Metric:** physical intensity (kgCO<sub>2e</sub>/m<sup>2</sup>), which incentivizes exposure to relatively more emissions-efficient assets and facilitates comparison between assets of different sizes.
- **Reference path:** CRREM 1.5° REC scenario adapted to the proportions by asset type of non-residential stock in Spain and Portugal.

## CaixaBank's target for 2030



A target of 41% reduction in the intensity metric by 2030 is established, with the following characteristics:

Baseline 2022 (kgCO <sub>2e</sub> /m <sup>2</sup> )	Arrival level 2030 (kgCO <sub>2e</sub> /m <sup>2</sup> )	Ambition 2030 (%)
20.5	12.1	- 41%

## Narrativa



- Commercial Real Estate is a complex sector and, as of today, the availability of actual emissions information is still limited, so the use of proxies in alignment calculations is still important. In addition, it is a sector with significant geographical variations, so reference paths can substantially vary the objectives.
- Taking these circumstances into account, CaixaBank has set an ambitious target for the sector. However, given the limited availability of real information for the assets in the portfolio in this sector, in the short-term priority will be given to improving the availability of EPCs and information on the issuances of the assets in the portfolio.
- It is important to note that the fulfilment of the target set will be subject to compliance with the projections in terms of efficiency and energy mix included in the current PNIEC<sup>1</sup> and other related projections (future draft PNIEC, Fit for 55, etc.).

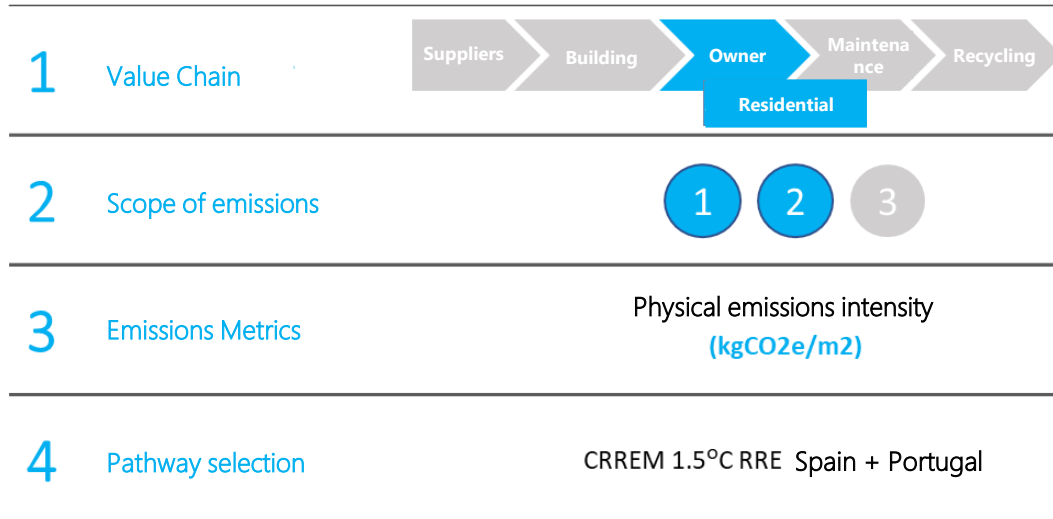
<sup>1</sup> National Integrated Energy and Climate Plan

# Residential Real Estate

Main characteristics of the Residential Real Estate objective

## Design of the Residential Real Estate target

### Key Design Decisions



- **Value chain:** the objective focuses on the use of housing: mortgage credit to individuals for the purpose of "home acquisition". This is where 85% of the emissions of the residential real estate value chain are concentrated.
- **Scope of emissions:** scopes 1 (direct emissions from combustion in homes, e.g. heating) and 2 (indirect emissions from consumption of purchased energy) account for most of the emissions; Scope 3 emissions are very limited.
- **Metric:** physical intensity (kgCO<sub>2</sub>e/m<sup>2</sup>), which incentivizes exposure to relatively more emissions-efficient assets and facilitates comparison between assets of different sizes.
- **Reference path:** CRREM<sup>1</sup> 1.5°C for Spain and Portugal, specific to the real estate sector for the EU.

<sup>1</sup> Carbon Risk Real Estate Monitor, a benchmark initiative for the EU and funded by the European Commission

<sup>2</sup> National Integrated Energy and Climate Plan

## CaixaBank's target for 2030



A target of 19% reduction in the intensity metric by 2030 is established, with the following characteristics:

<b>Baseline 2022</b> (kgCO <sub>2</sub> e/m <sup>2</sup> )	<b>23.57</b>	<b>Arrival level to 2030</b> (kgCO <sub>2</sub> e/m <sup>2</sup> )	<b>19.03</b>	<b>Ambition 2030</b> (%)	<b>- 19%</b>
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## Narrative



- Given the characteristics of the residential real estate segment, its social sensitivity, the long maturation periods and the dependence on exogenous levers for its transformation (regulatory requirements and public aid for the improvement of energy efficiency), the objective set for the Residential Real Estate Sector is not initially aligned with the CRREM reference path.
- CaixaBank will have to leverage the changes resulting from government policies and environmental and climate regulations, as well as changes in consumer behavior, by taking part in and contributing to the collective effort necessary for the transition to a net-zero emissions economy. Specific products are also being launched to finance energy-efficient reforms.

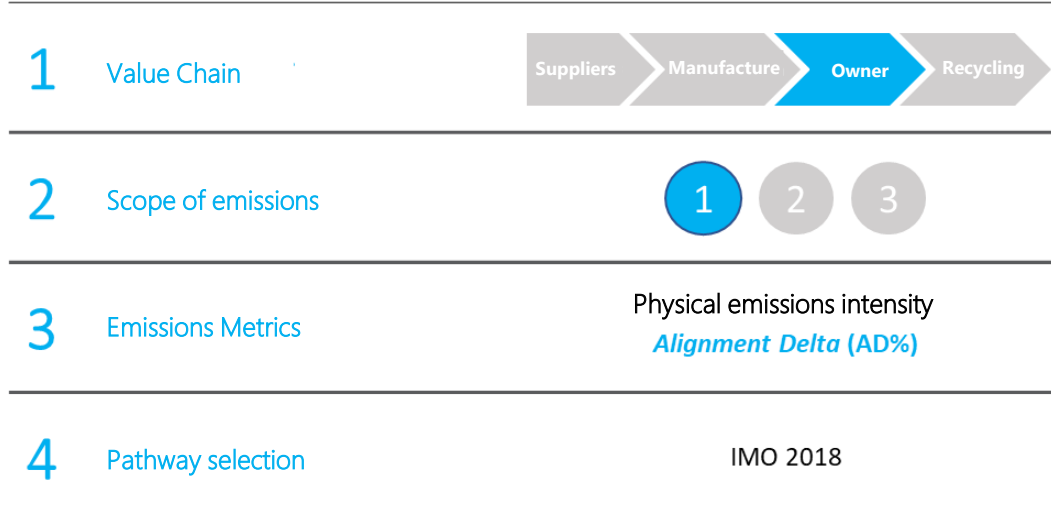


# Shipping

Main characteristics of the objective for the Shipping sector

## Design of the Shipping Target

### Key Design Decisions



- **Value chain:** the segment to be decarbonised is that of the Owner/Operator (transfer of cargo from port to port), since 'use' concentrates most of the emissions (approx. 92% of all emissions in the value chain).
- **Scope of emissions:** Scope 1: emissions from fuel consumption while sailing. These are the most material emissions in the sector and are currently covered in the Poseidon Principles.
- **Metric:** Alignment Delta (AD), a metric that defines the degree to which the carbon intensity of a ship or portfolio of ships is aligned with the underlying decarbonization trajectory for each asset typology that meets the International Maritime Organization (IMO) target.
- **Reference path:** IMO initial scenario (2018), aligned with the 2°C target, which seeks a 50% reduction in emissions by 2050 compared to the 2008 base year. The path is currently in the process of being updated within the framework of the Poseidon Principles.

## CaixaBank's target for 2030



A target of 11.9% reduction of AD% by 2030 is established, with the following characteristics:

<b>Baseline 2022</b> (AD%)	11.9%	<b>Arrival level 2030</b> (AD%)	0%	<b>Ambition 2030</b> (%)	- 11.9%
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## Narrative



- The calculation of the target for this sector has been carried out in line with the methodology of the Poseidon Principles, to which CaixaBank adhered in 2022.
- The AD% for NZBA (11.9%) is as published in the Poseidon Principles report for cargo ships; the perimeter of the target excludes, for the time being, passenger ships (fast ferries and cruise ships) due to methodological inconsistencies and errors in the alignment paths that are being evaluated globally within the framework of the Poseidon Principles.
- The design of the target for this sector will be adjusted within the framework of the Poseidon Principles.

# Aviation

Main characteristics of the objective for the Aviation sector

## Design of the Aviation Target

### Key Design Decisions

#### 1 Value Chain



#### 2 Scope of emissions



#### 3 Emissions Metrics

Physical emissions intensity  
gCO<sub>2</sub>e/RPK

#### 4 Pathway selection

MPPU 1.5°

- **Value chain:** the segment to be decarbonized is the owner/operator (passenger/cargo transport and airlines), since most of the sector's greenhouse gas emissions (>90%) are concentrated in the operation phase of aircraft.
- **Emissions Scope:** Scope 1 (tank-to-wake approach): emissions from in-flight fuel consumption. These are by far the most relevant emissions in the value chain.
- **Metric:** physical emissions intensity (gCO<sub>2</sub>e/RPK<sup>1</sup>) that describes greenhouse gas emissions per kilometer traveled in the year (passenger approach).
- **Reference path:** Mission Possible Partnership "Prudent" 1.5° (MPPU 1.5°) scenario, aligned with the Pegasus methodology.

<sup>1</sup> RPK = *revenue passengers kilometre*; Number of paying passengers per kilometre. Its equivalent in tonnes is RTK (*revenue tonnes kilometre*)

## CaixaBank's target for 2030



A target of 30% reduction in the intensity metric by 2030 is established, with the following characteristics

Baseline 2022 (gCO <sub>2</sub> e/RPK)	Arrival level 2030 (gCO <sub>2</sub> e/RPK)	Ambition 2030 (%)
102	71	- 30%

## Narrative



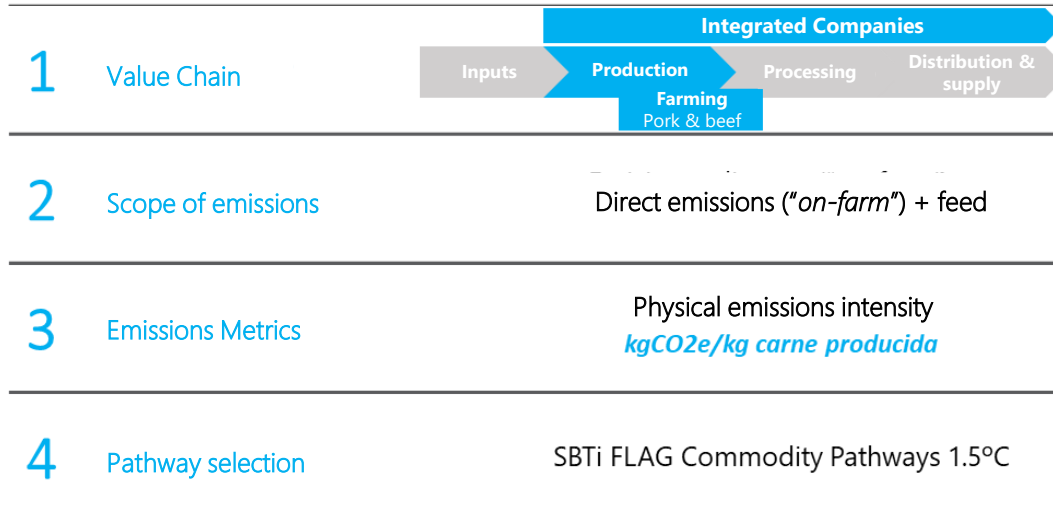
- The calculation of the target for this sector has been carried out in line with the Pegasus methodology, a standard to which CaixaBank has adhered.
- Initially, the perimeter focuses on corporate financing to airlines, excluding Asset Finance and lessors, given the limited availability of technical data at the individual asset level: aircraft type, cargo type, flight hours, fuel type.
- CaixaBank will extend the scope of the metric to these assets as the information becomes available, so it is foreseeable that the baseline and the level of arrival will also be adapted.

# Agricultural Sector

Main characteristics of the objective for the agricultural sector

## Design of the Agricultural Sector target

### Key Design Decisions



- **Value chain:** The production segment is the most emissions-intensive. Within this, farming, mainly pig and bovine, accounts for most of the exposure in this portfolio. Conceptually, companies in this sector and integrated (processing/distribution and production) are included in the objective.
- **Scope of emissions:** This includes on-farm emissions (enteric fermentation, manure management and energy consumption) and feed emissions (feed production), which account for most emissions from this sector<sup>1</sup>.
- **Metric:** physical intensity (kgCO<sub>2</sub>e/kg of meat), aligned with the SBTi FLAG methodology.
- **Reference path:** SBTi FLAG Commodity Pathways 1.5°C, scenario with sufficient granularity and aligned with the 1.5°C target.

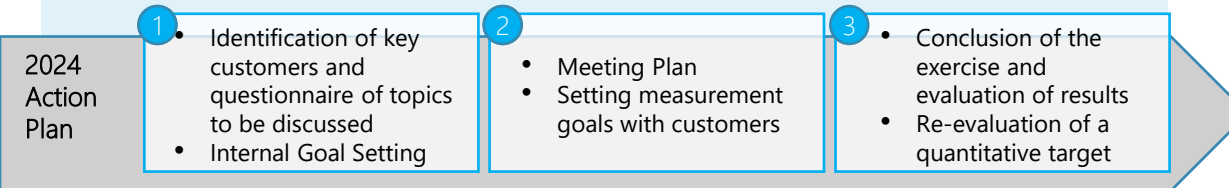


After the initial 12-month period, the possibility of setting a quantitative target will be reassessed.

## CaixaBank's target for 2030



A qualitative objective, focused on improving the knowledge and profiling of individual customers and the sector in general, is established. A specific work plan is put in place, which includes an engagement process with the main customers of meat, pig and cattle farming with different milestones to have more detailed information on these customers in the next 12 months:



## Narrative



- CaixaBank has carried out an exhaustive analysis of its agricultural and livestock portfolio, which has made it possible to:
  - Understand and segment the portfolio structure in terms of materiality and carbon intensity
  - Identify the main informational gaps
  - Understand the heterogeneity of the paths for each of the products in the portfolio
- Given the low maturity of global methodologies and the low availability of homogeneous and comparable data, it is currently not prudent to set a quantitative target.

<sup>1</sup> Due to the idiosyncrasies of the agricultural sector, the differentiation of scopes 1, 2 and 3 is, analytically, less useful than in other sectors. For this reason, in the context of agricultural holdings, the terms direct emissions and indirect emissions are used

# Sectoral objectives: Cement and Aluminum

No targets are set and the NZBA materiality of exposure to these sectors will be monitored on a monthly basis

## CaixaBank's target for 2030



The Entity has a global exposure to the cement sector and the aluminum sector that, both in terms of credit exposure and absolute financed issuances, does not exceed 1% of the total portfolio of companies with a credit profile of the entity.

Due to the non-materiality of these sectors, it has been determined :

- That no decarbonization targets are set for the cement and aluminum sectors.
- That a monitoring and contingency plan needs to be established:

### Monitoring a Relative Exposure Metric:

- In the event that the individual exposure of any of these sectors represents **more than 1% of the total portfolio of non-financial companies** for three consecutive months, the setting of the Net Zero objective will be considered.



If any of the sectors for which a decarbonization target has already been set were to fall below the set threshold of 1%, the target already set would be maintained.