SOCIAL VALUE
PROJECT

2020 REPORT

CaixaBank
Private Banking

Best Private Banking
Operator for Philanthropic Advice
in 2015, 2016, 2017, 2018, 2019 and 2020

JUAN ALCARAZ

Chief Business Officer
of CaixaBank

Crisis sometimes brings opportunity. The sheer scale of the current crisis caused by the COVID-19 pandemic should give us the biggest opportunity we have seen in the last 70 years, although for the time being the situation calls for caution.

Our Bank turns 117 years old this year and, throughout its long history, it has learned to live with numerous social, political, economic and health crises, which have been as significant, if not more, than the one we are facing now. And if there is one thing that has been clear to the Bank since its early days, it is that one should never wait for crises to spot opportunities and offer new solutions.

For this reason, our commitment to innovation and new technologies, our proximity to customers and our social commitment were not born as a result of the current or previous crisis, but are part of our Bank's DNA.

The Social Value Project of Private Banking was conceived five years ago from this social commitment, with the aim of going a step further and offering solutions so that our customers can also realise their own social commitment, with all the necessary safeguards in place.

Over the years, we have seen the solidarity and commitment of our customers become stronger in a favourable ecosystem, which has inexorably driven us to enhance our advisory service in philanthropy and sustainable investment, in the firm belief that by joining forces we will overcome this global challenge and others that lie ahead.

We trust that we will be able to put this social and health crisis behind us in the near future and that it will soon be nothing more than a bitter memory. For CaixaBank, this will serve to reaffirm the ongoing value and worth of our values and the need to press on with our mission: contributing to our customers' financial well-being and the progress of the whole of society.

Yours sincerely,

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IMPACT INVESTING: THE NEW NORMAL

1

SIR RONALD COHEN

Chair of the Global Steering Group for Impact Investment

We all know the world can't go on functioning as it is. Governments and philanthropists are unable to cope with the scale of the social and environmental challenges we face. The truth is that for a long time capitalism has delivered growth and has pulled billions out of poverty, but it has become a self-defeating system. If companies seek profit without regard to the damage they cause, the damage is just too great for governments to handle.

Over the past four or five decades this realisation has reached tipping point, having started with climate breakdown before extending to social issues that have sparked violent rebellion in the streets of France, Chile, Lebanon and most recently the US. It has led to a change in the preferences of consumers, employees and, most recently, investors. The younger generation, in particular, increasingly shun the products of companies that pollute or use child labour; talented people refuse to work for such companies; and this has not been lost on investors, who have recognised the implications for the performance of companies in their investment portfolios.

As a result, ESG and impact investment flows which seek environmental, social and governance improvement have grown remarkably, to reach $40 trillion, which is equivalent to almost half of all professionally managed capital in the world. Investment performance is showing that this is not just the right thing to do, it is also the smart thing. In 2020, ESG funds outperformed other funds and some ESG tracker funds nearly trebled in value. This has reset the expectations of investors who, until then, largely believed that if they included impact considerations in their investment decision-making, it would lead to lower returns.

ESG is the precursor of impact investment, which shares ESG's intention to create positive impact, but marries this intention with measurement of the impact created.

Impact investment itself has hit $1 trillion this year, becoming a clear signpost to the future. By measuring the impact of ESG investment, we effectively convert all ESG investment into impact investment and give ourselves the ability to manage the impact created by our portfolios through the businesses in which they invest.

The Impact-Weighted Accounts Initiative, an effort I am privileged to chair at Harvard Business School, has shown how technology and big data enable us today to measure and monetise the impacts companies make on society and the environment. It measures the impacts companies create through their products, employment and operations and expresses them in dollar terms, revealing vital information.

The data published on the environmental impact created by the operations of 1,800 public companies across the world shows that together they create an astounding $3 trillion of damage a year. In fact, 250 of them create more damage than they make in profit annually, and more than a third create damage equivalent to a quarter or more of their profit.

Similar data will be published on the employment impact of thousands of companies, measuring the social cost of lack of diversity, gender inequality, and unequal pay and advancement. The cost of lack of diversity can be measured by comparing diversity within a company relative to the diversity of the local demographics, and attributing relevant remuneration levels to those underrepresented communities. Comparing the lack of diversity of Apple and Costco in their US workforce, for example, shows Apple's cost to society to be $2.7 billion a year, while Costco's is $1 billion, despite the fact that it employs twice as many people as Apple.

Product impact data will soon follow. As all this impact data becomes available to investors, it will enable them to measure and compare the impact of companies as they make investment decisions, in effect turning the $40 trillion of ESG investment into impact investment.

This will bring about a very significant shift in our investment paradigm from risk-return to risk-return-impact, leading companies to do the same.

This is how impact is moving the goalposts for investors and businesses. Businesses cannot ignore this trend. The Harvard data shows a correlation in several sectors between lower stock market valuations and higher environmental damage. Companies that ignore the arrival of impact will be like those that ignored the arrival of technology: they will be overtaken by new entrants who will disrupt their industries, as Tesla has done in the automobile industry.

There is another important implication for our financial system. If impact data has become stock-price-sensitive, then regulators will have to step in to ensure that all investors have the same access to dependable impact data. This means introducing impact-weighted accounts prepared according to Generally Accepted Impact Principles (GAIP), in the same way we use generally accepted accounting principles to prepare financial accounts.

The parallel with the years following the Great Crash of 1929 is striking. After the Crash investors realised that they had been investing without true transparency on the profits companies made.

At that time each company picked its own accounting principles, was able to transfer part of its profit to hidden reserves without informing shareholders, and there were no auditors to verify the numbers in the accounts. In 1933 the US led the way in introducing GAAP accounting and auditors, and the world soon followed. There were remonstrations in Congress at the time that this would spell the end of American capitalism. Looking back, we can clearly see that it laid the foundation for the integrity of our huge investment market.

The same is true today of transparency on the impact of companies. The Covid crisis has heightened our awareness of social and environmental challenges and created an atmosphere conducive to meaningful change. This time, the 'New Deal' involves introducing transparency on the impact of companies, so that the investors who fund them can influence them to bring solutions rather than cause damage to society and the environment, thus supporting the objectives of governments, rather than thwarting them.

The implication is a major rotation of investment portfolios. In my lifetime I have seen a similarly massive rotation. It came as a result of the measurement of risk. In 1972, when I co-founded what became Apax Partners, the average portfolio contained two securities: the bonds of the investor's governments, and the shares quoted on the investor's stock market.

The measurement of risk, introduced in the early 1950s, brought the concepts of risk-adjusted returns and diversification, which transformed investment portfolios into the multi-asset class portfolios we see everywhere today.

1

It opened the door to venture capital, private equity and investment in emerging markets, funding both the Tech Revolution and globalisation.

The impetus for my journey into venture capital and private equity, and then into impact investment, sprung from the desire to do good and do well at the same time. I discovered venture capital at the end of the 1960s, and realised it was a new way to create jobs and increase prosperity when millions were unemployed in the UK. I could also see that it offered a great opportunity to make myself financially independent and able to support my parents. There is a similar, though much bigger opportunity today to do good and do well at the same time, thanks to the arrival of impact investment.

The measurement of impact has similarly great implications for the investment world as the measurement of risk.

As investors realise that risk-return-impact delivers better returns, they will channel capital into companies that optimise these three dimensions most effectively. These companies will perform better financially because of their greater ability to attract talent and customers. Just as those who ignored the far-reaching implications of the Tech Revolution were left behind, companies that ignore this revolutionary paradigm shift will be overtaken by new competitors.

Look at what Tesla has achieved in the automobile industry, for example. In the space of a couple of decades, it has shifted it to electric vehicles, while achieving a market capitalisation superior to those of century-old leaders. Elon Musk did not decide to go into automobiles simply because he wanted to make money and felt that the industry presented a good profit opportunity. He entered it because he wanted to shift us away from the pollution of the combustion engine and saw a commercial opportunity in doing so.

Impact measurement enables capitalism to advance from companies seeking profit and creating damage to society and the environment, to seeking profit while bringing solutions to the great problems we face.

In this sense, the Impact Revolution is bringing the invisible heart of markets to guide their invisible hand. It resembles and builds on the Tech Revolution, transforming business and investment alike. It is driven by a change of values among consumers, talent, business leaders and entrepreneurs. It is much more global than the Tech Revolution, which has been primarily driven by Silicon Valley and a small number of other locations. It will find its leaders wherever great social and environmental issues exist across the whole world.

This is already reflected in the current adoption of impact approaches in Spain, which is turning into a significant hub of impact thinking and implementation. Part of the reason for Spain's ascendance in the field is the existence of leading organisations like La Caixa, whose long standing social mission has been enshrined in their culture since their creation. For La Caixa, impact investment is simply the most effective embodiment of its founding values in today's investment world.

MORE PROFITABLE INVESTMENT

2

ANDRÉS CONDE

CEO of Save the Children Spain

In time, the global COVID-19 pandemic will likely go down as the greatest global disruption of our generation.

As we are still in the midst of the storm, we are yet to see the full effects of this unprecedented crisis, though it will undoubtedly bring profound and lasting changes throughout the world as we know it.

Beyond its devastating toll on human health, the crisis triggered by the pandemic is acting as a huge accelerator of transformations that had already begun to take shape before the crisis emerged: the digitisation of our lives, social polarisation, disaffection towards the political class and growing inequality.

In Spain, the economic and social consequences of the pandemic will hit children the hardest.

Although children and teenagers have largely avoided the health side of the crisis, they will be the biggest victims of its economic and social consequences.

Evidence showing the economic and social impact of the pandemic on the poorest families with dependent children is devastating:

- An alarming 57% of heads of households have lost their jobs permanently, while 21% are on furlough.
- 18% of poor households with dependent children –170,000 homes– have had basic utilities cut off because they cannot pay their bills.
- The families supported by the programmes of Save the Children in Spain have seen their household income diminish by 31%. Total income for one of these four-member households is, on average, €578 per month. With this meagre amount, families of four are faced with the difficult task of meeting the monthly costs of rent payments, food, utilities, transport, education, as well as any unforeseen expenses that may arise.

This situation has left thousands of households with dependent children in severe poverty. While the majority of these families have applied for public aid —mainly the state-level minimum living income or the regional-level guaranteed minimum income— by December 2020 only half of these families had received any such assistance.

Since the announcement of the state of alarm, social entities have done their utmost to prevent these families from falling into more extreme poverty and social exclusion.

In this endeavour, it is only fair to recognise the transcendental importance of the CaixaProinfancia programme, which for 13 years has been fighting to break the cycle of poverty that is passed on from parents to children and to generate opportunities for children born in disadvantaged situations, thanks to the hard word of 400 social entities focused on the needs of children in the most vulnerable situations.

While child poverty has been growing exponentially in Spain in the wake of the crisis, it was already an existing problem.

It is a social blight that has been present in Spanish society for years. In 2019, before the pandemic, under-16s were already the age group most at risk of poverty and social exclusion in Spain.

They were also the only age group in which poverty was rising significantly, according to official data.

Poverty in our country affects families with dependent children in a completely disproportionate way compared to other European countries. For years, Spain has topped the list of European countries with the highest percentage of children living in poverty, surpassed only by Romania and Estonia. In my view, there are four reasons for this phenomenon:

- In our country, job insecurity and temporary employment affect young couples of reproductive age in particular.
- The housing cost overburden —meaning the share of rental or mortgage costs to total household income— is much higher for young couples with dependent children.
- The high costs of parenting, which Save the Children has estimated at between €500 and €700 per month per dependent child, depending on age and region of residence.
- The scarcity, or virtual non-existence, of social benefits to support parents in raising their children: Spain invests 1.3% of GDP in family and childhood policies, while the average for the European Union exceeds 2.4%.

These four effects combined have created an unsustainable reality: for many Spanish families, deciding to have children means having to endure great economic hardship, including the risk of falling into poverty.

Combating the scourge of child poverty is not only a matter of social justice, but also of economic rationality and demographic sustainability.

It is a question of economic rationality because, from an economic policy perspective, investing in lifting a million children in Spain out of severe poverty and creating opportunities for them is much cheaper than financing the social benefits that these children will need for life if they continue to live in severe poverty as adults.

It is also a question of demographic sustainability, because the financial difficulties faced by young couples with children partly explain why we have one of the lowest fertility rates in the world —1.3 children per woman— and why couples in Spain have half as many children as they would like to have.

In one of the most ageing countries in the world, the sustainability of our welfare state is thrown into question if we fail to provide parenting support and help households with dependent children, especially the poorest ones, as most of our neighbouring countries do.

The rampant reality of child poverty in our country is invisible and foreign to many people, in my view for three reasons:

- Firstly, because we have stereotypes associated with child poverty that are built on images from the past, evoking images of ragged, starving and begging children. That is not the reality of child poverty in Spain. It is living in a home that is not warm enough in winter.

  It is not being able to have three meals a week with meat, fish or their vegetarian equivalents, as recommended by the WHO.

  It is not being able to count on educational material, glasses, hearing aids... and not being able to afford expenses that are not covered by the public system. It is living under constant deprivation and removed from the opportunities available to your peers, just because you were born into a context of social disadvantage.
- Secondly, the invisibility of child poverty is due to the fact that it is geographically and socially concentrated.

  Housing costs lead to a high geographical concentration of poor families in certain neighbourhoods, especially in large cities, making it hard to find them in neighbourhoods where the middle classes live.
- Lastly, these families find their poverty shameful and therefore try to keep it within the confines of the family environment and out of the public eye.

The good news is that child poverty, as it exists in Spain, is neither natural nor inevitable. There is a solution.

Our country possesses the technical, human and economic resources to defeat the poverty that severely undermines opportunities for children who are born disadvantaged, and who have a right to a future.

At the time of taking office, Tony Blair's Labour government was faced with levels of child poverty in the UK that far exceeded those we now have in Spain.

By the end of his term, he had managed to halve child poverty in his country.

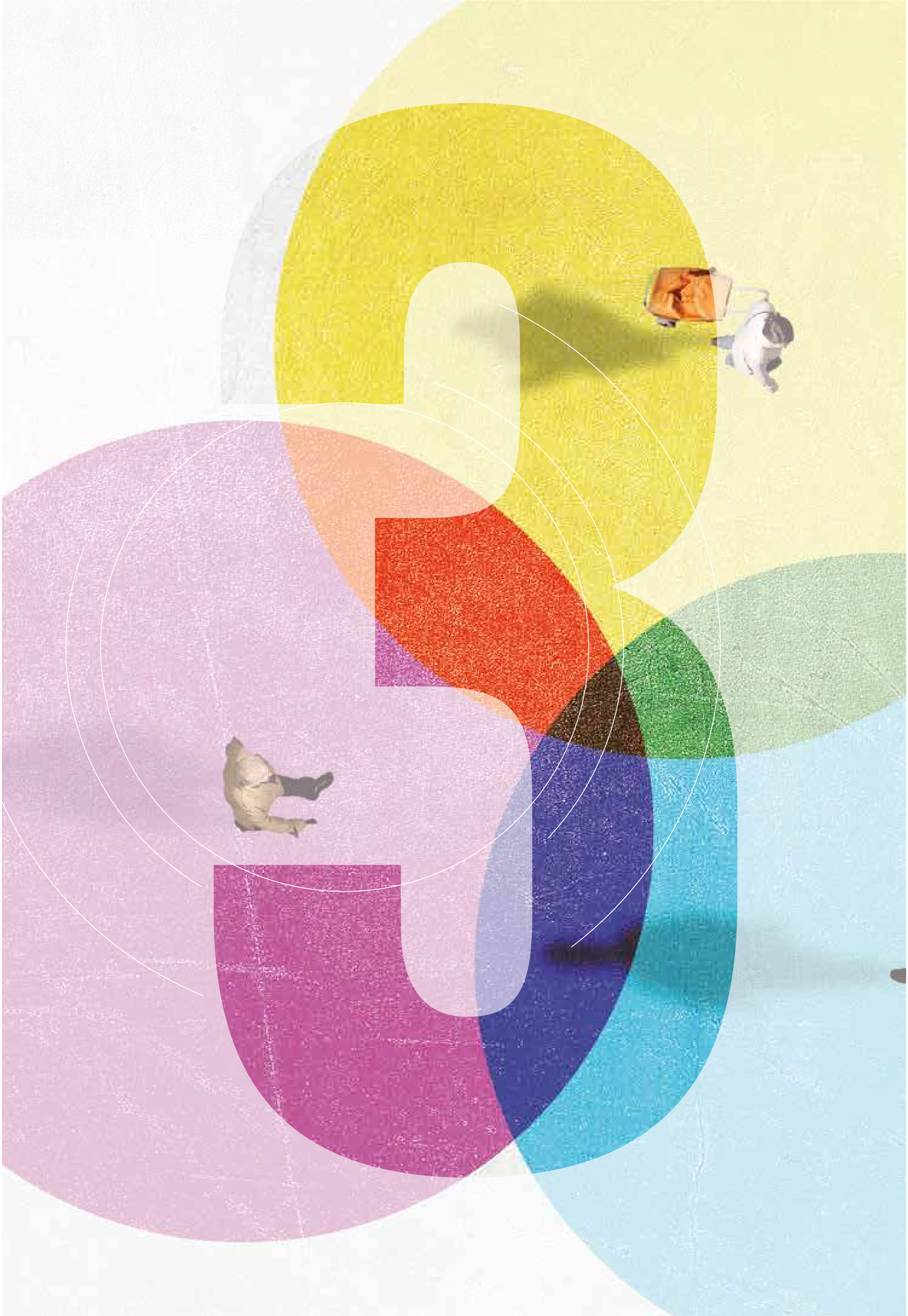
It was above all a question of intent, but also of investment. Poverty is fundamentally an economic problem, and calls for economic solutions.

It is no small coincidence that 2020, the year of the pandemic, was the year in which CaixaBank made the fight against child poverty a key pursuit under its Private Banking Social Value Project.

Over many years of working alongside the most vulnerable in many different contexts, I have witnessed how strategic philanthropy projects by individuals, families and private entities have brought about lasting, high-impact changes to problems overlooked by public initiatives, often for lack of political gain.

Now is the time to invest in the most vulnerable children, on a scale that is within everyone's reach.

Every boy and girl counts. Now is the time to prevent the educational, economic and social gap that the pandemic has widened from becoming unbridgeable and condemning thousands of children to lifelong social exclusion. It can be done. Together we can do it.



SOCIAL COMMITMENT 3

NOW MORE THAN EVER

JORDI CASAJOANA

Head of the Private Banking
Value Groups and Philanthropy Department

The year 2020 was heavily impacted by an event the magnitude and scale of which exceeds anything most of us have ever witnessed: the global coronavirus pandemic.

The COVID-19 crisis, which we began to hear about in late 2019 and which looks set to define the rest of 2021, has had a profound impact on all aspects of our lives and has unleashed major social, economic and political changes that may well be here to stay, although it is difficult to tell at this stage.

Much has been written about the pandemic and its role in accelerating changes that were already in the making.

In the case of our Social Value Project, and despite the adverse circumstances in which we have found ourselves, it seems clear that this premise is being fulfilled.

The pace of our project picked up in 2020, with certain courses of action consolidated, others broadened in scope and a third line of action deployed.

Following our yearly tradition of reviewing the different lines of action and seeing how they fared in 2020, the starting point should be sustainable and impact investing.

In last year's report, we already spoke about the consolidation of the social consensus regarding these types of investment. In 2020 this trend went one step further, with a significant increase in the volume of investment in these products and, above all, with returns that clearly exceeded those achieved by more "traditional" investments.

In our particular case, we expanded the range of SRI funds available to our customers and marketed new impact private equity vehicles.

This has led to a 176% increase in the average balances that our customers invest in SRI funds and doubled the volume of investment in impact private equity that we had seen at the end of the previous year.

Secondly, it is worth mentioning the action we take to promote the worthy causes we offer our customers so that they can express their social commitment in a safe, transparent and traceable way and measure the impact achieved.

In 2020, we added two further charitable causes to complement the range we already offered our customers.

Thus, aside from helping to promote global health through child vaccination (GAVI Alliance) and providing traditional support for food banks, we have introduced a new cause to combat child poverty in our country in partnership with Save the Children and another that supports advanced cancer research through the Research Unit for Molecular Cancer Therapy – "la Caixa" Foundation.

As in previous years, the response from our customers has been superb.

The pandemic was not an obstacle, but rather an incentive for them to increase their contributions once again during the year, both to our own worthy causes and other causes championed by NGOs.

Thirdly, our course of action focused on training and the dissemination of philanthropy has clearly been affected by the COVID-19 crisis, because health measures and essential precautions have made it advisable to suspend on-site events.

However, we have found a silver lining by managing to transform these events into digital events, which has also allowed us to reach more people while continuing to deliver on our pledge of raising awareness and social appreciation of philanthropy.

Turning to studies and awards, the leap forward has been immense. First of all, we have published the first study of a line of action that aims to generate further knowledge on the ecosystem of philanthropy within our country.

This first publication has been produced in collaboration with Instituto de Empresa, and its title, Profiles of personal philanthropy in Spain, clearly shows our interest in bringing to light a little-studied reality, so that society can assess more objectively, and free of prejudice, the great work that many philanthropists carry out.

To give credit where it due, we also staged the third edition of the CaixaBank Private Banking Humanitarian Awards, which recognise the best solidarity initiatives undertaken by our customers and which, year after year, attract more and more nominations.

In 2020, the number climbed to 88, up 29% on the previous event.

Before ending our review, we would be remiss not to mention the personalised advice we offer to those customers who want to carry out a structured, long-term philanthropic project.

The number of customers we have accompanied on this journey has continued to increase, which clearly shows a growing interest in trying to build a better world through philanthropy.

In a nutshell, 2020 was a year in which our project grew once again, in terms of both the services on offer —broadening and enhancing existing lines of action while opening up new ones— and customer response and engagement.

And now that 2020 is over, it is time to look to the present and the future. The year 2021 that is now upon us will unfortunately continue to be shaped by the COVID-19 pandemic, though also by the acceleration of certain trends that afford us a much brighter vision of the future.

The social commitment of our customers will undoubtedly continue to grow, as will demand for investments that reflect their principles and that have a positive impact on society and the environment.

From our Social Value Project we continue to work on increasing and improving our catalogue to respond to these growing demands from our customers, with a wider range of sustainable and impact products, new studies on the philanthropic ecosystem, further digital events to raise awareness of philanthropy and its different aspects, a new edition of the Humanitarian Awards, and more and better support for our customers' philanthropic pursuits.

Because if one thing has become clear over the past year, it is that in order to meet the great challenge we face, the social commitment of all of us is now more necessary than ever.

OUR YEAR IN FIGURES

4

CAIXABANK PRIVATE BANKING CHARITABLE CAUSES

We offer our customers worthy causes so that they can pursue their philanthropic objectives with the utmost transparency and impact.

FUNDS RAISED – 2020

PERMANENT CHARITABLE CAUSES	**€269,162**
GLOBAL HEALTH THROUGH VACCINATION	€224,581
ADVANCED RESEARCH INTO CANCER	€14,720
COMBATING CHILD POVERTY IN SPAIN	€29,861
FOOD BANK CAMPAIGN	**€781,999**
CHARITY GALA DINNER	**€161,550**

€1,212,711

The Cena con Alma initiative raised €161,550 for the Humunitarian Card programme of Cáritas Barcelona, which provides vulnerable families with essential food for a balanced diet.

PARTNERSHIPS WITH NGOS

Donations made by our customers in support of the main organisations in Spain.

FUNDS RAISED – 2020

€9,944,277

SUSTAINABLE AND RESPONSIBLE INVESTMENT

The commitment to sustainable and responsible investing (SRI) permeates the entire CaixaBank Group. The efforts made by CaixaBank AM and VidaCaixa have lifted them to the highest rating (+A) in the UNPRI, and the value of their work has been endorsed by the keen interest displayed by our customers in looking at ESG criteria when managing their wealth.

RISING AVERAGE BALANCES IN SRI FUNDS ➤ **+176%**

PRI Principles for Responsible Investment
HIGHEST SCORE IN STRATEGY AND GOOD GOVERNANCE A+

STUDIES AND RECOGNITION

THIRD EDITION OF THE CAIXABANK PRIVATE BANKING HUMANITARIAN AWARDS

A total of 88 applications were submitted for the 2020 edition under the two categories:

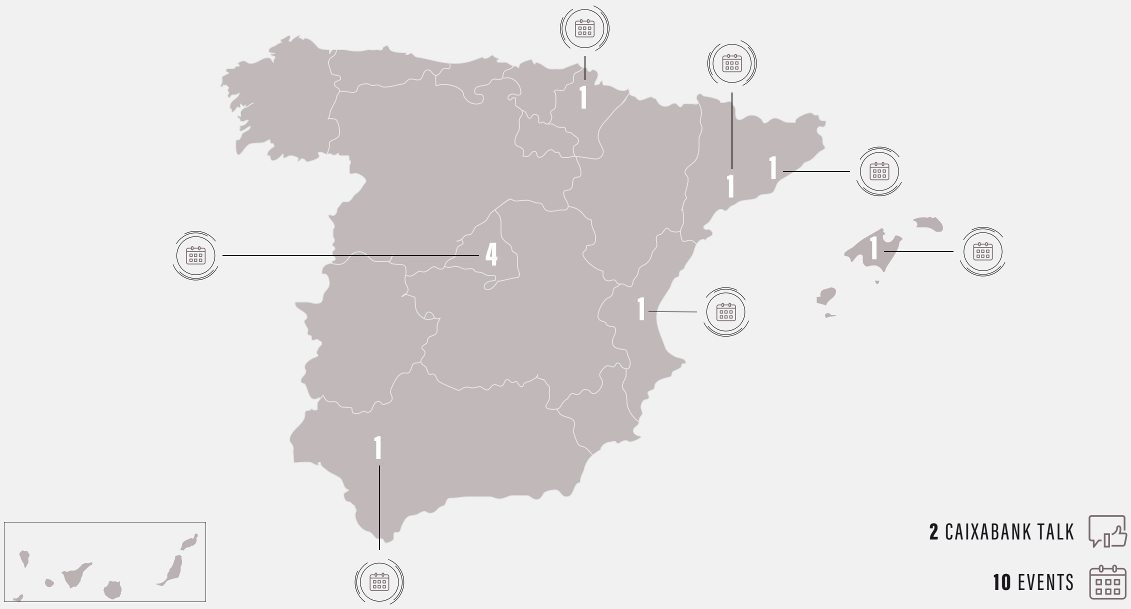
- Best Philanthropy Project: Fundación Prodis
- Best Track Record in Philanthropy: Fundación Barceló

REPORT ON *PERSONAL PHILANTHROPY PROFILES IN SPAIN*

During the year we initiated a line of research based on academic studies to analyse and increase the visibility of good practices in philanthropy.

This has led us to publish this first report in collaboration with Instituto de Empresa.

INFORMATION SHARING SESSIONS WITH CUSTOMERS



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CaixaBank
Private Banking