

# Statement of Principal Adverse Impacts of investment decisions on sustainability factors

CaixaBank, S.A. (hereinafter, "CaixaBank" or the "Entity") is committed to sustainable development and is aware of the vital role of financial institutions in directing financial resources to activities that are beneficial to society as a whole.

Regulation (EU) 2019/2088<sup>1</sup> on the disclosure of information regarding sustainability in the financial services sector (hereinafter, "SFDR") was approved in 2019 with the aim of promoting the transparency on the way in which the participants in the financial markets integrate sustainability risks into their investment decisions and processes. In addition, it requires entities to classify products according to their degree of sustainability and the transparency requirements associated with each (the SFDR thus differentiates between products regulated by its article 6, 8 or 9).

The European Supervising Authorities (hereinafter, "ESAs") have developed the regulatory technical standards<sup>2</sup> (hereinafter, "RTS") to disclose the consideration of the Principal Adverse Impacts of investment decisions on sustainability factors (commonly known as "PAIs"). In this document CaixaBank fulfils these reporting requirements at an entity level (hereinafter, the "Statement").



<sup>1</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the disclosure of information regarding sustainability in the financial services sector.

<sup>2</sup> Commission Delegated Regulation (EU) 2022/1273 of 6.4.2022 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 (...)

# 1. Summary

This document includes CaixaBank's consolidated statement of the Principal Adverse Impacts on Sustainability. This Statement has been prepared following, to the extent possible, the guidelines and format defined in the latest version of the RTS templates published in 2022, as these templates will only be applicable as of 2023.

CaixaBank considers the Principal Adverse Impacts on Sustainability in its own and third-party investment products and in the discretionary portfolio management delegated to CaixaBank Asset Management S.G.I.I.C., S.A.U. (hereinafter, "CaixaBank AM"). Both CaixaBank and CaixaBank AM consider Environmental, Social and Governance (hereinafter, "ESG") criteria when selecting the third-party products included in advice proposals or managed assets, respectively. In this regard, a due diligence process is conducted to identify, prevent, mitigate and explain how these PAIs are addressed.

The CaixaBank Group (hereinafter, the "Group" or "CaixaBank Group") has a framework of sustainability policies to ensure that its activity contributes to sustainable development. Among them, the [Sustainability Risk Integration Policy](#) and the [Engagement Policy in the scope of discretionary portfolio management \(hereinafter, the "Engagement Policy"\)](#) stand out, and they allow systematically analysing and monitoring the Principal Adverse Impacts and, when necessary, implementing the appropriate mitigation measures. These measures may take the form of not investing, divesting, reducing exposure or placing certain assets and issuances under observation, thus initiating the required engagement actions, where applicable.

This first statement of the Principal Adverse Impacts on Sustainability includes information on the social and environmental indicators, which are considered the most relevant for the CaixaBank Group in terms of its current policies and commitments. This statement reflects the value of these PAIs with respect to the positions in the discretionary management portfolios of CaixaBank customers at the end of 2021, in direct investment in corporate fixed income, public debt and equity, and in investment in funds managed by CaixaBank AM. Within the scope of discretionary portfolio management, the analysis has been conducted on the investment in assets (corporate and government fixed income and equity) of the Asset Plus portfolios and on the funds of the Master portfolios, which directly invest in these same assets and are managed by CaixaBank AM.

## 2. Description of the PAIs regarding the various companies

The indicators' results have been obtained from information pertaining to the data provider MSC Inc. The provider currently has no information about the total assets held by CaixaBank, which are managed by CaixaBank AM, because the companies do not report this information. This is due to the fact that not all companies are required to publish such information.

Therefore, the indicators selected by the CaixaBank Group, in addition to those the Group considers relevant due to its commitments and policies, are those with a cover percentage of at least 95%. As a result, we can safely say that, at the end of 2021, the cover percentage for each indicator is of at least 95%, which provides the information with a high degree of representativeness.

### INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

PAIs indicator	Metric	Result at the end of 2021	
<b>CLIMATE INDICATORS AND OTHER INDICATORS RELATED TO THE ENVIRONMENT</b>			
Greenhouse Gas emissions <sup>3</sup>	<b>GHG emissions</b>	Scope 1 GHG emissions	<b>806,976, 58</b>
	Volume of GHG emissions generated by the companies in which CaixaBank invests. Sum of absolute CO <sub>2</sub> emissions, whether reported or estimated, calculated according to the value of the investment in each company (t CO <sub>2</sub> e)	Scope 2 GHG emissions	<b>131,261, 63</b>
		Total GHG emissions (sum of scope 1 and scope 2)	<b>938,238, 21</b>
		<b>Carbon Footprint</b>	GHG emissions of investee companies per million euros of enterprise value
	<b>GHG intensity of investee companies</b>	GHG emissions of investee companies per million euros of sales	<b>235.04</b>
	<b>Exposure to companies active in the fossil fuel sector<sup>4</sup></b>	Share of investments in companies active in the fossil fuel sector	<b>9.9%<sup>5</sup></b>
	(%)		

<sup>3</sup> Scope 1 refers to the emissions directly generated by the activity of the investee companies, and Scope 2 refers to the indirect emissions generated from the energy consumed by the investee companies.

<sup>4</sup> Companies active in the fossil fuel sector means companies that derive any revenues from (i) exploration, extraction, distribution or refining of hard coal and lignite; (ii) exploration, extraction, distribution (including transportation, storage and trade) or refining of liquid fossil fuels; and (iii) exploration and extraction of fossil gaseous fuels or from their dedicated distribution (including transportation, storage and trade).

<sup>5</sup> This datum does not consider the percentage of the investee company engaged in activity related to fossil fuels. A company with a minimum percentage of exposure to this sector carries the same weight in the indicator as a company with a higher percentage of exposure.

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

PAIs indicator	Metric	Result at the end of 2021
Social and employee matters	<b>Board gender diversity</b> (%)	Average ratio of female to male board members in investee companies, expressed as a percentage over the board members <sup>6</sup>  <b>34%</b>
	<b>Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)</b> (%)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons  <b>0%</b>

## INDICATORS APPLICABLE TO SOVEREIGNS AND SUPRANATIONALS

Greenhouse Gas emissions	<b>GHG intensity</b> (tCO <sub>2</sub> e/€M GDP)	Weighted average of GHG emissions per million euros of GDP of CaixaBank investee countries  <b>231.10%</b>
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<sup>6</sup> It means the average ratio of female board members in investee companies.

### 3. Description of policies to identify and prioritise the impact of Principal Adverse Impacts on Sustainability

CaixaBank has developed a [holistic framework](#) for sustainable investment that is applicable to the provision of investment advisory and discretionary portfolio management services.

This sustainable investment framework is based on the following fundamental pillars:

1. **The incorporation of Environmental, Social and Governance factors**, in addition to traditional financial criteria in investment decision-making and analysis regarding investment advisory services and discretionary portfolio management, as detailed in the Sustainability Risk Integration Policy.



**Environmental:** factors related to the quality and functioning of the environment and natural systems, such as air quality, water and soil, carbon and the climate, ecology and biological diversity, CO<sub>2</sub> emissions and climate change, energy efficiency, the scarcity of natural resources and waste management.



**Social:** factors related to the rights, well-being and interests of people and communities, such as human rights, the working conditions and standards, education, gender equality and the ban of the child and forced labour.



**Governance:** factors related to the good governance of companies and other entities in which it invests, such as the independence and monitoring of the board, best practices and transparency, remuneration of senior officials, shareholders' rights, the management structure or efforts against corruption and insider trading.

2. **The compliance with the [Engagement Policy](#)**, which includes engagement measures such as engaging in dialogue with the issuers in which it invests.

#### Details about ESG integration in investment analysis

ESG integration consists in the explicit and systematic inclusion of ESG considerations in the analysis of investments and in the investment decision-making process carried out by CaixaBank AM in the discretionary portfolio management delegated by CaixaBank.

In this regard, the investment managers must consider the sustainability risks and the effect of adverse sustainability impacts on its investment processes, as defined below:

- **Sustainability** risks are understood as any environmental, social or governance event or condition that could have an actual or potential material adverse effect on the value of the investment if it were to occur<sup>7</sup>.
- **The principal adverse** impacts are understood as those impacts of investment and advisory decisions that can have negative effects on sustainability factors<sup>8</sup>.

ESA integration seeks to decrease the effects of sustainability risks and minimise the principal adverse impacts, without losing sight of profit generation.

<sup>7</sup> According to the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the disclosure of information regarding sustainability in the financial services sector.

<sup>8</sup> According to the provisions of the EBA Discussion Paper of 30 October 2020 on management and supervision of ESG risks for credit institutions and investment firms (EBA/DP/2020/03).

## The due diligence process

Due diligence can help to decide whether to continue or discontinue activities or investments as a last resort, either because the risk of an adverse impact is too high or because mitigation efforts have not been successful.

The CaixaBank Group has established due diligence processes based on the risk to identify, prevent, mitigate and explain how these adverse impacts are addressed. Therefore, CaixaBank has an opportunity to avoid adverse impacts and facilitate change through dialogue and proxy voting policies implemented by VidaCaixa S.A. de Seguros y Reaseguros (hereinafter, "VidaCaixa") and by CaixaBank AM (except for discretionary portfolio management, where the Voting Policy is not applicable) and through the offer of financial products and assets managed by the Group companies.

In the investment decision-making processes carried out by CaixaBank AM and VidaCaixa, the following principles are followed:

- Identifying actual or potential adverse impacts.
- Taking measures to stop, prevent or mitigate these adverse impacts.
- Monitoring the implementation and results of these measures.
- Reporting on how the principal adverse impacts are addressed.

CaixaBank AM and VidaCaixa have implemented a specific procedure in order to adequately monitor compliance with these principles with recurring frequency. In practice, the due diligence process is continuous, iterative and not necessarily sequential, since different stages can take place simultaneously with outcomes feeding back into each other.

## Methods for identifying the principal adverse impacts

The process of identifying the principal adverse impacts is found to be directly linked to the investment decision-making process carried out by CaixaBank AM in the discretionary portfolio management that CaixaBank delegates in it.

In the first place, sustainability factors relevant to a certain area, industry, sector or company are identified. For this purpose, various materiality analyses of benchmark organisations are conducted and are able to have the support of ESG analysis providers contracted for this purpose, as well as public sources of information. In accordance with the above, material indicators that are integrated into the building and management process of different portfolios through the selection and allocation of different assets in accordance with procedures implemented by the Group are identified. In addition, an analysis of the adverse impacts of investments on sustainability is carried out.

The actual and potential negative impacts identified are monitored via the evolution of the indicators of adverse impacts. In the event of identifying an adverse impact due to an increase in social or environmental impacts or due to potential non-compliance with commitments or policies, the reasons are assessed and the required corrective and mitigations measures are implemented. These measures may take the form of not investing, divesting, reducing exposure or placing exposure under observation. These measures can be supplemented, where required, with active ownership through engagement actions, such as dialogue

and/or exercising the right to vote of CaixaBank AM according to its share in the investee company (excluding Discretionary Portfolio Management)<sup>9</sup>.

The Group has policies in place that contain restrictions regarding investment under specific criteria or in certain sectors, which mitigate the risk of adverse impacts from materialising. Specifically, there are policies in place that exclude investments in companies in which it has identified violations of UN Global Compact principles (following a process of analysing the cases detected and assessing the remediation actions), as well as in companies that do not comply with the OECD Guidelines for multinational enterprises or that have exposure to controversial weapons.



<sup>9</sup> For more information on this type of engagement actions, see section "4. Engagement Policy" herein.

## 4. Engagement Policy

The CaixaBank Group has a firm commitment to develop into a sustainable economy. This is why it has corporate principles, policies and statements in place that guide its actions.

CaixaBank applies the [Engagement Policy](#) to the provision of discretionary portfolio management services, which it has delegated to CaixaBank AM. This Policy sets the principles followed to participate in the decisions of the companies and issuers it invests in, considering environmental, social and governance criteria. The purpose of this Policy is to define the general principles, criteria and procedures for engagement applicable to the discretionary mandates given to CaixaBank by its customers, in compliance with the provisions of Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement<sup>10</sup>. This Policy has the following objectives, among others:

- To encourage the engagement of intermediaries and asset managers in the governance of investee companies.
- To improve the transparency of investment strategies, engagement policies and the process for exercising voting rights, especially when using proxy advisors.

The Engagement Policy establishes engagement actions and exercising voting rights:

- **Engagement actions (dialogue).** CaixaBank is aware that active dialogue with companies and issuers of financial products, public or private, serves as a powerful tool to improve its sustainability performance. For this reason, CaixaBank AM, as the company to which management has been delegated, carries out engagement actions on ESG issues with the conviction that a constructive dialogue can improve behaviour in relation to environmental and social factors, as well as improve risk management or corporate governance itself.
- **Exercising voting rights.** Customers of the discretionary portfolio management service do not delegate to CaixaBank the vote or exercise of the voting rights inherent in the shares they hold. Therefore, CaixaBank has no voting policy in relation to this service. Nonetheless, CaixaBank, as depositary of the shares linked to the discretionary portfolio management service, may provide information to its customers on the annual general meetings called by the corresponding companies (for example, on the date, invitation or agenda) in accordance with applicable regulations.

<sup>10</sup> [Directive \(EU\) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.](#)



## 4.1 Sustainability policies

In its investment advisory, analysis and management processes, CaixaBank takes into consideration different policies on the matter adopted by the Group. These policies make up a framework of control to avoid events that can lead to adverse impacts on sustainability, as well as to minimise and mitigate them to the extent possible.

- [Corporate framework for the integration of ESG risks in the provision of investment and asset management services](#); this Framework is corporate in nature and applies to those activities that include the provision of discretionary portfolio management or investment advisory services, with the aim of guaranteeing the suitable integration of ESG risks. The document establishes the general principles of action, including:
  - The commitment to contribute to the development of a sustainable and stable financial system, as well as to supporting business projects that are consistent with the corporate values.
  - The long-term plan in the performance of its activity, the fulfilment of the regulation and the follow-up of the more recent recommendations with regard to sustainability and consideration of ESG criteria within the business.
  - The progressive incorporation of ESG aspects, in addition to financial criteria such as liquidity, internal rate of return and profitability index, among others, in the investment analysis and decision-making process.
  - Compliance and the adequate management of the risks to which the Group is exposed, including ESG risks, and which are considered in the Corporate Risk Catalogue.
  - The adjustment and the development of policies, procedures and control systems that promote the consideration and integration of ESG risks in investment decision-making and in advisory services.
- [Sustainability Risk Integration Policy](#); its scope covers all assets under discretionary portfolio management and assets in investment proposals issued under the investment advisory service. It is the reference document that establishes the principles of action to incorporate ESG criteria in the decision-making process for the provision of these investment services. In this line, it sets exclusions for investments in companies related to extracting or generating thermal coal, the production and exploration of oil sands, companies involved in controversial weapons and others sectors that could have a significant environmental impact.
- [Corporate Policy for Managing Sustainability/ESG risks](#), applicable to assets of companies in which it invests directly. This Policy defines a framework of global principles forming the foundations of all actions that are related or that have an identified impact on ESG risks associated with customers and investments on its own account. In addition, it defines the framework of basic governance for the authorisation, management, communication and disclosure of these activities.
- [General Principles of Corporate Anti-Corruption Policy](#); the General Principles are corporate in nature and, therefore, apply to all companies in the CaixaBank Group, their employees, executives and members of the Governing Bodies. This document establishes the Group's commitment to fighting against corruption in all its forms, including extortion and bribery, setting forth general principles that include the following: a regulatory framework and a standard of conduct, general principles governing corruption risk management and a reporting and whistleblowing channel.

The objectives include:

- Transmitting the corporate values and principles of action, ensuring compliance with these at Group level and by employees, executives or members of the Governing Bodies or Group companies.
- Establishing due diligence measures for contractual relationships.
- Ensuring that measures are taken to prevent or reduce the risk of corruption crimes being committed in all levels of its activity.
- [Principles on Human Rights](#); the principles of action are the guide with regard to human rights within the relationships that CaixaBank establishes with its employees, customers, shareholders, suppliers, commercial partners and the communities where it performs its business and activities. These Principles apply to all employees, executives and members of the Governing Bodies of CaixaBank.
- [Climate Change Statement](#), which includes CaixaBank's main lines of action to contribute to the transition to a carbon neutral economy. These actions include, among others, the development and offering of sustainable investment products; the integration of environmental, social and governance criteria into the investment decision-making process and the building of managed portfolios; and the policy of active voting and encouragement of engagement action with companies in the investment universe to support the transition towards more sustainable business models.



## 5. References to international standards

CaixaBank incorporates into its [Principles of action of the Corporate Policy for Managing Sustainability/ESG risks](#) (March, 2022) references to international standards related to said scope, which are a framework of control to avoid events that can lead to adverse impacts on sustainability.

More specifically, the Entity commits to respect human rights in all territories it is present, in accordance with its [Principles on Human Rights](#) and under the guidelines of the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and other internationally recognised codes.

In addition, the Principles on Human Rights make reference to the following additional standards:

- The United Nations International Bill of Human Rights, which includes:
  - The Universal Declaration of Human Rights.
  - The International Covenant on Civil and Political Rights.
  - The International Covenant on Economic, Social and Cultural Rights.
- The International Labor Organization Declaration on Fundamental Principles and Rights at Work and the eight fundamental conventions identified by the same.
- The EU Charter of Fundamental Rights.

CaixaBank has also pledged to carry on its business in strict compliance with applicable law and regulations and in accordance with the highest standards of ethics and professional conduct. Notably:

- The Guiding Principles on Business and Human Rights of the United Nations.
- The OECD Guidelines for Multinational Enterprises.
- The UN Women's Empowerment Principles.

In addition, as evidence of its willingness to avoid and address the adverse impacts associated with investment decision-making in the provision of advisory and discretionary portfolio management services, the Entity has adhered to the following commitments related to sustainability:

- **The United Nations Sustainable Development Goals:** CaixaBank integrates the 17 Sustainable Development Goals ("SDGs") into its sustainability strategy. Despite focusing its activity on four priority goals (SDG 1 - No poverty; SDG 8 - Decent work and economic growth; SDG 12 - Responsible production and consumption; and SDG 17 - Partnerships for the goals) due to its size and social commitment, it contributes to all the SDGs through its business, social projects and strategic alliances:
  - Contribution to the progress and well-being of the most vulnerable groups through access to financial services, social actions and an active housing policy.
  - Boost of economic activity promoting investments in innovation, entrepreneurship and the growth of micro-enterprises and SMEs.
  - Adoption of a socially responsible banking model based on the sustainable and efficient management of natural resources.
  - Implementation of programmes with positive social impact, both its own and through partnerships, among of which stands out Fundación "la Caixa".
- **The Principles for Responsible Banking** of the United Nations Environment Programme Finance Initiative (UNEP FI), of which it is a signatory since 2019. These Principles aim to advance in the

integration of the UN Sustainable Development Goals and the Paris Agreement into the business model and strategy of the signing entities and involve a commitment of annually reporting the degree of progress of their implementation. In the scope of climate action and as part of the Responsible Banking Principles, CaixaBank adheres to the **Collective Commitment to Climate Action**, the aim of which is to finance the low-carbon economy required to limit global warming below 2°C. It is also one of the founding members of the Net-Zero Banking Alliance (NZBA), taking on the commitment to only hold investment and credit portfolios that are neutral in greenhouse gas emissions by 2050.

- **The Principles for Responsible Investment (PRI)** of the United Nations Environment Programme Finance Initiative (UNEP FI), to which CaixaBank, CaixaBank AM and VidaCaixa have adhered and through which the Group integrates ESG factors into its asset management process, as evidenced by its commitment to sustainability. These principles have been the main reference in the development of its sustainable investment model.
- Within the scope of climate action, CaixaBank AM adheres to **Climate Action 100+**, an international initiative promoted by investors and initiatives like the PRI and the purpose of which is to encourage the dialogue with companies with the highest levels of GHG emissions, so they take critical measures to align themselves with the goals of the Paris Agreement. CaixaBank AM is related to CaixaBank inasmuch as it is entrusted with its portfolio management.
- **Accession to the UN Global Compact:** the Global Compact is the most important voluntary corporate social responsibility initiative in the world, and it has two main goals:
  - Incorporate the 10 universal principles based on human rights, labour rights, respect for the environment and combatting corruption in its strategies and operations.
  - Channelling action in support of the United Nations' most broad objectives.

In addition, CaixaBank is member of the Global Compact Network Spain, an initiative that seeks to align the strategies and operations of the companies with these 10 principles. Annual reporting commitments are established, which include the efforts undertaken by the entity:

- A description of the measures carried out to implement the principles in the four significant areas (human rights, labour rights, respect for the environment and combatting corruption).
- A quantitative and qualitative assessment of the results.
- Within the scope of gender diversity, CaixaBank adheres to the **UN Women's Empowerment Principles**, with the aim of aligning its policies with the progress in gender equality, and to the **UN Global Compact's Target Gender Equality**, which intends to accelerate women's representation in management positions.

Corporate behaviour criteria is established via the Group's commitments with various international guidelines. These standards cover the Group's responsibilities in its activity and the regulations applicable to its operations, with the aim of mitigating the risk of events that can lead to adverse impacts on sustainability.