

# Statement of Due Diligence Policies in relation to Adverse Impacts

## 1. Introduction

In its commitment to develop into a sustainable economy and in accordance with the mission and values of the CaixaBank Group (hereinafter, the 'Group'), CaixaBank, S.A. (hereinafter, 'CaixaBank' or 'the Bank') 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 frame is based on two fundamental pillars:

- The **incorporation of environmental, social and corporate governance (ESG) factors**, in addition to traditional financial criteria in investment decision making and analysis regarding investment advisory services and discretionary portfolio management.

ESG factors can be defined as:



**Environmental:** those 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:** those 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:** those 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.

- The **long-term involvement with companies in which it invests** through *proxy voting* and open dialogue actions with the listed companies (known as *engagement*). These shares are delegated in CaixaBank Asset Management SGIIC, S.A.U. (hereinafter, 'CaixaBank AM') and in Vidacaixa S.A.U. de Seguros y Reaseguros (hereinafter, 'VidaCaixa'), such as companies of the Group responsible for managing assets traded by the Company.

Therefore, CaixaBank complies with these two ESG pillars in the provision of investment advisory and discretionary portfolio management services and is supported by the integration and involvement of the Group.

It is deemed that the implementation of this model can have a favourable effect on the results of the companies over the long term and contribute to further economic, social and environmentally sustainable progress.

## 1.1 Context of the Statement

CaixaBank adheres to the Principles of Responsible Banking of the United Nations Environment Programme Finance Initiative (UNEP FI) since 2019, and to the United Nations Global Compact since 2012.

In addition, the Group already integrates ESG factors and takes as a main reference the Responsible Investment Principles (RIP) criteria promoted by the United Nations, to which VidaCaixa has agreed since 2009 and CaixaBank AM since 2016, as a demonstration of its commitment to the sustainability and its willingness to integrate these principles into the management of assets by each of them. These principles have been the main reference in the development of its sustainable investment model.

In its advisory, analysis and investment management processes, CaixaBank takes into consideration different policies on the matter adopted by the Group, such as the Environmental Risk Management Policy, the Anti-corruption Policy and the Corporate Human Rights Policy. The latter sets out the commitment of the Group of respecting:

- 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 ILO Declaration on Fundamental Principles and Rights at Work and the eight fundamental conventions that it has identified.
- The EU Charter of Fundamental Rights.

Similarly, CaixaBank undertakes to carry out its activity in strict compliance with the applicable regulations and in accordance with the highest ethical standards and professional conduct. Notably:

- The Guiding Principles on Business and Human Rights of the United Nations;
- The OECD Guidelines for Multinational Enterprises;
- The Women's Empowerment Principles of the United Nations;
- The Equator Principles;
- The United Nations Environment Programme Finance Initiative (UNEP FI).

Finally, the Group deems it essential to accelerate the transition to a low-carbon economy that promotes sustainable development and is socially inclusive. To do so, the Group considers the objectives of the Paris Agreement (COP21) and the Sustainable Development Goals of the United Nations.

## 1.2 Purpose of the Declaration

CaixaBank is committed to the transparency and transmission of information on the procedures, results and plans regarding due diligence processes implemented by CaixaBank concerning the provision of investment advisory services, and the companies of the Group concerning asset management. Article 4 of Regulation (EU) 2019/2088 on the disclosure of information regarding sustainability in the financial services sector (hereinafter, the 'Sustainable Finance Disclosure Regulation') sets out the obligation to report on due diligence policies in relation to these adverse impacts, fulfilling this obligation through this Declaration.

## 1.3 What does ESG integration consist of?

This holistic framework includes 'ESG integration', which consists of the explicit and systematic inclusion of ESG considerations in the analysis of investments, in the provision of investment advisory services and in investment decision making carried out by CaixaBank AM in discretionary portfolio management delegated by CaixaBank.

In this regard, the financial advisers and 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>1</sup>.
- **The main adverse** impacts are understood as those impacts of investment and advisory decisions that can have negative effects on sustainability factors<sup>2</sup>.

ESG integration seeks to decrease the effects of sustainability risks and main adverse impacts, without losing sight of profit generation. For clients, ESG integration should result in improved risk-adjusted performance and greater control over the impact of their investments on ESG factors.

The OECD Due Diligence Guidance for Responsible Business Conduct<sup>3</sup> recommends that companies carry out due diligence based on risk to avoid and address these adverse impacts associated with investment decision making in the provision of advisory and discretionary portfolio management services.

In this regard, the 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 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 companies of the Group.

<sup>1</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>2</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).

<sup>3</sup><https://mneguidelines.oecd.org/Guia-de-la-OCDE-de-debida-diligencia-para-una-conducta-empresarial-responsable.pdf>

## 2. The due diligence process

Due diligence contributes to anticipating, preventing or mitigating adverse incidents. In some cases, 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.

Taking into account that due diligence should be proportional to the risk and adapted to the circumstances and context of a specific company, both in the advisory and 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 main adverse impacts are addressed.

Both companies 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.



### 3. How are the main adverse impacts identified?

The process of identifying the main adverse impacts is found to be directly linked to the investment decision-making process carried out by CaixaBank AM and of VidaCaixa as companies responsible for managing the assets distributed or traded by CaixaBank.

In the first place, sustainability factors relevant to a certain area, industry, sector or company are identified.

For this purpose, the companies of the Group use, in some cases, various materiality analyses of benchmark organisations, 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 will be 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 will be identified.

In addition, the companies of the Group will carry out an analysis of the adverse impacts of sustainability on the investments made by the different portfolios, and publish the indicators of the main adverse events under consideration, in accordance with the format and content required by the regulations in force<sup>4</sup>, and apply the due diligence procedures described previously.

CaixaBank will monitor those actual and potential adverse impacts identified and take the necessary measures that, where applicable, will be prioritised when it is not possible to immediately address all the impacts. Regarding the advisory process, these measures may take the form of not recommending a particular asset, and, concerning the discretionary portfolio management process, these measures may take the form of divesting, reducing exposure or placing exposure under observation in accordance with the procedures implemented by CaixaBank AM for the management of portfolios.



<sup>4</sup> Published version to the date of issue of the Statement present in phase of draft: *ESG disclosures – Regulatory technical standards with regard to the content, methodologies and presentation of disclosures pursuant to Article 2a, 4(6) and (7), Article 8(3), Article 9(5), Article 10(2) and Article 11(4) of Regulation (EU) 2019/2088.*

## 4. Policies of involvement

### 4.1 Policy of dialogue

CaixaBank, in its status as a lending institution that provides discretionary portfolio management services, will be supported by the mechanisms involved implemented by CaixaBank AM as a management company in which CaixaBank has responsibility for the provision of this investment service to its clients.

In this regard, CaixaBank AM, in accordance with its fiduciary responsibility and with the purpose of being an active owner of the investments it makes, establishes mechanisms to initiate dialogue with the purpose of modifying possible behaviours identified that:

- May contravene the values of CaixaBank, or of the participants and shareholders of the portfolios that it manages.
- Enable alignment with the strategic opportunities and risks identified by CaixaBank AM and the Group, such as climate change, the objectives of the Paris Agreement through its support of the TCFD or the Sustainable Development Goals (SDGs).
- May have an adverse impact on the company, the environment and on the reputation or the solvency of CaixaBank AM or the Bank.

CaixaBank AM will be able to establish dialogue directly with the companies that make up its clients' portfolios, in a collaborative manner with other investors or through a third party acting on its behalf.

In the case of dialogues with companies or issuers of public or private financial products, where deemed appropriate, and always preserving the independence and interest of CaixaBank AM at all times, collaborative actions can be prioritised to achieve a greater impact on changing the behaviour of companies.

Finally, if as a result of a dialogue with a company a result favourable to the objective of the dialogue was not obtained, CaixaBank AM may use the vote at the General Shareholders' Meeting as an opposition mechanism, in accordance with the voting mechanisms and the exercise of political rights set out in its own Voting Policy.

### 4.2 Voting Policy

CaixaBank, in its status as a lending institution that provides discretionary portfolio management services, will be supported by the voting mechanisms and the exercise of political rights implemented by CaixaBank AM as a management company to which CaixaBank has delegated the provision of this investment service to its clients.

CaixaBank AM has implemented a Voting Policy on the investment funds that it manages, whereby it will exercise the right to vote based on the evaluation of the medium and long-term performance of the companies in which it invests, taking into account environmental matters (e.g. pollution, sustainable use of resources, climate change and biodiversity protection), social matters (e.g. gender equality) and governance matters (e.g. remuneration policies).

In this way, CaixaBank AM indirectly exercises attendance and voting rights in respect of listed securities forming part of discretionary management portfolios investing in these assets. CaixaBank AM does not directly exercise attendance and voting rights of the listed securities of those portfolios included in the

discretionary portfolio management services where there is direct investment in securities. The client retains the power to exercise voting rights.

CaixaBank AM diligently exercises the rights for the exclusive benefit and in the interests of CaixaBank's clients, taking into account the nature of each of the corporate resolutions submitted for the consideration of the General Shareholders' Meeting and based on information publicly available or made available to the shareholders on the occasion of the General Shareholders' Meeting.

In any case, the decision about the meaning of the vote will be adopted with total independence of and objectivity with respect to the rest of companies of the Group.

