Principles of action in Corporate policy on sustainability/ESG risk management

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CaixaBank

Version control

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1	24/03/2022	Initial version
2	14/03/2024	Updated version
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Contents

1. Introduction

1.1 Background

CaixaBank, S.A. (hereinafter "CaixaBank" or "the Entity") and the other subsidiary companies (hereinafter, jointly with CaixaBank, the "CaixaBank Group" or "the Group") integrate environmental, social and governance (hereinafter, "ESG") criteria[1]in their business decisions with the aim of mitigating risks and supporting those projects that are consistent with their corporate values.

This update to the Policy to which these Principles relate reflects society's increased awareness of and concern for the sustainability of the economic model and of long-term growth, which is resulting in constantly changing regulations and expectations in this area, both general and specific to the financial sector's potential contribution to mitigate any adverse effects.

Financial institutions are viewed as having a potentially significant impact on helping to achieve the Sustainable Development Goals ("SDGs"), insofar as some sectors that they finance, invest in or provide their services to are involved in controversy and will have to deal with multiple restrictions, challenges and transformations to the business models and technologies in coming years, either to adjust to their consumers' preferences or due to regulatory pressure.

Therefore, CaixaBank deems it essential to identify, measure, assess, manage, control, mitigate and report on the risks affected by the transversal ESG factor[2] associated with the Group's activity.

It also adds other positions that have resulted from comparing the best international practices and the growing expectations of various stakeholders that are relevant to the Group.

They remain as independent documents, but related to the Policy referred to by these Principles, the "Operating principles in the area of sustainability", which lay out the internal strategy that will be followed with various stakeholders in this field.[3], as well as "Human Rights Principles" and the "Statement on Climate Change" and the "Nature Declaration".

1 Hereafter, ESG risks are referred to as sustainability risks.

2 The Corporate Risk Catalogue defines this as a transversal sustainability factor (ESG) due to its affectation to various risks (credit, business profitability, reputational, legal and regulatory and other operational risks).

3 The "sustainability-ESG" aspect that is regulated in the Policy referred to by these Principles is our customers' compliance with ESG aspects and the potential indirect impacts this could have on the Group.

1.2 Scope

The risks that are governed, managed and controlled by the Policy referred to by these Principles are as follows, denoted as "ESG" or "sustainability" risks indicated below: These risks are explained in a cross-cutting manner in the Corporate Risk catalogue, as they affect different taxonomy risks, such as, for example, credit risk, legal and regulatory risk, that of business profitability, reputational risk and other operational risks:

- The environmental risks ("E") are those related to legal entities that could be potentially affected by, or contribute to, the negative impacts of environmental trends, such as climate change (such as the increase in greenhouse gas emissions, GHG) and other methods of environmental degradation (such as air and water pollution, shortage of fresh water, soil pollution, loss of biodiversity and deforestation); It also includes corrective actions intended to prevent or mitigate their occurrence.

  Risks related to nature pose potential threats to an organisation given their reliance and implications on the environment. In addition, risks associated with climate change are those related to global warming caused by greenhouse gas emissions. These types of risks can be divided into two categories:

  - **Physical**, related to meteorological (for example, hurricanes or storms), geological (earthquakes) events or to the degradation of or changes in the balance of ecosystems (such as rising sea levels, desertification or changes in soil quality), whether:

    > Acute, due to the higher likelihood and impact of extreme natural events.

    > Chronic, associated with permanent changes in the environment.

    In any case, the physical risks can entail damages to the assets of companies, disruptions in the supply chain or increase in the expenses needed to deal with them.

- **Transitional**, resulting from an imbalance between an organisation's strategy and management and developments that aim to stop or reverse the damage to nature; as well as when and how fast we will be able to transition to an economy that is less carbon dependent, which will depend on political/legal, technological, market and reputational factors.

- The social risks (“S”) measure potential indirect adverse impacts on society associated with legal entities that do not respect human rights or the health and safety of their employees or workers in the value chain. CaixaBank considers adverse implications related to the following as particularly important: forced labour, child labour, occupational health and safety, the right to receive a decent wage, community problems related to land and/or resettlement (involuntary), the rights of the indigenous peoples and community health and security.
- Governance ("G") risks result from a negative impact due to vulnerabilities associated with legal entities, such as transparency, market behaviour, anti-corruption policies, compliance with tax obligations and other behaviours that are deemed ethical by the relevant stakeholders.

The Policy to which these Principles refer applies to **companies**:

- With which the Group is considering establishing commercial relations, enter into new credit or guarantee operations or renew/renegotiate existing ones, as well as other financing transactions.
- In which the Group invests of its own accord in fixed-income and variable-yield securities.
- Group companies managed through a portfolio in stock investments.

This document, therefore, does not cover the relationship with internal vendors or with their vendors. In this case, the ESG risk analysis is covered through the purchase certification process, which, within the scope of CaixaBank and the Group companies that share the same purchasing management model, includes the "Code of Conduct of Vendors" approved by the Company's Management Board.

1.3 Purpose

The purpose of the Policy referred to by these Principles is to establish the principles, premises and mechanisms to ensure that the risks affected by the transversal factor associated with customers and proprietary investments are governed, managed and controlled such that they comply with the expectations of the Group's stakeholders while enabling the Group to take advantage of business opportunities and to guide the Group's customers through the transformation they are undergoing and will undergo in coming years.

Thus, the Policy referred to by these Principles lays out a framework of general principles that must underpin all the actions that are related to or have a significant impact on these risks. It also provides a basic governance framework to authorise, manage, report and disclose these actions; allowing to implement, execute and fulfil in a robust and appropriate manner the provisions set out in the various frameworks that have been defined. The management of risks affected by the transversal ESG factor constitutes one of the key areas of action of the sustainability strategy defined at CaixaBank.

The contents of this Policy include:

- Regulatory Framework.

- Corporate strategy as regards risks affected by the transversal ESG factor.
- Governance framework
- Management framework of risks affected by the transversal ESG factor.

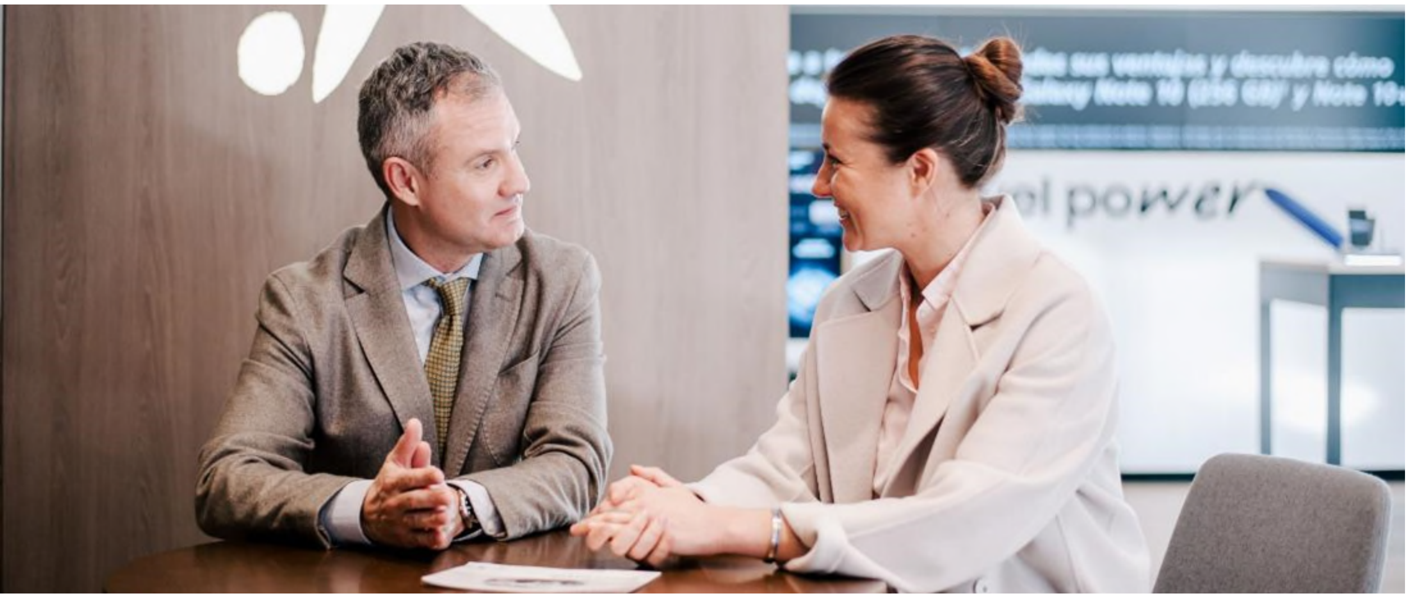
2. Scope of application

The Policy referred to by these Principles is corporate in scope, meaning it applies both to CaixaBank, S.A. and to those subsidiaries that engage in activities that are exposed to risks affected by the transversal ESG factor. The governing bodies of these companies shall make the decisions necessary to integrate the provisions of this Policy. They will apply the principle of proportionality to adapt the governance framework to the idiosyncrasy of their structure of governing bodies, committees and departments, as well as their principles of action, methodologies and processes to the contents of this document.

This integration may entail, among other decisions, the approval of an internal policy by the Group company. This approval will be necessary in those Group companies that need to adapt the contents herein to their own specific situation, whether in terms of the subject matter, the jurisdiction or the importance of the risk in the Group company. The governing bodies of the Group companies shall abide by this corporate Policy when the operational principles of the corporate Policy are applicable but the Group company does not have its own policy, and the corporate Policy lays out principles, obligations and activities that must be carried out directly by the Group company. In those cases in which the Group company's risk control and management activities are carried out directly by CaixaBank, either due to the materiality of the risk in the Group company or for reasons of efficiency or because the Group company has outsourced to CaixaBank the operational management of that risk, the governance bodies of the affected Group companies will acknowledge the existence of this corporate Policy and its application to said Group companies.

In any case, CaixaBank's Sustainability Committee, given its corporate character, will ensure that these policies are integrated by the Group companies in a proportionate manner, that any internal policies approved by the Group companies are consistent with the corporate policy, and that all the policies are consistent throughout the CaixaBank Group.

Lastly, the Policy to which these Principles refer is not only corporate in scope, but is considered an individual policy of CaixaBank, the parent company of the CaixaBank Group.



3. Regulatory framework. Applicable Regulations and Standards

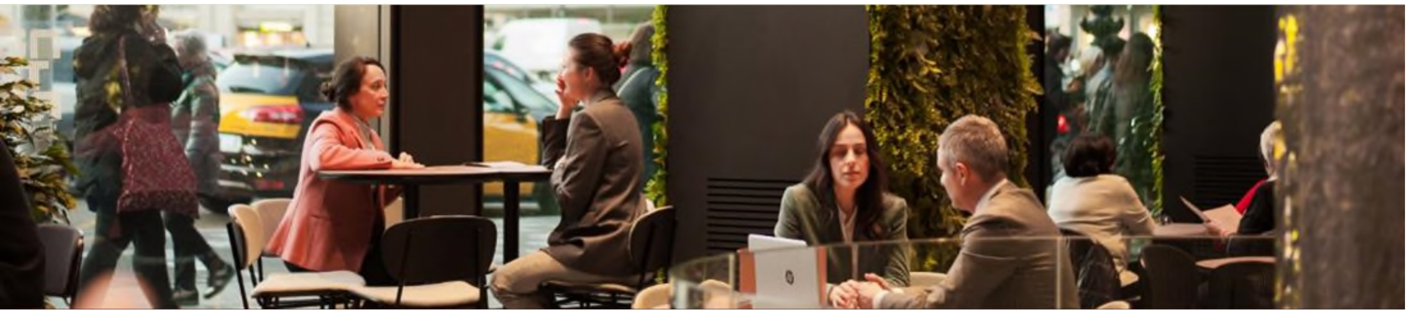
This Policy shall be governed by the pertinent legislation in force and any legislation amending or replacing it in the future. More precisely, at the date of this document, the key regulations applicable to the parent of the Group are as follows:

- Regulation (EU) No 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms.
- EU Directive 2013/36 of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and investment firms.
- Law 10/2014, of 26 June, on the organisation, supervision and creditworthiness of credit institutions.
- Royal Decree 84/2015, of 13 February, implementing Law 10/2014 of 26 June.
- Bank of Spain Circular 2/2016, of 2 February, on the supervision and solvency of credit institutions.
- CNMV Circular 1/2014, of 26 February, on internal organisation requirements and control functions for investment firms.
- Regulation 2020/852 of the European Parliament and of the Council, of 18 June 2020, on the taxonomy that lays out the definition of "green" activities.
- Commission Delegated Regulation (EU) 2021/2139, of 4 June 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council, setting out the technical selection criteria for determining the conditions under which an economic activity is considered to substantially contribute

to the sustainable mitigation of climate change or the adaptation to it, and for determining whether that economic activity does not result in significant damage to any of the other environmental objectives.

- Commission Delegated Regulation (EU) 2021/2178, of 6 July 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council through the specification of the content and submission of the information to be reported by companies subject to Articles 19 bis or 29 bis of EU Directive 2013/34 as regards sustainable economic activities from an environmental perspective, and the specification of the methodology for complying with the information reporting obligation.
- Commission Delegated Regulation (EU) 2023/2485, of 27 June 2023, amending Delegated Regulation (EU) 2021/2139, setting out the additional technical selection criteria for determining the conditions under which an economic activity is considered to substantially contribute to the mitigation of climate change or the adaptation to it, and for determining whether that economic activity does not result in significant damage to any of the other environmental objectives.
- Commission Delegated Regulation (EU) 2022/1214, of 9 March 2022, amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy-related sectors and Delegated Regulation (EU) 2021/2178 as regards the public dissemination of specific information relating to these economic activities.
- Commission Delegated Regulation (EU) 2023/2486, of 27 June 2023, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council, by setting out the technical selection criteria for determining the conditions under which an economic activity is considered to substantially contribute to the sustainable use and protection of water and marine resources, the transition to a circular economy, the prevention and control of pollution, or the protection and restoration of biodiversity and ecosystems, and for determining whether that economic activity does not result in significant damage to any of the other environmental objectives, and whereby amending Commission Delegated Regulation (EU) 2021/2178 as regards the public dissemination of specific information relating to these economic activities.
- Directive (EU) 2022/2464 of the European Parliament and of the Council, amending Regulation (EU) 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and 2013/34/EU, in relation to the presentation of sustainability information by companies.
- 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.

With regard to Group companies or, where applicable, branches subject to foreign jurisdictions or additional industry regulations, any policies and procedures developed by such Group companies or branches shall take into account, in addition to their own regulations, the obligations at the consolidated



level as contained in applicable law and regulations, provided that they do not contradict the specific requirements of the corresponding jurisdiction or industry regulations.

Additionally, the Policy to which these Principles refer takes into account the standards or guidelines that are indicated below, as well as others in the area of sustainability that are included in the corresponding sections that summarise the applicability criteria.

- Equator Principles, a set of financial sector guidelines to determine, assess and manage the socioenvironmental risk of financing projects in developing countries. These Principles were created on 4 June 2003 and resulted from an initiative of the International Finance Corporation (IFC), an agency of the World Bank that promotes sustainable private sector investments.
- EBA Guidelines of 21 March 2018 on internal governance (EBA/GL/2017/11), adopted by the Bank of Spain on 18 May 2018 and updated on 2 July 2021 (EBA/GL/2021/05), which became effective on 31 December 2021 and adopted by the Bank of Spain on 25 November 2021.
- CNMV guide for the preparation of management reports for listed companies (2013).
- European Central Bank guidelines on risks related to the climate and the environment, of 27 November 2020.
- EBA report of June 2021 on managing and monitoring ESG risks for credit entities and investment companies.

Finally, in addition to CaixaBank, the necessary frameworks, rules, guidelines or procedures for correct implementation, execution and compliance with this Policy shall be implemented in each of the Group companies or, where applicable, branches.

4. Corporate strategy as regards risks affected by the transversal ESG factor

The strategy that will govern the activity of the CaixaBank Group for controlling and managing the risks affected by the transversal ESG factor involving customers and proprietary investments considers the following key areas of action:

Promote sustainable businesses that generate production with a positive environmental and climate impact and support the transition toward more sustainable business models.

Integrate social, environmental and governance risks into decision-making and avoid financing or investing in those companies or projects that involve serious human rights or labour offences, or that have a negative environmental impact without sufficient mitigation measures or adequate transition measures being put in place.

Manage the social, environmental and governance risks and integrate the analysis of these risks into the customer admission processes, in the products and services provided to customers, proprietary investments and management of stock portfolios.

Work to understand the impacts on human rights derived from its activity and thus prevent and avoid contributing to any potential negative impacts, or to mitigate them as much as possible otherwise.

Act in accordance with the public commitments made, such as the "Sustainability Principles", the "Statement on climate change", the "Nature Declaration", the "Principles on human rights" and "Principles of Responsible Banking", as well as with any other initiative or commitment in the field of ESG that is undertaken, always subject to proper compliance with its requirements.

Support the transition to a net-zero emissions economy by 2050. To do so, it will guide its customers in the decarbonisation of their activities by helping them to develop and implement solutions and technologies that accelerate the transition to a net-zero carbon emissions economy. It will also impose restrictions on financing heavily polluting sectors, forcing them to abide by certain conditions, such as establishing specific and achievable decarbonisation targets. Exceptionally, it may also be allowed to finance activities in sectors in certain countries where the energy transition may be particularly complex or have a significant adverse social impact.

Promote transparency by properly reporting to markets on the management and control of ESG risks, in compliance with the applicable laws and best practices.

5. Governance framework

The pillars that support the framework for managing the risks affected by the transversal ESG factor at the CaixaBank Group are:

- Compliance with the principles contained in the Policy to which these Principles refer by the companies in the CaixaBank Group within their area of applicability.
- Corporate supervision of the parent company.
- Alignment of strategies among the Group companies and, in turn, alignment with best practices, supervisory expectations and prevailing regulations.
- Maximum involvement of the governing bodies and management of Group companies.
- Internal Control Framework based on the Three Lines of Defence model, which guarantees the strict segregation of duties and the existence of several layers of independent control.
- Incorporation into the current processes for onboarding customers, issuing loans and proprietary investments, as well as enforcing the governance that applies thereto in order to encourage greater and better integration of ESG in decision-making and minimise redundant processes, which could hamper commercial or investing activities.

The Board of Directors of CaixaBank is responsible for implementing a risk governance framework that addresses the Group's risk propensity. This includes the promotion of a solid and diligent risk culture, establishing the risk appetite within a Risk Appetite Framework (RAF) and well-defined responsibility for risk-taking, management and control.

The Board of Directors is ultimately responsible for establishing the Group's general strategies and policies and is tasked with approving these Principles - after review by the Risk and Appointments and Sustainability Committees - and enforcing their provisions.

6. ESG risk management framework

6.1 General lines of action

The framework for managing ESG risks that is implemented pursuant to the Policy to which these Principles refer must include at least the following areas of action:

1. Defining and managing an internal ESG risk management plan in line with the Group's strategy.
2. Defining and managing the implementation of a framework of admission, monitoring and mitigation policies to maintain a risk profile in line with this strategy.
3. Develop the ESG risk analysis tools needed for decision-making in the customer onboarding and risk concession processes, whether in corporate or project formats.
4. Monitor the activities and operations with a potential significant impact on ESG risks.
5. Incentivise practices to mitigate the ESG risks assumed in the portfolios as part of the scope of applicability of the Policy to which these Principles refer or other types of actions (such as, for example, the issuance of green and social bonds).

6. Promoting the development of systems for identifying, marking transactions for and measuring exposure to ESG risks, in accordance with the evolution of the regulatory framework, social sensitivity to these risks and best practices in the market.
7. Assign personnel within the existing organisational structure to manage ESG risks, with the necessary separation of duties to ensure independence between the departments responsible for the processes of defining the strategy, analysing and approving operations, and monitoring and controlling said risks.
8. Establish a system of authority for onboarding ESG risks that allows said risks to be incorporated quickly but robustly into normal decision-making processes, consistent with the scope of this document.

As concerns the applicable criteria for holding the risk levels to within the RAF, the Policy to which these Principles refer states:

general action criteria to exclude or limit the acceptance of exposure to ESG risks. These are company-wide criteria that apply to all customers (legal entities) as indicated in the scope of the Policy to which the bank provides or may provide financial services or products, or in which it may invest directly.

Specific action criteria to exclude or limit the acceptance of exposures to certain sectors (hereinafter, "sector-specific") and to activities that have a particular impact on the environment or society, occasionally with special sensitivity to certain protected ecosystems, sites or populations.

In each section, guidelines as set out under "aspects considered in customer assessment" to assess customers in each area, considered whenever applicable and according to expert criteria to assess the customers' sustainability performance.

Furthermore, each of these sections, under "exclusions and restrictions" establishes the requirements to be met by the activities or customers to ensure alignment with this Policy.

Lastly, the analysis required by the implementation of the Policy to which these Principles refer will generally apply to customers based on the group to which they belong, unless there is a lower level that can provide a more accurate representation of the level of ESG risk assumed. Based on the materiality of the ESG impact and the risk appetite, the Policy to which these Principles refer allows for the **exclusion** of certain types of companies from the customer base (*i.e.* it does not provide products or services and it does not invest in them), and in other cases it specifies financing and investment **restrictions**.

To implement the Policy to which these Principles refer, the Sustainability and Global Risk committees must maintain the **application procedure** up to date for the proper application of the criteria set out in the Policy.

6.2 Key policy compliance processes

In order to enforce this Policy and the risk appetite and ensure that the impact on the Group's commercial and investing activity is acceptable, a methodology will be applied to evaluate ESG risks, which will be implemented in the relevant onboarding processes applicable to the perimeter described in Section 1.2. Scope.

6.2.1. Methodology for evaluating and sanctioning ESG risks when evaluating customers and financing operations

Determination of the ESG risk level

As with other risks that affect CaixaBank, the need to evaluate the ESG risks of customers, operations and assets will be initiated by assessing the inherent risk, which will be estimated based on certain characteristics, such as the activity code (CNAE) that is most representative of the Group's activity, the country of residence when it poses a high ESG risk or the intended use of the funds.

Process for evaluating ESG risks

The analysis of ESG risks forms part of the customer onboarding process (ESG *onboarding*) and the financing acceptance process; for all customers and transactions subject to the scope of this Policy.

a) In the customer onboarding process, an analysis of the ESG risk of customers is conducted to determine whether or not they comply with the criteria of this Policy relating to Human Rights, Occupational Health and Safety Policies, with a special focus on defence.

b) In the approval process for financing operations, an analysis of the ESG risks associated with the customer's activity is conducted, which complements that carried out in the customer onboarding process and aims to ensure compliance with the Policy. If the financing is intended for specific projects, an assessment is carried out according to the type of asset to be financed.

As part of the analysis, consideration is given to environmental, social and governance risk, including aspects related to the company's ESG control framework and the existence or otherwise of ESG issues.[4] , the decarbonisation strategy, and compliance with the Equator Principles, where applicable. In other words, a holistic due diligence analysis is carried out of customers with an ESG vision.

For all customers and projects analysed, it is assessed whether mitigation actions are in place to minimise or mitigate the environmental and social impacts arising from the activities.

To complete this analysis, information is consulted through public sources and external ESG information providers, especially for information on disputes in the criteria subject to exclusion in this Policy. In addition, a Disputes Working Group made up of ESG experts and the Reputational Risk Service has been set up.

CaixaBank makes the utmost effort to obtain sustainability information from its customers, and it also uses information from external ESG information providers as a basis for decision-making. However, CaixaBank still depends on the availability and reporting of updated and quality information.

The acceptance of a customer or sanction of a credit risk operation will be governed by the standard circuit, in addition to by the provisions of this Policy.

If, during the analysis process, insufficient evidence is found to answer the various questions or if clarification with the customer is necessary, additional documentation or a signed statement from the customer may be requested, taking into account criteria of materiality and proportionality.

[4] *For example, issues related to nature (biodiversity, land use, etc.), energy and climate change, water stress, pollution and waste, impact on local communities, human rights, civil liberties, child labour, discrimination, freedom of association, occupational health and safety, the quality of products and services, relations with consumers, supply chain management, anti-trust practices, privacy and data security, fraud and bribery, controversial investments, governance structures and others related to environmental, social or governance issues*

Consequences of evaluating ESG risks

As a result of the assessment of ESG risks, CaixaBank may approve a determining sanction for the customer's onboarding (ESG onboarding) and to grant financing transactions to customers or project financing (Environmental Risk Report).

6.2.2. Proprietary investment in fixed or variable-yield equities

Generally speaking, the approval of this Policy does not entail any changes to the processes in place for deciding on a new asset. Therefore, any investment proposals for a new asset shall be subject to existing policies, as well as to their implementing standards, criteria and procedures but with a new element, namely, the addition of ESG criteria.

The management model for this activity, adapted to specifics of the investment activity in question, is based primarily on the compliance verification using the information provided by vendors that specialise in ESG matters, on the most relevant question in this Policy, and on restrictions on investing in companies that are directly or indirectly involved in controversial activities.

6.2.3. Managing the stock portfolio

The methodology explained above shall likewise apply to this activity, albeit with adaptations to the nature of the internal management process and the materiality of the stocks, based on the activity and the main country of the issuer, and using similar criteria to those written for the onboarding of corporate customers.

If the determination is made that the level of compliance with this Policy has to be evaluated in detail for an investee by using a customised questionnaire or report, it will be the department handling the investment that will provide the public information available.

6.2.4. Engagement

As part of its compliance with this Policy, CaixaBank maintains a regular dialogue with the companies it finances and in which it invests, based on their relevance or influence. CaixaBank considers that this is the best way of achieving a positive impact.

The activities that appear as exclusions to this Policy are generally not subject to dialogue, albeit with the aim of fostering the customers' transition and improvement as regards sustainability, whenever this is an option. In addition, for certain transactions or customers in relation to which the ESG risk assessment process is performed (see section 6.2.1), this assessment may determine that the customer does not fully comply with all the expectations established in the applicable policies. In these cases, customers may be asked to work towards compliance with our assessment criteria.

When breaches of this Policy by existing customers are detected, or the customer demonstrates insufficient progress with the integration of measures in its daily operations, CaixaBank may engage with them on an ad-hoc basis to encourage the customer to comply with CaixaBank´s expectations and measures to avoid further breaches in the future; or for the customer to submit a plan that sets out how it intends on improving its practices, including specific objectives and credible deadlines.

6.2.5. Discretionary portfolio management, investment advice and asset management

CaixaBank offers discretionary portfolio management services and investment advice to its customers. The former is offered by CaixaBank Asset Management in line with the delegation from management. Furthermore, a number of Group companies, such as CaixaBank Asset Management and VidaCaixa, manage assets on the customer´s behalf, in this case, in the form of mutual funds, SICAVs and pension funds. All of these are investment activities.

CaixaBank´s policy sets out the general principles for all the Group's activities, focusing on its financing activity. In relation to investment activities, asset management, portfolio management and advice, the principles established in the policies are adhered to, adapting them to the nature of the business in question. With this in mind, an in-house ESG Risks policy is in place which is inspired by, and which follows the principles of the corporate policy for the management of sustainability/ESG risks within the Group, adapted to investment activities. In relation to the investment advice service, CaixaBank assesses the risk of including ESG factors with the help of different suppliers when it comes to calculating these risks and the application of the advisable investment universe.

6.2.6. Principal Adverse Implications on Sustainability factors

The social and environmental implications of the activities performed by investees are monitored periodically, subject to the availability of information. These detrimental impacts in relation to sustainability issues are known as "main adverse impacts" and are materialised, for example, in carbon emissions, exposure to fossil fuels, waste levels, gender diversity, human rights violations and corruption, bribery and other practices harmful to society and the environment. The Company prioritises the management of these implications in line with this Policy and other policies, strategies and commitments related to sustainability.

6.3 General criteria

Below, general criteria are provided in relation to core ESG issues (human rights, climate change and nature), which are applicable to CaixaBank's customers in all sectors to which this Policy applies.

6.3.1. Human rights

Context and objectives

For the Group, a respect for human rights is an essential part of its values and provides a minimum framework for the legitimate conduct of the Bank's activity. Similarly, it believes that the protection of human rights depends primarily on governments, and that companies have the duty to promote and abide by them over the course of their activities.

Given this premise, and in keeping with its policies and responsible stances on ethics and human rights, CaixaBank operates under a culture of respect for human rights and expects its employees, collaborators, partners, and other parties directly involved in its operations, products, and services to do so as well.

To mitigate the risk of being a participant in any violations, in addition to abiding by a series of industry standards, CaixaBank also has a series of general exclusion criteria.

Applicable standards

When preparing the Policy to which these Principles refer, internationally recognised standards and initiatives were taken into consideration, including:

- Universal Declaration of Human Rights
- Conventions of the International Labour Organization (ILO)
- Equator Principles
- United Nations Guiding Principles on Business and Human Rights
- National Action Plan on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- The International Bill of Human Rights of the United Nations
- The UN Global Compact initiative
- International Finance Corporation (IFC) performance standards
- United Nations Declaration on the Rights of Indigenous Peoples
- Convention on the Rights of the Child
- Declaration on Human Rights Defenders

Aspects considered in the customer evaluation in relation to Human Rights:

The general ESG risk assessment process is set out in section 6.2.1 of this Policy. Furthermore, CaixaBank takes the real and potential risks and implications of its customers and operations on human rights.

As part of this due diligence process, CaixaBank takes into consideration for its assessment, the performance of companies considering aspects including but not limited to the following:

- Having a Human Rights, Sustainability, Corporate Social Responsibility Policy, Code of Ethics or Code of Conduct.

- Transparency when it comes to its performance and environmental, social and governance approach, following the applicable law or some of the internationally acknowledged sustainability standards.
- Existence of an Occupational Health and Safety Policy based on international standards (for example, ISO 45001 certification) and/or a strong history as regards Occupational Health and Safety. In case of any issue in this matter, the mitigating measures taken will be explored.

The aspects mentioned above serve as guidelines for customer assessment in this matter, which shall be considered whenever applicable based on their materiality and proportionality, with a view to determining whether they satisfy the provisions of this Policy.

Exclusions

In terms of human rights, the Group establishes a series of general exclusions applicable to all customers and transactions under the scope of this Policy (in any sector):

- Not providing financial services or investing in companies and their economic groups for which there is solid evidence that they incur in material infringements relating to human rights (for example, child or forced labour, among others, as per their definition in the ILO (International Labour Organization)[5])). In the case of project financing, this exclusion also applies to the third parties involved when their participation is significant.
- Not providing financial services to or investing in companies and their groups that do not have health and safety policies to protect their workers or that cannot provide adequate health and safety records for their employees for the past five years.
- Not finance transactions or projects that violate the rights of Indigenous or vulnerable groups, or require their resettlement, without their free, prior and informed consent.

6.3.2. Climate change

Context and objectives

Climate change is one of the biggest challenges that the planet faces, with ramifications for the environment, society, and the economy.

The scientific community and organisations such as the Intergovernmental Panel on Climate Change (IPCC) have concluded that only significant and persistent reductions in greenhouse gas emissions can limit global warming and reduce the risks and impact of climate change.

In 2015, the Paris Accord laid out a worldwide action plan whose long-term goal is to limit the increase in average global temperatures to well below 2º C based on pre-industrial levels and limit the increase to 1.5º C.

It is CaixaBank's desire to help transition to a carbon-neutral economy, as reflected in the environmental evaluation of the activities performed by its customers, the impact of its financing operations and by financing and investing in sustainable projects. As evidence of the Bank's commitment to the energy

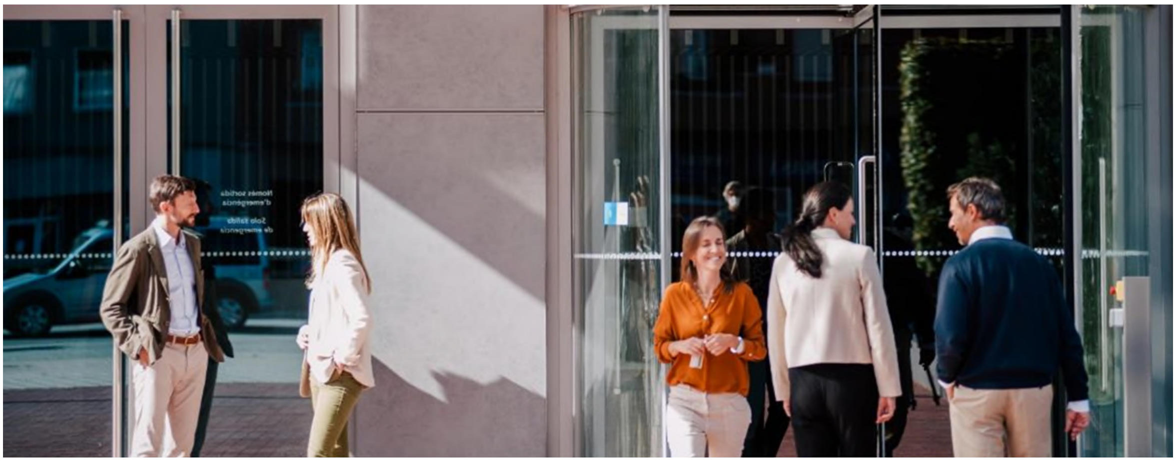
[5] International Labour Organization

transition, it is a founding member of the *Net Zero Banking Alliance*, which is committed to net-zero emissions by 2050.

Applicable standards

When preparing the Policy to which these Principles refer, internationally recognised standards and initiatives were taken into consideration, including:

- Sustainable Development Goals (SDG) of the 2030 Agenda of the United Nations
- Paris Accord (COP21) in the 2018 United Nations Climate Change Conferences (COP24)
- United Nations Global Compact (UNGC)
- *Carbon Disclosure Project*
- *UNEP FI Statement on Sustainable Development and Positive Impact Initiative*
- *IFC Performance Standards and Environmental, Health and Safety Guidelines*
- Equator Principles
- Principles for Responsible Investment (PRI)
- *Green and Social Bond Principles*
- Recommendations of the *Task Force on Climate-related Financial Disclosures (TCFD)*
- Responsible Banking Principles endorsed by UNEP-FI
- *Science-Based Targets Initiative*
- The energy transition scenario adopted by the Government of Spain
- Partnership for Carbon Accounting Financials (PCAF)
- *Net Zero Banking Alliance (NZBA)*
- *Carbon Tracker Initiative (CTI)*
- *Transition Pathway Initiative (TPI)*



Aspects considered in customer assessment in relation to climate change

The general ESG risk assessment process is set out in section 6.2.1 of this Policy. Furthermore, CaixaBank takes the real and potential risks and implications of its customers and operations on environmental matters, such as climate change.

As part of this due diligence process, CaixaBank takes into consideration for its assessment, the performance of companies in relation to this matter, considering aspects including but not limited to the following:

- Having an Environment, Climate Change or Sustainability Policy.
- Reporting on the carbon footprint of its direct activities and supply chain activities (GHG scope 1, 2 and 3) and whether they are certified.
- Assessment of the company's carbon intensity.
- Assessment of the decarbonisation strategy, with a particular focus on more carbon intense sectors.

The aspects mentioned above serve as guidelines for customer assessment in this matter, which shall be considered whenever applicable based on their materiality and proportionality, with a view to determining whether they satisfy the provisions of this Policy.

Commitment to carbon neutrality by 2050

As part of the assessment of customers and transactions, CaixaBank has assumed its own decarbonisation commitments. As a founding member of the Net Zero Banking Alliance (NZBA), pursued by the United Nations, CaixaBank is committed to being neutral in terms of carbon dioxide emissions by 2050, including its financing portfolio.

In addition, CaixaBank has published its commitment of stopping financing for companies whose activities involve the use of thermal coal, with a view to reducing emissions to zero by 2030 ("phase out").

CaixaBank will continue to make progress with the commitment acquired as part of the NZBA, publishing this information both on the corresponding section of its website and its latest Climate Report update (available from the same section on the website).

Restrictions

In relation to climate change, an assessment of decarbonisation strategies is performed for all customers in any sector involving carbon-intense activities, as well as the management of their impacts and degree of performance (see section 1.2 Scope). The impact of projects on emissions and their contribution to the energy transition is also subject to assessment, independent of whether specific portfolio decarbonisation targets are in place or not for the sector in question.

The Group may decide not to finance those operations or customers that can pose a material risk to the Company of not fulfilling its commitments involving climate change or of not contributing to the decarbonisation of the Group's portfolio.

6.3.3. Nature

Context and objectives

CaixaBank recognises that its customers' economic activities can have substantial impacts on nature. These impacts may be more serious when they affect high-value areas of biodiversity, sensitive ecosystems, water-stressed areas or nationally and internationally protected areas; or when the impact in itself is relevant, whether or not it occurs in this type of area. Consequently, the Company includes this consideration when managing its sustainability risks in order to minimise the impact of its portfolio on nature.

Applicable standards

When preparing the Policy to which these Principles refer, internationally recognised standards and initiatives were taken into consideration, including:

- UNESCO World Heritage Convention
- Ramsar Convention on Wetlands of International Importance Especially as Waterfowl Habitat (Ramsar Convention)
- *Forest Stewardship Council* International Standard
- Global Network of UNESCO Biosphere Reserves
- Protected Areas of the International Union for Conservation of Nature (IUCN)
- Recommendations of the Task Force on Nature-Related Financial Disclosures (TNFD)

Aspects considered in customer assessment in relation to nature:

CaixaBank expects that its customers adopt best practices with regard to nature.

The general ESG risk assessment process is set out in section 6.2.1 of this Policy. Furthermore, CaixaBank takes the real and potential risks and impacts of its customers and operations on nature. As part of this due diligence process, CaixaBank takes into consideration for its assessment, the performance of companies in relation to this matter, as well as other general criteria, considering aspects including but not limited to the following:

- Having a Biodiversity or Nature Policy.
- Identifying the potential impacts on nature (including but not limited to impacts in relation to water shortage, biodiversity, soil, water and air pollution, or waste), avoiding them, minimising those that are not avoidable, restoring, compensating actual impacts and performing mitigation actions in relation to nature.
- For projects, being biodiversity certified (for example, adherence to IFC standards -*International Finance Corporation*- in relation to Biodiversity), or environmental impact reports, in particular when there may be a potential impact on tropical forests, High Conservation Value areas (HCV), High Carbon Content areas (HCS), areas protected under Red Natura 2000, or protected natural spaces.

The aspects mentioned above serve as guidelines for customer assessment in this matter, which shall be considered whenever applicable based on their materiality and proportionality, with a view to determining whether they satisfy the provisions of this Policy.

Exclusions:

Projects

The Group will not assume any credit risks involving new projects when there is sufficient evidence that any of the following conditions exists:

- They negatively affect the zones included on the UNESCO list of World Heritage Sites, the Ramsar list of wetlands, sites of the Zero Extinction Alliance, protected areas in Categories I-IV of the International Union for Conservation of Nature, protected marine areas, primary tropical rain forests, Primary Forests or High Conservation Values or Virgin Forests, as defined by the *World Resource Institute*.
- There is a significant environmental impact when the companies do not provide in their *due diligence* enough information on their environmental policy to mitigate risks[6].

6.4 Sector criteria

6.4.1. Energy

Context and objectives

The energy sector is of major significance in the development of the global economy and access to secure and affordable energy is a fundamental basic service for global well-being. However, CaixaBank is aware that the energy sector can have a potentially negative impact both on society and the environment. To this end, the transition process in the value chain based on reducing the use of fossil fuels and energy generation based on low GHG emission energy production systems contribute substantially to reducing these emissions into the atmosphere and, therefore, the fight against climate change. In addition, consideration must be given to the adverse impact of the energy sector on the environment and on society, such as the impact on ecosystems, the generation of impacts on biodiversity caused by the construction of energy infrastructure in sensitive areas, the generation of hazardous waste, occupational health and safety and the impact on local communities. These risks must be handled appropriately to minimise the impact on the environment and local communities. These impacts must be reconciled with increasing levels of demand for cheaper, safer, cleaner, and more efficient sources of energy.

Oil and Gas

Oil and gas make up a large part of the global energy sector. Nonetheless, oil and gas exploration and production can have negative impacts on the environment and on local communities, in particular in relation to the extraction of unconventional oil and gas such as oil sands, shale or by means of fracking; or when performed in complex areas such as deep seas areas, the Arctic region or conflict zones.

Coal

Both the processing and combustion of coal generate significant environmental impacts, in particular as regards the GHG emissions, which contribute significantly to climate change. Other adverse impacts of this activity include gas emissions including sulphur and nitrogen oxides, leaks associated with carbon capture and the use of high volumes of water.

6 It applies to those Project Finance operations for which the relevant due diligence exists, for impacts on the atmosphere, ecosystems, soil, water and biodiversity.

Nuclear power

The improper use of nuclear power can lead to safety, health, or environmental problems, such as radioactive contamination, which can impact biodiversity and communities.

Renewable energy

In a context of fighting against climate change and transitioning towards a low-carbon economy, the renewable energies sector (wind, solar, geothermal, hydroelectric, biomass and others) is gaining strength in the energy industry. It is the cleanest way to generate power, although its development and production can have negative impacts on the environment and society if said impacts are not effectively managed (for example: water use or impact on biodiversity).

Sector scope

The energy sector covered by this policy includes customers dedicated to the following activities:

- Companies involved in the oil and gas industry, including the entire value chain.
- Processing and production: refining, including the petrochemical industry, refineries, gasification, etc.
- Electric power generation using fossil fuels; and using renewable energy sources.
- Heat generation using renewable energy sources and waste.
- Production of bioenergy used as an alternative to solid fuels.
- Commercial activities and services and logistics designed specifically or used for the energy sector, including trade, which includes maritime transport, oil pipelines, storage facilities, ships, floating storage production and offloading, the mix and transmission, distribution and supply of heat and electricity.
- Nuclear power generation.

Applicable standards

When preparing the Policy to which these Principles refer, internationally recognised standards and initiatives were taken into consideration, including:

- Guide of the International Petroleum Industry Environmental Conservation Association International (IPIECA) in conflict areas
- Global Gas Flaring Reduction Partnership of the World Bank
- Extractive Industries Transparency Initiative
- Non-mandatory standards for the global reduction of gas burning and venting International Energy Agency´s voluntary principles of human rights and safety
- Environmental, Health and Safety guidelines of the World Bank
- Energy and Biodiversity Initiative (EBI)
- Convention on Nuclear Safety (Vienna, 1994)
- Convention on Civil Liability for Nuclear Damage (Vienna, 1963)
- Safety standards of the International Atomic Energy Agency (IAEA)

- Convention on the safety and processing of spent fuel and on the safe management of radioactive waste (Vienna, 1997)

Aspects considered in the customer assessment in relation to the energy sector

CaixaBank expects its customers in the energy sector to follow and develop best industry practices in relation to mitigating climate change, protecting biodiversity, occupational health, and safety, protecting the rights of local communities and safety at its facilities. The general assessment of ESG risks is explained in section 6.2.1 of this Policy. As part of this due diligence process, CaixaBank takes into consideration for its assessment:

- Having a supply chain management system that considers environmental aspects, human rights, or the health and safety of their vendors and subcontractors.
- In projects, having systems and procedures for cleaning spills as part of operations, control of the pollutant gas emissions, the release and burning of gases and effluent spills.

As part of the assessment of customers and transactions related to the energy sector, CaixaBank has assumed its own decarbonisation commitments. In the energy sector, CaixaBank has established decarbonisation objectives in relation to the electricity and oil and gas sectors. In addition, CaixaBank has published its commitment to stop financing for companies whose activities involve the use of thermal coal, reducing the exposure to zero by 2030 (“phase out”).

The aspects mentioned above serve as guidelines for customer assessment in this matter, which shall be considered whenever applicable based on their materiality and proportionality, with a view to determining whether they satisfy the provisions of this Policy.

Exclusions and restrictions

Customers

- In line with its thermal coal "phase out" commitment, the CaixaBank Group will not assume any credit risk **involving new or renewed operations requested by groups with revenue exceeding 5% originating from electricity generation from coal or developers[7] of coal-burning thermal plants,** except if:
  - They have a robust and credible strategy, with objectives that demonstrate that the revenue originating from coal-based energy generation does not exceed a 5% threshold in 2030; or
  - the purpose of the operation is to install renewable energies or some other purpose that can be shown to involve the energy transition.

The CaixaBank Group will not assume any credit risk involving new or renewed operations that fulfil any of the following characteristics:

- Companies whose **group billing from the exploration, extraction, transport, refinement, coke processing and electricity generation from oil accounts for over 50% of their turnover**. Financing may be granted to companies that exceed this threshold, provided they have an adequate

[7] *Business that are developing or planning to develop new thermal plants or extend existing ones.*

decarbonisation strategy in place, or the purpose of the operation is to install renewable energies or some other purpose that can be shown to involve the energy transition.

- Companies whose **group billing from the exploration, extraction/production, liquefaction, transport, regasification, electricity storage and generation using natural gas accounts for over 50% of their turnover**. Financing may be granted to companies that have an adequate decarbonisation strategy in place, or the purpose of the operation is to install renewable energies or some other purpose that can be shown to involve the energy transition.
- Companies where there is evidence that the activity of oil sand exploration, production, or transport accounts for more than 10% of its turnover.
- Companies where there is evidence that the activity of oil and gas exploration, production, or transport in the Arctic region (AMAP[8]) accounts more than 10% of its turnover.

Projects

The Group will not assume any credit risk involving **new projects** that exhibit any of the following characteristics:

- **Exploration, production, processing or transport projects involving oil sands**, including transport infrastructure for which there is solid evidence that it will be used to transport oil, a significant percentage of which is from oil sands.
- **Oil and gas exploration, production or transport projects in the Arctic region (AMAP [5])**. including transport infrastructure that will be used to transport oil and gas, a significant percentage of which is from Arctic regions (AMAP[5]).
- Deepwater oil and gas prospecting and production projects.
- Shale oil and gas prospecting and production projects.
- **Fracking projects.**
- Specific projects **to build, develop or expand coal power plants.**
- Construction, development or expansion of **nuclear power plants or uranium enrichment facilities.** Projects may be financed that are related to the generation of nuclear power but only when the relevant safety requirements and international standards are duly met and in line with international standards. These rules may differ depending on the jurisdiction in question, as well as the reliability

[8] Definition of the *Arctic Monitoring and Assessment Programme*

and experience of the parties involved and the specific requirements governing the technological safety and security of the nuclear power stations.

- Intended to **transport energy and that have no procedures, based on the best available practices,** to mitigate the risk of a leak or spill.[9].
- Transactions with a medium-term maturity and full repayment whose aim is the **exploration, extraction, transportation, refinement, coke processing or electricity generation based on oil.**
- Transactions with a long-term maturity and full repayment whose aim is the **exploration, extraction, liquefaction, transportation, regasification, storage, or generation of electricity using natural gas of fossil origin.**

Finally, CaixaBank's goal[10] with existing customers will be to support their transition towards more sustainable energy and reducing greenhouse gas (GHG) emissions, while maintaining a competitive business position with these customers in order to better engage with them, in line with the provisions of section 6.2.4 of this Policy. Therefore, in an exceptional manner, it may be possible to accept financing of operations related to the necessary infrastructures for energy transition or deadline extensions for operations related to gas and biofuels, provided these are consistent with the decarbonisation strategies.

6.4.2. Mining

Context and objectives

The mining industry plays an essential role within the wider economy. It is a source of significant income and wealth in numerous territories, providing decent jobs, corporate growth, and tax revenue. Similarly, some minerals are essential for other industries. Minerals such as phosphates and potassium are used in the agricultural and chemical industries; metals are needed to produce consumer and capital goods, and

9 Such as ISO 13623, the Pipeline Security Guidelines of the Transportation Security Administration (TSA) of the United States or other reference guidelines.
10 Environmental and climate strategy | CaixaBank

so forth. Recycling and other actions associated with the circular economy can certainly reduce the need for raw materials but are unlikely to eliminate this need altogether.

Yet at the same time, this industry can generate negative environmental and social impacts. For this reason, CaixaBank believes it is essential to assess and manage the environmental, social and governance concerns related to its business activities. It therefore expects its customers, and the mining companies included in its portfolios to comply rigorously with all applicable law and internationally recognised standards of responsible business.

Sector scope

These criteria apply to companies involved in the mining industry, including the exploration, planning and development, operation, closing and decommissioning of mines and the processing of the minerals extracted (excluding oil and gas, the criteria for which are provided in the section on energy). As concerns the processing of metals and minerals – including the refinement, casting and subsequent transformation of metals and minerals extracted via mining activities.

Applicable standards

When preparing the Policy to which these Principles refer, internationally recognised standards and initiatives were taken into consideration, including:

- *The International Council on Mining and Metals (ICMM)*
- C176 - Safety and Health in Mines Convention of the ILO (1995)
- *The Extractive Industries Transparency Initiative ("EITI")*
- Guidelines on the environment, health, and job safety in the mining sector from the International Finance Corporation (IFC) of the World Bank.
- Voluntary Principles on Security and Human Rights
- *The Energy and Biodiversity Initiative (EBI)*
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal
- International Cyanide Management Code (gold mining)
- Minamata Convention on Mercury (gold)
- *The Kimberley Process* (diamond industry)
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (tin, tantalum, tungsten and gold)
- *ITRI Tin Supply Chain Initiative*
- *Fair Stone International Standard* (natural stone)
- *Bettercoal code*
- Recommendations of the *International Commission for Radiological Protection*
- Nuclear non-proliferation treaty (New York, 1968)
- Safety standards of the International Atomic Energy Agency (IAEA)

- Guide of Best Practices for Mining and the Biodiversity by the *International Union for Conservation of Nature (IUCN)* and the *International Council on Mining and Metals (ICMM)*

Aspects considered in the customer assessment in relation to the mining sector

CaixaBank expects its customers in the mining sector to follow and develop best industry practices in relation to protecting biodiversity, occupational health, and safety, protecting the rights of local communities and safety at its facilities.

The general ESG risk assessment process is set out in section 6.2.1 of this Policy. As part of this due diligence process, CaixaBank takes into consideration for its assessment:

- Having a supply chain management system that takes into account environmental aspects, human rights, or the health and safety of their vendors and subcontractors.

As part of the assessment of customers and transactions related to the mining sector, in particular in relation to thermal coal mining, CaixaBank has assumed its own decarbonisation commitments. CaixaBank has published its commitment to stop financing for companies whose activities involve the use of thermal coal, reducing the exposure to zero by 2030 ("phase out").

The aspects mentioned above serve as guidelines for customer assessment in this matter, which shall be considered whenever applicable based on their materiality and proportionality, with a view to determining whether they satisfy the provisions of this Policy.

Exclusions and restrictions

Customers

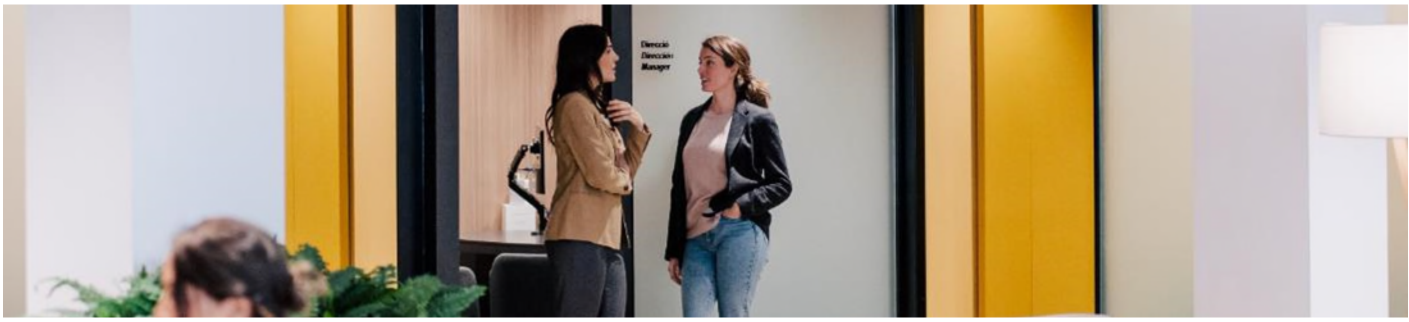
- In line with its thermal coal "phase out" commitment, the Group will not assume any credit risk involving new or renewed operations requested by groups with revenue exceeding 5% originating from thermal coal mining or developers[11] of thermal coal mines, except if:
  - They have a robust and credible strategy, with objectives that demonstrate that the revenue originating from thermal coal mining does not exceed a 5% threshold in 2030; or
  - the purpose of the operation is to install renewable energies or some other purpose that can be shown to involve the energy transition.

The CaixaBank Group will not assume any credit risk involving new or renewed operations that fulfil any of the following characteristics:

- Companies for which there is evidence that the extraction of asbestos, uranium or other radioactive materials accounts for more than 10% of their turnover.
- Companies who perform extraction activities applying the *mountaintop removal method*.

[11] *Business that are developing or planning to develop new thermal coal mines or extend existing ones.*

- **Companies that use cyanide to extract and/or separate gold from other minerals and are not certified, or in the process of being certified,** by the International Cyanide Management Code (ICMC) or other equivalent certificates.
- Companies involved **in the mining of rough diamonds if their operations are not in certified countries or in the process of being certified** by the Kimberley process or other equivalent certificates.



Projects

The Group will not assume any credit risk involving **new projects** that satisfy any of the following requirements:

- That involve the mining of:
    - Thermal coal: new mines or expansion existing mines.
    - Metallurgical coal: new mines or expansion of already existing ones, unless it is proven that its use will have a purpose related to the steel industry.
    - Asbestos: new projects or expansion of already existing ones.
    - Uranium or other radioactive materials: new projects or expansion of already existing ones.
- That apply the following extraction/mining methods: *Mountaintop Removal* (MTR).
- Located in areas with an active armed conflict.
- That dump waste from any mineral extraction process in rivers or shallow waters.
- That do not include a soil recovery plan.

As concerns the processing of metals and minerals – including the refinement, casting and subsequent transformation of metals and minerals extracted via mining activities – the Group will not finance those projects or customers that:

- **Do not comply with the applicable national laws**, or that do not obtain the relevant permits and licences.
- **Do not have a supply chain management system that takes into account environmental aspects, human rights, or the health and safety of their vendors and subcontractors.**

- **Whose supplies come from conflict areas or where human rights** are threatened, and that do not have internationally recognised due-diligence processes, such as the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

For mining of uranium or other radioactive materials, projects or undertakings related to the extraction of such materials for civilian purposes may exceptionally be financed in cases where the strictest international health, safety and environmental standards are met.

6.4.3. Transport and infrastructure

Context and objectives

The infrastructure sector is a major contributor to global economic growth by providing transportation and telecommunications networks. In an increasingly globalised world with a growing population, the importance of infrastructure cannot be understated. However, this sector faces potential environmental and social challenges, such as degraded biodiversity, access to resources, waste generation, pollution, impacts on local communities and more.

This sector includes companies whose activities related to the construction, operation and decommissioning of transport, water management, waste management and telecommunications facilities account for a significant portion of their activity.

Sector scope

Transport

the transportation industry is essential for global economic growth. the transportation of raw materials, end products and people can generate significant environmental impacts. The sector needs to become more energy efficient so as to ensure the sustainability of the transportation system.

Similarly, the construction and operation of transport facilities, such as ports, terminals, airports, railways, and motorways could have environmental and social impacts, depending on the areas where the activity takes place.

Water management

fresh water is in short supply, with rising levels of demand from the industrial and agricultural sectors and households. A steady supply of water and the proper management of that water are required to support life, develop the planet and protect the environment, and thus avoid negative impacts such as desertification, aquifer depletion and droughts.

For instance, dams can play a huge role in the development of many countries by providing a reliable supply of water to the public, yet they can also take their toll on the environment and local communities, especially large dams, which often change the flow of rivers and impact flora and fauna and other natural resources in the process.

Waste management

good waste management is key to sustainable development. In particular, this can be achieved by minimising our consumption of raw materials via reuse, recycling and other practices related to the circular economy, thus ensuring a more efficient use of natural resources.

Waste management involves collection, transportation and treatment. These activities, if not managed properly, can generate significant environmental and social risks (to health), depending on the type of waste to be treated.

Telecommunications and energy infrastructure:

the construction of telecommunications facilities, such as fibre optic cabling, or of energy infrastructure, such as electric grids, oil, or gas pipelines, is essential for economic and social development. However, this infrastructure can generate significant environmental and social impacts depending on where it is built.

All these detrimental environmental and social impacts can be avoided or minimised if companies properly apply general international standards, or standards that are specific to their industry.

Applicable standards

When preparing the Policy to which these Principles refer, CaixaBank took into consideration the leading internationally recognised standards and initiatives, including:

- OECD Framework for the Governance of Infrastructure
- World Commission on Dams (WCD)
- Dams and development project of the United Nations Environment Programme (UNEP)
- Building Research Establishment Environmental Assessment Methodology (BREEAM, READ)
- Convention on the safety and processing of spent fuel and on the safe management of radioactive waste (Vienna, 1997)
- Requirements of the International Maritime Organization
- Industry-specific reference guidelines of the International Finance Corporation (IFC)
- The Poseidon Principles
- *Carbon Offsetting and Reduction Scheme (CORSIA)*
- *Climate-Aligned Finance Standard for the Aviation Sector (CAF)*

Aspects considered in customer assessment in relation to the infrastructure and transport sector

CaixaBank expects its customers in the infrastructure and transport sector to follow and develop best industry practices in relation to protecting biodiversity, occupational health, and safety, protecting the rights of local communities and safety at its facilities.

The general ESG risk assessment process is set out in section 6.2.1 of this Policy. As part of this due diligence process, CaixaBank takes into consideration for its assessment:

- For air operators, if they report the carbon footprint of their activity.

- In relation to the air transport sector, if they support the neutral growth in emissions for international aviation under "CORSIA".
- In particular, for the maritime transport sector, a good practice to be taken into consideration is having a Policy or proper in place for the recycling of ships.
- For companies in the maritime transport sector, and when applicable, whether they comply with the "IMO GHG Strategy".
- Having a supply chain management system that takes into account environmental aspects, human rights, or the health and safety of their vendors and subcontractors.

The aspects mentioned above serve as guidelines for customer assessment in this matter, which shall be considered whenever applicable based on their materiality and proportionality, with a view to determining whether they satisfy the provisions of this Policy.

Exclusions

The Group will not assume any credit risk in new projects involving:

- Dams that violate the Framework of the World Commission on Dams.
- New desalination plants that do not consider measures to mitigate the adverse impacts resulting from the disposal of brine or the use of seawater[12].

6.4.4. Agriculture, fishing, livestock, and forestry

Context and objectives

Agriculture, fishing, and ranching, in addition to providing food, are valuable sources of wealth that help to create jobs, fight poverty and improve the food chain. Similarly, silviculture and, more generally, industrial forestry, supply important resources to communities (foodstuffs, medicine, wood, water and air quality, spiritual and aesthetic values), and forests and other natural spaces also harbour significant species diversity.

At the same time, the increased demand for foodstuffs, fibres and biofuels is putting pressure on production that relies on existing resources, forcing it to expand to previously virgin areas. This can lead to a loss of biodiversity and protected species; soil erosion and land degradation; emissions generated from flare burning at plants and the use of fertilisers; contaminate sources of water; introduce invasive species and lead to land disputes and human rights abuses (including child labour and forced relocation).

Therefore, CaixaBank insists that its corporate customers in these sectors assess and effectively manage the environmental and social impacts related to their activities.

Sector scope

activities performed under the agriculture, livestock and forestry policy are as follows:

12 According to the Water and Sanitation Environmental, Health and Safety Guidelines of the International Finance Corporation.

- Plantations for the farming and harvesting of agricultural products; plantation and felling of woodland; livestock farming.
- Refining and the transformation of agricultural products; wood transformation; pulp and paper production.
- Foodstuffs and processed drinks production.
- Extraction of the fishing resources in external waters and fish and shellfish aquaculture and hatchery activities.

Applicable standards

When preparing the Policy to which these Principles refer, internationally recognised standards and initiatives were taken into consideration, including:

- Principles for Responsible Investment in Agriculture and Food Systems (FAO, IFAD, UNCTAD and *World Bank*)
- *The World Wildlife Fund (WWF) 2050 Key Performance Criteria (Guide to Responsible Investment in Agricultural, Forest, and Seafood Commodities)*
- The United Nations Agreement on Biological Diversity (1992) and the Nagoya Protocol (2010).
- The Cartagena Protocol on Biosafety in relation to Genetically Modified Organisms (OGM)
- Stockholm Convention on Persistent Organic Pollutants (POPs)
- International Code of Conduct on the Distribution and Use of Pesticides of the FAO
- OECD-FAO Guidance for Responsible Agricultural Supply Chains
- *The Aquaculture Stewardship Council*
- *The UN Resolutions pertaining to sustainable fisheries*
- The Alliance for Zero Extinction
- *Global Good Agricultural Practice (GAP)*
- *Rainforest Alliance Sustainable Agriculture Standard (SAN)*
- *The Global Roundtable for Sustainable Beef (GRSB) and Standards Cattle Production System (SCPS)*
- The World Organisation for Animal Health
- On the cultivation of soy:
    - *The Roundtable for Responsible Soy (RTRS)*
    - *Basel Criteria for Responsible Soy Production*
    - *CGF Responsible Soy Sourcing Guidelines*
- Palm oil:
    - *The Roundtable on Sustainable Palm Oil (RSPO)*
    - *Principles and Criteria for Responsible Palm Oil Production*
- Cotton, Coffee, Tea, Coconut, Sugar:

  - *Fairtrade*
  - *Rainforest Alliance Certified*
  - *UTZ Certified*
  - *Better Cotton Initiative*
  - *World Cocoa Foundation*
  - *Ethical Tea Partnership*
  - *4C membership* (coffee)
- Wood/rubber:
  - *Forest Stewardship Council (FSC) standard*
  - Program for the Endorsement of Forest Certification (PEFC)
  - *Rainforest Alliance* or equivalent certification

Aspects considered in the assessment of customers in the agriculture, livestock, forestry and fishing sector

CaixaBank expects its customers in the agriculture, livestock, forestry, and fishing sector to follow and develop best industry practices in relation to preserving nature, protecting biodiversity, occupational health and safety, protecting the rights of local communities and safety at its facilities. The general assessment of ESG risks is explained in section 6.2.1 of this Policy. As part of this due diligence process, CaixaBank takes into consideration for its assessment:

- Having procedures and systems in place to consider the management of land, water, pollution, and spills.
- Having a supply chain management system that takes into account environmental aspects, human rights, or the health and safety of their vendors and subcontractors.
- If the company is a producer, processor or trader of forest products, being FSC certified (*Forest Stewardship Council*), PEFC certified (*Programme for the Endorsement of Forest Certification*) or equivalent for its production operations or in its supply chain.

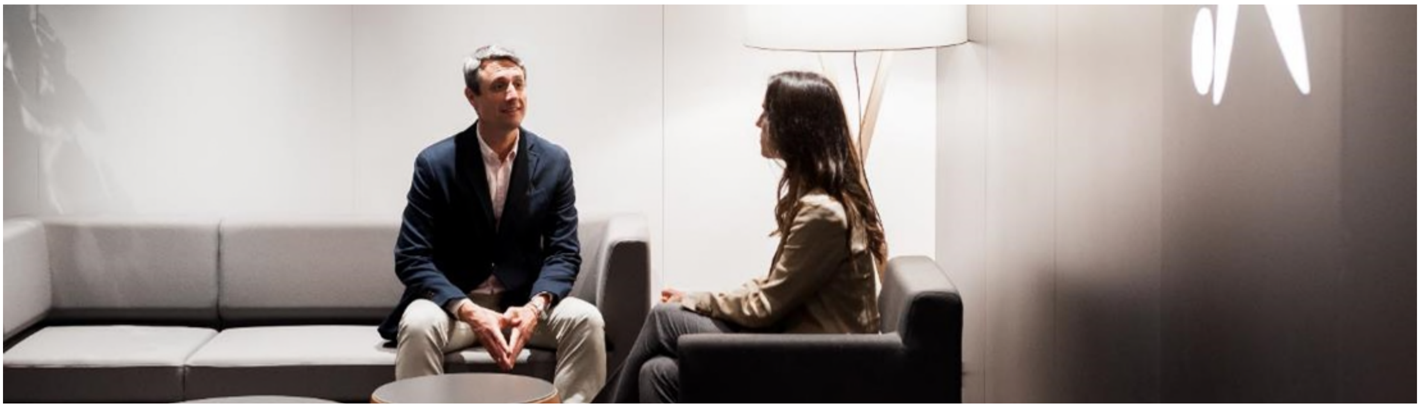
The aspects mentioned above serve as guidelines for customer assessment in this matter, which shall be considered whenever applicable based on their materiality and proportionality, with a view to determining whether they satisfy the provisions of this Policy.

Exclusions

Customers

The Group will not assume any credit risk in new or renewed operations requested by companies that fulfil any of the following requirements:

- That they are involved in deforestation and/or forest degradation[13] and that they produce, process or market products that contain or have been produced using cattle, cocoa beans, coffee, palm oil, rubber, soy and wood.
- That produce or process products regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES[14]) and do not have the corresponding authorisation.
- Palm oil producers that are not members of the Roundtable on Sustainable Palm Oil or equivalent association (unless they have requested membership or undertaken to do so).
- Soy producers that are not members of the Roundtable on Sustainable Soy or other similar initiative/programme that champions responsible production (unless they have requested membership or undertaken to do so).
- Processors of products from the cultivation of palm or soy that do not have responsible supply practices.
- That practice fishing with explosives, poison, or drift nets more than 2.5 km long or intended to capture the species included Annex VIII of EU Regulation 1239/98.
- Dedicated to the commercial fishing of shark species and trading in the corresponding fish products that do not comply with the provisions set out in the regulation on removal of fins, established in EU Regulations[15].
- That participate directly in commercial whaling or illegal fishing (*Illegal, Unreported and Unregulated, IUU fishing activities*).



Projects

The Group will not assume any credit risk involving projects that satisfy any of the following requirements:

- **Located in non-designated countries**[16] as per the Equator Principles and directly related to:

[13] Starting from the application date of Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023, on the supply within the EU market and exports from the EU of certain raw materials and products associated with deforestation and forest degradation, repealing Regulation (EU) 995/2010.
[14] CITES Appendices: The regulation includes in Appendix I the endangered species (trading in these species is only permitted under exceptional circumstances), whereas Appendix II includes species that are not necessarily endangered, but their trading must be monitored to prevent a use that is incompatible with their survival.
[15] Regulation (EU) 1185/2003 on the removal of shark fins onboard ships.
[16] The list of designated countries is published and updated at https://equator-principles.com/designated-countries/

   - the use or production of wood from or located in illegal farms.
   - land clearing through burning.
- **That use substances prohibited by the Stockholm Convention**, included in Annex III of the Rotterdam Agreement, and Class 1A or 1B of the WHO.
- **For commercial palm oil plantations**, if swamps or peat-rich areas are drained and do not have a peat management system in place.
- **The production of first-generation fuels**, meaning those that are produced from the biomass of crops that could be used to feed humans or livestock, in particular when the crops or livestock are located in countries at risk of hunger. As an exception, in countries that are highly dependent on energy imports and have no viable alternatives, CaixaBank may finance the production of first-generation biofuels that rely on practices to ensure their sustainable production and that mitigate the associated environmental risks.
- Processing of products from the cultivation of palm or soy that do not have responsible supply practices.

6.4.5. Defence and security

Context and objectives

This policy defines the applicable procedures and standards through which CaixaBank addresses the ESG risks related to the defence and security sector to perform its activities related to this sector in a responsible manner. CaixaBank expects defence and security companies to comply with the applicable regulations and international conventions ratified by the countries in which they are based.

CaixaBank and its branches will not intervene in the defence sector when there may be a clear risk of defence material being used for repression or other serious breaches of international humanitarian law, weapons conventions and Non-Proliferation Treaties and other related standards and guidelines. In this connection, CaixaBank and its branches recognise the right of countries to defend and protect their citizens and, as a result, may maintain business relations with companies related to the defence sector whose activities are considered consistent with legitimate national security and defence strategies.

Furthermore, there has been an increase in use of services provided by private securities as part of the activities of governments and companies worldwide. This industry is sensitive to human rights violations, which is why customers in this sector require special attention.

Sector scope

CaixaBank, in line with standards applicable to this sector, considers the following definition of defence and security as part of this Policy:

- Defence and security business: any company, group, institution, government agency or organisation involved in the production, sales/supply, testing, research and development, integration in systems, maintenance and services, including private security services.

Applicable standards

For the definition of controversial arms, CaixaBank uses the criteria included in the international agreements on the matter. The different defence activities and/or material are classified into the following categories:

Conventional arms:

- Weapons (such as guns or other small arms, bombs, missiles or rockets), with the exception of arms that fire blanks, are for sports use, replicas, or collectors' items.
- Ammunitions and explosives when put to military use (including bullets, rockets, torpedoes, grenades, mines, depth charges, etc.), provided that the target is not civilian.
- Specially designed components and essential equipment for the production, maintenance and use of conventional weapons and ammunition; as well as software or hardware related to defence activities, unless they are intended to provide for civil protection and safety.
- Dual-use items: any items that may be used for either civil or military purposes, when their destination is military use. The CaixaBank Group uses the definition of dual-use items provided in EU regulation 428/2009 of the Council of 5 May 2009 on the control of exports and dual-use items, amended by Delegated Regulation (EU) 2016/1969 of the Commission of 12 September 2016, and Regulation (EU) 2021/821 of the European Parliament and of the Council of 20 May 2021 (repealing Regulation (EU) 428/2009, except for authorisation requests made before 9 September 2021).

Controversial arms:

Although there is no universally accepted definition of controversial weapons, at the date of publication of this policy, CaixaBank considers the following to be controversial weapons, using the criteria included in international conventions:

- Anti-personnel mines: Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines (1997).
- Biological weapons: Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological and Toxin Weapons and on their Destruction (1972).
- Chemical weapons: Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993). In addition, and although it is not included in this agreement, CaixaBank considers the use of white phosphorus as a controversial arm.
- Cluster bombs: Convention on Cluster Munitions (2008).
- Ammunition that contains depleted uranium: although there is no international agreement in force, CaixaBank recognises the concerns of some stakeholders in relation to depleted uranium ammunition.
- Nuclear weapons: Treaty on the Non-Proliferation of Nuclear Weapons (1968)

Aspects considered in the assessment of customers in the defence and security sector:

to ensure the correct management of the Group's customers and transactions affected by ESG risks in relation to the defence sector, periodic assessment processes have been adapted and implemented. to onboard a company related to the defence and security sector as a customer or to finance a transaction, CaixaBank performs enhanced due diligence, analysing ESG risks ensuring that the customer or transaction complies with the ESG Risks Policy. This procedure applies to both new and existing customers and is periodically updated for customers in this sector.

CaixaBank, advised by experts, has developed criteria for the identification and evaluation to analyse the companies that are related to the defence and security sectors, and whether they are related to controversial weapons. The details are updated periodically and are provided and validated by external ESG data supply companies.

In addition, CaixaBank draws up lists of excluded corporations and of high-risk countries in terms of defence. Both are updated periodically and are distributed in a centralised manner and are applicable to the entire Group.

Exclusions and restrictions

As a general rule:

- **No Group company shall provide financial services to companies and their economic groups** with the following characteristics:

  Companies that may be involved in the production, sales/supply, testing, research and development, integration in systems, maintenance and services involving controversial arms (including their essential components). These weapons include anti-personnel mines; biological weapons; chemical weapons; white phosphorus; cluster bombs; ammunition that contains depleted uranium, and nuclear weapons. In the case of nuclear weapons, financial services may be provided on an exceptional basis to companies residing in countries that have ratified the 1968 Treaty on the Non-Proliferation of Nuclear Weapons, provided those companies perform other activities beyond nuclear arms and are not related to any other type of controversial weapons. Under no circumstances may operations related directly to nuclear arms, or any other type of controversial weapons be financed.

Companies that sell weapons to countries or groups that are subject to weapons embargoes by the European Union, the United States, or the United Nations.

- **No new credit operations or renewals will be financed involving defence materials** that satisfy any of the following requirements:

  where the end user is not a public body, a largely publicly owned company or a private security firm. In the case of the latter, the exclusion shall apply when they are unable to demonstrate that the products are to be used by the police or other security forces.

  the aim of the operation **is to trade defence material with brokers rather than end users.**

  the aim of the operation **is to trade defence materials with countries carrying a substantial risk of human rights violations in connection with violence and civil oppression.**

  the aim of the operation **is the production, holding or trade of nuclear weapons.**

As an exception, the Bank may consider establishing commercial relations with a company or group that may be subject to these exclusions if the purpose of the financing is unrelated to an activity involving defence material.

- **No Group company shall invest** in the capital or debt instruments of companies that manufacture defence materials or that are involved in the production, sales/supply, testing, research and development, integration in systems, maintenance and service of arms (including their essential components) that are considered controversial (as defined earlier).