



Operating principles of the Corporate Policy for managing sustainability/ESG risks

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1. Introduction

1.1 Background

CaixaBank, S.A. (hereinafter “CaixaBank” or “the Entity”) and the remaining companies that comprise the CaixaBank Group (hereinafter “the Group”) integrate environmental, social and governance (hereinafter, “ESG”) criteria¹ into their business decisions with the aim of mitigating risks and supporting those projects that are consistent with their corporate values.

The Policy to which the Principles herein refer exists in a context of greater societal awareness of and concern for the sustainability of the economic model and its long-term growth, as evidenced by the increasing number of general and specific regulations and expectations in this area, and which involve 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 (“SDG”), 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.

Because of this, CaixaBank deems it essential to identify, measure, assess, manage, control, mitigate and report on the ESG risks associated with the Group's activity.



This Policy integrates and repeals two documents that were previously approved by the Board of Directors:

- The Environmental Risk Management Policy.
- The Corporate Policy on Relations with the Defence Sector.

¹ Hereinafter, ESG risks will be referred to as equivalent to sustainability risks.

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.², as well as "Human Rights Principles" and the "Statement on Climate Change".

The contents of the Policy referred to by these Principles in no way changes the contents of the remaining risk management policies in effect at the Entity.

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:

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

Within the environmental risk, the risk resulting from climate change is that which is linked to the global warming caused by greenhouse gas emissions. This risk contains two classifications:

- **Physical**, related to meteorological (for example, hurricanes or storms) or geological (earthquakes) events, or to the degradation of ecosystems (such as rising sea levels or desertification), 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 the expenses needed to deal with them.

- **Transitional**, associated with 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 resulting from the provision of a service to, or investing in, legal entities that do not respect human rights or the health and safety of their employees.
- Governance ("G") risks result from a negative impact due to weaknesses by commercial counterparties or companies in which the Group has invested, such as transparency, market behaviour, anti-corruption policies, compliance with tax obligations and other behaviours that are deemed ethical by the relevant stakeholders.

² 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.

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, such as factoring (transferor) or reverse factoring (customers).
- In which the Group invests of its own accord in fixed-income and variable-yield securities.
- Managed through a portfolio in stock investments.

Given the nascent nature of the taxonomies, methodologies and tools in the field of ESG, the Policy to which these Principles refer will be implemented gradually, and any relevant change in this respect will be duly reported to the Governing Bodies.

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 Objective

The purpose of the Policy referred to by these Principles is to establish the principles, premises and mechanisms to ensure that the ESG risks 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. The management of ESG risks constitutes one of the main areas of action of the sustainability strategy defined at CaixaBank.

The contents of this Policy include:

-  Regulatory framework
-  Corporate strategy on ESG risks
-  Governance framework
-  ESG risk management framework
-  Control framework
-  Reporting framework

2. Scope

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 ESG risks. The governance bodies of these companies will 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 governance bodies, committees and departments, and their principles of action, methodologies and processes to the contents of this document.



This integration may involve, among other decisions, the approval of their own policy by the subsidiary. The approval will be necessary in subsidiaries that need to adapt the contents of this Policy to their own specific characteristics, whether due to the matter in question, the jurisdiction or the significance of the risk in the subsidiary. In those cases in which the risk control and management activities of the subsidiary are carried out directly by CaixaBank, whether due to the materiality of the risk in the subsidiary, for reasons of efficiency, or because the subsidiary has outsourced the operational management of this risk to CaixaBank, the governing bodies of the affected subsidiaries will be informed at least of the existence of this Corporate Policy and its application to such subsidiaries.



In any case, CaixaBank's Sustainability Committee, given its corporate character, will ensure that these policies are integrated by the subsidiaries in a proportionate manner, that any internal policies approved by the subsidiaries 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.

General applicable rules and regulations

This Policy will be governed by the pertinent legislation in force at all times and any legislation amending or replacing it in the future.

With regard to subsidiaries or, where applicable, branches subject to foreign jurisdictions or additional sectoral regulations, any policies and procedures developed by such subsidiaries or branches shall take into account, in addition to their own regulations, the obligations at the consolidated level contained in the aforementioned regulations provided that they do not contradict the specific requirements of the corresponding jurisdiction or sectoral 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 guidelines³, of 21 March 2018, on internal governance (EBA/GL/2017/11), adopted by the Bank of Spain on 18 May 2018.
- CNMV guide for the preparation of management reports for listed companies (2013).
- Guide of the European Central Bank on risks related to the climate and environment, of 27 November 2020.
- EBA report of June 2021 on managing and monitoring ESG risks for credit entities and investment companies.

3 On 2 July 2021, the EBA published a revised draft of these Guidelines (EBA/GL/2021/05), which will go into effect on 31 December 2021.

4. Corporate strategy on ESG risks

The strategy that will govern the activity of the CaixaBank Group for controlling and managing ESG risks involving customers and proprietary investments considers the following main 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 risks into decision-making and avoid financing or investing in those companies or projects that involve serious human rights or labour offences.



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.



Manage the social, environmental and governance risks, and integrate the analysis of said risks into the products and services provided to customers, proprietary investments and management of stock portfolios.



Act in accordance with the public commitments made, such as the "Statement on climate change", 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 that are consistent with those of the Paris Accord. 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 ESG risks 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 companies of the Group and, in turn, alignment with best practice, supervisory expectations and current regulations.

- Maximum involvement of the governing bodies and management of the Group companies.
- Internal Control Framework based on the Three Lines of Defence model⁴, which guarantees the strict segregation of functions 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 adoption of a solid and diligent risk culture, setting a risk appetite in accordance with the Risk Appetite Framework (RAF) and defining responsibilities for taking, managing and controlling risks.

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.



⁴ According to the EBA Guidelines of 21 March 2018 on internal governance (EBA/GL/2017/11), adopted by the Bank of Spain on 18 May 2018.

6. ESG risk management framework

6.1 General areas 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. Define and manage a plan for managing ESG risks that is consistent with the Group's strategy.
2. Define and manage the implementation of a framework for onboarding, monitoring and mitigation policies that allow maintaining a risk profile that is consistent with said 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. Promote the development of systems for identifying operations and measuring exposure to ESG risks that reflect changes in regulations, in society's sensitivity to these risks and in best market practices.
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 every sector to which the Entity provides 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.

Lastly, the analysis required by the implementation of the Policy to which these Principles refer will generally apply to customers based on the corporate 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 establish an **application procedure** for the proper application of the criteria set out in the Policy.

6.2 General criteria

6.2.1. 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 2° C based on pre-industrial levels, and limit the increase to 1.5° C.

It is CaixaBank's stated desire to help transition to a carbon-neutral economy by reducing the impact of its operations and by financing and investing in sustainable projects. As evidence of the Bank's commitment to the energy transition, CaixaBank is a member of the Collective Commitment to Climate Action (CCCA) and is a founding member of the Net Zero Banking Alliance, which is committed to net-zero emissions by 2050.

To reach this goal, targets to decarbonise the portfolio by 2030 have to be set out and published in October 2022.

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)
- United Nations Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- Global Reporting Initiative
- Carbon and Water 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
- The financial sector's Collective Commitment to Climate Action
- Science-Based Targets
- 2 Degrees Investing Initiative
- The energy transition scenario adopted by the Government of Spain
- Partnership for Carbon Accounting Financials (PCAF)



Restrictions

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

6.2.2. Natural heritage, biodiversity, water stress and cultural heritage

Context and objectives

CaixaBank recognises that its customers' economic activities can have substantial impacts on high-value areas of biodiversity, sensitive ecosystems, water-stressed areas or nationally and internationally protected

areas. Consequently, the Company includes this consideration when managing its sustainability risks in order to minimise the impact of its portfolio on the environment.

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)

Restrictions

The Group will not assume any credit risk in new projects when there is sufficient evidence to confirm the risk.

6.2.3. 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.

In order 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 of Business and Human Rights

- OECD Guidelines for Multinational Enterprises
- The International Bill of Human Rights of the United Nations

Exclusions

In the field of human rights, the Group has a series of general exclusion criteria:

- Not provide financial services or invest in companies for which there is solid evidence that they rely on child or forced labour or that have taken part in human rights violations or abuses. In the case of project financing, this exclusion also applies to the third parties involved when their participation is significant.
- Not provide financial services or invest in companies 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 last five years.
- Do not finance operations or projects that violate the rights of indigenous or vulnerable groups, or require their resettlement, without their free, prior and informed consent.

6.3 Sector criteria

6.3.1. Energy

Context and objectives

The energy sector is of huge importance to the ongoing development of the global economy. Access to secure and affordable energy is essential for global well-being. However, CaixaBank is aware that the energy sector can have a potentially negative impact both on society and the environment. It can cause climate change through the emission of Greenhouse Gases (GHG), it can alter ecosystems, impact biodiversity through the construction of power plants in sensitive areas, generate hazardous waste, and more. These risks have to be managed properly in order to minimise the impacts on the environment and local communities. We have also been seeing increasing levels of demand for cheaper, safer, cleaner and more efficient sources of energy.

Companies engaged in oil and gas exploration and production and energy generation (including the construction/expansion/maintenance of power plants), whether thermal, nuclear or renewable, account for a significant part of total economic activity within this sector.

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 this regard, oil sands are of particular concern.

Coal

Both the processing and combustion of coal generate significant environmental impacts. Coal-burning power plants emit high quantities of carbon dioxide, which is a major contributor to climate change.

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 properly managed (for example: water use or impact on biodiversity).

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
- Convention on Nuclear Safety (Vienna, 1994)
- Nuclear non-proliferation treaty (New York, 1968)
- 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)

Exclusions and restrictions

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**, including transport infrastructure that will be used to transport oil and gas, a significant percentage of which is from Arctic regions.
- **Fracking projects.**
- Specific projects to **build, develop or expand coal power plants.**
- Construction, development or expansion of **nuclear power plants or uranium enrichment facilities.**

- Intended to **transport energy and that have no procedures, based on the best available practices**, to mitigate the risk of a leak or spill⁵.
- Medium-term transactions requested by new or existing customers whose aim is the **exploration, extraction, transportation, refinement, coke processing or electricity generation based on oil**.
- Long-term transactions requested by new or existing customers whose aim is the **exploration, extraction, liquefaction, transportation, regasification, storage or electricity generation based on natural gas**.



The CaixaBank Group will not assume any credit risk involving **new operations or renewals requested by companies** that satisfy any of the following requirements:

- The Group relies on the generation of energy from coal for more than 25% of its turnover.
- There is evidence that the activity of oil sand exploration, production or transport accounts for more than 10% of its turnover.
- There is evidence that the activity of oil and gas exploration, production or transport in the Arctic region accounts for more than 10% of its turnover.

In addition to these exclusions, the CaixaBank Group may finance, subject to the restrictions described below, the following activities:

- **Projects related to the generation of nuclear power**, only in those cases in which safety conditions are strictly observed, in accordance with international standards. These rules may differ depending on the jurisdiction in question, as well as the reliability and experience of the parties involved and the specific requirements governing the technological safety and security of the nuclear power stations.
- Companies whose **revenue from coal-based electricity generation accounts for more than 25% of their consolidated earnings**, as long as they take steps to promote and help implement the energy transition, when:
 - That are located in countries with a high energy dependence on coal or that have no other viable alternate sources of energy, and

⁵ Such as ISO 13623, the Pipeline Security Guidelines of the Transportation Security Administration (TSA) of the United States or other reference guidelines.

- that have a strategy to diversify or decarbonise, as per the stipulations of the Paris Accord, and can show progress in this area; or
- the purpose of the operation is to install renewable energies or some other purpose that can be shown to involve the energy transition.
- New companies/customers **in Groups whose revenue from the exploration, extraction, transport, refinement, coke processing and electricity generation from oil accounts for over 50% of their turnover**, as long as they promote the energy transition and one of the following circumstances exists:
 - They have a suitable diversification or decarbonisation strategy; or
 - the purpose of the operation is renewable energies.
- New companies/customers **in Groups whose revenue from the exploration, extraction/production, liquefaction, transport, regasification, storage and electricity generation from natural gas accounts for over 50% of their turnover**, as long as they promote the energy transition and one of the following circumstances exists:
 - They have a suitable diversification or decarbonisation strategy; or
 - The purpose of the operation is renewable energies.

Finally, the goal with existing customers will be to promote the energy transition while maintaining a competitive business position with these customers in order to better engage with them.



6.3.2. 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 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.

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).

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)

Exclusions and restrictions

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

- That involve the mining of:

- Coal – including thermal coal –: new mines or expansion existing mines.
- Asbestos.
- Uranium or other radioactive materials.
- 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.

The Group will not assume any credit risk involving new or renewed operations requested by companies with the following characteristics:

- Companies where the **extraction of thermal coal accounts for more than 25% of their consolidated revenue.**
- Companies for which there is evidence that **the extraction of asbestos, uranium or other radioactive materials, or mountaintop removal, accounts for more than 10% of their turnover.**
- **Companies that extract gold 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 certified or in the process of being certified** by the Kimberley process or other equivalent certificates.



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.

As concerns the mining of uranium and other radioactive materials, as an exception, only those projects or companies involved in the extraction of said materials for civilian purposes may be financed in those cases in which the strictest international standards on health, safety and the environment are observed.

As an exception, in order to promote and encourage the energy transition, the Group may finance companies whose revenue from thermal coal mining accounts for more than 25% of their consolidated earnings as long as:

- they are located in **countries that are highly dependent on coal and that do not have any other viable sources of energy**, and
- they have a **diversification or decarbonisation strategy** that is consistent with the stipulations of the Paris Accord and can show progress in this area: or
- the purpose of the operation can be shown to be related to the **company's energy transition**.

6.3.3. Infrastructures

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.

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 linked 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 infrastructures, such as electric grids, oil or gas pipelines, is essential for economic and social development. However, these infrastructures can generate significant environmental and social impacts depending on where they are 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)

Restrictions

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 take into account measures to mitigate the adverse impacts associated with the disposal of brine or the removal of seawater⁶.

⁶ In accordance with the Water and Sanitation Environmental, Health and Safety Guidelines of the International Finance Corporation.

6.3.4. 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 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).

For this reason, CaixaBank insists that its corporate customers assess and properly manage the environmental and social impacts related to their activities.

Companies in this sector are those whose activities involving the production or processing of crops, livestock, fish and silviculture account for a significant part of their total activity. Beyond the scope of this sector are other activities, such as the production of processed drinks or foods and the manufacture of farming machinery, pesticides or fertilisers.

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 Forest Stewardship Council (FSC) Principles and Criteria*
- *The Program for the Endorsement of Forest Certification (PEFC)*
- The Alliance for Zero Extinction
- *Global Good Agricultural Practice (GAP)*
- *Rainforest Alliance Sustainable Agriculture Standard (SAN)*

- *The IFC Good Practice Note on Animal Welfare in Livestock Operations*
- *The Global Roundtable for Sustainable Beef (GRSB) and Standards Cattle Production System (SCPS)*
- The World Organisation for Animal Health
- Framework Convention on Tobacco Control of the World Health Organization
- 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

Exclusions and restrictions

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

- **Located in non-designated countries**⁷ as per the Equator Principles and directly related to:
 - 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.

⁷ The list of designated countries is published and updated at <https://equator-principles.com/designated-countries/>

- **For commercial palm oil plantations**, if marshes or areas rich in peat are drained or burned and there is no 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 livestock⁸.



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

- Where they produce or process products regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- 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).
- Producers of soy that are not members of the Roundtable on Sustainable Soy or some other similar initiative/programme that endorses responsible production, but that have applied for membership or commit to doing so.
- 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.
- That participate directly in shark fin fishing, commercial whaling or illegal fishing (Illegal, Unreported and Unregulated, IUU fishing activities).

⁸ 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.

With respect to the processing of agricultural products, the Group will not finance those projects or customers that process products from the cultivation of palm or soy in high-risk countries and do not have responsible supply practices.



6.3.5. Defence activities

Context and objectives

CaixaBank and its subsidiaries 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 subsidiaries 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.

Applicable standards

For the definition of controversial arms, CaixaBank uses the criteria included in the international agreements specified below:



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).



Cluster bombs: Convention on Cluster Munitions (2008).



Nuclear weapons: Treaty on the Non-Proliferation of Nuclear Weapons (1968).

Within the scope of the Policy referred to by these Principles, **defence material** is defined as:

- **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.
- **Especially 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).

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 develop, produce, maintain or market controversial weapons (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 the latter, on an exceptional basis, financial services may be provided to companies residing in countries that have ratified the 1968 Nuclear Non-Proliferation Treaty, provided that these companies carry out other additional activities to nuclear armament and they 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:



The end user is not a public authority, majority public shareholdings or private security companies. In the case of private security firms, the exclusion shall apply when they are unable to demonstrate that their 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 where there is a high risk of human rights infringements.**



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

As an exception, the Bank may consider establishing commercial relations with a company or corporate 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 develop, produce, maintain or market weapons (including their essential components) that are considered controversial (as defined earlier).

