

## Update of the Sustainability Risk Integration Policy in 2024

A general review of the content is carried out and the following is carried out:

- Update of current regulations, mentioning the Regulations that modify the SFRD Regulation (Sustainable Finance Disclosure Regulation) and Directive (EU) 2022/2464 regarding the presentation of sustainability information by companies.
- Incorporation of the Declaration on the Nature of CaixaBank.
- Mention of CaixaBank Asset Management's adherence to the CNMV's Code of Good Practices for Institutional Investors, Asset Managers and Proxy Advisors.
- Expansion of information on the ESG risk management framework, in general and sectoral criteria.
- Incorporation of a section on the integration of ESG risks in the Main Adverse Incidents on Sustainability factors.
- Reduction of the thermal coal threshold in the Energy and Mining sectors.

# Sustainability Risk Integration Policy

CAIXABANK ASSET MANAGEMENT S.G.I.I.C., S.A.U.

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# 1 Introduction

## 1.1. Background

CaixaBank, S.A. (hereinafter, “CaixaBank” or “the Entity”) and the other companies that make up the CaixaBank Group (hereinafter, together with CaixaBank, “the CaixaBank Group” or “the Group”), including CaixaBank Asset Management SGIC, S.A.U. (hereinafter “CaixaBank AM” or the “Management Company”) work to optimise the relationship between return and risk, and to avoid, minimise, mitigate and remedy as far as possible those factors that could pose a significant risk to the environment or the community in accordance with the highest responsible standards. In this manner, the Group integrates environmental, social and governance (hereinafter “ESG”<sup>1</sup>) criteria into its business decisions in order to mitigate risks and support business projects that are consistent with its corporate values.

The update of this Policy takes place in a context of increased awareness and concern of society for the sustainability of the economic model and long-term growth, which is resulting in the constant development of regulations and expectations in this area, both general and specific to the potential contribution of the financial sector to mitigate adverse effects.

It is considered that financial institutions can have a significant impact on contributing to the achievement of the Sustainable Development Goals (“SDGs”), to the extent that some of the sectors they finance, invest in or serve are subject to controversy and must and will face multiple restrictions, challenges and transformations of their business models and technologies in the coming years, either by adjusting to the preferences of their consumers or due to regulatory pressure.

For this reason, CaixaBank AM considers it essential to identify, measure, evaluate, manage, control, mitigate and report the ESG risks associated with the Management Company’s activity.

CaixaBank AM therefore implements a sustainability risk integration model based on three essential pillars:

- the incorporation of environmental, social and corporate governance factors into the investment analysis and decision-making process, in addition to traditional financial criteria
- the long-term involvement of the Management Company with the companies in which it invests, with the exercise of voting rights at the General Shareholders’ Meeting (proxy voting)
- dialogue with listed companies on material or controversial issues relating to ESG factors (known as “engagement”)

In 2011, CaixaBank AM formalised its commitment to the United Nations Global Compact, as a sign of its commitment to sustainability, committing itself to supporting and applying its ten principles relating to human rights, labour rights, the environment, and the fight against corruption.

In 2016, CaixaBank strengthened its commitment by adhering to the Principles for Responsible Investment (PRI), an initiative by the investment community, promoted by the United Nations, for contributing to the development of a more stable and sustainable financial system through the implementation of six defined principles.

The integration of this model could have a favourable effect on the companies’ long-term profit or loss and contribute to greater environmentally sustainable economic growth and social progress.

In this regard, this policy responds to the above principles, to the European Commission’s plan for sustainable finance and, in particular, to Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability<sup>2</sup> related disclosures in the financial services sector (SFDR), which establishes the obligation for companies to specify, in their policies, how all relevant sustainability risk that could have a negative material impact on the financial profitability of the investment is integrated into their investment management processes, and also to report on this process.

It also adds other stances, the result of a comparison with international best practices and the growing expectations of various stakeholders of relevance to CaixaBank AM.

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<sup>1</sup> Hereinafter, ESG risks are referred to as equivalent to sustainability risks.



The “Principles of action in sustainability matters”, which include the strategy to be followed with the different stakeholders in this area<sup>2</sup>, as well as the “Principles of human rights”, the “Statement on climate change” and the “Statement on nature”, are maintained as independent documents, but related to this Policy.

## 1.2. Scope

The risks subject to governance, management and control by this Policy are the following, referred to as “ESG” or “sustainability” risks, which are detailed as follows. These risks are included transversally in the Corporate Risk Catalogue, as they have an impact on different risk types in the risk taxonomy, such as, for example, credit risk, legal and regulatory risk, reputational risk, and other operational risks:

- Environmental risks (“E”) are those linked to legal persons that could potentially be affected by, or contribute to, the negative impacts of environmental trends, such as climate change (such as the increase in GHG emissions) and other forms of degradation of nature (such as air and water pollution, fresh water scarcity, soil contamination, biodiversity loss and deforestation); additionally, it includes corrective actions aimed at avoiding or mitigating their occurrence.

Nature-related risks are potential threats to an organisation due to its dependence on and impacts from nature. Risks arising from climate change are those linked to global warming caused by greenhouse gas emissions. In both typologies, a distinction is made between two categories:

- Physical risks, related to meteorological events (e.g. hurricanes or storms), geological events (earthquakes) or degradation and changes in the balance of ecosystems (such as sea level rise, desertification or changes in soil quality), either:
  - Acutely, due to a greater probability and impact of extreme natural events
  - Chronically, associated with permanent changes in the environment.

In any case, physical risks can lead to damage to company assets, disruptions in the supply chain or increased costs to address them.

- Transition risks, as a result of a mismatch between an organisation’s strategy and management and developments aimed at halting or reversing damage to nature, as well as the timing and speed of the adjustment process to a less carbon-intensive economy, which will depend on political-legal, technological, market or reputational factors.
- Social risks (“S”) measure potential indirect adverse impacts on society linked to legal entities or investees that do not respect human rights or the health and safety of their employees or workers in the value chain. CaixaBank AM considers the adverse impacts related to the following to be particularly relevant: Forced labour, child labour, occupational health and safety, the right to a living wage, community land issues and/or (involuntary) resettlement, indigenous peoples’ rights, and community health and safety.
- Governance risks (“G”) derive from a negative impact resulting from weaknesses linked to legal persons and commercial counterparties or investees, such as transparency, market conduct, anti-corruption policies, compliance with tax obligations or other behaviours considered ethical by relevant stakeholders.

In general, this Policy is applicable to investments made by third parties in all vehicles and portfolios managed by the Management Company, except for those which, as in the case of index funds, exceptionally fall outside the scope of application of the Sustainability Risk Integration Policy, or those subsidiaries which, due to regulatory requirements, have their own policy. In the event that any company does not comply with the requirements established in this Policy, CaixaBank AM shall proceed in accordance with the Engagement Policy and the Sustainability Risk Integration procedure.

<sup>2</sup> Compliance with ESG aspects by our customers and the potential indirect impacts this could have on the Group is the aspect of the “ESG-sustainability” area that is regulated in this Policy.



In the specific case of the mutual funds and ETFs of third-party managers, a different approach is used, with the expectation that it will become common in the medium and long term. The vehicles are aligned with corporate policy through due diligence processes, dialogues, controls, and specific thresholds adapted to the characteristics of the asset and included in the internal control frameworks. For further details see the Sustainability Risk Integration procedure in force at CaixaBank AM.

In the event that, as a result of mergers or acquisitions, CaixaBank AM acquires an interest in companies to which this Policy is applicable, it will work to implement actions aimed at complying with the Policy in the shortest possible timeframe that is compatible with the economically reasonable management of the aforementioned interest.

This Policy shall be effective as of the date of its approval by the Board of Directors.

### 1.3. Objective

The Sustainability Risk Integration Policy establishes the principles of action for the incorporation of environmental, social and governance (ESG) criteria into processes and decision-making for the provision of investment services, along with traditional financial criteria, from a risk perspective defined as the ESG status or event that could have a material negative impact on the value of the investment if it occurs.

The purpose of this Policy is to establish the principles, premises and mechanisms that ensure the governance, management, and control of ESG risks associated with third-party investments, allowing the capture of business opportunities and support for the transformation that companies are carrying out and will carry out in the coming years.

This Policy therefore sets out a framework of overarching principles on which all actions related to or identified as having a significant impact on these risks should be based, as well as the basic governance framework for the authorisation, management, communication, and disclosure of these actions. ESG risk management is one of the main lines of action of CaixaBank AM's sustainability strategy.

The contents of this Policy include:

- Regulatory framework
- Corporate ESG risk strategy
- Governance framework
- ESG risk management framework
- Control framework
- Information framework



## 2 Scope of application

This Policy is of a corporate nature for the management subsidiaries of CaixaBank AM. Consequently, the defined principles of action are applicable to all subsidiaries of the Management Company carrying out activities with an exposure to ESG risks. The governing bodies of these subsidiaries will adopt the appropriate decisions in order to integrate the provisions of this Policy, and through the principle of proportionality adapting the governance framework to the idiosyncrasies of the structure of governance bodies, committees and departments, and their principles of action, methodologies and processes to those described in this document.

This integration may involve, among other decisions, the approval of a separate policy by the subsidiary. Approval will be necessary in the subsidiaries that need to adapt the provisions of this Policy to their own specificities, either by subject matter, jurisdiction, or relevance of risk in the subsidiary. Adherence to this Policy by the governance bodies of the subsidiaries of CaixaBank AM shall be made when, although the principles of action contemplated in this Policy are applicable, the subsidiary does not draw up its own policy and the content of this Policy establishes principles, obligations and activities that must be carried out directly by the subsidiary. In those cases in which the risk control and management activities of the subsidiary are carried out directly by CaixaBank AM, 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 AM, the governance bodies of the subsidiaries affected shall at least be aware of the existence of this Policy and its application to the subsidiary.

In any event, the SRI Committee of CaixaBank AM, given its corporate nature, will ensure that the integration of these policies in the subsidiaries is proportionate and when subsidiaries approve their own policies, they must be aligned with this Policy and the Corporate Sustainability / ESG Risk Management Policy, ensuring consistency throughout the CaixaBank Group.

Lastly, this Policy, in addition to having a corporate vocation for the subsidiaries of CaixaBank AM, is considered an individual policy of CaixaBank AM.



### 3 Regulatory framework Applicable general standards 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. As at the date of this report, CaixaBank AM is subject to the following law and regulations:

- Law 11/2018 of 28 December amending the Commercial Code, the restated text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, concerning matters of non-financial information and diversity.
- Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.
- Law 35/2003 of 4 November on Collective Investment Schemes (CIS).
- Royal Decree 1082/2012 of 13 July approving the Regulations for the implementation of Law 35/2003 of 4 November on Collective Investment Schemes (RCIS).
- Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR).
- Delegated Regulation (EU) 2022/1288 supplementing the SFDR with regard to regulatory technical standards.
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088
- Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council and establishing the technical selection criteria for determining the conditions under which an economic activity is deemed to make a substantial contribution to climate change mitigation or adaptation and for determining whether that economic activity does not cause significant harm to any of the other environmental objectives.
- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards sustainability reporting by companies.

The Management Company already has a set of related policies in effect that have been approved by its governance bodies:

- Code of Ethics
- Engagement Policy
- Corporate principles for action in the area of Sustainability
- Declaration on climate change
- Corporate Principles on Human Rights
- Statement on nature

These policies reflect CaixaBank AM's commitment to performing its business activity in strict compliance with applicable regulations and in accordance with the highest standards of ethical and professional conduct. It is considered essential to properly evaluate and manage the risk and social and environmental impact arising from its activities.





In this regard, CaixaBank AM recognises the following initiatives, conventions, and institutions:

- The United Nations International Charter of Human Rights.
- The United Nations Global Compact.
- The United Nations Guiding Principles on Business and Human Rights.
- The Principles for Responsible Investment (PRI).
- The United Nations Sustainable Development Goals (SDGs).

Lastly, as it is an area of intense development, CaixaBank AM is also committed to aligning itself with any new standards or new regulations that may be applicable, including those arising from the European Commission's aforementioned Action Plan and the Spanish Strategy for Climate Change and Energy Transition. CaixaBank AM in particular is also a member of the CNMV's Code of Best Practices for Institutional Investors, Asset Managers and Proxy Advisors.

In the case of subsidiaries subject to foreign jurisdictions or supplementary sectorial regulations, the policies and procedures that these subsidiaries implement shall take into account the obligations at the consolidated level contained in the aforementioned regulations in addition to their own regulations, insofar as they are not contradictory to the specific requirements of the corresponding jurisdiction or sectorial regulations.

In addition, this Policy takes into account other sustainability standards or guidelines, which are included in the corresponding sections that summarise the application criteria.

Finally, each of CaixaBank AM's subsidiary management companies will develop the necessary frameworks, rules, guidelines or procedures for the correct implementation, execution, and compliance with this Policy.



## 4 Corporate ESG risk strategy

The strategy that will govern the actions of CaixaBank AM, which is in line with the CaixaBank Group, for the control and management of ESG risks in relation to its investments on behalf of third parties takes into account the following main lines of action:

- Promote sustainable business, developing products and services with a positive environmental and climate impact, and supporting the transition to more sustainable business models.
- Integrate social and environmental risks into decision making and avoid investing in companies or projects that are linked to serious human rights or labour rights violations or have a significant negative environmental impact without sufficient mitigation actions or adequate transition plans in place.
- Work in order to understand the impact on human rights deriving from its activity and undertake to prevent and avoid contributing to the adverse negative impacts and, where applicable, mitigate them as much as possible.
- Manage social, environmental and governance risks and integrate their analysis into the investment processes of its investment products and services on behalf of others.
- Act in accordance with the public commitments adopted, such as the “Principles on Sustainability”, the “Statement on Climate Change”, the “Statement on Nature”, the “Principles on Human Rights” as well as any other initiative and commitment in the ESG field considered, always under the responsibility of fulfilling their requirements appropriately.
- Supporting the transition to a net-zero emissions economy by 2050. To this end, it will assist the companies in which it invests in the decarbonisation of their activity by supporting the development and implementation of solutions and technologies that accelerate the transition to a carbon-neutral economy. It will also set restrictions on investment in companies linked to carbon-intensive sectors linked to the fulfilment of certain conditions, such as the existence of concrete and achievable decarbonisation targets. On an exceptional basis, investments may also be made in companies in sectors in certain countries where the energy transition may be particularly complex or have a significant adverse social impact.
- Promote transparency, reporting adequately to the markets on the management and control of ESG risks, in compliance with current regulations and best practices.

## 5 Governance framework

The pillars on which the ESG risk governance framework at CaixaBank AM is based are as follows:

- Compliance with the principles contained in this Policy by its subsidiaries within its scope of application.
- Alignment of strategies among subsidiaries, and in turn alignment with best practices, supervisory expectations, and current regulations.
- Maximum involvement of the governance and management bodies of the Management Company and its subsidiaries.
- Internal control framework based on the Three Lines of Defence model<sup>3</sup>, which ensures strict segregation of functions and several layers of independent control.
- Integration into existing third-party investment circuits, as well as maintenance of the governance that regulates them, to encourage greater and better integration of ESG criteria in decision-making and minimise the parallelisation of circuits, which could hinder commercial or investment activity.

### 5.1. CaixaBank AM governance bodies

The CaixaBank AM Governance Bodies of perform certain functions associated with their responsibility for approving and supervising strategic and management guidelines, as well as the supervision, monitoring, and integrated control of risks as a whole.

#### 5.1.1. Board of Directors

The Board of Directors of CaixaBank AM will undertake, in the field of Sustainability Risks, the same responsibilities that it undertakes against the risks explicitly identified in the Corporate Risk Catalogue, and in the Internal Control Policies.

In particular, the Board of Directors constitutes the highest authority in terms of setting the Management Company's business strategies, risk strategy and risk management policies.

In relation to ESG risk management, the following responsibilities stand out:

- It establishes the strategy and fundamental principles of ESG risk management in the Management Company, approves this Policy and ensures compliance with it.
- It establishes the framework for monitoring the status and development of ESG risks (nature, type of information and frequency).

In addition, the Board of Directors of CaixaBank AM:

- Establishes and supervises the implementation of a risk culture in CaixaBank AM that promotes conduct in accordance with the identification and mitigation of ESG risks.
- Establishes and maintains an organisational structure at CaixaBank AM that is appropriate for the management of ESG risks, which is proportionate to the nature, scale, and complexity of the activities it carries out.
- Ensures that personnel involved in ESG risk management have the appropriate competence and experience.
- Establishes mechanisms for monitoring and escalating of ESG risks.
- Ensures that there are sufficient internal controls over ESG risks.

<sup>3</sup> As set out in the EBA Guidelines of 21 March 2018 on internal governance (EBA/GL/2017/11), adopted by the Bank of Spain as its own on 18 May 2018.



### 5.1.2. Audit Committee

The CaixaBank AM Audit Committee supervises the effectiveness of the internal control systems, ensuring that the policies and systems established in this area are effectively applied. It also supervises and evaluates the effectiveness of the financial and non-financial risk management systems.

In addition, the Audit Committee of CaixaBank AM:

- First reports to the Board of Directors on any financial and related non-financial information that the Management Company may be required to disclose in accordance with applicable regulations.
- Oversees the internal audit unit to ensure the proper functioning of the information and internal control systems, verifying their adequacy and integrity.

### 5.1.3. Appointments, Remuneration and Sustainability Committee

The CaixaBank AM Appointments, Remuneration and Sustainability Committee has the following functions, namely:

- Supervise compliance with the Company's environmental and social policies and rules, evaluating and reviewing them periodically so that they fulfil their mission of promoting social interest and take into account, as appropriate, the legitimate interests of the remaining stakeholders, as well as to submit the proposals it deems appropriate in this area to the Board and, where appropriate, to submit a sustainability/corporate responsibility policy for approval.
- Receive and assess the regular reports on sustainability issues submitted by the different areas, keeping up to date with the main news and advances in this field.

## 5.2. CaixaBank AM's collegiate bodies in the field of ESG risks

### 5.2.1. Management Committee

The Management Committee is responsible for developing the consolidated Strategic Plan and Budget approved by the Board of Directors. As part of this development, it adopts resolutions relating to ESG aspects both directly or through its delegated committees. It also adopts resolutions affecting the organisational life of the Management Company. In addition, it approves structural changes, appointments, expenditure lines and also business strategies.

### 5.2.2. Global Risk Committee

CaixaBank AM's Global Risk Committee, which reports to the Management Committee, is responsible for managing, controlling, and monitoring CaixaBank AM's risks on a global basis.

To this end, it will analyse the overall positioning of the Management Company's risks and establish the policies, standards, procedures, and limits that optimise the management, monitoring and control of risks within the framework of its strategic objectives.



### 5.2.3. Socially Responsible Investment Committee

The Socially Responsible Investment Committee (hereinafter “SRI Committee”) is a delegated committee of the Management Committee and is responsible for informing the Management Committee of any change in CaixaBank AM regarding sustainability management in investment matters, with its supervision being key in all matters concerning the process of integrating ESG aspects in investment management.

The governance, composition, and detailed scope of action of the SRI Committee are regulated by its Operating Regulations, which are approved by the Management Committee.

All the Sustainability Risk management initiatives must be supervised by this Committee, which may at any time require the advice of experts in such risks from the Management Company’s functional areas involved in the assumption, management, monitoring, or control activities with a potential impact on this Risk.

The SRI Committee is responsible for the following:

- Establishing the general principles that make up the framework of socially responsible investment in the Management Company, as well as the criteria that restrict the investment universe.
- Coordinating the transmission of responsible policies approved by the governance bodies of CaixaBank AM to CaixaBank, as well as coordinate the implementation in CaixaBank AM of responsible policies that affect the CaixaBank Group as a whole.
- Escalating any responsible investment initiatives to the Management Committee before they are adopted to ensure that they meet the standards of CaixaBank AM.
- Authorising requests for investment in restricted assets, in the cases provided for in the Sustainability Risk Integration Procedure.
- Identifying levers and areas and assist in the coordination and implementation of the internal environmental management plan, help draw up policies, and collaborate in the coordination and execution of the internal environmental management plan.
- Defining and updating, together with the rest of the functional areas involved, the global environmental strategy of CaixaBank AM.
- Analysing and assessing the adaptation or adherence to Corporate or Group Policies that may have implications in aspects of SRI, due to their implications in investment processes, and if applicable, define the adherence protocol.

## 5.3. CaixaBank AM subsidiary management companies

### 5.3.1. Governance bodies of CaixaBank AM subsidiaries

The governance bodies of CaixaBank AM subsidiaries:

- Will take the pertinent decisions in order to integrate the stipulations of this Policy and apply the guidelines established therein, in accordance with the specific features of each of the companies and with any legal and/or regulatory provisions that may be applicable to them.
- Will establish and supervise the implementation of a risk culture in the organisation that promotes conduct in line with the identification and mitigation of ESG risks.
- Will establish and maintain an appropriate organisational structure for ESG risk management that is in line with the nature, scale and complexity of their activities.



- Will ensure that personnel involved in ESG risk management have the appropriate skills and experience.
- Will establish follow-up and escalation mechanisms in the event that any of the defined thresholds are exceeded.
- Will ensure that there are sufficient internal controls over ESG risks.

### **5.3.2. Collegiate governance bodies of CaixaBank AM subsidiaries**

Depending on its needs and size, each subsidiary will establish, or assign to the committees already constituted, the responsibilities it considers relevant in relation to ESG risks.

The committees of the subsidiary management companies, if any, will act in the same way as those of the parent company, carrying out their functions in alignment with the latter, consulting with Risk Management on any operation that could imply a breach of any of the criteria of this Policy.

## **5.4. ESG risk management functions**

To perform a proper management and control of ESG risks, CaixaBank AM shall perform the following functions in accordance with criteria of proportionality:

### **5.4.1. Strategy and governance**

- Development of ESG risk management and control policies and frameworks.
- Coordination, control, and execution of ESG risk identification, measurement, monitoring, control and reporting processes within the framework of the strategic risk processes (Risk Assessment and Risk Catalogue).
- Definition and establishment of ESG risk appetite, strategy, and policy criteria.
- Implementation of processes related to ESG risk appetite, strategy and policies in the company's systems and circuits.
- Critical validation of compliance with standards and procedures and their alignment with ESG risk policies, with continuous monitoring of the applicable regulations in this area.

### **5.4.2. Identification**

- Materiality analysis of ESG risks as they coincide with the different risks in the company's catalogue (e.g. credit, market, liquidity or operational), and if applicable, by portfolio or segment, identifying the most relevant for the Management Company.
- Establishment (definition of criteria) of consistent reference taxonomies at Group level, enabling a common understanding of risk factors and exposures to ESG risks.

### **5.4.3. Measurement and control**

- Establishment of methodologies to determine and order individual exposures according to their ESG risk level, as a reference in the admission, follow-up, and mitigation processes.
- Development of indicators to measure the impact of ESG risks on each of the risks in the company's catalogue (e.g. credit, market, liquidity, fiduciary), as well as potential adaptations to existing models and methodologies, in compliance with the requirements of current regulations and as a channel for transmitting the sustainability strategy to decision making.



- Calculation of risk concentration indicators by portfolio and geographic area, if applicable.
- Determination of inherent risk and evaluation of the effectiveness of the control environment, proposing potential risk treatments for improvement or remediation.

#### **5.4.4. Monitoring**

- Calibration of the calculated indicators and definition of their corresponding thresholds.
- Periodic monitoring of ESG risks in managed portfolios.
- More detailed monitoring and evaluation of ESG risks by managed portfolios.
- Establishment of a system of indicators and a regular monitoring of portfolios in compliance with the Policy's principles of action.

#### **5.4.5. Risk Management**

- Analysis of the causes of indicator deviations, and implementation of the necessary preventive and mitigating measures to keep them within the defined thresholds.
- Activation of limits to the concentration of ESG risks, and application, if applicable, of the corresponding diversification strategies.

#### **5.4.6. Reporting**

- Generation of periodic internal and external reporting and support to requests for information on ESG risks.
- Ongoing regulatory analysis for the adaptation of the criteria of reporting of ESG risks to regulatory requirements.
- Adaptation of the systems for the collection and aggregation of the data necessary to comply with the reporting regulations.

## 6 ESG risk management framework

### 6.1. General lines of action

The ESG Risk Management Framework implemented in the development of this Policy shall include at least the following lines of action:

- 1) Define and manage an internal ESG risk management plan in line with the CaixaBank Group strategy.
- 2) Define and manage the implementation of a framework of monitoring and mitigation policies to maintain a risk profile in line with this strategy.
- 3) Monitor actions and operations with a potential significant impact on ESG risks.
- 4) Encourage practices to mitigate ESG risks assumed in the portfolios under the scope of application of this Policy or other types of actions.
- 5) Promote the implementation of systems to identify and measure the exposure to ESG risks, in accordance with developments in the regulatory framework, social sensitivity to these risks and the best market practices.
- 6) Assign roles linked to the management of ESG risks in the current organisational structure, with the necessary segregation of functions to maintain independence between the areas responsible for the processes of strategy definition, implementation and monitoring and control of these risks.
- 7) Establish a system of powers for the admission of ESG risks, which allows for its incorporation in an agile but robust manner into ordinary decision-making processes, according to the scope of this document.

Regarding the criteria to be applied to maintain adequate risk levels, the Policy determines:

- **General action criteria** for excluding or limiting ESG risk exposure. These are cross-cutting criteria that apply to the services provided by CaixaBank AM, as well as to all the sectors in which the Management Company may invest.
- **Particular action criteria** for excluding or limiting exposure to certain sectors (hereinafter, “sectorial”) and activities with a particular impact on the environment or society, sometimes with a special sensitivity for certain ecosystems, heritage or protected populations.

Each of these sections are firstly detailed under “Aspects considered in the integration of the investment decision-making process”, which contains a general guide for the evaluation of companies in each area, which will be considered as applicable and according to expert judgement, in order to determine whether they comply with the provisions of this Policy. On the other hand, also in each of these sections, the “exclusions and restrictions” section sets out the activities that are considered to be non-compliant with this Policy, except for the exceptions explicitly mentioned.

### 6.2. Key processes for compliance with the Policy

Approval of this policy does not generally imply any amendment to the processes defined in the CaixaBank AM investment decision-making process. Investment proposals will therefore be subject to the policies in force, as well as the rules, criteria and procedures that implement them.

In order to ensure compliance with this Policy and risk appetite, generating an assumable impact on investment activity, the Management Company has defined different ESG risk management procedures:

- Sustainability Risks Integration Procedure
- Asset Management (Investor Process)
- Procedures associated with the Involvement Policy, such as the Dialogue with Issuers and Voting Procedure.
- Due Diligence Statement of Principal Adverse Incidents, a process closely linked to the investment decision-making process.





The management model is based primarily on the verification of compliance, drawing on information provided by specialised ESG providers, with the most relevant issues of this Policy, as well as restrictions on investment in companies involved, directly or indirectly, in controversial activities.

### **6.2.1 Integrating Sustainability Risks into Investment Processes**

The Management Company's sustainability risk integration model is based mainly on the integration of ESG factors into investment processes. In addition, depending on the materiality of the ESG impact, this Policy on occasion establishes the exclusion of certain investments, while in other cases it imposes restrictions.

The SRI Committee identifies and approves specific exclusions and restrictions for the investment sector related mainly to companies directly or indirectly involved in certain activities and to controversies classified as 'very serious' (out-of-the-ordinary events at companies that bring their performance in areas relating to significant ESG factors into question: sanctions for bad practices, breaches of international standards, environmental disasters, corruption, etc.).

This ESG analysis is intended to apply to all the assets in the portfolio and to constantly improve in the medium and long term. To this end, CaixaBank AM uses data from providers specialising in ESG matters in its analysis and considers due diligence procedures carried out with external fund managers. It also relies on partners and advisors to establish the criteria, methodologies, and procedures necessary to carry out its analyses.

The details of the application of this Policy are specified in the Sustainability Risk integration procedure. The procedure shall be approved by the SRI Committee and the Management Committee.

### **6.2.2. Main Adverse Impacts on Sustainability Factors**

The social and environmental impacts of investee companies' activities are monitored on a regular basis, subject to data availability. These negative sustainability impacts are known as "principal adverse impacts" and materialise, for example, through 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 Management Company prioritises the management of these impacts in accordance with this Policy, and other policies, strategies and commitments related to sustainability.

## **6.3. General guidelines**

The following are the general criteria, related to key ESG issues (human rights, climate change and nature), which are applicable to CaixaBank AM's investments in all sectors and activities to which this Policy applies.



### 6.3.1. Human rights

#### **Context and objectives**

The Management Company considers respect for human rights to be an integral part of its values and the minimum standard for legitimately carrying out its business activity. It also considers that the protection of human rights rests mainly with governments and that companies have a responsibility to promote and respect them in the course of their operations.

Under this premise, in line with its responsible policies and positions on ethics and human rights, CaixaBank AM operates under a culture of respect for human rights, and expects its employees, collaborators, partners and other parties directly related to its operations, products and services to do the same.

In order to mitigate the risk of being party to these breaches, CaixaBank AM has a series of general restrictions.

#### **Application standards**

Internationally recognised standards and initiatives have been taken into account in the development of this Policy, among which the following stand out:

- The Universal Declaration of Human Rights
- International Labor Organization (ILO) conventions
- Equator Principles
- The United Nations Guiding Principles on Business and Human Rights
- The National Action Plan for Business and Human Rights
- OECD guidelines for Multinational Enterprises
- The United Nations International Charter of Human Rights
- 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 integration of the investment decision-making process:**

CaixaBank AM takes into account the real and potential risks and impacts on human rights of the companies in which it invests and their operations. As part of this due diligence, the Management Company assesses the performance of companies by considering, among others, the following aspects:

- Have a Human Rights, Sustainability, Corporate Social Responsibility, Code of Ethics or Code of Conduct Policy.
- Be transparent about its environmental, social and governance performance and management, following applicable law or one of the internationally recognised sustainability reporting standards.
- Have an Occupational Health and Safety Policy based on international standards (i.e. ISO 45001 Certification and/or good Health and Safety record.
- In the event of any dispute in this matter, the mitigating measures taken will be assessed.



The above-mentioned aspects constitute a guide for the assessment of companies in this area, which will be considered whenever applicable according to materiality and proportionality, in order to determine whether they comply with the provisions of this Policy.

### **Exclusions**

In the area of human rights, the Management Company establishes a series of general restrictions, demonstrating its willingness not to invest in those companies or countries that seriously violate the fundamental principles set forth in the United Nations Global Compact, specifically in the areas of human rights and labour rights.

Specific restrictions in this respect will be detailed in the procedure for the application of this Policy.

### **6.3.2. Climate change**

#### **Context and objectives**

Climate change is one of the major challenges facing the planet, with impacts on the physical environment, society, and the economy.

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

In 2015, the Paris Agreement laid down a global action plan with the long-term objective of keeping the increase in global average temperature well below 2°C above pre-industrial levels and limiting the rise to 1.5°C.

CaixaBank AM's aim is to contribute to the transition to a carbon neutral economy, which is materialised through an environmental assessment of the impact of the activity carried out by the companies in which it invests, the impact of their operations and through financing and investing in sustainable projects. To demonstrate the Management Company's commitment to the energy transition, CaixaBank AM adheres to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

#### **Application standards**

Internationally recognised standards and initiatives have been taken into account in the development of this Policy, among which the following stand out:

- The United Nations 2030 Agenda Sustainable Development Goals (SDGs).
- Paris Agreement (COP21) at the United Nations Framework Convention on Climate Change and Katowice Agreement (COP24)
- United Nations Global Compact (UNGC)
- OECD guidelines for Multinational Enterprises
- *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)
- Principles of Responsible Banking promoted by UNEP-FI
- *Science-Based Targets*



- The energy transition scenario adopted by the Spanish Government
- Partnership for Carbon Accounting Financials (PCAF)
- Carbon Tracker Initiative (CTI)
- Transition Pathway Initiative (TPI)

**Aspects considered in the integration of the investment decision-making process:**

CaixaBank AM takes into account the real and potential risks and impacts of the companies and their operations on environmental issues, such as climate change.

As part of this due diligence, CaixaBank AM assesses the performance of companies in this area by considering the following:

- Have an Environmental, Climate Change or Sustainability Policy.
- Report on their carbon footprint of their direct activity and supply chain (GHG scope 1, 2 and 3) and whether they have a carbon footprint certification.
- Assessment of the carbon intensity of the company.
- Assessment of the decarbonisation strategy, with a special focus on the most carbon-intensive sectors.

The above-mentioned aspects constitute a guide for the assessment of companies in this area, which will be considered whenever applicable according to materiality and proportionality, in order to determine whether they comply with the provisions of this Policy.

**Restrictions**

In the area of climate change, an assessment is made of the decarbonisation strategies of companies in any sector whose activities are more carbon-intensive, as well as the management of their impacts and their performance. The impact on emissions in the case of projects and their contribution to the energy transition is also assessed, regardless of whether or not there are specific decarbonisation targets in the portfolio.

CaixaBank AM may decide not to invest in companies or countries that may pose a material risk to the Management Company of not meeting its commitments regarding climate change and the decarbonisation of its portfolio.

Specific restrictions in this respect will be detailed in the procedure for the application of this Policy.

**6.3.3. Nature**

**Context and objectives**

CaixaBank AM recognises that the economic activities of the companies and countries in which it invests can have a substantial impact on nature. These impacts may be more severe when they occur in areas of high biodiversity value, sensitive ecosystems, areas susceptible to water stress, nationally and internationally protected areas; or when the impact itself is significant, whether or not it occurs in such areas. The Management Company therefore includes this consideration in its sustainability risk management, with the aim of minimising the impact of its portfolio on nature.



### **Application standards**

Internationally recognised standards and initiatives have been taken into account in the development of this Policy, among which the following stand out:

- UNESCO World Heritage Convention
- Convention on Wetlands of International Importance especially as Waterfowl Habitat (Ramsar Convention)
- Forest Stewardship Council *International Standard*
- UNESCO's World Network of Biosphere Reserves
- Areas protected by the International Union for Conservation of Nature (IUCN)
- Recommendations of the Task Force on Nature-related Financial Disclosures (TNFD)

### **Aspects considered in the integration of the investment decision-making process:**

CaixaBank AM expects companies to adopt best practices with regard to nature and takes into account the real and potential risks and impacts of companies and their operations on nature. As part of this due diligence, CaixaBank AM assesses the performance of companies in this area, as well as in other general criteria and considering the following aspects:

- Have a Biodiversity, Environment or Nature Policy.
- Identify potential impacts on nature – including impacts related to water scarcity, on biodiversity, soil, water and air pollution or waste – avoid them, minimise those that are not avoidable, restore, compensate for actual impacts, and carry out mitigation actions related to nature.
- In projects, have biodiversity certifications (e.g. adherence to IFC-International Finance Corporation Biodiversity standards), especially where it may have potential impacts on tropical forests, High Conservation Value (HCV) areas, High Carbon Content (HCS) areas or natural protected areas.

The above-mentioned aspects constitute a guide for the assessment of companies in this area, which will be considered whenever applicable according to materiality and proportionality, in order to determine whether they comply with the provisions of this Policy.

### **Restrictions**

In relation to these aspects, the Management Company establishes a series of general restrictions, showing its willingness not to invest in those companies or countries that seriously violate the fundamental principles set forth in the United Nations Global Compact regarding environmental protection and the fight against corruption.

Specific restrictions in this respect will be detailed in the procedure for the application of this Policy.



## 6.4 Sectoral criteria and by activities

### 6.4.1. Energy

#### **Context and objectives**

The energy sector is of great importance in the development of the global economy. Access to safe and affordable energy is a basic service essential for global well-being. However, CaixaBank AM is aware that the energy sector can have a potential negative impact on both society and the environment. In this sense, the transition process in the value chain, based on the reduction of the use of fossil fuels and the generation of energy based on energy production systems with low GHG emissions, contributes substantially to the reduction of these emissions in the atmosphere and, therefore, to the fight against climate change. In addition, adverse effects of the energy sector on the environment and society must be taken into account, such as the alteration of ecosystems, the generation of impacts on biodiversity through the construction of energy infrastructure in sensitive areas, the generation of hazardous waste, the health and safety of workers and the effects on local communities, among others. These risks must be managed appropriately to minimise impacts on the environment and local communities. Furthermore, the above impacts must be reconciled with the existence of a growing demand for cheaper, safer, cleaner, and more efficient energy sources.

#### **Oil and gas:**

Oil and gas play an important role in the global energy mix. However, oil and gas exploration and production can have adverse impacts on the environment and local communities, especially when it involves unconventional oil and gas extraction such as oil sands, shale, or fracking; or takes place in complex areas such as deep water, Arctic region, or conflict zones.

#### **Coal:**

Coal processing and combustion entail significant environmental impacts, especially with regard to GHG emissions, which contribute substantially to climate change. Other adverse impacts of this activity include emissions of gases such as sulphur and nitrogen oxides, leakage associated with carbon sequestration and use of high volumes of water.

#### **Nuclear energy:**

Improper handling of nuclear energy can lead to safety, health, and environmental problems, such as radioactive contamination, with high impacts on biodiversity and communities.

#### **Renewable energy:**

In a context of fighting climate change and in the transition towards a low-carbon economy, the renewable energy sector (wind, solar, geothermal, hydroelectric, biomass, etc) is gaining ground within the energy industry. It is the cleanest form of energy generation, although its development and production can have a negative impact on the environment and on society if the potential environmental and social impact is not properly managed (for example: use of water or impact on biodiversity). The energy sector covered by this policy refers to companies engaged in the following activities:

- Companies whose activities are related to oil and gas, including the entire value chain (upstream, midstream, and downstream, both onshore and offshore, both builders and operators).
- Processing and production: Refining, including petrochemical industry, refineries, gasification, etc.
- Electricity generation from fossil fuels (coal, oil, and gas) and from renewable energy sources (wind, solar, hydro, geothermal, biomass, liquid, and gaseous biofuels).
- Heat generation from renewable energy sources (geothermal and solar) and waste.
- Bioenergy production (solid biomass and liquid and gaseous biofuels) used as an alternative to solid fuels.



- Commercial and logistical activities and services specifically designed or used for the energy sector, including trading (including traders), shipping, pipelines, storage facilities, vessels, production, floating production storage and offloading (FPSO) units, blending and the transmission, distribution and marketing of heat and power.
- Nuclear power generation.

#### **Application standards**

Internationally recognised standards and initiatives have been taken into account in the development of this Policy, among which the following stand out:

- The International Petroleum Industry Environmental Conservation Association (IPIECA) Guide to the Environment in Conflict Areas
- The World Bank's Global Gas Flaring Reduction Partnership
- Extractive Industries Transparency Initiative
- Voluntary global flaring and venting reduction standards. International Energy Agency's Voluntary Principles on Security and Human Rights
- The World Bank's General Guidelines on Environment, Health and Safety in the Energy Sector
- Energy and Biodiversity Initiative (EBI)
- The Convention on Nuclear Safety (Vienna, 1994)
- Vienna Convention on Civil Liability for Nuclear Damage (Vienna, 1963)
- International Atomic Energy Agency (IAEA) Safety Standards
- Convention on the Safety and Treatment of Spent Fuel and on the Safety of Radioactive Waste Management (Vienna, 1997)

#### **Aspects considered in the integration of the investment decision-making process:**

CaixaBank AM expects companies in the energy sector to follow and develop industry best practices in relation to climate change mitigation, biodiversity protection, occupational health and safety, protection of the rights of local communities and the security of their facilities. As part of this due diligence, it considers in the assessment:

- Have a supply chain management system that includes the environmental, human rights and health and safety aspects of its suppliers and subcontractors.
- In projects, have systems and procedures in place for the clean-up of operational discharges, control of pollutant gas emissions, gas release and flaring, and effluent discharges.

In assessing companies and operations related to the energy sector, CaixaBank AM takes into account its own decarbonisation commitments.

The above-mentioned aspects constitute a guide for the assessment of companies in this area, which will be considered whenever applicable according to materiality and proportionality, in order to determine whether they comply with the provisions of this Policy.



### **Exclusions and restrictions**

CaixaBank AM will restrict investment in companies when they meet any of the following requirements:

- Companies whose revenues from coal-fired power generation depend on more than 5% of their consolidated revenues except if:
  - They have a favourable decarbonisation and phase out strategy by 2030 (no coal dependence by 2030),
  - The purpose of the operation is the installation of renewable energy, or another demonstrable purpose associated with the energy transition.
- Companies with a Group turnover of more than 50% in exploration, extraction, transport, refining, cokeries and oil-based power generation, which do not have an adequate diversification or decarbonisation strategy. Investments may be made in companies above this threshold, provided that they promote the energy transition and the following circumstance apply:
  - The purpose of the investment is the installation of renewable energy, or another demonstrable purpose associated with the energy transition.
- Companies with a Group turnover of more than 50% of exploration, extraction/production, liquefaction, transportation, regasification, storage, and electricity generation with natural gas, which do not have an adequate diversification or decarbonisation strategy. Companies above this threshold may be financed, provided that they promote energy transition and the following circumstance apply:
  - The purpose of the operation is the installation of renewable energies, or another purpose demonstrably associated with the energy transition.
- There is evidence that exploration, production, or transportation of bituminous sands accounts for more than 10% of their turnover.
- There is evidence that oil and gas exploration, production, or transportation activity in the Arctic region (AMAP<sup>4</sup>) accounts for more than 10% of its turnover.

The ultimate goal will be to favour the transition towards more sustainable energy sources and the reduction of their GHG emissions, while maintaining the competitive and business position of the companies, thus achieving improvements through dialogue actions with them.

### **6.4.2. Mining**

#### **Context and objectives**

The mining industry plays an essential role in the economy. It is a significant source of income and wealth in numerous territories, providing decent employment, business development and tax revenue. Also, some minerals are essential for other industries. Minerals such as phosphates or potassium are used in the agricultural and chemical industries; metals are necessary for the production of consumer and capital goods etc. In this regard, recycling or other actions linked to the circular economy can reduce the need for raw materials, but hardly eliminate it.

However, this industry can produce adverse environmental and social impacts. For this reason, CaixaBank AM considers it essential for the environmental, social and governance aspects related to the activity to be properly evaluated and managed. It therefore expects its clients and those mining companies in its portfolios to comply with internationally recognised laws and responsible standards.

These criteria apply to companies involved in the mining sector, including exploration, planning and development, exploitation, closure and rehabilitation of mines, and the processing of the minerals extracted (excluding oil and gas, the criteria for which are defined in the energy section). Regarding the processing of metals and minerals - includes the refining, smelting and further processing of metals and minerals extracted through mining activities.

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<sup>4</sup> Definition of the Arctic Monitoring and Assessment Programme





### **Application standards**

Internationally recognised standards and initiatives have been taken into account in the development of this Policy, among which the following stand out:

- The International Council on Mining and Metals (ICMM).
- The ILO Safety and Health in Mines Convention - C176 (1995).
- The Extractive Industries Transparency Initiative (“EITI”)
- World Bank’s International Finance Corporation (IFC) Guidelines on Environment, Occupational Health, and Safety in the Mining Sector.
- The Voluntary Principles on Security and Human Rights
- The Energy and Biodiversity Initiative (EBI)
- The 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 in Conflict-Affected or High-Risk Areas (tin, tantalum, tungsten, and gold)
- *ITRI Tin Supply Chain Initiative* (tin)
- *Fair Stone International Standard* (natural stone)
- *Bettercoal code* (coal)
- Recommendations of the International Commission for Radiological Protection
- Nuclear Non-Proliferation Treaty (New York, 1968)
- International Atomic Energy Agency (IAEA) Safety Standards
- Good Practice Guidance for Mining and Biodiversity from the *International Union for Conservation of Nature* (IUCN) and *International Council on Mining and Metals* (ICMM)

### **Aspects considered in the integration of the investment decision-making process:**

CaixaBank expects companies in the mining sector to follow and develop industry best practices in relation to the protection of biodiversity, occupational health and safety, the protection of the rights of local communities and the security of their facilities. As part of this due diligence, CaixaBank considers in the assessment:

- Have a supply chain management system that takes into account environmental, human rights and health and safety aspects of its suppliers and subcontractors.

In assessing companies and their operations related to the mining sector, in particular thermal coal mining, CaixaBank AM takes into account its own decarbonisation commitments.

The above-mentioned aspects constitute a guide for the assessment of companies in this area, which will be considered whenever applicable according to materiality and proportionality, in order to determine whether they comply with the provisions of this Policy.



### **Exclusions and restrictions**

CaixaBank AM will restrict investment in companies whose economic group revenues are more than 5% dependent on the extraction of thermal coal, except if:

- They have a favourable 2030 decarbonisation and coal phase out strategy (no coal dependence by 2030).
- The purpose of the operation is the installation of renewable energies, or another purpose demonstrably associated with the energy transition.

### **6.4.3. Infrastructure and transport**

#### **Context and objectives**

The infrastructure sector plays an important role in global economic growth through transportation and telecommunications networks. In a global world with a growing world population, infrastructure is becoming increasingly important. However, this sector faces potential environmental and social challenges, such as the degradation of biodiversity, access to resources, waste generation, pollution, impacts on local communities, etc.

This sector comprises companies whose activities related to the construction, operation and decommissioning of transportation, water management, waste and telecommunications facilities represent a significant part of their overall activity.

#### **Transport:**

The transportation industry is essential to global economic growth. The transportation of raw materials, end goods and people can have significant environmental impacts. Energy efficiency and sustainability of the transportation system must be pursued.

Likewise, the construction and development of transportation facilities, such as ports, terminals, airports, railways, and motorways, can have environmental and social impacts depending on the territories where the activity is carried out.

#### **Water management:**

The supply of fresh water is limited in the face of growing industrial, agricultural, and domestic demand. A secure water supply and adequate water management are necessary to sustain life, the planet's development and protect the environment, and thus avoid negative impacts such as desertification, depletion of aquifers and droughts.

In this context, dams can make an important contribution to the development of many countries by facilitating the supply of water to society, but they can also have impacts on the environment and local communities, especially large dams, through changes in river flow patterns, causing alterations in flora and fauna and other natural resources.

#### **Waste management:**

Good waste management is essential to promote sustainable development. In particular, minimising the consumption of raw materials, through reuse, recycling and other practices linked to the circular economy that allow a better use of natural resources.

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

#### **Telecommunications and energy infrastructure:**

The construction of telecommunications facilities, such as fibre optic cables, or energy infrastructures, such as power lines, oil, and gas pipelines, is essential for economic and social development. However, these infrastructures may have environmental and social impacts depending on the areas of construction.



All these negative impacts on the environment and society can be avoided or minimised through the proper application of general or sector-specific international standards by companies.

### **Application standards**

In drawing up this Policy, CaixaBank AM has taken into account the main internationally recognised standards and initiatives, including the following:

- OECD framework for infrastructure governance
- World Commission on Dams (WCD)
- The United Nations Environment Programme (UNEP) Dams and Development Project
- Building Research Environmental Assessment Method (BREEAM, LEED)
- Convention on the Safety and Treatment of Spent Fuel and on the Safety of Radioactive Waste Management (Vienna, 1997)
- International Maritime Organisation requirements
- International Finance Corporation (IFC) Sectoral Reference Guidelines
- The Principles of Poseidon
- Carbon Offsetting and Reduction Scheme for International Aviation (CORSA)
- Climate-Aligned Finance Standard for the Aviation Sector (CAF)

### **Aspects considered in the integration of the investment decision-making process:**

CaixaBank AM expects companies in the infrastructure and transport sector to follow and develop industry best practices in relation to the protection of biodiversity, occupational health and safety, the protection of the rights of local communities and the security of their facilities. As part of this due diligence, CaixaBank AM assesses the performance of companies by additionally considering the following aspects:

- For aircraft operators, if they report the carbon footprint of their activity.
- For the air transport sector, if they support emission-neutral growth for international aviation through the "CORSA" scheme.
- In particular for the shipping sector, a good practice to consider is to have a proper policy or procedure for ship recycling.
- For companies in the shipping sector, and where applicable, it is analysed whether they are aligned with the IMO GHG Strategy.
- Have a supply chain management system that includes the environmental, human rights and health and safety aspects of its suppliers and subcontractors.

The above-mentioned aspects constitute a guide for the assessment of companies in this area, which will be considered whenever applicable according to materiality and proportionality, in order to determine whether they comply with the provisions of this Policy.

### **Restrictions**

In this regard, the Management Company establishes a number of general restrictions, stating its intention not to invest in companies or countries that seriously violate the fundamental principles of the United Nations Global Compact, in particular in the areas of human rights, labour rights, environmental protection and anti-corruption.



#### 6.4.4. Farming, fishing, livestock and forestry

##### **Context and objectives**

In addition to providing food, agriculture, fishing, and livestock farming are a source of wealth that contributes to job creation, the fight against poverty and the improvement of the food chain. Forestry, and the forest industry in general, provides important resources for communities (food, medicine, timber, water and air quality, spiritual and aesthetic value) and forests and other natural spaces are also a refuge for diversity of species.

However, the increasing demand for food, fibre and biofuels is putting pressure on the intensification of production based on existing resources, as well as their expansion into previously untouched areas. This can result in a loss of biodiversity and protected species; soil erosion and land degradation; emissions resulting from plant burning or fertilizer use; contaminated water sources; the introduction of invasive species; or involve land use disputes and human rights abuses (including child labour and forced relocation).

For this reason, CaixaBank AM considers it essential that the companies in these sectors in which it invests correctly assess and manage the environmental and social aspects related to their activity.

The activities encompassed by the Agriculture, Livestock and Forestry policy are as follows:

- Plantations for the cultivation and harvesting of agricultural products; planting and felling of forests; raising of livestock.
- Refining and processing of agricultural products; wood processing; pulp and paper production.
- The manufacture of processed foods and beverages.
- Wholesale marketing (traders) of agricultural products. Extraction of fishery resources in external waters and aquaculture activities and mollusc and fish hatcheries.

##### **Application standards**

Internationally recognised standards and initiatives have been taken into account in the development of this Policy, among which the following stand out:

- 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 Convention on Biological Diversity (1992) and the Nagoya Protocol (2010).
- The Cartagena Protocol on Biosafety with Respect to Genetically Modified Organisms (GMOs)
- Stockholm Convention on Persistent Organic Pollutants (POPs)
- FAO International Code of Conduct on the Distribution and Use of Pesticides
- OECD-FAO Guidance for Responsible Agricultural Supply Chains
- *The Aquaculture Stewardship Council*
- *The UN Resolutions pertaining to sustainable fisheries*
- 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 soybean cultivation:
  - *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 integration of the investment decision-making process:**

CaixaBank AM expects companies in the agriculture, fisheries, livestock, and forestry sectors to follow and develop industry best practices in relation to nature conservation, biodiversity protection, occupational health and safety, protection of the rights of local communities and the security of their facilities.

CaixaBank AM, in assessing companies in the agricultural sector, considers:

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

The above-mentioned aspects constitute a guide for the assessment of companies in this area, which will be considered whenever applicable according to materiality and proportionality, in order to determine whether they comply with the provisions of this Policy.



## **Exclusions and restrictions**

In this regard, the Management Company establishes a number of general restrictions, stating its intention not to invest in companies or countries that seriously violate the fundamental principles of the United Nations Global Compact, in particular in the areas of human rights, labour rights, environmental protection and anti-corruption.

### **6.4.5. Defence and Security**

#### **Context and objectives**

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

CaixaBank AM and its subsidiaries will not be involved in the defence sector when there may be a clear risk of the use of defence material for repression and/or other serious violations of international humanitarian law, non-proliferation conventions and treaties and other related regulations and guidelines. CaixaBank AM and its subsidiaries recognise the right of countries to defend themselves and protect their citizens. Therefore, it could have commercial relations with companies in the defence sector whose activity is considered consistent with legitimate national security and defence interests.

In addition, governments and companies are increasingly using the services of private security companies in activities and locations around the world. This industry is sensitive to human rights violations, so clients in this sector require special attention.

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

- Defence and security companies: Any company, group, institution, state agency or organisation involved in production, sales/marketing, testing, research and development, systems integration, maintenance, and services, including private security services.

#### **Application standards**

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

##### **Conventional weapons:**

- Weapons (such as pistols or other light weapons, bombs, missiles, and rockets), except for blank, sporting, replica and collectors' weapons.
- Ammunition and explosives for military use (including bullets, projectiles, torpedoes, grenades, mines, and depth charges), provided they are not for civilian use.
- Specially designed components and equipment required to produce, maintain, and use conventional arms and ammunition, as well as defence-related software or hardware, unless related to civil protection and security.
- Dual-use items: items which can be used for both civil and military purposes when earmarked for military use. For the definition of dual-use items, the CaixaBank Group follows the EU regulation on export control regime and dual-use material according to Council Regulation (EU) 428/2009 of 5 May 2009, as 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 applications submitted before 9 September 2021).



### **Controversial weaponry:**

Although there is no universally accepted definition of controversial weapons, at the date of publication of this policy, CaixaBank AM 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 and on their Destruction (1997).
- Biological weapons: Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972).
- Chemical weapons: Convention on the Prohibition of the Development, Production and Stockpiling and Use of Chemical Weapons and on their Destruction (1993). In addition, although not included in this convention, CaixaBank AM considers the use of white phosphorous to be a controversial weapon.
- Cluster bombs: Convention on Cluster Munitions (2008).
- Ammunition containing depleted uranium: there is no international convention in force, but CaixaBank AM acknowledges the concerns of some stakeholders in relation to depleted uranium munitions.
- Nuclear weapons: Nuclear Non-Proliferation Treaty (1968).

### **Aspects considered in the integration of the investment decision-making process:**

CaixaBank AM systematically monitors its exposure through companies involved in controversial weapons. Before any investment, CaixaBank AM assesses the potential exposure of the company or investment vehicle to controversial weapons, including anti-personnel mines, cluster bombs, and chemical and biological weapons.

### **Exclusions and restrictions**

As a general rule, it is established that the Management Company will not invest in:

- Companies that develop, produce, maintain, or trade in controversial weapons (including their essential components). These weapons include: anti-personnel mines, biological and chemical weapons, white phosphorus, cluster bombs, ammunition containing depleted uranium and nuclear weapons. In the latter case, it may exceptionally invest in companies domiciled in countries that have ratified the 1968 Nuclear Non-Proliferation Treaty provided that the companies are involved in other activities in addition to nuclear weapons and are not involved in any other type of controversial weapons. In this case, annual revenues at the consolidated level may not exceed 5% in this nuclear activity.
- Defence manufacturing companies whose consolidated revenues account for more than 35% of the production of military armaments or specially designed components and equipment essential to the production and use of conventional arms and ammunition, as well as defence-related software or hardware. This does not include dual-use products.

## 7 Control framework



CaixaBank AM promotes a risk culture that encourages risk control and compliance and ensures a robust internal control framework that extends across the organisation and enables fully informed decisions to be made in relation to the risks assumed.

CaixaBank AM's internal control framework is structured according to the Three Lines of Defence model, so as to guarantee a strict segregation of functions and the existence of several layers of independent control:

- The **first line of defence** is in the operating units that effectively manage ESG risks. These units shall be responsible for the implementation of internal ESG risk policies and procedures; they will proactively implement ESG risk identification, management and mitigation measures; if and when public company information is available, the Management Company will take the necessary steps to obtain it and, if this is not possible, information will be requested from the companies depending on risk, materiality, etc., and they will establish and implement appropriate controls. ESG risk management cuts across all CaixaBank AM areas. Specifically, and within the scope of the Management Company's own activities, they assume the functions of first line of defence in the management of ESG risks, mainly in the areas of:
  - Sustainability, through the SRI Department, responsible for defining the principles of action in relation to ESG risk management, as well as advising on their application criteria and translation into the corresponding analysis tools.
  - Business and Commercial Development, as originators of commercial activity and business and product development.
  - Investment, which must ensure adequate knowledge and implementation of the criteria of this policy, adopting investment decisions in accordance with the perimeter of excluded or restricted assets.
- The risk management function, as an internal control function that is **the second line of defence against ESG risks**, shall ensure the quality of the entire ESG risk management process; establish the control framework of this Policy, in coordination with the first line of defence, evaluating its subsequent compliance; review the consistency with the internal policy and public guidelines of the processes related to these risks; provide guidance on the design and review of the processes related to ESG risks and on the controls established in the management units; identify, measure and monitor the ESG risks; monitor the implementation of the ESG risk management processes; identify, measure and monitor the ESG risks in the management units; monitor the effectiveness of first-line indicators; and monitor identified control weaknesses.

Specifically, and within the Management Company's own sphere of action, the Non-Financial Risk Control Department and Compliance Department act as the second line of defence in the management of ESG risks when there are regulatory implications.

- The Internal Audit function, as the **third line of defence**, is an independent and objective assurance and consulting function, designed to add value and improve the operations of the Group and its subsidiaries. It contributes to achieving the strategic objectives of CaixaBank AM, providing a systematic and disciplined approach to evaluating and improving risk control and management processes and corporate governance. Internal Audit shall supervise the activities of the first and second lines of defence so as to provide reasonable certainty to Senior Management and governing bodies.

The Three Lines of Defence model is coordinated in the Group in such a way that the internal control functions of the parent company carry out their mission with a consolidated view of the Group's companies. CaixaBank's Corporate Risk Management Function & Planning and Internal Audit Departments, as the respective areas responsible for the risk management and internal audit functions in the parent company, assume the strategic guidance, supervision, and coordination with regard to the respective internal control functions of CaixaBank Group companies, while safeguarding their own scope.

Each of the CaixaBank Group companies shall ensure the existence of controls over the adequate application of the general principles established in this Policy, as well as their development in internal ESG risk management frameworks and procedures.





## 8 Information framework

The establishment of an appropriate reporting framework is essential for ESG risk management.

In this regard, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosures in the financial services sector and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088 are key for the Management Company.

In addition, Regulation 2020/852 of the European Parliament and of the Council of 18 June 2020 on the taxonomy defining 'green' activities (hereinafter "the Taxonomy") provides in its article 8 for the need to report information on activities that are considered environmentally sustainable, and to adopt a delegated act to supplement that Article, specifying the rules for the content and presentation of the information to be disclosed.

The main objectives of this information framework are as follows:

- Provide the Governance Bodies and Senior Management with accurate, clear, and sufficient information in a timely manner to facilitate decision making and to verify that the company is operating within the established risk tolerance.
- Meet the information requirements of supervisory bodies.
- To keep shareholders and other stakeholders of CaixaBank AM informed about ESG risks.
- To provide the heads of the different areas, especially the management and control areas, with the necessary data to be able to monitor compliance with the strategy defined for the Group in relation to ESG risks.

Consequently, the first lines specialised in ESG risks, and the second line of defence will report to the SRI Committee, the Management Committee and the Appointments, Remuneration and Sustainability Committee on the status of sustainability risks at least once a year.

## 9 Policy update



This Policy shall be subject to review by the Board of Directors on an annual basis. The Compliance Department of CaixaBank AM, together with the Risk Department and Sustainability Department, as the body responsible for this Policy, and with the other Divisions affected, such as the Business Development and Commercial and Investment Divisions, shall review its content on an annual basis.

Furthermore, the updating of the Policy may be initiated at any time at the request of any of those involved in ESG risk management who have identified the need for its modification, due to, among other reasons, the following:

- Changes in the regulatory framework.
- Changes in business strategy or objectives.
- Changes in the management approach or processes.
- Changes prompted by the results or findings of monitoring and control activities.
- New policies or modifications to existing policies that affect the provisions of this Policy.
- Modification of the organisational structure involving a change in ESG risk management functions.

As a review procedure, the person responsible for the Policy will:

- Share the result of the analysis with the rest of those involved in ESG management and make the necessary modifications to the Policy.
- Include a summary of the review in the “Version control” section of the Policy.
- Propose that the SRI Committee and the Global Risk Committee submit the review to the Appointments, Remuneration and Sustainability Committee, for approval prior to its submission to the Board of Directors.

However, when amendments are made outside the default (annual) period, if they are of a minor nature, approval by the Management Committee and the SRI Committee is enabled. Minor modifications are understood to be those derived from organisational changes without implications in ESG risk management functions, merely typographical corrections or as a result of the updating of documents referred to in the Policy<sup>5</sup>. The Appointments, Remuneration and Sustainability Committee shall always be informed of changes approved by the Management Committee and the SRI Committee. If the Appointments, Remuneration and Sustainability Committee deems it appropriate, the changes will be submitted to the Board of Directors.

The Sustainability Department shall be responsible for the storage and accessibility of this Policy and will be in charge of ensuring the correct functioning of the filing, distribution and, if applicable, publication processes. Without prejudice to its possible external publication, this Policy shall be accessible to all employees through the Intranet (PeopleNow) of the Management Company.

<sup>5</sup> The “updating of documents referenced in the Policy” would include only the transcription of extracts from documents approved by the competent bodies (Board of Directors, Global Risk Committee, etc.) or regulatory provisions, provided that the modified content is not regulated by the Policy itself.

## 10 Glossary

- The International Human Rights Charter includes the Universal Declaration of Human Rights, the International Convention on Economic, Social and Cultural Rights, and the International Convention on Civil and Political Rights and the two optional protocols.
- The Universal Declaration of Human Rights (UDHR): this is a declarative document drawn up by representatives of all regions of the world from different legal and cultural backgrounds. The Declaration was proclaimed by the United Nations General Assembly as a common ideal for all peoples and nations. It includes, for the first time, the fundamental human rights that must be protected throughout the world (basic civil, cultural, economic, political, and social rights that all human beings in the world should enjoy).
- International Conventions: Following the adoption of the UDHR, the Commission on Human Rights, the main intergovernmental body on this issue at the United Nations, converted these principles into international treaties to protect certain rights. In view of the unprecedented nature of this task, the General Assembly decided to draft two conventions for two types of rights set forth in the Universal Declaration: civil and political rights and economic, social and cultural rights.
- United Nations Global Compact: The United Nations Global Compact is an international initiative which promotes implementation of the 10 universally accepted principles for promoting sustainable development in the areas of Human Rights and Business, Employment Regulations, the Environment and the Fight against Corruption in the business strategies and activities of companies. It is the world's largest corporate social responsibility initiative.
- International Labor Organization (ILO) conventions The International Labor Organization (ILO) is a specialised United Nations agency that deals with issues concerning employment and industrial relations. International employment standards are divided into conventions and are legal instruments prepared by ILO constituents (governments, employers, and workers) that establish basic principles and rights for the workplace.
- Performance Standards of the International Finance Corporation (IFC): performance standards that provide a framework for understanding and managing the environmental and social risks of a very notable, complex, international project or a project with a large potential impact. They are an international benchmark for the detection and management of environmental and social risk and have been adopted by many organisations as a key component of their environmental and social risk management. The IFC General EHS Guidelines provide technical guidance with general and sectoral examples of good international industry practices to meet the IFC Performance Standards.
- The World Bank's guidelines on the environment, health, and employment security: The World Bank's International Finance Corporation (IFC) Guidelines on Environment, Health and Safety are technical reference documents containing general and specific examples of Good International Industry Practice (GIIP). The General Guidelines should be used in conjunction with the environment, health, and safety guidelines applicable to the industry concerned, and provide guidance to users on issues related to each specific industrial sector.
- Equator Principles: The Equator Principles (EP) are a framework launched in 2003 to enable financial institutions to identify, assess and manage the social and environmental risks of their projects.
- Free, Prior and Informed Consent (FPIC): this is a specific right of indigenous peoples recognised in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Through FPIC, indigenous peoples can give or withhold their consent to a project that affects them or their territories. Once they have given their consent, they can withdraw it at any stage of the process. In general, it is considered advisable to open a consultation process, whereby a community potentially affected by a project engages in an open and informed dialogue with individuals and persons interested in pursuing activities in the area or areas traditionally occupied or used by the affected community.
- UNESCO World Heritage: World Heritage is the title conferred by UNESCO to certain places on Earth with an "outstanding universal value" and which, therefore, belong to the common heritage of mankind, with the aim of cataloguing and preserving sites of exceptional cultural or natural importance for the common heritage of mankind.



- **RAMSAR list of wetlands:** Ramsar sites are wetlands that meet any of the Criteria of International Importance that have been developed by the Ramsar Convention. This convention is an intergovernmental treaty that provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources. This list includes the most important wetlands in the world from the point of view of their ecological interest and the conservation of biodiversity.
- **High Conservation Value (HCV) areas:** these are critical areas in a territory that need to be properly managed to maintain or enhance High Conservation Values. There are six main types of HCV areas:
  - Areas containing concentrations of globally, regionally, or nationally significant biodiversity values (e.g., endemism, endangered species, refugia).
  - Large landscape areas at the global, regional, or national level where populations of most or all natural species exist in natural patterns of distribution and abundance.
  - Areas that are in or contain rare, threatened, or endangered ecosystems.
  - Areas that provide basic ecosystem services in critical situations (e.g., watershed protection, erosion control).
  - Areas fundamental to meeting the basic needs of local communities (e.g., subsistence, health).
  - Areas critical to the traditional cultural identity of local communities (areas of cultural, ecological, economic, or religious importance).
- **Alliance for Zero Extinction:** The Alliance for Zero Extinction (AZE) involves 88 biodiversity conservation NGOs working to prevent the extinction of species by identifying and safeguarding sites where species are assessed as Endangered or Critically Endangered under the International Union for Conservation of Nature (IUCN).
- **International Union for Conservation of Nature (IUCN):** The IUCN is a Union of Members composed of sovereign States, government agencies and civil society organisations, which provides public, private and non-governmental entities the knowledge and tools that allow human progress, economic development and nature conservation to take place in an integrated manner.
- **Marine protected areas (MPA):** The Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR) recognises, in general terms, a Marine Protected Area (MPA) as a marine area that has protection for all or part of the natural resources it contains. Within an MPA there are certain activities that are limited or totally prohibited in order to achieve specific conservation, habitat protection, ecosystem monitoring or fisheries management objectives.
- **Primary tropical rainforests:** Primary forests are a considerable extension of forest mass that has remained intact, in other words, it has never been exploited, fragmented, or influenced by human or industrial activity. The biological richness and ecological importance of primary forests is their main biodiversity value.
- **Virgin Forests:** An *Intact Forest Landscape* (IFL) is an area that contains forest and non-forest ecosystems, with minimal influence from human activity, and is large enough to support all native biological diversity, including populations of species of various types. IFLs have high conservation value and are critical for stabilising terrestrial carbon storage, hosting biodiversity, regulating hydrological regimes, and providing other ecosystem functions.
- **Greenhouse Gases (GHG):** Gases in the atmosphere, of natural and anthropogenic origin, that absorb and emit radiation at certain wavelengths of the infrared radiation spectrum emitted by the Earth's surface, the atmosphere, and clouds. This property causes the greenhouse effect. The main GHGs in the Earth's atmosphere are water vapour, carbon dioxide, methane, nitrogen oxide and ozone.

### Energy sector

- **Bituminous sands, tar sands, oil sands, extra heavy crude oil:** A source of unconventional oil obtained from the combination of clay, sand, water, and bitumen that have to be physically separated in open-pit mines before further processing. Once the bitumen has been separated from the sand, it is still a heavy, low-grade fossil fuel, which requires an energy-intensive process to convert it into a synthetic crude oil, similar to conventional oil.



### Mining sector

- Mountaintop Removal: open-pit mining on the summit or ridge of a mountaintop. This method, widely used in the United States (Appalachia), uses explosives to obtain the coal seams in the mountains, destroying a large amount of earth in each action. This not only has an impact on biodiversity, but also on human health, as dust particles and toxins are generated in the air.
- Asbestos: A group of naturally occurring fibrous minerals resistant to heat and corrosion. Because of these properties, asbestos has been used in commercial products, such as fireproofing and insulation materials, automotive brakes, and drywall materials. Its use is controlled by the authorities as continued exposure has been linked to cancers.
- *International Cyanide Management Code* (ICMC) is a voluntary initiative for the gold and silver mining industries, as well as for producers and transporters of cyanide used in those industries. The main objective is to ensure the safe handling of this product, both in the production and transportation phases. It also includes requirements related to insurance, accident prevention, emergency response, training, public information, stakeholder involvement and process verification. It does not include measures aimed at the design and construction of reservoirs or the reconstruction of mines.
- The Kimberley Process Certification Scheme (KPCS) is a certification system designed to prevent conflict diamonds (involving human rights abuses or war financing) from entering the diamond market.

In order for a country to participate, it must ensure:

- a) Any diamonds originating in the country do not finance a rebel group or other entity whose objective is to overthrow a government recognised by the United Nations.
- b) Each diamond to be exported should be accompanied by a certificate guaranteeing that it complies with the Kimberley Process. No diamonds are imported or exported to a country that is not part of the plan.

### Infrastructure sector

- World Commission on Dams (WCD): international framework for best practices in the planning, construction, and management of dams.
- Large-scale dams: A dam of 15 metres or more in height from the lower foundations to its highest point; or dams with a height of 5 to 15 metres containing more than 3 million cubic metres of water (as defined by the International Commission on Large Dams)

### Agriculture sector

- Palm oil is a vegetable oil obtained from the mesocarp of the palm fruit. The cultivation of this fruit for oil has a major environmental impact, including deforestation, loss of natural habitats of endangered species (such as the orangutan and the Sumatran tiger), as well as contributing to greenhouse gas emissions.
- First generation biofuel is a biofuel that comes from the biomass of crops that can be used to feed humans or livestock.
- International Trade in Endangered Species of Wild Fauna and Flora (CITES): An international agreement between governments to ensure that international trade in specimens of wild animals and plants does not threaten their survival. Spain adhered to the CITES Convention on 16 May 1986.
- Roundtable on Sustainable Palm Oil (RSPO): This is a non-profit organisation that aims to unite all sectors of the palm oil industry and stakeholders (producers, distributors, manufacturers, and social and environmental NGOs). It has created a sustainable oil certification system (CSPO), which establishes criteria and auditing systems that seek to ensure that production respects labour rights and the rights of indigenous communities, that new areas of high environmental value are not occupied, and that biodiversity is not threatened, in addition to promoting cleaner agricultural practices.



- Roundtable on Responsible Soy (RTRS): This is a civil organisation that promotes the responsible production, processing, and commercialisation of soybeans worldwide. The RTRS standard for responsible soybean production is applicable worldwide and ensures that soybean production is environmentally sound, socially appropriate, and economically viable.
- IUU *fishing activities*: Illegal, unreported, and unregulated fishing (IUU) is an international problem that occurs in many capture and fishing activities. Illegal fishing occurs when fishing activities violate fishing laws. Unreported fishing refers to fishing that has not been reported or has been misreported to the authorities. Unregulated fishing is that which is carried out with vessels without nationality or takes place in unregulated areas, for example.
- Stockholm Convention: It is an international agreement that regulates the treatment of toxic substances. It aims to protect human health and the environment from persistent organic pollutants (POPs), to promote best available practices and technologies to replace POPs currently in use, and to prevent the development of new POPs by strengthening national legislation and implementing national implementation plans to meet these commitments.
- Rotterdam Convention: Adopted in 1998, it establishes a first line of defence by giving importing countries the means and information they need to recognise potential hazards and exclude chemicals that cannot be managed safely. The objectives of the Rotterdam Convention are as follows:
  - a) Promote shared responsibility and joint efforts of the parties in the international trade of certain hazardous chemicals in order to protect human health and the environment from potential harm.
  - a) Contribute to their environmentally sound use, facilitating the exchange of information on their characteristics, establishing a national decision-making process on their import and export, and disseminating such decisions to the parties.
- First generation biofuels are those produced from food crops such as cane sugar and rapeseed. These contain bioethanol (produced from sugars and starch) and biodiesel (produced from vegetable oil); and differ from second-generation biofuels in that they are derived from non-food plant substances such as crop residues and agricultural or municipal waste. These contain bioethanol produced from cellulosic materials such as straw or wood.
- Prohibited Substances according to the World Health Organization (WHO). Class 1A and 1B: Highly hazardous pesticides can cause acute or chronic toxic effects and pose specific risks to children. The widespread use of these products has caused health problems and deaths in many parts of the world, usually as a result of occupational exposure and accidental or deliberate poisoning. International organisations and conventions (such as the WHO) provide guidance and legal frameworks on the use, management, and marketing of pesticides, as well as information on proper storage and handling.
- Those classified by the WHO as Class 1A are considered "extremely hazardous" and 1B as "highly hazardous".

#### **Defence sector**

- Controversial weapon: Weapons that, due to their characteristics, can seriously affect the civilian population. These weapons include anti-personnel mines, biological and chemical weapons, white phosphorus, cluster bombs, ammunition containing depleted uranium and nuclear weapons.
- Anti-personnel mines: Anti-personnel mines are a type of landmine. They are designed to kill or incapacitate their victims. Its most common effects are amputations, genital mutilations, muscle, and internal organ injuries, or burns.

As defined in the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and Their Destruction (1997).



- **Biological weapons:** A biological weapon - also known as a bioweapon or sometimes as a bacteriological weapon - is any pathogen (infectious agent) that is used as a weapon of war. The offensive use of living organisms is generally characterised as a biological weapon. A biological weapon may be intended to kill, incapacitate, or seriously impair an individual as well as entire cities or places.

As defined in the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction (1972).

- **Chemical weapons:** Chemical weapons use the toxic properties of chemical substances to kill, injure or incapacitate. Toxic products produced by living organisms (e.g. toxins) are considered chemical weapons. According to the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (1993), a chemical weapon is any toxic chemical, regardless of its origin, except when used for permitted purposes. Chemical weapons are classified as weapons of mass destruction by the United Nations and their production and stockpiling is outlawed by the aforementioned 1993 Convention.
- **Cluster bombs:** This is a bomb or projectile whose casing splinters when it explodes and is projected in fragments in all directions. The characteristic of this bomb is that when it opens it releases many other smaller bombs, which can be used for different purposes: Causing harm or death to a large number of people indiscriminately; causing fires; piercing armoured vehicles.

As defined in the Convention on Cluster Munitions (2008).

- **Ammunition containing depleted uranium:** Depleted uranium munitions are a type of munitions constructed largely from depleted uranium. Depleted uranium is a dense metal derived from the enrichment of natural uranium as a nuclear fuel. It is used in armour-piercing projectiles and bombs to increase their penetration capacity.
- **Nuclear weapons:** A nuclear weapon is a high explosive that uses nuclear energy. Delivery vehicles may include intercontinental ballistic missiles, submarine-launched ballistic missiles, and long-range bombers carrying both subsonic and supersonic cruise missiles, for example.

Its definition is regulated in the Treaty on the Non-Proliferation of Nuclear Weapons (1968).

- **White phosphorus:** White phosphorus is an allotrope (single element molecule) of the chemical element phosphorus that has extensive military use as an incendiary agent, smoke screen agent and as an anti-personnel incendiary component capable of causing severe burns. There is dispute over whether it is considered within the chemical weapons grouping. In addition to its offensive capabilities, white phosphorus is also a highly efficient fumigant, capable of burning rapidly and producing instant smoke screens. For this reason, white phosphorus ammunition is common in infantry smoke grenades and grenade launchers, as well as in the ammunition of tanks, armoured vehicles, guns, and mortars.



- Dual-use products: Dual-use products are those that can be used for both civilian and military purposes. According to Council Regulation (EU) 428/2009 of 5 May 2009, as amended by Commission Delegated Regulation (EU) 2016/1969 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 applications for authorisation submitted before 9 September 2021), dual-use items are the following:
  - Nuclear materials, facilities, and equipment
  - Special materials and related equipment
  - Treatment of materials
  - Electronics
  - Computers
  - Telecommunications and information security
  - Sensors and lasers
  - Navigation and avionics
  - Marine
  - Aeronautics and propulsion