



Employee
pension plan
CAIXABANK

SUSTAINABILITY REPORT

JULY 2022



Pensions Caixa 30, F.P.

Message from the President

Page 3

Mission, Vision and Values

Page 4

Progress in sustainability

Page 5

Engagement Policy

Page 6

Climate Change

Page 11

Our Commitment

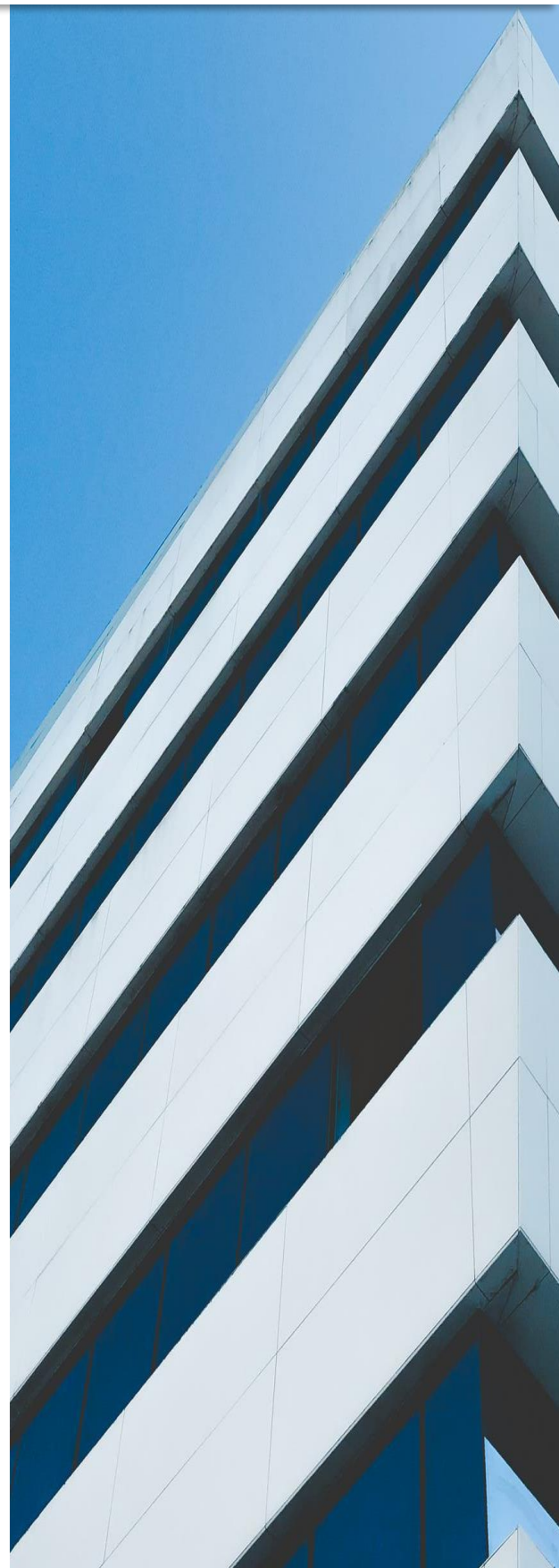
Page 15

Milestones and Awards

Page 19

Annex: Task Force for Climate Related Financial
Disclosure (TCFD)

Page 23



Message from the president



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2021, as was the case in 2020, was dominated by the pandemic caused by Covid-19. The vaccination of a large part of the population, higher levels of precaution and innovations such as teleworking, however, allowed an economic recovery that was translated into an extraordinary behavior of the markets that meant, in turn, a good performance of the PC30.

With the return to normality, some aspects were also revealed that show us that there is still a long way to go in terms of sustainability. Perhaps the most visible has been the rise in the cost of fossil fuels, showing us how the non-dependence of our economies in terms of emission-free energy sources is still a very distant goal.

The urgency to recover normal economic activity has led to a certain relaxation in the decarbonization objectives of developed and emerging economies and, although in a certain way this urgency is understandable, the consequences may represent a point of no return in terms of climate change.

Pension funds, as long-term investment instruments, are, perhaps, in the financial industry, the actors most aware of the severity of the problem.

Phenomena such as global warming are going to affect the assets in which we invest for participants who will receive their pension in twenty or thirty years and whose future well-being depends, in part, on us. Thus, from the PC30 Board of Trustees, we understand that responsibly addressing climate issues is part of our responsibility to the members of the plan. In this sense, we have expanded the risk metrics that calibrate the impact of global warming on our portfolios in the medium term, we have increased our carbon footprint reduction goals and we have intensified the focus on investments that collaborate in the energy transition.

Lastly, in order to make our commitment public, and for this to translate into concrete actions, we have increased the disclosure of our exposure to risks and opportunities associated with sustainability, through the public declaration of the fund as sustainable under the European legislation, guaranteed for the publication of metrics that will be released starting next year, and we continue to make progress, in this same report, with the TCFD recommendations regarding exposure to climate risk.

We want to continue thinking that the pension funds, owners of a third of the world's assets, can contribute to the well-being of their participants with something more than a simple financial revaluation.

Ignacio Javier Hernández Valiñani

President of Pensions Caixa 30, F.P.



Mission, Vision and Values



Since the inception of the Fund, Pensions Caixa 30, F.P. (PC30) has remained a leader in the application of SRI principles. Climate change and the consideration of social and governance aspects of the companies in which we invest has become a fundamental aspect of the new Strategic Plan, incorporating these various factors in the decision-making process, objectives, and the assessment of opportunities and risks.

All of this has been reflected in the Fund's vision, mission and values.

Vision

To become a benchmark in the European pension fund's market for its commitment to sustainability, innovation and the quality it provides to the collective membership.

Mission

Answer the needs and objectives of the collective membership to provide pensions that adequately complement those of the public system, in a responsible and sustainable way over time by all the agents involved.

Values

Sustainability, Innovation and Commitment to the collective membership.

Progress in Sustainability



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2008

PC30 signs the Principles for Responsible Investment (PRI)

2017

Indices associated with ESG aspects are adopted in the Investment Mandate. The measurement of the Carbon Footprint and ESG rating of the portfolio also begins.

2020

Three ESG-related objectives were introduced to our asset managers

2019

An important share of our passive equity' portfolio was channeled as a direct investment so PC30 could exercise responsible voting

2021

PC30 signs its commitment to the TCFD

2022

PC30 declares itself a promoter of sustainability under Article 8 according to the EU Sustainable Finance Disclosure Regulation (SFDR)

* ESG stands for Environmental, social and governance

Engagement Policy



- Principles to which we are committed
- Description of the Voting and Engagement Policy
- Selection of external managers
- ESG integration and associated metrics

Principles to which we are committed



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As a guide for the monitoring of the extra-financial aspects that gravitate on the selection of investments, PC30 will take into account the following principles:

1

Main reference: The Principles for Responsible Investment (PRI) and Sustainable Development Goals (SDG) of the United Nations

2

International references:

- United Nations: Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, Global Compact, COP-21 Paris Agreement
- OIT: Fundamental rights and international labor standards, Tripartite Declaration of Principles on Multinational Enterprises and Social Policy
- OCDE: Guidelines for Multinational Enterprises, Action Plan against Base Erosion and Profit Shifting (BEPS-OCDE).

3

Standards: International Corporate Governance Network (ICGN), Guidelines for The Evaluation of Human Rights and Labor Standards of the Committee on Workers' Capital (CWC)

4

Socially responsible investment beliefs

Voting and engagement policy

The Board of Trustees considers that voting, engagement with the companies in which it invests in and monitoring of ESG (Environmental, Social and Governance) factors as well as the SDGs (Sustainable Development Goals) are criteria that are of prime relevance in the management and decision-making processes of the Pension Fund's investments.

The Board of Trustees will ensure that both the Fiduciary Manager and the Managers through which it has invested take into account the monitoring of ESG factors in their investments. As part of this monitoring, the following factors will be taken into account: a company's corporate strategy, financial performance, risk (including those derived from ESG factors), capital structure and corporate governance.

In this sense, the right to vote may be exercised directly or by delegation, following the metrics established by the Control Committee.

Direct Investment

The Board of Trustees will exercise the rights to participate and vote in the general meetings of shareholders through the Fiduciary Manager, who will report on the meaning of the votes cast. In addition, the name of the fund will be included in the influence processes of the managing entity in order to transmit our ESG positioning to the market.

In 2021, the Fund has increased the direct allocation of the equity portfolio by 5% with the aim of being able to have greater influence by exercising voting rights in accordance with its responsible investment beliefs.

Indirect Investment

In indirect investments, investment fund managers are encouraged to vote at shareholders' meetings of the companies they hold in their portfolios in proportion to the shares that investors such as PC30 hold in such funds (pro-rata vote). In any case, a detailed explanation of the voting policy exercised at the shareholders' meetings by the fiduciary managers will be required.



Selection of managers



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When it comes to choosing stocks, bonds and funds, ex-ante SRI analysis is a key step in selecting the investable universe.

The Fund will therefore conduct a comprehensive review that will assess the ESG policies of companies or managers, and apply the relevant exclusion criteria, when considering where the Fund's assets can potentially be allocated.

This means that any investment, direct or through a third-party fund manager, that does not comply with the SRI principles of PC30 will not be considered in the selection process. Therefore, managers who are signatories to the Principles for Responsible Investment (PRI) will be considered positively. These policies apply to all asset classes and are enforced by the Trust Manager of the Fund and all underlying third-party managers.

Within the selection process of funds, priority will be given to those that show a commitment to international standards for the protection of the environment, labor rights, human rights and the fight against corruption. Explicitly, within the selection process (due diligence) of funds, preference will be given to those that: have an SRI policy, are signatories of the PRI, are domiciled in a member country of the Organization for Economic Co-operation and Development (OECD) and promote commitment to international treaties and regulatory frameworks in the companies in which they invest.

ESG Integration

The Control Committee of the is working in different areas to ensure greater ESG integration into the Fund's investments. These include:

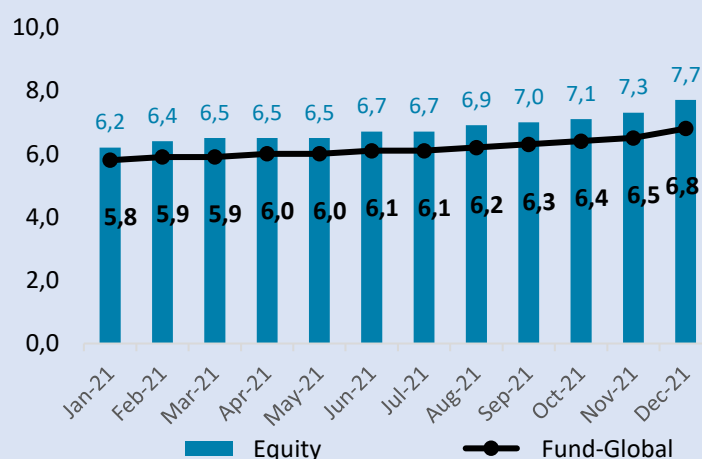
- The integration of the risks associated with Sustainability in the periodic risk report
- Consider increasing the presence in forums and joint initiatives that increase the capacity to influence in ASPECTS OFG (IIGCC, Net Zero Asset Owners Alliance,...)
- Raise awareness among the Fund's stakeholders of the importance of Sustainability, in order to promote the integration of socially responsible investment in the investment processes



In 2020, three objectives in ESG aspects were introduced in the remuneration scheme of the Fiduciary Manager which affect two metrics (Carbon Footprint and ESG Assessment) and the achievement of a minimum number of collaborations with a positive result.

In 2021, the Carbon Footprint and ESG Rating have improved considerably. In addition, the Carbon Footprint is below the average of the reference index.

ESG Rating Evolution

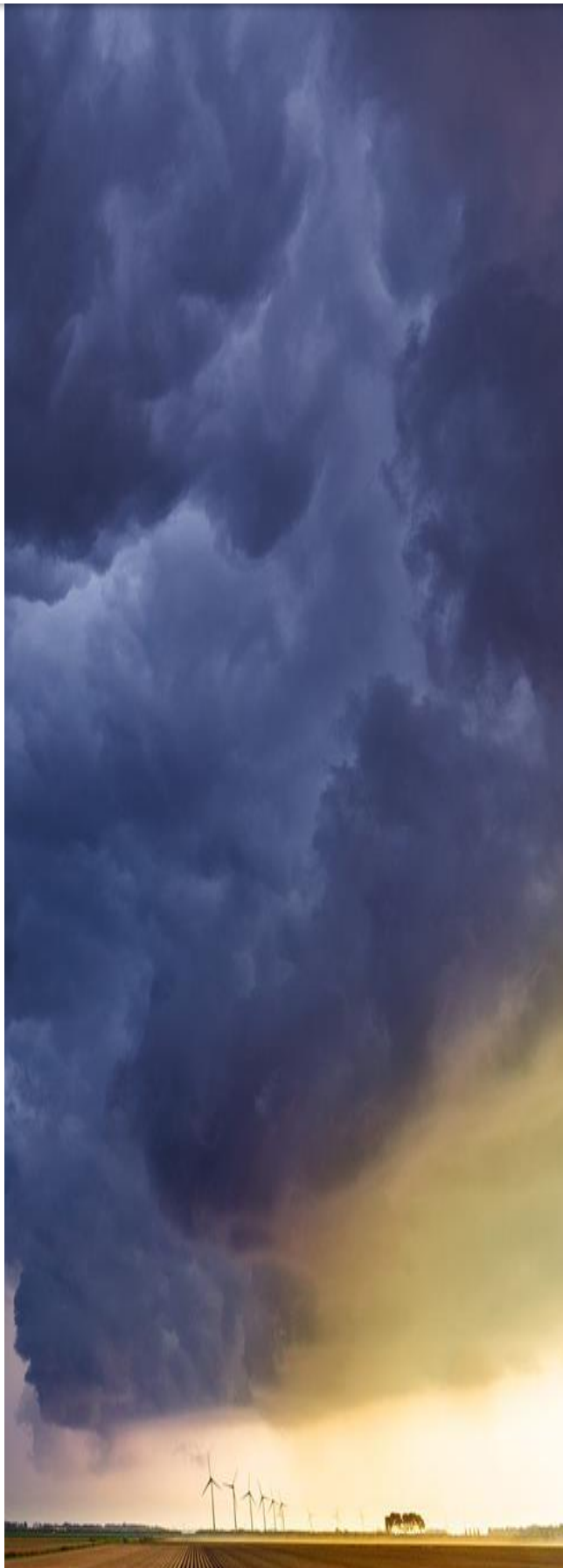


KPI	Description	Portfolio	Objective	Difference
Carbon Footprint	Beat the carbon footprint of the equity benchmark by 5%	112	148	-24%
Quality Score	Beat the "quality score" of the traditional equity benchmark	7,67	7,66	+0,1%
Dialogues	5 dialogues with a positive result	5	5	✓

Climate Change



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- Climate change programs
- Carbon Footprint and commitment to low CO2 emissions
- New climate metrics

Climate change programs

Pensions Caixa 30, F.P. (PC30) supports a large number of initiatives against climate change. As part of its beliefs, the Fund is committed to participate in collaborative engagement programs through different international platforms.

PC30 is currently involved in the Vale Initiative, the Mine Safety and Tailings Investor Initiative, the Climate Action 100+, and the Amazon Collaborative Initiative. All initiatives are focused on addressing aspects related to climate change.

Amazon Collaborative Initiative

Initiative that requests the increase of controls and monitoring measures, by the Government of Brazil, to eliminate illegal deforestation and reduce legal deforestation.

In addition, companies whose businesses entail the exploitation of raw materials are requested to implement policies that ensure that their value chain does not entail the deforestation of the ecosystem. These policies include, among others, an evaluation of its operations and supply chains, publication of reports on the impact they have on the environment, as well as the implementation of monitoring measures and verification of the path towards no deforestation policies.



The Investor Agenda

The objective is to bring together investors globally with the common goal of tackling the problems of the climate crisis and accelerating actions to reach a zero-emissions economy. The Investor Agenda brings together and coordinates a series of initiatives from investors and the financial sector on the climate crisis at a global level.

The Fund recently joined the TCFD, becoming the first pension fund in the local market to support the commitment

Carbon footprint

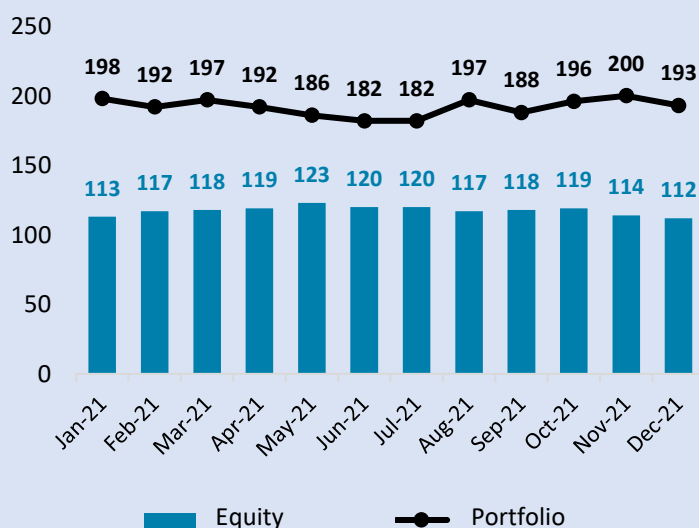
Climate change is one of today's major challenges, creating both risks and opportunities in the long term.

By signing the Montréal Carbon Pledge, PC30 committed to measure and publish the carbon footprint of its portfolio.



In this regard, the Management Entity is responsible for reporting, at least on an annual basis, the result of the measurement provided by the external rating agency specialized in ESG analysis of the part of the portfolio for which it has information. In addition, the Board shall publish on its website, at least on an annual basis, such rating.

Carbon Intensity Breakdown



Additionally, the Management Entity will introduce in its investment selection processes the measurement of the carbon footprint, thus seeking a progressive reduction of the carbon footprint of the Pension Fund's portfolio.

In the last year, the portfolio of PC30 has reduced its carbon footprint by 3%, thus exceeding one of the main ESG 2021 objectives.

Pensions Caixa 30, F.P., in its role as an industry pioneer of the commitment to investment sustainability, has the ambition to actively collaborate in this decarbonization process and contribute to the fight against climate change. For this reason, PC30 carried out an analysis seeking to optimize the decarbonization of the fund's portfolio and the financial risk management related to climate change.

New climate metrics

The fund's adherence to the TCFD in November 2020 represents the PC30's awareness that climate change poses a significant financial risk for the assets in which the fund invests. The initiative proposes a set of metrics which are included for the first time in the 2020 sustainability report, to highlight these risks.

On the other hand, the fund, through its participation in the Thinking Ahead Institute, participates in forums where the future of responsible investment is defined, including climate.

Additionally, with the help of the Management Entity, material exposure to climate risks has begun to be measured. The monitoring of these metrics will allow to incorporate them into investment decisions.

ESG monitoring metrics

	ESG Valuation			Rating ASG		Emissions TCO ₂ eMM\$ sales			Low Carbon Transition Valuation	Severe Controv.	Sustainable Impact	Environ. Impact	Social Impact
	Actual	Dec 20	BMK	Actual	Dec 20	Actual	Dec 20	BMK					
Fund	6,4	5,9	6,4	A	A	196	148	188	6,1	1%	7%	4%	3%
Equity	7,1	6,2	6,6	AA	A	119	114	148	6,3	1%	9%	5%	4%
Fixed Income	5,7	5,7	6,5	BBB	A	386	317	315	5,6	3%	3%	1%	1%
Alternatives	5,8	4,8	5,8	A	BBB	82	86	82	6,3	0%	25%	18%	7%

Data as of December 2021

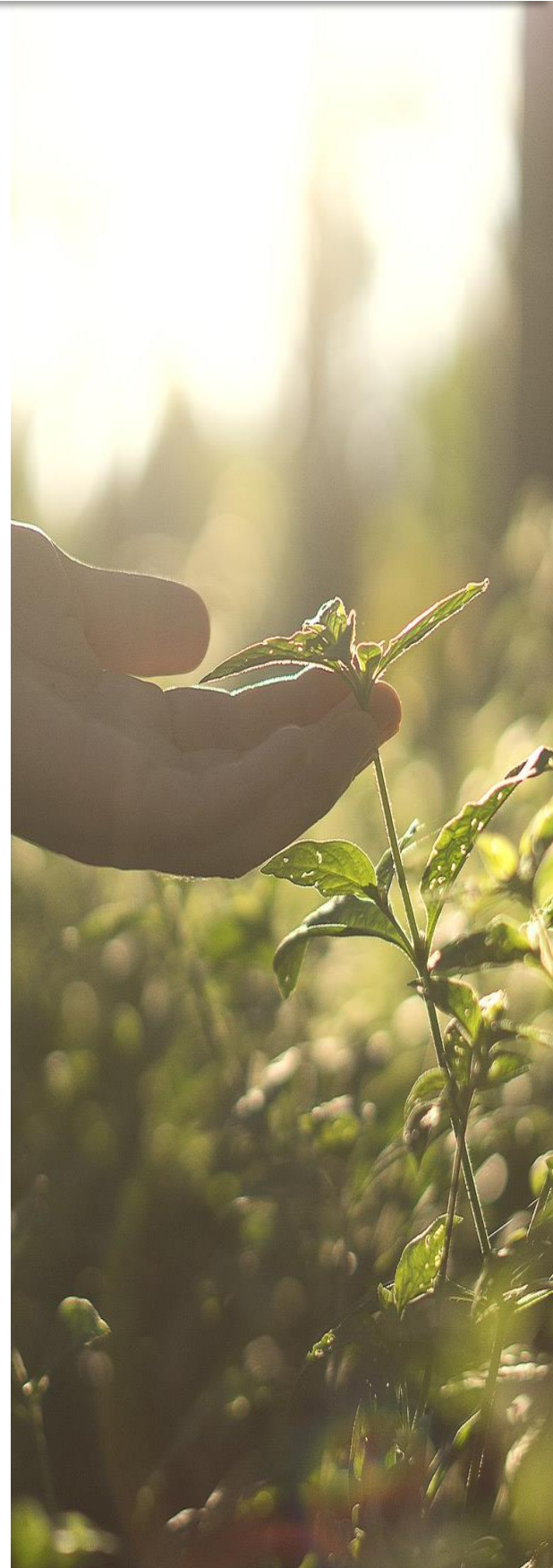
Forward – looking Metrics

	Equity Portfolio	Equity Index
Implied Temperature Rise (°C)	2,5	2,4
Climate VaR (%)	-8,2	-7,9
Transition Risk – VaR (%) <i>Scenario +2°C</i>	-2,6	-2,8
Physical Risk – VaR (%) <i>Aggressive Model</i>	-6,1	-5,5

Data as of December 2021

Our commitment

- Sustainable Development Goals
- Forums and Events
- Participation in TAI
- References to the PRI Report
- Engagement



- For the development of the SRI strategy, Pensions Caixa 30, F.P. has integrated the Sustainable Development Goals (SDGs) and has **selected priority and secondary SDGs** that it will take into account when focusing efforts on collaborative engagement processes.
- In this sense, Pensions Caixa, 30 F.P., has carried out a review of the quantitative, qualitative and climate risk metrics. Likewise, the fund has established some **KPIs linked to the SDGs as well as periodic reports in order to gauge the impact of investments in these areas.**

3 priority objectives

2 secondary objectives



Note: Initiatives can be linked to several SDGs simultaneously, thus causing a greater impact

Collaborative initiatives

PC30 has participated in **more than 20** engagement activities over the last few years, **mainly coordinated by PRI** ([More information available in our website](#))

New initiatives signed:

	Name of the initiative	Objectives	Accession date
Social	SRI Campaign for Residences for the Elderly	<p>Since the beginning of COVID-19, concerns regarding nursing home residents and staff have risen. The commitment focuses on improving the following areas:</p> <ul style="list-style-type: none"> • Uphold human rights: improve standards of quality of life, health, safety and security of residents • Promote living wages and freedom of association and collective bargaining 	May-21
Environmental	Global declaration of investors to governments in the face of the climate crisis	Call on governments to increase ambition and accelerate action to address the climate crisis. It will form the basis of engagement with governments at key policy moments throughout the year and support positive momentum on the road to COP26.	July-21
Social	Advance: PRI-led human rights and social issues management initiative	<p>The initiative will primarily seek change through the use of investor influence with portfolio companies with the focus of engagement on:</p> <ul style="list-style-type: none"> ▪ Fully implement the UN Guiding Principles ▪ Align their political commitment with their responsibility to respect human rights ▪ Deepen progress on the most serious human rights problems in its operations and in all its value chains 	May-22

Signed initiatives



11 initiatives



2 initiatives



4 initiatives



9 initiatives



Other



Events and forums participation



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As a PRI signatory, the Fund believes that the active participation is key to promote best practices in the global industry and to contribute to real-world impact



In this sense, PC30 is fully committed to the **PRI principles** and is in constant contact with members of the PRI participating in the organization.

PC30 is an active promoter of SRI, participating in events and conferences on Responsible Investment, which makes the Fund a very active actor in this area. As an example, in recent months several members of the Control Committee have participated in talks and round tables of the Investment & Pensions Europe organization, along with other major participants in the European Employment Pension Plans market.

In addition, the Fund participates in the **Thinking Ahead Institute**, a non-profit institute or think tank made up of institutional asset owners and service providers committed to changing and improving the investment sector for the benefit of the end saver.

Furthermore, PC30 has collaborated proactively in different initiatives promoted by the group, such as the **CaixaBank Board of Trustees' Forum**, in which the President actively participates.

Milestones and Awards

- Awards
- Governance
- Communication with participants (events, web, etc.)



Best Pension Fund in Spain:

- ✓ 2008
- ✓ 2011
- ✓ 2012
- ✓ 2013
- ✓ 2015
- ✓ 2016

IPE
CONFERENCE
& AWARDS

Finalist in
2014
2019
2020
2021



Finalist in 2021

It stands out for the goals associated with responsible investment parameters and the adherence of the PC30 to the TCFD (Task Force for Climate Financial Disclosure). It is the first local pension fund to adhere to this initiative

Since its creation in 2001, Pensions Caixa 30, F.P. has strived to maintain a leadership position in the application of ESG principles.

During the last 12 months, the Control Committee has improved its governance, achieving the following objectives established in this area:

- Increase direct investment in Equity by at least 5%
- Incorporation of impact metrics in SDGs identified as priority and secondary
- Incorporation of new collaborative initiatives
- Incorporation of companies proposed by the management entity for voting advice
- Monitoring of dialogues between companies and managers

As for areas in which to continue working, PC30 has carried out a study of international good governance practices with the aim of following the best market practices. In this sense, it has carried out an Action Plan which includes objectives such as: strengthening the application of sustainability in the portfolio; focusing on the achievement of long-term objectives in terms of the evolution in engagement, thematic investment and impact investments; clear progress in controlling climate change risks and integrating new trends in sustainability.



Communication with participants



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- Pensions Caixa F.P. has a Participant's Office that is intended to be a meeting point between participants and the Fund.
- The Participant's Office is a body whose main functions are to attend to, respond to and manage any doubts that may be had by the participants and beneficiaries of the Pension Plan, as well as the processing of benefits.
- Likewise, during the month of March, the Bankia pension fund portfolio was integrated into Pensions Caixa 30, F.P.
- In this sense, an analysis has been carried out of the positioning of the portfolio of Pensions Caixa 30, F.P., after the integration of the assets of the Bankia Pension Plan with the aim of carrying out the potential adjustments in the portfolio and in the investment strategy that may be necessary after the integration and in the current market context. Likewise, the Fund's next steps are to carry out an analysis of the group to adapt to possible changes in the fund's profile that may arise after integration.
- In addition, PC30 participates in numerous events related to sustainability, such as: PRI, IPE, and different additional conferences.
- The Board of Trustees of Pensions Caixa 30, F.P. is working to carry out an annual event in which various topics will be discussed with the participants, such as: the historical development and progress of the Fund in recent years, presentation of the Strategic Plan 2021-2023; market environment, results and context in the long term and focus on sustainability and milestones in recent years.
- Lastly, the Board of Trustees of Pensions Caixa 30, F.P. has worked on the creation of a new website, in order to provide the information to the participants and beneficiaries in a clearer, more complete and simpler way. To this end, sections have been included such as: information related to members, the Fund, sustainability and information related to the climate, a section for frequently asked questions and doubts, an exclusive news section, a section that gives greater visibility to the Participant's Office and an exclusive space for the Associated Plan.



TCFD | TASK FORCE ON CLIMATE-RELATED
FINANCIAL DISCLOSURES

**Task Force for Climate Related Financial Disclosure
(TCFD)**

Pensions Caixa 30, F.P.

Index

Introduction

Page 25

Governance

Page 26

Strategy

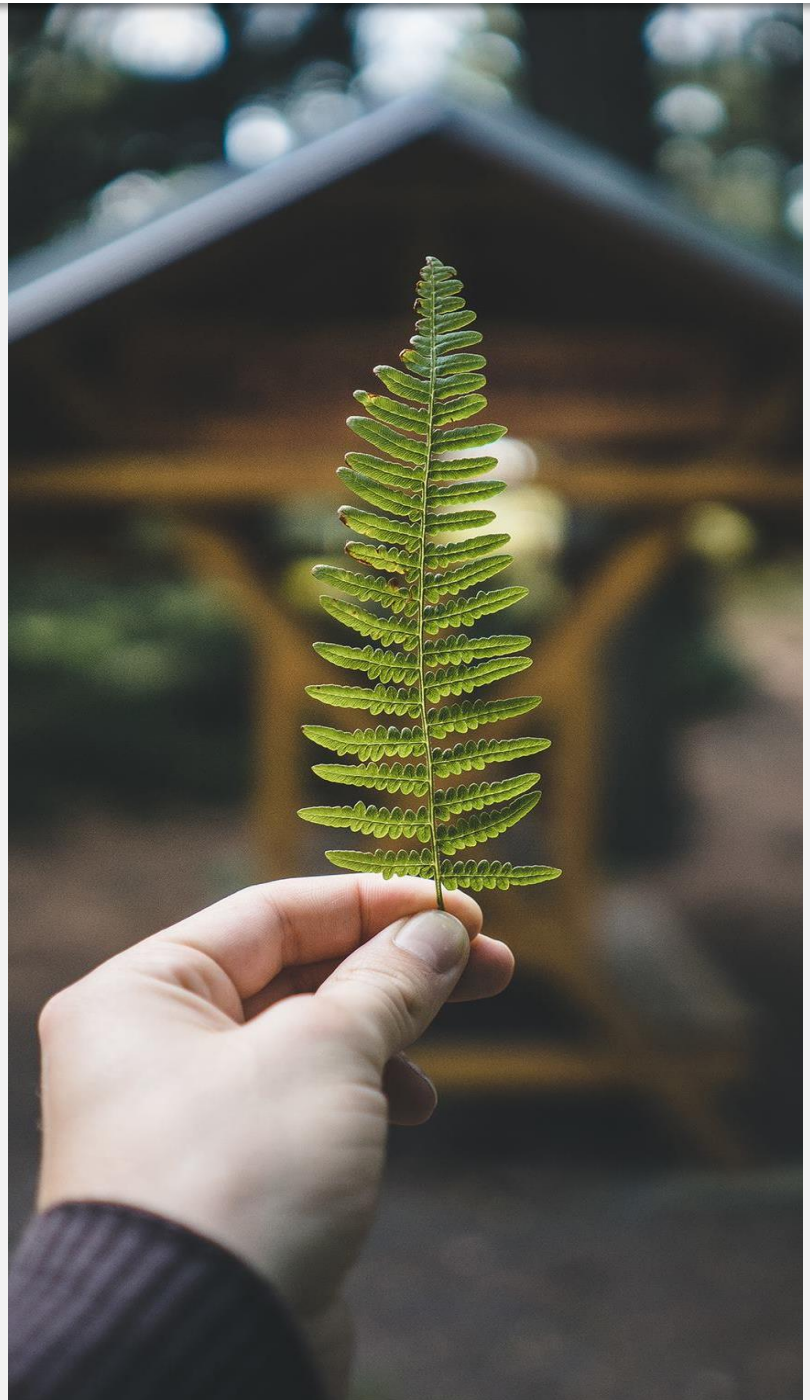
Page 31

Risk management

Page 32

Metrics and goals

Page 36



Introduction

The TCFD (Task Force for Climate Related Financial Disclosure) establishes a voluntary framework of recommendations so that publications on the impact of climate change on organizations are clear, credible and efficient, and serve to communicate the organization's position to other interested agents (stakeholders).

Since November 2020, Pensions Caixa 30, F.P. (hereinafter, PC30) has been a signatory to this initiative, becoming the first occupational pension fund in Spain to publicly endorse this framework of recommendations. This document has been prepared following the same main and secondary recommendations and is intended to share the efforts that the PC30 Board carries out in the field of sustainability and to encourage other investors to follow this framework of recommendations to promote the analysis and consideration of the risks and opportunities derived from climate change.

PC30 has considered Socially Responsible Investment (SRI) and the consequent integration of Environmental, Social and Governance (ESG) factors as an element of its own identity. Proof of this is that Sustainability is the first of the Fund's values - "Sustainability, Innovation and Commitment to the collective" - and that it has been incorporated into both the Fund's policies and goals.

These sustainability efforts have been **recognized by PRI**, both in 2019 and recently in 2020, with an excellent rating of A+ in the Strategy and Governance section. This rating was also achieved by VidaCaixa, the Fund's Manager.



1. Governance

The objective of this section is to certify, from a Governance point of view, that the Pension Fund has an organizational structure that ensures effective supervision and management of the risks and opportunities arising from climate change. In this regard, the correct design of the organizational structure and the assignment of roles and responsibilities are key factors for these to be taken into account in the investment process.

Below is detailed how the current structure contributes to the management of these risks and allows the monitoring of climate change risks in the Fund's day-to-day operations.

Recommendation 1: Describe the Board's oversight of these risks and opportunities

The supervision of the risks and opportunities derived from Climate Change is carried out from different perspectives and ranges from the formalization in the organizational structure through the Governance Manual, to the monitoring of the progress of the Strategic Plan, in which sustainability plays a fundamental role.

Sustainability in the Organizational Structure: the Corporate Governance Manual

The Corporate Governance Manual details a structure that includes the definition of the Fund's Governing Bodies as well as the rules of operation and regulation of the structure and delegation of responsibilities. It includes the existence of an **Investment and Risk Subcommittee**, hereinafter SCIR, which is the body in charge of reviewing all aspects related to sustainability and which assumed this responsibility (from the **Governance Subcommittee**, hereinafter SCBG), in order to integrate it to a greater extent in the Fund's investment process.

To further strengthen the level of oversight on sustainability, the Board of Trustees decided in 2020 to create the figure of the **Sustainability Officer**, with the task of overseeing the implementation of sustainability policies in the Pension Fund and promoting ideas on Socially Responsible Investment.

Among other responsibilities, this member will oversee the annual sustainability report and keep participants abreast of the Fund's sustainability initiatives, in addition to promoting SRI initiatives to the Board.

The proper functioning of the organizational structure is reviewed in depth periodically (every 2-3 years) and has been updated in 2020.

Another element included in the Corporate Governance Manual that contributes to the consideration of sustainability in the Fund's control bodies is the training program for the Board of Trustees. This program seeks to develop the capacities of the members of the Board in different aspects and ensure that they are duly qualified to diligently perform their duties. In these training programs, which are developed throughout the Strategic Plan, sustainability plays a crucial role.

In 2019, 2020 and 2021, the Board of Trustees received specialized training for the performance of its functions, covering different topics: thematic investment, risks, ISR, inflation, and legal aspects related to the management of a pension fund.

As collaborators in the operation of the Fund and in the development of the 2021-2023 Strategic Plan, the **Manager** (VidaCaixa) and the **Investment Advisor** (Willis Towers Watson), work individually but in a coordinated manner with the aim of providing advice in the decision-making process at different stages of the investment process. A fundamental part of their role is to keep the Fund abreast of innovations in sustainability and to ensure that sustainability is considered at all stages of the investment process. An example of this collaboration with the Board of Trustees was the recent preparation and approval of the Long-Term Investment Strategy Statement and the Pension Fund's Involvement Policy, which set out the main principles of action in the area of sustainability.

Likewise, in collaboration with the above-mentioned agents, the **CPPS** entity acts as **Financial/Actuarial Reviewer**, with special emphasis on the review of the SRI measurements performed.

Strategic Plan

Sustainability has always been a fundamental component of the development tasks of the CaixaBank employee pension fund. In this sense, and with the aim of having Lines of Action and specific goals, PC30 has had different Strategic Plans (each one of them with their respective "strategic pillars"), in which sustainability has always played a leading role.

Having completed the 2018-2020 Strategic Plan, in which the priority was to integrate sustainability into the investment process with the monitoring of key metrics (Carbon Footprint and ESG rating) and the establishment of long-term goals, a **new 2021-2023 Strategic Plan** is approved after considering aspects worked on over the last few years and in which "Deepening the commitment to sustainability" is constituted as one of the four pillars that make up this Plan. Among the goals to be achieved in the Plan, we can find elements such as the consideration of ESG indexes as reference indexes for the strategy, aligning the portfolio with the SDGs, working to improve the PRI rating, or working on the Pension Fund Voting Policy. Progress on the different aspects of the Strategic Plan is monitored on a monthly basis by the Pension Fund Board of Trustees and the Operating Committee.



In this regard, it is worth noting that PC30 is one of the few Corporate Pension Funds in the world that has a Strategic Plan, and that **Sustainability** plays a **fundamental role** in it, positioning Pensions Caixa, F.P. as a **leading investor** in these practices.

During 2021, the commitments with collaborative initiatives have been developed in detail, specifically, a possible commitment with IIGCC has been studied in order to have access to other sources of information that generate studies and trend analysis. This objective is included in the Strategic Plan and will be developed in depth in 2022.

Investment Beliefs, Engagement Policy and Long-Term Investment Strategy Statement

PC30 maintains SRI as a key element of its investment beliefs. Thus, in the wording of the sixth investment belief it states - as stated on its website - ***"it is necessary to take non-financial factors into account in the investment process"***.

However, in 2018, the Fund took a step forward in prioritizing SRI by creating a specific section (number 6) **in its Investment Policy Statement**. This section contains **8 additional SRI investment beliefs** and further elaborates on the consideration of ESG factors in the Investment Process.

In addition, PC30 has recently approved an **Engagement Policy** that details in depth the consideration of ESG factors throughout the investment process, from security or manager selection to voting and collaborative engagement activities.

In January 2021, the **Long-Term Investment Strategy Statement** was approved, detailing how the investment strategy is consistent with the profile and duration of the Pension Fund's liabilities over the long term. This Strategy highlights the importance that the Board of Trustees attaches to sustainability in the management of its investments, whereby various ESG measurements will be evaluated in the shares of companies that are admitted to trading on a regulated market that is located or operates in a Member State of the European Union (specifically, ESG rating and Carbon Footprint measurements will be made).

Finally, at the end of 2021, progress has been made in these areas and an example of this is the recent publication of the annual sustainability report on the new website.

Recommendation 2: Describe the oversight processes in the assessment and management of these risks and opportunities

The Manager periodically monitors the asset portfolio in order to ensure proper compliance with the principles set forth in the Management Mandate included in the Investment Policy Statement. Among these, and on a monthly basis, a review of the main ESG parameters affecting the Fund is carried out, including the reading of the Carbon Footprint, the ESG rating, or the monitoring of the collaborative engagement activities, all of them aspects that have been considered in the definition of the SRI objectives of the Pension Fund.

Thus, an example of the application of governance practices at the ESG level is that the Fund has decided to link part of the Manager's fee schedule to the achievement of a series of objectives for the equity portfolio, namely:

- Reduction of the Carbon Footprint to at least 5% less than the benchmark.
- Achieve a Quality Score higher than that of the benchmark index
- Undertake at least five engagements with investee companies or funds that have a positive impact such as divestment of controversial investments or a shift towards more sustainable practices.


Carbon Footprint


Quality Score


Engagements

This is the first time in Spain that a Corporate Pension Fund links the commission scheme of its Fiduciary Manager to specific **ESG performance indicators**.

The manager provides the Board of Trustees with monthly reports on the investment portfolios, as well as any other information necessary for the Board to carry out the monitoring and control tasks entrusted to it, in addition to verifying the progress of the Fund's investments with respect to its Investment Policy.

In addition, and as previously mentioned, both the Operating Committee and the Control Committee monitor that the Strategic Plan (and with it the pillar dedicated to sustainability) is being fulfilled, and with it the integration and consideration of ESG factors throughout the process. A fundamental part of this monitoring process is the consideration of KPIs (objectives), among which, only dedicated to commitment to sustainability, there are more than 10 references.

KPIs dedicated to sustainability commitment

Goal: to strengthen the effective application of sustainability in the portfolio

Objective	Key Performance Indicator (KPI)	Status
Review the current implementation of the Fund's sustainability strategies	▪ Dispute Policy Launch - Direct Equity / 100% Equity and Alternative Investments	Pending
	▪ Exclusion policy review - 100% Equity	Pending
	▪ Voting Policy Launch - Direct Equity / Extension 50% Equity Europe & USA	Pending
	▪ Engagement Policy Implementation – European Equity	Completed in 2021
Integrate sustainability risks in the monitoring of the fund's risks	▪ Sustainability risk mapping: Alignment with TCFD and industry standard metrics (PACTA/IPR). Consideration of recurrent monitoring metrics in the highest percentage of the portfolio possible	In progress in 2022
Measuring and monitoring portfolio impact	▪ 100% Investment in traditional assets through ESG indexes	Continuous process
	▪ Implementation of an impact monitoring framework through the primary SDGs. Determination of key metrics and target setting, with an emphasis on the social aspect	Completed in 2021

Goal: to integrate new trends in the field of Sustainability

To value the implementation of innovative initiatives in the field of Sustainability	▪ Development of an international sustainability benchmarking / linked action plan	Completed in 2021
Applying the SDGs in our investment process	▪ Action plan for the implementation of impact investments linked to specific SDGs with a specific investment target (%)	In progress in 2022
Commitment to the battle against climate change	▪ Commitment and development TCFD / IIGCC	Completed in 2021 / In progress in 2022

2. Strategy

The purpose of this section is to detail the actual and potential impact of the risks and opportunities arising from climate change on the Pension Fund's strategy.

Recommendation 3. Identify risks and opportunities in the Pension Fund in the short, medium and long term.

The identification of risks has materialized in the creation of a Scorecard that takes into account three angles: financial, operational and sustainability risks.

Among the studies detailed in the Scorecard we can find: the Fund's medium and long-term expected return and risk profile, a **back-testing** exercise on the performance of the strategy and a **scenario analysis** that could have a strong negative impact on the financial markets in the short, medium and long term (Brexit, global recession, European break-up...). These analyses are supplemented by correlation studies that are regularly updated and contrasted with the modelling of the behaviour of the different asset classes provided by the advisor (WTW).

From the point of view of **financial risks**, SCIR was able to extract that equity and currency exposure are the main sources of risks of the strategy. In this regard, diversification and the pursuit of exposure to different sources of uncorrelated returns were the focus of the strategy's review efforts.

From the point of view of **extra-financial risks**, PC30's SCIR has carried out different analyses in order to assess the impact that Climate Change may have on the strategy and sectors in which it invests, including PACTA, IPR, Climate Change (WTW) and Carbon Delta analysis.

Recommendation 4. Describe their impact

Different analyses have provided PC30 with a more representative picture of the risks to which the portfolio is exposed due to climate change.

One of the most representative analyses carried out was the **PACTA Analysis**, which shows, through the study of the portfolio's exposure (9.4%) to relevant sectors from the point of view of CO2 emissions, how it will evolve based on a Sustainable Development Scenario (required of companies over a 5-year period).

The impact analyses carried out have demonstrated that **the portfolio is well positioned** with respect to climate change risks.



As a result of these analyzes carried out in 2019 and 2020 to analyze its evolution, the SCIR has learned that the Fund's portfolio has less exposure, in general terms, to Transition Risk thanks to the change in the production model of the underlying companies. , this shows that portfolio companies are moving towards cleaner energy.

For example, we observed a 30% reduction in the production of Gas and Oil in the Fixed Income portfolio and 70% in the Equity portfolio compared to the previous year. In addition, the portfolio has a lower contribution to global warming compared to the reference index (less than 50% contribution) and the previous year (40% reduction in the subsectors to which the fund is exposed).

During the year 2021, the Board of Trustees has considered methods of communication with the participants and beneficiaries that ensure information on aspects related to the climate. To do this, it has created working groups that provide information on the requests of participants and beneficiaries on aspects related to climate change.

Recommendation 5: Describe the resilience of the strategy under different climate change scenarios, including one at or below 2°C.

**Lower
 portfolio
 impact vs.
 benchmark
 and passively
 managed
 portfolio**

Precisely with the aim of evaluating the resilience of the portfolio to Climate Change scenarios, an analysis was carried out, complementary to that of PACTA, through the IPR tool, which analyses the impact that the total effect of the policies aligned with the Paris Agreement would have on the valuation of the different sectors present in the portfolio (for investments in equity).

This analysis made it possible to verify that the impact on the PC30 portfolio of these policies would be lower in terms of performance (-2.2% drop) than would be the case for both the benchmark index (-2.4% drop) and a passively managed portfolio replicating the Fund's performance objectives (-2.3% drop). The portfolio has a slightly higher total exposure to riskier sectors relative to the benchmark and reference portfolio. However, the portfolio has a higher transition risk protection in the comparison against the benchmark and reference portfolio mainly due to a lower exposure to the energy sector.

This analysis made it possible to assess the status of the strategy under both scenarios and to reinforce the belief in the need to integrate sustainability into the Fund's decision-making process.

3. Risk Management

The focus of this segment is to disclose how the Pension Fund identifies, quantifies and manages climate risks.

It will then describe the processes in place to identify and assess climate risks and their management. In addition, it will detail how climate change risks are integrated into the total risk of the Pension Fund.

Recommendation 6: Describe the processes for identifying and assessing climate risks

The PC30 Board of Trustees has prioritized the integration of sustainability into the investment process. Thus, while in an initial phase, considerations related to climate change were taken into account in the SCBG, since 2020 these have been incorporated into the SCIR agenda, and with it, all aspects related to climate risk monitoring.

One of the pillars on which the consideration of climate risks is based is the coordination of work through the 2021-2023 Strategic Plan, through which both the Manager and the Investment Advisor periodically review the key aspects in the consideration of SRI in the portfolio as well as in the review of the policies that ensure it.

Based on this Strategic Plan, climate risks are analysed with a recurrence of less than 3 years using available tools and are complemented by the analysis of new tools being developed by the industry.

In addition, the Manager carries out monthly monitoring of ESG metrics to ensure the correct monitoring of risks at the investment level.

Recommendation 7: Describe the risk management process

The management of climate change risks is considered from different angles. Thus, as a starting point, the **different climate risk analyses** carried out by the SCIR make it possible to define the Fund's situation with respect to these risks, and are considered when reviewing the investment strategy, a task that is carried out every year.

In addition, **the monthly monitoring of ESG risks** through the measurement of the Carbon Footprint, the ESG rating, and disputes and exclusions (based on the criteria set out in the DPPI), allows for a constant level of supervision over key elements of portfolio monitoring.

These aspects, and with a view to long-term risk management and positive influence on the industry, are complemented by **collaborative engagement activities**.

As a PRI signatory, the Fund believes that active ownership is key to promoting best practices in the global industry and contributing to real-world impact. In this sense, Pensions Caixa, F.P. has participated in more than 20 engagement activities over the last two years, mainly coordinated by PRI, and is an active promoter of SRI at the local level, participating in events and conferences on Responsible Investment, making the Fund a very active member in this matter.

In this regard, the Fund has incorporated the **Sustainable Development Goals** as an element to centralize the efforts made in this area.

PC30 has established SDG 1 (End Poverty), SDG 8 (Decent Work and Economic Growth) and SDG 13 (Climate Action) as **primary goals**. Similarly, it has set SDG 5 (Gender Equality) and SDG 7 (Affordable and Clean Energy) as **secondary goals**.

It also regularly updates the Fund's commitments to PRI, Climate Action 100+ and other relevant initiatives, and actively participates in forums and events to keep abreast of potential risks that may affect the Fund, as well as to promote the consideration of SRI in all steps of the Investment Cycle.

In addition, PC30 is a member of the **Thinking Ahead Institute (TAI)**, a non-profit institution in which the Fund collaborates with other international funds in working groups (including the "1.5 Degrees") to assess the potential long-term risks of climate change.



These aspects have been included in the Pension Fund's Engagement Policy, which details the Voting Policy with respect to direct and indirect investments, as well as the protocol for collaborative engagement with portfolio companies.

Recommendation 8: Describe how climate change risks are integrated into the total risk of the Pension Fund

Risk management in the investment selection process is incorporated at different levels of the Fund's investment cycle.

Thus, in **the investment due diligence process**, the Manager takes into consideration ESG factors, both ex-ante and ex-post, in most of the portfolio.

When it comes to choosing stocks, bonds and funds, **ex-ante SRI analysis** is a key step in the selection of the investment universe. In this regard, the Manager conducts a thorough review of the ESG policies of the companies or managers and will apply relevant exclusion criteria when considering where the Fund's assets can potentially be allocated.

As an additional aspect, the Fund has started to **make direct investments** in the portfolio. Through ownership, the aim is to increase the capacity to influence, increasingly taking ESG aspects into account.

Furthermore, managers that are **signatories of the Principles for Responsible Investment (PRI)** will be considered positively. Additionally, within the fund selection process, priority will be given to those funds that show a commitment to international standards of environmental protection, labour rights, human rights and anti-corruption.

From the point of view of exclusions, considered in the Fund's investment policy to avoid exposure to certain sectors, those companies or business groups that carry out all or a significant part of their activity in the tobacco, weapons or gaming (gambling or betting) sectors are **excluded from the investment universe**. For control purposes, significant activity is that which reaches or exceeds 35% of a company's turnover.

A fund in which PC30 has holdings, which holds more than 5% of its portfolio in companies that are excludable based on the criteria set forth herein and does not agree to reduce its positions in these companies, will be excluded from the portfolio.

Exclusions and disputes are monitored on a monthly basis at SCIR meetings and based on the results a proposal for action is determined to reduce or understand the exposure to certain companies or sectors with a significant level of disputes.

Both the exclusions and controversies policies are reviewed on a recurring basis (every 3 years) in order to analyse in detail, the exposure of the portfolio and reevaluate the consideration of additional aspects in the same.

As an additional aspect, PC30 has confirmed its role as a leader in best practices by considering ESG indices with a universal approach as a reference for part of its portfolio -increasing from 33% in 2020 to 46% in 2021 and 59% in 2022 the total percentage of the strategy referenced to them-.

In 2021 PC30 has included climate risk metrics in its periodic Reporting, among which are Climate VaR, Transition VaR, Physical VaR, Low Carbon Transition Score and Warming Potential.

Finally, in 2021 progress is being made with respect to the objective defined in the 2021-2023 Strategic Plan of Pensions Caixa 30, F.P. on the creation of a framework for monitoring the risks of the Pension Fund. In this sense, the Management Company (VidaCaixa) and the Investment Advisor (WTW) have worked with the Control Commission, finally agreeing on a framework of parameters with risk metrics.

Additionally, new parameters have been included in the new risk monitoring framework for monitoring physical and transition risks. In this sense, Pensions Caixa 30, F.P. has integrated climate risks into governance processes, specifically in remuneration, which will be linked to sustainability and in 2022 is working to include them in the investment beliefs.

Pensions Caixa 30	2022 Mandate		
Asset Class		ESG Benchmarks	
Global equity	25%	MXWOESU	MSCI World ESG UNIVERSAL Net USD
Emerging equity	5%	M1EFESU	MSCI Emerging Mkts UNIVERSAL Net USD
Total equity (E)	30%		
European Corporate Bonds	5%	I29709	Bloomberg Barclays EUR 1-10 Yr Cor ESG
US Corporate Bonds	5%	I29694	Bloomberg Barclays US 1-10 Yr Cor ESG
High Yield	4%	I35311US	Barclays MSCI Global High Yield ESG Weighted Index
Total Fixed Income (FI)	14%		
REITs	2%	FENGRENU	FTSE EPRA Developed Green Net Tax Index
Private Equity	13%	MXWOESU+ 3%	MSCI World ESG UNIVERSAL Net USD + 3%
Total Alternatives (ALT)	15%		
Total ESG benchmarks	59%		

4. Metrics and goals

The objective of this part is to show the metrics and goals used to manage these risks and opportunities.

Recommendation 9: Detail the metrics used to assess these risks and opportunities

The SCIR carries out quantitative monitoring of different key variables of Environmental, Social and Governance metrics. Thus, the Carbon Footprint and ESG rating are monitored on a monthly basis in order to review their progress. Both metrics have evolved favourably since the beginning of their measurement in 2017, improving the ESG profile of the portfolio. In the last year, the generation of Carbon Footprint was reduced by more than 3% and the ESG rating was improved by 17%.

The Carbon Footprint measures the volume of greenhouse gases attributable to a product, service, process or organization and is expressed in Tons of CO₂ intensity per million dollars of sales (TCO₂ eq./MM\$_{sales}).

The ESG rating is measured through the Quality Score, and is a rating from 0 to 10 according to the MSCI ESG Monitor methodology on each of the ESG factors of the underlying portfolio companies and on an aggregate basis.

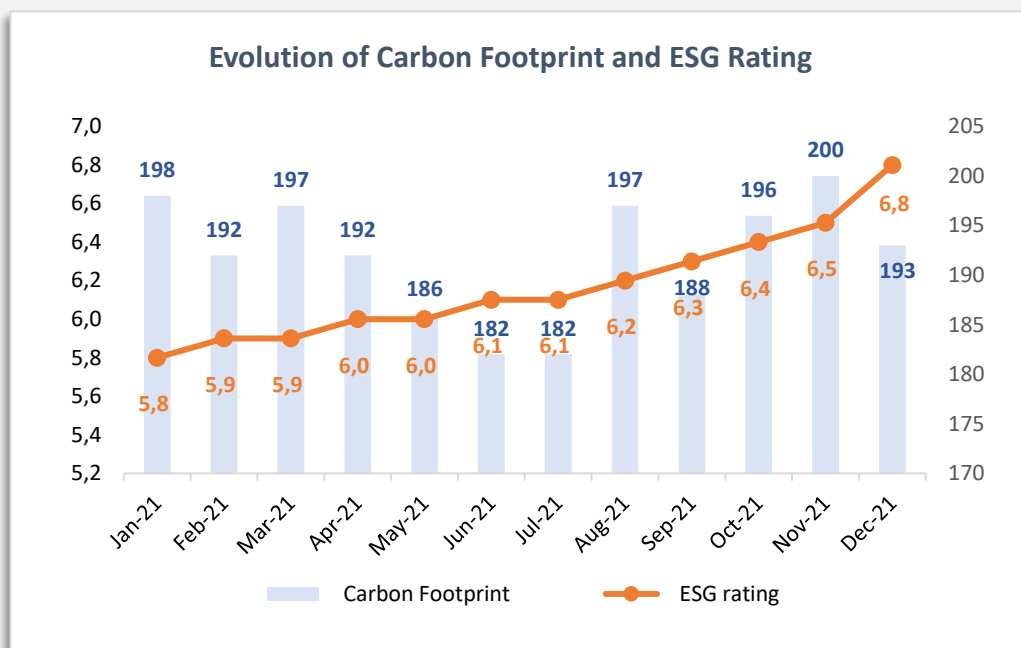
In September 2021, an international benchmarking is carried out with the aim of analyzing the sustainability practices of benchmark International Pension Funds.

After analyzing these lines of action, an **Action Plan** was defined jointly with the Investment Subcommittee and the Fiduciary Manager, which would allow progress in line with the best practices in the industry.

The lines of the Action Plan that were defined are detailed below:

Aspects to review	Goals and success metrics
Reviews of the mission, vision, beliefs and alignment with the philosophy of the fund	<ul style="list-style-type: none"> Target every 2-3 years. Success if revisions are consistent and results follow the market trend
Political review involvement and vote	<ul style="list-style-type: none"> In 2022-2023, it seeks to evaluate deadlines on its own Voting Policy and Engagement mechanisms Success if the engagement policy is regularly updated Long-term objective of approving voting policy for 100% of the Equity portfolio (30% of the total portfolio – Strategic Plan)
Define thematic investment criteria oriented to the SDGs	<ul style="list-style-type: none"> In 2022-2023, the aim is to review aligned thematic investment criteria and their potential link with the SDGs Objective to directly monitor thematic investments and their association with the SDGs on a recurring basis
CO2 reduction target review	<ul style="list-style-type: none"> Initial phase: 2022 – 2023. Continuation of longer-term follow-up Define an action plan and specific deadlines
Consideration of Climate Change in the Risk Map and the monitoring framework	<ul style="list-style-type: none"> In 2022, the aim is to incorporate the different aspects analyzed from the Climate Change perspective into the Risk Map The different scenarios analyzed are highlighted and they are followed up
Integrate other practices and trends on Climate Change	<ul style="list-style-type: none"> In 2022-2023, aim to continue at the forefront of the market Adopt new metrics already used by international funds Greater spectrum of information provided in the TCFD
Achieve greater control and integration of sustainability	<ul style="list-style-type: none"> Looking ahead to 2023, the aim is to improve communication on climate issues and their risks (starting with the Sustainability Report) Define gaps in climate references and necessary action plans

Recommendation 10: Detail the "Scope 1 and Scope 2" of gas emissions and related risks



Note: The Carbon Footprint measured in terms of intensity (TCO2 eq / MCh\$) of the portfolio corresponds only to the corporate portfolio, it does not include Debt.

In 2021, the Fund managed to **reduce its Carbon Footprint by 3%** and managed to **improve its ESG rating by almost 20%**.

Related metrics

Carbon footprint (TCO2e/M\$)	
Total portfolio	198
Equity	112
Fixed income	385
Alternatives	83

Rating ESG (0 to 10)	
Total portfolio	6,8
Equity	7,7
Fixed income	5,9
Alternatives	6,0

Forward – looking metrics	Equity Portfolio	Equity Benchmark
Implied Temperature Rise (°C)	2,5	2,4
Climate VaR (%)	-8,2	-7,9
Transition risk – VaR (%) <i>Scenario +2°C</i>	-2,6	-2,8
Physical risk – VaR (%) <i>Aggressive model</i>	-6,1	-5,5

Data as of December 31st of 2021

Recommendation 11: Detail the objectives established with respect to these risks and opportunities and their evolution

The Board has linked part of the Manager's fee schedule to the achievement of the following objectives for the equity portfolio:

- Reduction of the Carbon Footprint by at least 5% less than the benchmark
- Achieve a sustainability quality score higher than that of the benchmark index
- Engaging in at least 5 discussions or engagements with companies or funds that result in a positive outcome, such as divestment of controversial investments or a shift to more sustainable practices

Likewise, the status of the objectives established in the TCFD is monitored and the progress of each one is analyzed. Compared to last year, it is worth highlighting the progress in the following aspects:

Objective	Development
• Identification of trends that are part of the fund's environment	✓ Assessment of risks and opportunities (likelihood and materiality)
• Transition or physical risks in the short, medium and long term	✓ Monitoring (Initial development in April): analysis of TCFD recommendations, surveys and market trends
• Consider methods of communication with the participants and beneficiaries which ensure information on aspects related to climate change	✓ Process developed in Communication Working Groups, capturing information on the web and the Annual Event
• Study physical and transition risks	✓ New parameters that are being monitored on a recurring basis by the Managing Entity which report the information to the Board of Trustees
• Integrate climate risks into governance processes	✓ Climate objectives included in the remuneration of the Fiduciary Manager. In addition, they are also intended to integrate into the fund's Investment Beliefs, following the recommendations of the TCFD
• Belonging to other sources of information that generate studies and analysis of trends	✓ Commitment to PRI and TAI and study of incorporating other alternatives, such as the World Benchmarking Alliance
• Carbon intensity of the portfolio	✓ Incorporation and monitoring of metrics: Intensity of carbon emissions of the portfolio (including Scope 3 as a novelty) and monitoring of key metrics
• Exposure to key physical risk indicators	✓ Incorporation of additional monitoring metrics (Warming potential, Low warming potential and climate VaR)

All these objectives are reviewed periodically and mainly seek a good performance of the Fund with the objectives of the Strategic Plan.



Employee pension plan

CAIXABANK