



MARKET DISCIPLINE
ESG RISKS
JUNE 2024

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1. Environmental, Social and Governance Risks (ESG)

In June 2021, the revision of the Capital Requirements Regulation (known as CRR II) has implemented requirements for the disclosure of environmental, social and governance risks (ESG risks) through Article 449a. This article obliges large institutions that have issued securities admitted to trading on a regulated market in any Member State to disclose, as of June 2022, information on ESG risks, including physical and transition risks.

In January 2022, the European Banking Authority (EBA) published the Recommendations and Requirements on Prudential Disclosures of ESG Risks (EBA/ITS/2022/01), pursuant to Article 449 of the CRR II.

These requirements were drawn up in line with other initiatives taking place at the European Union (EU) and on an international level, namely the recommendations issued by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation) and Regulation (EU) 2019/2089 amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris Agreement-aligned Benchmarks and sustainability-related disclosures for benchmarks.

Globally, reference bodies and regulators continue to publish various proposals and discussion papers on ESG.

In the last quarter of 2020, Caixa Geral de Depósitos began the formal process of drawing up the 21-24 Strategic Plan (SP21-24), under the guidance of the Board of Directors and whose implementation began promptly in 2021.

The SP21-24 embodies CGD's ambition to serve the financial needs of Portuguese families and companies, being present in their day-to-day activities and supporting their medium-to-long-term projects, being committed to service excellence and simplicity to the customer, delivering innovative solutions and value-added solutions.

The definition of the "Sustainability and Social Impact" vector as one of the six pillars of action of the SP21-24 has contributed to a transversal integration of the ESG (environmental, social and governance) concept into CGD's activity. This process is supported by the development of specific internal policies, the investment in the internal and external training of employees and the existence of an internal governance model that allows an efficient and effective approach to the respective risks and opportunities.

This pillar is implemented through the 21-24 Sustainability Strategy¹, made up of five strategic axes that are streamlined through a progressive and dynamic action plan that includes the participation of various internal structures:

- Sustainable and Inclusive Finance;
- Climate Risk Management;
- Equity, Digital and Financial Inclusion;
- Transparent Governance Models;

¹ For more information, see chapter "4.7 – 2021-2024 Sustainability Strategy" of the 2023 Sustainability Report, included in CGD's 2023 Annual Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

➤ Disclosure of Sustainability Information.

Figure 1 | Sustainability Strategy 2021-2024



The initiatives developed under the 2021-2024 Sustainability Strategy, as a workstream of SP21-24, are subject to a monthly status report to the Executive Committee, a regular report to the Board of Directors and a quarterly report to the Governance Committee and the Sustainability Committee – the latter being an advisory body to the Executive Committee, chaired by the Chief Executive Officer and composed of the Director responsible for ESG, the Chief Risk Officer, a Director responsible for the commercial area and top managers from different corporate areas.

Caixa has a set of internal policies and regulations² that guide its actions in incorporating risks and opportunities inherent to sustainability into risk management and strategic planning processes, namely:

- **Sustainability Policy:** defines the governance model, guiding principles and specific activities, as well as the main actors and their respective responsibilities in the management of Sustainability at CGD and at the Group Entities covered.
- **Sustainable Finance and Energy Transition Policy:** establishes a set of principles and general rules that must be observed in the context of sustainable finance at CGD and at the Group Entities and contributes to the achievement of the objectives of the Paris Agreement and the United Nations' Sustainable Development Goals, as well as responding to international commitments such as the Principles for Responsible Banking and the Net-Zero Banking Alliance.

² For more information, see the subchapter "4.5.1 – ESG policies and other corporate documents" of the 2023 Sustainability Report, included in CGD's 2023 Annual Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

- **Climate Risk Management Policy:** establishes the governance model, the principles of replicability and auditability, and overall describes the organization and processes associated with the management of climate and environmental risks. It is transposed by the CGD Group entities that are part of the prudential supervision perimeter.
- **Diversity, Equity and Inclusion Policy:** establishes the principles applicable to Diversity, Equity and Inclusion (DEI) for CGD Employees and CGD Entities, and defines the diversity objectives and goals of balanced representation between women and men in CGD's Management and Supervisory Bodies.

Additionally, CGD subscribes to and is part of a set of commitments, associations and working groups³ that enhance its actions in terms of sustainability and allow it to create mechanisms and tools to respond to existing challenges.

In 2024, CGD began implementing a set of core initiatives with the aim of strengthening its performance in ESG risk management, namely:

- Adaptation of reporting requirements in alignment with the Corporate Sustainability Reporting Directive, identifying priority topics for the bank through a double materiality analysis (impact perspective and financial perspective);
- ESG Expansion Plan for the entire CGD Group, in order to transpose and promote alignment in all geographies where the Group operates;
- Definition of the new Sustainability Strategy, aligned with the main benchmarks and expectations of the bank's stakeholders.

³ For more information, see the subchapter "4.5.2 – Commitments adopted" and "4.5.3 – Working groups" of the 2023 Sustainability Report, included in CGD's 2023 Annual Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>.

1.1 Environmental Risk




1.1.1 Business Strategy and Processes

Strategic approach

In terms of integrating environmental factors and risks into CGD's strategy and business model, it is important to highlight the "Sustainable and Inclusive Finance" and "Climate Risk Management" pillars of the 21-24 Sustainability Strategy.

The development of the 21-24 Sustainability Strategy was based on the definition of a sustainability materiality matrix identifying nine topics considered relevant to CGD's stakeholders, namely "Finance the low-carbon economy", "Sustainable management of operations in the value chain" and "Environmental risks and climate action", which directly contribute to environmental risk. The methodological approach was based on an analysis of the main trends, sector guidelines, impact assessment tools and stakeholder consultation.

Figure 2 | Topics resulting from the sustainability materiality matrix

	Financing the low-carbon economy: Financing the transition to a climate neutral impact economy in a fair and inclusive way.
	Sustainable of operations in the value chain: Promoting the development of projects and initiatives that contribute to reducing the environmental impact associated with Caixa's operations, influencing the value chain.
	Environmental risks and climate action: Ensuring an efficient climate risk management and the incorporation of ESG factors into financing and investment policies and analyses.

Legislation around ESG risks is witnessing significant regulatory activity, with the main objective of defining a framework that encourages the transformation to a sustainable economy. In this sense, banks play a key role in channeling resources towards sustainable investments.

In this context, the European Central Bank (ECB) published, in 2020, the final version of the "Guide on climate-related and environmental risks" which explains how banks should manage and disclose climate and environmental risks in a transparent manner, based on prudential rules.

CGD has thus drawn up a Corporate Policy for the management of climate and environmental risks, which was published in July 2023. This policy establishes guidelines and procedures for the identification, assessment and management of these risks, in order to ensure and strengthen the sustainability and resilience of the institution.

The purpose of the Corporate Policy for the management of climate and environmental risks is to establish clear guidelines for the management of these risks. Among others, the policy defines the scope of application, the principles for managing climate and environmental risks, the governance model, including the responsibilities of the three lines of defense, the procedures for identifying and assessing these risks, the integration of climate and environmental issues into business processes and risk appetite. In addition, the policy establishes monitoring and reporting procedures to ensure transparency and effectiveness in the management of these risks.

This policy addresses applicable prudential regulations and the expectations of supervisors and regulators, considering internationally recognized practices in terms of climate and

environmental (C&E) risk management. The established procedures are part of the general risk management framework, namely CGD Group's risk assessment framework and risk appetite framework, stress test exercises and the Internal Capital Adequacy Assessment Process (ICAAP).

Climate goals and net-zero ambition

CGD ensures that its business and activity evolve in parallel with the main challenges, benchmarks and emerging issues in terms of climate and environmental risk management, highlighting its adherence to the Net-Zero Banking Alliance (NZBA) commitment, an initiative promoted by the United Nations Environment Program Finance Initiative (UNEP FI), which aims to foster carbon neutrality by 2050 in the financial system through an approach consistent with the Paris Agreement.

As part of CGD's public sustainability commitments, CGD integrates decarbonization targets into its strategic planning. This includes medium to long-term objectives that aim to maintain investment in key areas for the development of Portuguese society as well as contributing to the promotion of ESG and sustainability strategies.

Based on the commitments made, the Bank defined financed emission reduction targets for the sectors identified as most carbon-intensive. In an initial phase, in July 2023, reduction objectives were defined for the cement manufacturing, electricity production and commercial real estate activity sectors in Portugal.

Considering that the ambition is transversal to all of CGD's activities, the objective of reducing by 42% by 2030, compared to 2021, was also defined for its own operations (scope 1 and 2) in Portugal.

Figure 3 | Carbon emission reduction trajectory for own operations

Own operations (perimeter of CGD S.A., Portugal)

Emission Scope	Starting point 2021	Metric	Benchmark Climate Scenario ⁽¹⁾	Target for 2030
Scope 1 and 2 (location-based)	8 410 tons CO ₂ eq	Absolute	SBTi 1.5 – Absolute Contraction Approach	-42% 4 878 tons CO ₂ eq

Figure 4 | Carbon emission reduction trajectory for Financing Activities⁴

Financing activities (perimeter of CGD S.A., Portugal)

Activity sector	Emission Scope	Starting Point 2022	Metric	Benchmark Climate Scenario ⁽¹⁾	Goal for 2030
Electricity Generation Corporate	Scope 1 and 2	0.149 ton CO ₂ eq/MWh	Relative intensity	SBTi 1.5 – Energy SDA (Corporate)	-71% 0.043 ton CO ₂ eq/MWh
Electricity Generation Project Finance	Scope 1	0.305 ton CO ₂ eq/MWh	Relative intensity	SBTi 1.5 – Energy SDA (Project Finance)	-71% 0.088 ton CO ₂ eq/MWh
Cement Manufacturing	Scope 1 and 2	0.841 ton CO ₂ eq/cement ton	Relative intensity	SBTi 1.5 – Cement SDA	-21% 0.665 ton CO ₂ eq/cement ton
Commercial Real Estate Residential segment	Scope 1 and 2	0.011 ton CO ₂ eq/m ²	Relative intensity	SBTi 1.5 – Commercial Real Estate SDA	-53% 0.005 ton CO ₂ eq/m ²
Commercial Real Estate Service segment	Scope 1 and 2	0.059 ton CO ₂ eq/m ²	Relative intensity	SBTi 1.5 – Commercial Real Estate SDA	-64% 0.021 ton CO ₂ eq/m ²

In accordance with the Market Discipline guidelines (Pillar III), in June 2024 requirements came into force that require the financial sector to publish objectives for reducing emissions financed at a prudential level.

CGD defined intermediate carbon reduction objectives (to be achieved in 2026) and published the distance to 2030 according to the International Energy Agency Net Zero Emissions 2050 (IEA NZE 2050) scenario for the prudential perimeter. These objectives focus on the most representative sectors of the portfolio eligible for reporting: electricity production, fossil fuels, air transport and cement manufacturing.

Figure 5 | Carbon emission reduction trajectory for financing activities (Prudential perimeter)⁵

Sector of activity	Scope Emissions	Starting Point 2023	Metrics	Benchmark Climate	Distance to IEA NZE 2050
Electricity Generation Corporate	Scope 1 and 2	155,03 g CO ₂ eq/kWh	Relative intensity	IEA NZE 2030	-30% 222,7 g CO ₂ eq/kWh
Fossil fuels	Scope 1, 2 and 3 (Cat11)	71,62 kg CO ₂ eq/GJ	Relative intensity	IEA NZE 2030	33% 53,69 kg CO ₂ eq/GJ
Air transport	Scope 1 and 2	111,1 g CO ₂ eq/kWh	Relative intensity	IEA NZE 2030	31% 84,86 g CO ₂ eq/kWh
Cement Manufacturing	Scope 1 and 2	663,3 kg CO ₂ eq/ton cimento	Relative intensity	IEA NZE 2030	47% 450,7 kg CO ₂ eq/ton cimento

⁴ Scope: Loan items (CGD, S.A. perimeter, Portugal)

⁵ Scope: All items in the banking portfolio that cover a) loans and advances; b) debt securities; c) equity instruments (Prudential perimeter)

As part of the disclosures to be made under the European Taxonomy Regulation (EU Regulation 2020/852), in 2024 CGD reported⁶ their degree of eligibility and alignment in accordance with the guidelines established by the European Commission.

Aware of the commitment that financial institutions must make in pursuing the Sustainable Development Goals (SDGs) and the 2030 Agenda, CGD defined a set of quantitative and qualitative Goals⁷ that contribute to the achievement of the SDGs (11, 13, 16 and 17) identified as priorities for the Bank according to their contribution and potential impacts:

Figure 6 | Sustainable Development Goals



Additionally, for greater detail, please see the monitoring metrics of the Risk Appetite Statement (RAS), referring to the 2024 financial2024, presented in the risk management subsection.

Sustainable finance

As stipulated in its strategy, CGD aims to become a leader in sustainable finance through its financing and investment activities. Considering that this is a topic with implications and impacts at different levels (internal and external), CGD has been developing a holistic approach supported by mechanisms, processes and regulations that aim to provide a more

⁶ For more information on the Taxonomy exercise, please see chapter “4.12 – Disclosure of sustainability information” of the 2023 Sustainability Report, integrated in CGD’s 2023 Annual Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

⁷ For more information, see chapter “4.6 – Sustainable Development Objectives” of the 2023 Sustainability Report, integrated in CGD’s 2023 Annual Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

sustainable, personalized offer that allows for strengthening mitigation and adaptation to climate change:

- The Principles of Exclusion and Sectoral Limitation⁸ establish the principles underlying activities and projects that are excluded, or restricted under certain conditions, from CGD's credit policy.
- The Sustainable Finance Framework⁹ (aligned with the Green Bond Principles and Sustainability Bond Guidelines) provides investors with detailed information about CGD's sustainable financing strategy and sustainability commitment. The document also includes technical criteria in accordance with the European Union Taxonomy Regulation;
- CGD's Sustainable Finance and Energy Transition Policy defines a set of principles that guide the development of the commercial approach at a tactical level, capable of mobilizing capital flows and financing options for the development of a more sustainable and inclusive economy.
- The Product Governance, Approval and Monitoring Policy establishes the principles, strategies, functions and internal processes intended for the creation and/or distribution of products on the market, with the aim of ensuring that they fit into the CGD Group's strategy and respect the risk appetite defined by the Board of Directors. It further aims to ensure that the interests, objectives and characteristics of customers are taken into account, so that they are not adversely affected, as well as minimizing potential conflicts of interest.

Considering the guidelines described in the aforementioned processes, CGD is committed to developing customized sectoral business approaches aligned with the transition needs of its customers:

⁸ For more information, see the Sectoral Exclusion and Limitation Principles, available at: https://www.cgd.pt/Sustentabilidade/Visao/Documents/CGD-Lista-Exclusao_CE_PT_Dsc.pdf

⁹ For more information, see CGD's Sustainable Financing Framework, available at: <https://www.cgd.pt/English/Investor-Relations/Debt-Issuances/Prospectus/Documents/CGD-SustainableFinanceFramework.pdf>

Figure 7 | Sectoral Business Approaches

Customer Prioritization	The categorization of companies and financing opportunities results from an integrated analysis of their ESG development and financing, which will reflect the current positioning of companies in their transition path and will define Caixa's approach as a financier. The approach may be maintenance, expansion or limitation
Maintenance	A concerted approach to support current customers in improving the environmental performance of their activities: <ul style="list-style-type: none"> - Investing in debt conversion and specialized financing - Interaction and monitoring in the development and implementation of transition plans - Financing for conversion and transformation of assets
Expansion	An approach based on financing opportunities for new customers or increasing exposure to current customers focused on activities with positive environmental performance and low carbon intensity
Limitation	An approach based on financing opportunities for new customers or increasing exposure to current customers focused on activities with positive environmental performance and low carbon intensity

Engagement and evaluation of counterparties

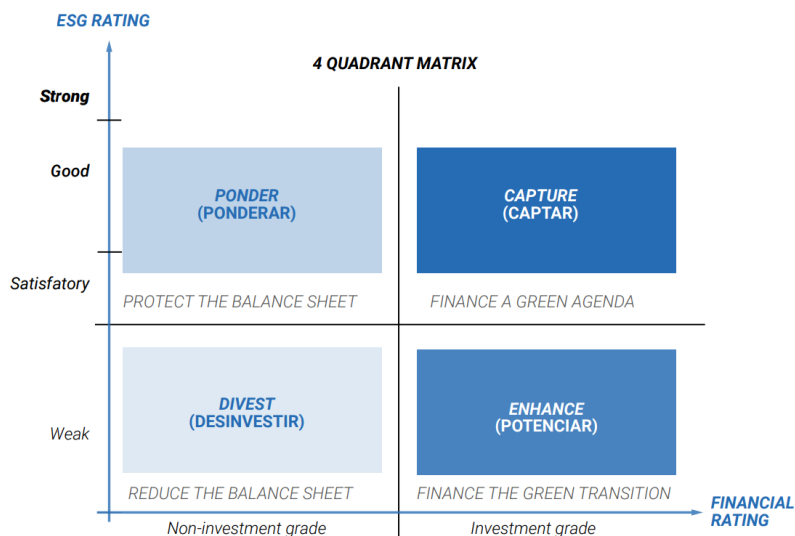
In 2021, in order to assess its customers' engagement with ESG topics, based on their maturity and ambition in terms of climate risk management, CGD defined and implemented a new risk assessment methodology, called ESG Rating, which evaluates its counterparties' ESG criteria and allows their integration into decision-making processes.

The ESG Rating model aims to complement financial rating information, considering non-financial aspects, although equally important in terms of risk impact and viability, contributing to a prospective view of the economic and financial situation of companies and consequently to a holistic and robust risk management. The ESG Rating is, to a certain extent, a preview of the evolution of the financial rating, considering that, from a medium-term perspective, non-financial risks (environmental, social and governance) will be expressed in the companies' balance sheet and income statement.

The ESG rating aims not only to contribute with inputs to regulatory obligations, but also, and with equal importance, to integrate these criteria into the decision-making and credit granting processes for companies, not only fostering better risk management, but also enhancing returns that are more resilient to ESG risks in the long term.

The ESG Rating developed by Caixa evaluates and weighs several environmental factors specific to the counterparty. This assessment supports the prioritization and differentiation of commercial action depending on the customers' risk level, contributing to a holistic and integrated view of risk in decision-making processes.

Figure 8 | ESG Rating



With the aim of ensuring the maximization of value for the various stakeholders, one of the objectives of the ESG Rating, is to reinforce the customer-centric vision, creating opportunities for dialogue and awareness between commercial areas and companies, providing advice and anticipating needs, in order to better support companies in the transition process to a greener, more inclusive and more responsible economy.

CGD’s ESG Rating covers approximately 400 thousand companies and around Eur 23 Bn bank credits and is composed of 3 dimensions, including the environmental one, which integrates the following components:

Figure 9 | Components of the environmental dimension of the ESG Rating

Components	
Rating Physical Risk	Regional physical climate risk – assesses physical risks at the municipality level (floods, urban and coastal flooding, earthquake, landslide, tsunamis, volcanic phenomena, water scarcity, extreme heat and fires)
	Activity risk – assesses sectoral climate sensitivity
	Country risk – assesses physical climate risk at country level
	Company risk – assesses the greater or lesser flexibility of the company to face the physical risks inherent to its location or sector of activity in which it operates
Rating Transition Risk	Greenhouse gas emissions for Portugal and by sector
	Variation of carbon intensities (scope 1, scope 2 and scope 3)
	Energy expenses
	Investment in research and development

It should be noted that, in addition to calculating the ESG Rating as a whole, each dimension and each component are also calculated independently, with this information being available for consultation and inclusion in credit granting decisions by the commercial and risk areas in their respective credit decision platforms.

A new version of CGD's ESG Rating was developed in 2023, which includes new indicators, such as water consumption, waste treatment and the impact of carbon pricing on gross value added by sector. This new version was implemented on March 28, 2024.

The contribution of the information collected and processed in the ESG Rating can help to evaluate the company's current position with regard to the environmental dimension and provide input on what can be improved in order to increase its performance and, consequently, access more advantageous options when subscribing to Caixa's financial products dedicated to the transition to a greener, circular and more inclusive economy.

1.1.2 Governance

Relevant bodies

The Risk Management Function at the CGD Group is supported by a governance model that aims to respect best practices in this matter, as explained in the "Guidelines on Internal Governance under Directive 2013/36/UE" (EBA/GL/2021/05), and ensure solidity and effectiveness in the system for identifying, measuring, monitoring, reporting and controlling the various risks incurred by the Group.

To ensure the effective engagement and discussion of the climate and environmental risk management model at CGD, the Bank's Board of Directors (BoD), management and relevant committees established the following governance structure.

The BoD defines, supervises and is responsible, within the scope of its respective competencies, for the application of governance systems that guarantee effective and prudent management, including the separation of functions within the organization and the prevention of conflicts of interest.

The BoD, supported by the Risk Committee (RC) and the Audit Committee (CAUD), establishes the risk appetite, which is implemented by the Executive Committee (ExCo) with the support of the Risk Management Division (DGR) and the control and business areas. The BoD is also responsible for aligning risk appetite with the bank's strategic priorities for sustainable financing and climate action.

CGD's current management is delegated by the Board of Directors in the Executive Committee. The Executive Committee is responsible for CGD Group's overall risk management, namely managing and implementing risk appetite, monitoring risk metrics and ensuring consistency between risk appetite and corporate strategy for sustainable financing and climate action.

The Governance Committee (GC) ensures compliance with the principles of internal governance and the assessment of sustainability strategies and policies, proposing to the BoD guidelines on sustainability, and social and environmental responsibility. Its competencies include, among others:

- Proposing to the BoD guidelines on social responsibility, sustainability and environmental protection;

- Monitoring the definition of the Corporate Sustainability Strategy and its implementation, the development of global policies and trends – existing and emerging – and the best practices internal and external to the CGD Group, namely sustainability matters associated with governance, compliance, culture, and human resource development, and their respective incorporation into business units;
- Monitoring initiatives in terms of Sustainable Finance and proposing subsequent guidelines to be analyzed by the Board, considering the assessment of ESG criteria, in order to increase awareness and transparency about governance that can impact CGD's stability, in terms of investments and financial services provided.

The RC monitors the management policies concerning all risks pertaining to the CGD Group's activity, including climate and environmental risks, namely internally adopted risk measurement and own funds calculation models, as well as Community Directives and guidelines from the Bank of Portugal and the European Central Bank on this matter. As part of its functions and responsibilities, it analyzes, among others, the reports presented by DGR on climate and environmental risks. The RC is also responsible for monitoring the management policies of all financial and non-financial risks inherent to CGD's activity, particularly with regard to climate and environmental risks.

The Sustainability Committee (CSU) is the ExCo's advisory body that supervises management and guides decisions regarding the implementation of the Sustainability Strategy, incorporating the principles of sustainable development, responsible banking and sustainable finance into CGD's current operations, in alignment with the Institution's Strategic Plan and its stakeholders' expectations. The CSU operates from a corporate perspective, covering the CGD Group's Branches and Subsidiaries. Within the scope of its competencies in what concerns climate-related and environmental (C&E) risk management, the following stand out:

- Monitoring the development and implementation of CGD Group's strategic guidelines for climate action;
- Reviewing CGD Group's climate position statements and carbon neutrality commitments, including climate commitments in more carbon-intensive sectors;
- Monitoring and streamlining the implementation of the business strategy and key policies related to climate change and C&E risks;
- Promoting the alignment of sustainable financing with the mitigation of C&E risks;
- Monitoring and promoting the implementation of measures to mitigate and adapt to C&E risks;
- Monitoring and promoting the measurement of the carbon footprint, pricing mechanisms and transition plans;
- Monitoring and promoting the measurement, management and reduction of financed emissions;
- Monitoring and promoting actions for the good performance of C&E targets and KPIs;
- Debating and proposing strategies for integrating the results of climate stress testing exercises and scenario analyzes into the CGD Group's business strategy;

- Monitoring and promoting the development of action plans in response to regulator and supervisor requirements;
- Debating and promoting the integration of climate and ESG aspects into the main business lines, internal processes and regulations of the CGD Group;
- Monitoring documents and reports on CGD's exposure and performance with regard to C&E risks.

Lines of defense

CGD's climate and environmental risk management model is supported by a coordinated intervention framework between the three lines of defense.

Responsibility for the first line of defense is transversal to the entire organization and includes the participation of various CGD structural bodies., which are responsible for ensuring the daily performance and supervision of risk management and internal control procedures. These structural bodies must also identify, assess, control and mitigate risks, by monitoring the development and implementation of internal policies and procedures, in order to ensure that the objectives proposed for the activities carried out are achieved. In this context, the Corporate Support Division (DSC) plays a key role in the oversight of the BoD.

Risk management, as a second line of defense, is carried out centrally and supported by a dedicated structure, the Risk Management Division (DGR), under the responsibility of the Chief Risk Officer, who carries out functions in the area of management and control of the Group's financial and non-financial risks, aiming at stability, solvency and financial solidity, guaranteeing the functions of identification, assessment, measurement, monitoring, control and reporting of the risks to which the CGD Group is exposed and the way they are interconnected. Thus, the coherent integration of these risks' partial contributions can be ensured, guaranteeing that they remain at the risk appetite level defined by the Board and that they will not significantly affect the financial situation of the institution, continuously ensuring compliance with external standards and legal and regulatory requirements in this regard.

Additionally, the Compliance Division (DC), also as a second line of defense, is responsible for ensuring that compliance risks arising from climate and environmental risks are duly considered and effectively integrated into all relevant processes. DC focuses on advising management on climate and environmental issues arising from legislation and regulation.

The key pillars in monitoring compliance with climate and environmental risks are the following:

- **Establishment of Continuous Internal Monitoring Procedures:** CGD Group has implemented a structured process to monitor compliance with relevant C&E risk regulations and supervisory expectations on an ongoing basis. This framework is designed to be responsive to evolving regulatory requirements, incorporating preventive, detective and corrective controls that facilitate a proactive approach to climate-related compliance challenges.
- **Maintenance of a Centralized Repository of C&E Risk Regulations:** To strengthen regulatory oversight, the CGD Group requires the collection and maintenance of all relevant C&E regulations in a centralized and easily accessible

local repository. This repository serves as a single source of truth for regulatory guidance, enabling informed decision-making, efficient compliance audits, and rapid adaptation to regulatory changes.

- **Update of Relevant C&E Regulations and Integration into Internal Processes:** The CGD Group is committed to ensuring that all applicable regulations under current C&E risk legislation are consistently updated. This initiative supports the alignment of internal policies with evolving regulatory standards, enabling the Group to effectively respond to new legal requirements and changing supervisory expectations. These updates are essential to meeting immediate compliance needs while supporting long-term strategic objectives, including reducing exposure to environmental risk and facilitating a sustainable transition.
- **Facilitation of Effective Supervision and Reporting Mechanisms:** The Local Compliance Division regularly reports to the CGD Group Entity's governing bodies, providing critical information on adherence to S&E regulations and identifying emerging risks that may affect the institution's environmental and climate commitments. This oversight mechanism ensures that the governing bodies remain informed about compliance levels, enabling them to adjust risk tolerance as necessary and strengthen the organization's resilience to evolving C&E risk scenarios.

The Internal Audit Division (DAI) is responsible, as a third line of defense, for monitoring and evaluating the risk management and internal control actions of the first and second lines of defense.

The third line has carried out a set of its own initiatives in order to respond to the integration of climate and environmental risks within the CGD Group. It is important to highlight the inclusion of the sustainability component in the Internal Audit mission, the development of training programs and certification programs for Internal Audit teams and the inclusion of various work streams concerning this matter in the Audit Plan.

Environmental criteria in variable remuneration

In 2023, the CGD Group's Employee Remuneration Policy¹⁰ and the Remuneration Policy for Members of CGD's Management and Supervisory Bodies¹¹ were revised with the aim of incorporating ESG criteria and, in this way, promoting alignment with the bank's strategy. ESG performance is assessed through seven indicators of an environmental, social and governance nature, highlighting, among others, the following environmental metrics:

- Score in the CDP Climate Change Questionnaire;
- Definition of emission reduction objectives in different sectors of activity and geographies of the Group;
- Exposure of the portfolio rated with the ESG Rating Model;

¹⁰ For more information, see the CGD Group Employee Remuneration Policy, available at: <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Documents/Politica-Remuneracoes-Colaboradores.pdf>

¹¹ For more information, see the Remuneration Policy for Members of Caixa's Management and Supervisory Bodies, available at: <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Remuneracoes/Documents/Politica-de-Remuneracoes-Orgaos-Sociais-CGD.pdf>

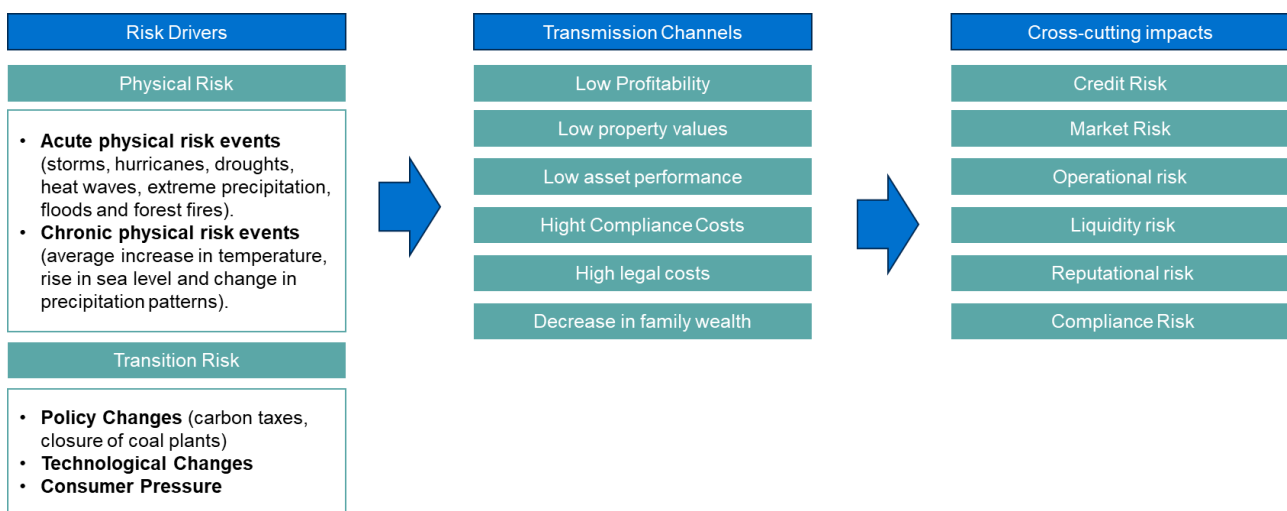
- Rate of achievement of initiatives and deliverables related to the implementation of the ECB Guide on Climate-related and Environmental Risks.

1.1.3 Risk Management

In 2024 CGD reviewed its risk taxonomy where classified Climate and Environmental (C&E) risk as a level 1 risk category, with 3 specific sub risk categories named Climate Transition Risk, Climate Physical Risk, Biodiversity and Other Environmental Risks.

Through this taxonomy, CGD recognizes the growing importance of these risks, maintaining the view that they have a transversal impact on the Group's risk profile, covering other existing risk categories (commonly referred to as cross cutting risk).

Figure 10 | Drivers, transmission channels and cross-cutting impacts of climate and environmental risk



This category includes the analysis of the materialization of negative impacts on results or capital, stemming from climate change and environmental degradation that affect the economic system and economic activities, natural and human systems, and regions.

The specific management model for these risks was implemented at CGD, based on a set of pillars that allow the identification, assessment, monitoring, mitigation and reporting of climate and environmental risks. This model aims to improve the adaptation and resilience of CGD's business model in the face of the potential impacts and magnitudes of climate and environmental risks.

Consequently, a short, medium and long-term approach was developed, due to the uncertainty regarding the timeframe for the manifestation of these risks, which appears to be long-term, but depends on short-term actions for the adaptation and mitigation of climate change.

The C&E risk management model is led by the guidelines and objectives that are part of the CGD Group's climate and environmental risk appetite and integrates, in an adjusted manner, the climate and environmental objectives of each geography in which the CGD Group operates. The following are the key pillars for identifying, monitoring and managing climate risk:

- **Business Environmental Scanning (BES):** Aimed at identifying the main climate risk factors. This study evaluates the political, economic, social, technological, legal and environmental dimensions. Based on a PESTEL approach, it allows Caixa to identify the main risk factors that impact the bank in the short, medium and long term.
- **Materiality assessment:** Aimed at identifying concentrations and vulnerabilities, this assessment seeks to identify the impact of risk drivers considered material on BES, in the short, medium and long term, and on traditional risks. Through an exhaustive assessment of climate risk transmission channels for traditional risks, the most material scenario-based portfolios are identified. This analysis is carried out for the various portfolios, sectors and geographic areas where CGD operates, both for climate risk and other environmental risks
- **Stress Test:** Designed to evaluate potential impacts, based on the results of the Materiality Assessment. This tool aims to assess climate and environmental risks and their respective impacts in the short, medium and long term, both in terms of transition risks, referring to the institution's financial losses resulting directly or indirectly from the process of adjusting to a low-carbon economy, in terms of the level of physical risks arising from the financial impact of climate change, including the more frequent occurrence of extreme weather events, as well as gradual climate change and environmental degradation. This tool is also used in budgeting and capital adequacy exercises.
- **Limits and Monitoring of Climate and Environmental Risk:** Intended to monitor climate and environmental risk. Taking advantage of the scenarios used in the stress test and the concentrations identified in the risk assessment, risk exposure is assessed in relation to the limits established by the bank in its risk appetite. The climate risk dashboard integrates short, medium and long-term scenarios, monitoring:
 - KRIs related to the business strategy, monitoring performance in terms of emission reduction, in accordance with the objectives undertaken in the transition plan.
 - Counterparties with the most relevant exposures that contribute to or condition CGD's progress in meeting its long-term objectives and business strategy for climate and environmental risks.
 - KRIs for different transition trajectories, based on long-term scenarios, assessing risk exposures in different scenarios and time horizons.

The C&E risk management model is led by the guidelines and objectives contained in the CGD Group's climate and environmental risk appetite and integrates the following components, duly adjusted to the climate and environmental objectives of each geography in which the CGD Group operates:

- Risk identification and assessment exercise, including scenarioizing components;
- Integration into the business strategy;
- Assessment and quantification of risk;
- Periodic monitoring and provision of information.

This process is detailed in the Corporate Climate and Environmental Risk Management Policy, approved by the Board of Directors, and was transposed by the CGD Group entities in 2023. The Policy defines the principles and governance model for climate risk management, namely the responsibilities of the three lines of defense, the procedures for identifying and evaluating climate risks, the integration of their factors into business processes, which are intrinsically related to business strategies and risk appetite and, finally, monitoring and communication procedures.

Materiality assessment:

The CGD Group has implemented a process to identify the Group's risk profile, which is carried out in annual cycles and is based on the CGD Group's risk taxonomy, in order to assess and inventory the risks that are a matter of concern.

The process is structured in two phases, the first phase being a self-assessment of the risk by Caixa and the Group's entities, and the second phase being the determination of the CGD Group's risk profile based on the results of the self-assessment of all entities participating in the process.

This exercise applied to climate and environmental risks culminates:

- a. with the recognition of the dynamics between climatic and environmental risk factors and traditional risks;
- b. in quantifying the materiality of climate and environmental risks;
- c. in the identification of risks that require additional monitoring and control measures and in the integration of results into subsequent processes, namely, ICAAP, the risk appetite framework, internal stress testing exercises and the definition of a corporate strategy.

The process of identifying and assessing climate and environmental risks is linked to a risk assessment that cuts across the entire CGD Group, employing both quantitative and qualitative factors, and also to an assessment of the effectiveness of related controls.

This process covers short, medium and long-term time horizons and comprises an analysis of how climate and environmental risks influence different risk categories, including liquidity risk, credit risk, operational risk, market risk, reputational risk and any other materially relevant risks in terms of own funds.

The assessment of climate and environmental risk also includes the analysis of the concentrations that C&E risks may generate at the level of different risk categories; the analysis of different risk drivers, namely transition risk drivers and physical risk drivers, including the vulnerabilities of economic (sub)sectors, as well as the operational and physical locations of the institution and its customers and counterparties and also information on the results of other exercises such as stress tests, ICAAP and the Internal liquidity adequacy assessment process (ILAAP), whenever applicable. The long-term risk assessment includes an analysis of the climate and environmental risks to which the CGD Group is exposed beyond the typical activity planning horizon, i.e., more than 5 years and at least until 2050, in line with commitments in terms of public policies towards the transition to a more sustainable economy, in order to assess the resilience of the current business model in the face of a set of plausible future scenarios, which are relevant for estimating climate and environmental risks.

To assess the risk materiality, CGD established 4 specific materiality intervals, based on the estimated impacts on capital.





The overall outcome of the assessment of the CGD Group's risk profile, carried out in 2024 shows that climate risk is considered “somewhat material” in the short term due to the compliance risk in entities located in Europe, with the increase in the number of regulations. In the medium and long term, gross materiality is also assessed as “somewhat material”, on the one hand, due to the increase in the frequency and intensity of physical events, especially in countries such as Macau and Mozambique, and, on the other hand, due to the increase expected in production costs due to the transition to greener production models.

Biodiversity risks and other environmental risks were assessed as non-material in all entities, due to lower exposure to companies which depend on or materially impact biodiversity sectors, except in Angola, where they are recognized as "somewhat material" in the long term, due to the dependence of the economy and the concentration of the entity's sectors.

Risk management, control and governance is considered "adequate" due to the level of maturity in biodiversity risks and other environmental risks, acknowledging the importance of considering these factors in CGD’s mission.

The following table summarizes the results of the assessment of transition risk and physical risk in the short, medium and long term.

Figure 11 | Materiality of transition risk and physical risk

	Climate Risk						Biodiversity and other environmental risks					
	 Physical risk			 Transition risk			 Physical risk			 Transition risk		
	Short Term	Medium term	Long Term	Short Term	Medium term	Long Term	Short Term	Medium term	Long Term	Short Term	Medium term	Long Term
Credit risk	Not material	Not material	Not material	Not material	Somehow material	Somehow material	Not material	Not material	Not material	Not material	Not material	Not material
Market Risk	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material
Liquidity Risk	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material
Operational Risk	Not material	Not material	Somehow material	Not material	Not material	Somehow material	Not material	Not material	Not material	Not material	Not material	Not material
Other Risks	Not material	Somehow material	Somehow material	Somehow material	Somehow material	Somehow material	Not material	Not material	Not material	Not material	Not material	Not material
Materiality by time horizon	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material	Not material
Global gross materialism	Somehow material	Somehow material	Somehow material	Somehow material	Somehow material	Somehow material	Not material	Not material	Not material	Not material	Not material	Not material

Not material
 Somehow material
 Very material
 Critical

Medium and long-term impacts are expected on credit risk, compliance and reputational risk, which were considered “somewhat material” at CGD. Operational Risk was also considered somewhat material, but only in the long term.

The scope of climate risk models includes the identification and assessment of the Bank's most relevant portfolios in terms of exposure, risks and opportunities. Therefore, after the climate risk assessment, the effect is translated into macroeconomic variables that affect CGD's portfolios and overall financial results.

To identify and assess transition risk and physical risk, CGD uses definitions and standard methodologies based on information from global organizations and initiatives within this scope such as TCFD, UNEP FI, Network for Greening the Financial System (NGFS), the Intergovernmental Panel on Climate Change and the Climate Financial Risk Forum, combined with expert judgment in this area and recommendations from the regulator. With regard to transition risk, additional data on the price of carbon emissions, energy prices, carbon emissions intensity, energy intensity, distance to objectives and, additionally, energy certificates (EPC) are needed.

The assessment of the impact of physical risk considers the identification and location of areas affected by the materialization of physical risk events¹² and the distribution of assets located in these areas, namely the location of companies and their assets and the location of properties that guarantee security operations. For this analysis, different drivers are also considered, namely acute risks, which refer to the impacts of the occurrence of extreme weather events such as fires, floods or storms, and chronic risks, associated with gradual changes in the climate, such as changes in temperature, precipitation, periods of drought and rising sea levels. The effects of physical climate risks can be transmitted to CGD directly through its activity or indirectly, namely through an increase in credit risk, operational risk and reputational risk, with possible distributional effects due to interconnections between economic agents.

Portugal is more prone to risks associated with forest fires and river flooding and has a tendency towards more intense extreme weather events such as heat waves and droughts. The increased severity of droughts, floods and forest fires is already having an impact on the population, as well as agriculture and the economy. The increase in wildfires is caused by heat waves, including reduced precipitation and drought. Furthermore, the lack of rain and high temperatures decrease soil moisture, causing a greater risk of fire. As temperatures and cases of drought continue to rise, forest fires will become even more frequent in Portugal. Likewise, increased droughts are becoming increasingly common.

The CGD Group's exposure to physical risk is more relevant to acute risks than to chronic risks. Particularly, in domestic activity, around 21% of the corporate credit portfolio is composed of companies located in areas sensitive to chronic risks and around 34% is composed of companies located in areas sensitive to acute risks.

The transition risk assessment considers structural changes in the economy, resulting from the reduction of GHG emissions. This process can reduce economic activity in some sectors, such as those linked to the production or use of fossil fuels, or more energy-intensive ones, where the increase in carbon or energy costs should directly affect their production costs and constitute a source of risk for CGD through the financing of these sectors. The climate transition process is transmitted directly to the economy through channels related to fiscal and regulatory changes, technological advances necessary for climate adaptation, changes in consumer preferences and reputational pressure. These factors can translate into economic impacts, such as the obsolescence of productive assets and their conversion costs to less polluting technologies, and significant variations in energy prices. The effects

¹²For the methodologies for identifying and evaluating the materialization of physical risk events, Caixa uses information sources and data providers specialized in these matters, namely the Taxonomy Regulation, the National Emergency and Civil Protection Authority and the ThinkHazard platform.

of the transition process are transmitted to CGD directly through its activity or indirectly, namely through an increase in credit risk, operational risk, compliance risk and reputational risk, with possible distributional effects due to the interconnections between economic agents.

The assessment of the impact of other environmental risks was considered in the process of assessing the CGD Group's risk profile. In this subcategory, transition risks are related to the shift to a more sustainable and low-carbon economy. These include risks associated with changes in environmental policy, such as environmental taxation and the elimination of environmentally harmful subsidies, as well as changes in market patterns and consumer preferences. Technological developments that promote energy efficiency and reduced emissions are also part of the transition risks, as is the need to adapt business practices to avoid environmentally harmful materials and comply with stricter regulations, including those related to animal testing.

In June 2021, the TNFD (Task Force on Nature-related Financial Disclosures) was launched in response to the growing recognition of the environmental crisis and the need to align economic activities with planetary boundaries. Its recommendations are structured and aligned with the Kunming-Montreal Biodiversity Agreement, which aims to protect and restore degraded ecosystems, both on land and at sea.

In 2023, during the calculation of financed emissions from CGD's portfolio, the sectors identified as most carbon intensive and with high dependence and impacts on biodiversity, water and forests were: forestry and forestry exploitation; fishing and aquaculture; extraction and preparation of metals.

As a public bank and one of the main players in the Portuguese financial system, CGD is directly and indirectly exposed to environmental risk. CGD's approach to climate and environmental change includes a "dual materiality" perspective, taking into account both the climate impact on CGD's activities and CGD's impact on the environment. As a financial institution, CGD is co-responsible for the environmental impacts of highly polluting industries or sectors.

Thus, biodiversity risk was identified and analyzed, and a top-down approach was developed to understand the concentration of exposure to non-financial companies (NFC) in sectors most harmful to biodiversity. A heat-map approach was developed, following the ENCORE methodology; thus, the level of dependence of each economic sector on natural resources was assessed.

CGD's Head Office does not have significant exposures with dependence or relevant impact on biodiversity and the type and size of corporate clients do not have a relevant impact in terms of environmental degradation, namely air, water and soil pollution, pressure on water resources, loss of biodiversity and deforestation.

Therefore, it is considered that the risk of biodiversity transition and other environmental risks are not material in all time horizons.

Mitigation

The existence of mitigators for climate and environmental risk in the bank's traditional risks makes it possible to reduce or circumscribe the potential impact of changes and reforms related to climate and environmental risk on CGD's business model and balance sheet.

In order to manage the process of identifying climate and environmental risk mitigants, CGD has instituted an annual inventory process. This process is carried out through questionnaires made available to the first and second lines.

The first lines, typically composed of managers and employees directly involved in daily operations, are responsible for identifying and reporting the risk mitigators currently in place. They provide detailed information on the measures being taken to mitigate climate and environmental risks in their respective areas.

The second lines, which include control functions such as risk management, review and validate the information provided by the first lines, thereby ensuring that the identified mitigators are effective and comply with both internal policies and external regulations.

This annual inventory process allows CGD to keep an up-to-date record of risk mitigators, identify gaps and areas for improvement, and ensure that mitigation strategies are aligned with the bank's sustainability and risk management objectives. Additionally, it facilitates communication and coordination between different divisions, promoting an integrated and proactive approach to managing climate and environmental risks.

i. Physical Risk Mitigants

- Business continuity plan: Immediate response measures in the event of operational disruption due to physical weather events.
- Property insurance [retail]: Due diligence that guarantees the coverage of residential real estate exposures (mortgages) by an insurance policy that contemplates the impact of physical risk events on the property.
- EIB/EIF Guarantees: Risk-sharing arrangements with the EIB/EIF, partially or fully covering potential default losses due to business interruption or loss of assets following physical events.
- Mutual Guarantees: Risk-sharing arrangements with mutual guarantee societies, partially or fully covering potential default losses due to business interruption or loss of assets following physical events.

ii. Transition Risk Mitigators

- EIB/EIF guarantees: Risk-sharing arrangements with the EIB/EIF, covering part or all of potential default losses due to business model obsolescence in a net-zero economy.
- Mutual Guarantees: Risk-sharing arrangements with mutual guarantee societies, partially or fully covering potential default losses due to business model obsolescence in a net-zero economy.
- Provisions on access to non-financial data: Contractual provisions that formally establish the bank's right to request non-financial information at source and on an ongoing basis.

Within the scope of the credit risk framework, CGD recognizes the existence of sectors of activity or projects that may be environmentally harmful or contribute negatively to

sustainable development. The Credit Risk Policy contains specific rules that ensure that environmental risks are properly identified and mitigated, namely through the Principles of Exclusion and Sectoral Limitation and the consideration of the ESG Rating in credit decision procedures.

Under the Principles of Exclusion and Sectoral Limitation, CGD limits financing to companies or projects with the following characteristics:

- Production or trade in any product or activity considered illegal in the country where the investment takes place, or is considered illegal under international regulations or conventions and agreements;
- Companies and activities involved in the unlicensed trade of wildlife or endangered species;
- Companies or projects that use scarce natural resources, whose exploration or extraction may cause a negative environmental impact and that do not comply with conditions defined in national or international regulations in this regard; and,
- Companies producing or transforming dangerous materials or substances restricted by national legislation, among others related to environmental, social and reputational risks.

Within the scope of the operational risk framework, CGD has implemented a methodology aimed at collecting and validating operational risk events and the respective losses (direct and indirect), recoveries and non-financial impacts, where, among others, strategic and business risks are considered, including climate and environmental issues.

CGD also considers climate and environmental risk when analyzing and evaluating the occurrence of physical risk events, as well as when considering physical risk and transition risk scenarios in the ICAAP. Within the scope of the Business Continuity Management System, a risk assessment is carried out annually, analyzing various types of events that could compromise the continuity of critical processes, their consequences and impact on the business, existing vulnerabilities and implemented controls.

In the identification stage, risk events grouped into environmental, technological, human and organizational risks that impact the resources that support CGD's critical processes, that is, facilities, information systems, human resources and suppliers, are considered. In terms of climate risks, the analysis is carried out at the level of the environmental event category, namely floods.

For other environmental risks, the Natural Capital Finance Alliance (NCFA) ENCORE sector classification tool is used.

Within the scope of the reputational risk framework, internal procedures are also provided for situations that may represent a reputational risk, which can be identified by any area/body within CGD's structure.

With regard to counterparties, there are situations that trigger a prior analysis of reputational risk, particularly when situations relating to non-compliance with environmental legislation or other applicable legal and regulatory provisions or controversies with the principles of balanced relationship with the environment and of sustainable development.

The conclusions of the analysis within the scope of reputational risk are incorporated into a risk opinion that is integrated into credit decision-making processes, namely by monitoring proposals in decision forums.

The identification of situations that may represent a reputational risk can also activate triggers that give rise to action plans to mitigate the risk.

In the context of outsourcing activities, the risk management function issues a reputational risk opinion prior to decision-making, or in the context of contract renewal, where environmental factors of suppliers are considered, such as non-compliance with environmental legislation or existence of controversies related to the principles of a balanced relationship with the environment and sustainable development.

CGD's approach to climate change encompasses a "dual materiality" perspective, taking into account not only the impact of climate change on CGD's activity, detailed above, but also CGD's impact on the environment. CGD recognizes that a relevant component of commercial business and investment initiatives arises from opportunities linked to the economy's climate and energy transition. At the same time, this business perspective supports the management of climate and environmental risks, in the sense that it promotes a reduction in transition risk in the CGD Group's balance sheet.

To this end, CGD uses strategies related to aligning the portfolio with the objectives of reducing financed carbon emissions.

Since 2021, CGD has been publishing information on climate and environmental risks in line with TCFD recommendations. These disclosures are included in an annex to the CGD Sustainability Report and contain more detailed information on the assessment methodologies and materiality of these risks¹³.

According to the EBA Report on the management and supervision of ESG risks for credit institutions and investment firms, one of the main challenges that financial institutions face in integrating ESG risks is the lack of sufficient data. In this sense, CGD is working to increase the granularity and quality of ESG data necessary for management, including, among others:

- i. Strengthening information relating to ESG contained in CGD's internal database, particularly in terms of the quality of data from energy certificates for residential and commercial properties, through the definition of internal targets
- ii. The collection and availability of customers' financed emissions, information that will be made easier in Europe with the recent entry into force of the CSRD regulation.
- iii. Improving the granularity and accuracy of information needed to assess physical risks.

To achieve these objectives, the following lines of work are being developed:

¹³ For more information, see Annex "D - Response to the recommendations of the Task Force on Climate Financial Disclosures (TCFD)" of the 2023 Sustainability Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>.

- i. Improve available internal ESG information.
- ii. Strengthen the customer registration and risk admission process.
- iii. Complement the information available through external suppliers.

Climate Stress Test

CGD has sought to develop skills in the identification, assessment, monitoring and management of climate and environmental risks, which will improve the resilience of the business model to the possible impact and magnitude of these risks. A forward-looking and long-term approach is especially important given the uncertainty regarding the time horizon for the manifestation of these risks, which appears to be longer term, but dependent on short-term action.

CGD, as the largest Portuguese banking institution, and aware of the growing importance of climate and environmental risks for society, supervisors and governments, seeks to incorporate best practices in the assessment, management and mitigation of this type of risk, having developed a Climate Stress Test tool.

This tool aims to assess climate and environmental risks and their impacts in the short, medium and long term, both in terms of transition risks, referring to the institution's financial losses that result directly or indirectly from the adjustment process towards a low-carbon economy, as well as physical risks arising from the financial impact of climate change, including the more frequent occurrence of extreme weather events, as well as gradual climate change and environmental degradation.

The stress test framework uses as a basis the results of materiality assessments of climate risks and other environmental risks to identify the main impacts due to climate transition risks, physical risks and other environmental risk factors in traditional risk categories. These drivers are then evaluated using the frameworks for each type of risk.

The relationship between environmental risks and the Bank's balance sheet, namely through credit, liquidity, market and operational risks, is disclosed through a risk matrix and short, medium and long-term scenarios, as well as through the impacts of transitional and physical risks.

The analysis of the different time horizons is carried out based on the different scenarios encompassed by the tool, allowing the assessment, in a prospective manner, of existing vulnerabilities and anticipating the taking of mitigating measures that prevent the materialization of negative impacts. The time horizons considered in the climate scenario analysis carried out include both the short term (1 to 3 years), the medium term (3 to 5 years) and the long term (more than 5 years).

Figure 12 | Materiality of physical risks and transition in climate scenarios

Potencial impacts - risk assessment of three transition scenarios per risk area over short, medium and long term
 Neste mapa são reportadas os potenciais impactos em P&L para cada risco e portfolio para cada cenário
 Scope: Group level

Risk/business area	"Orderly Transition" scenario			"Disorderly Transition" scenario			"Hot house" scenario		
	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term
Credit Risk									
Corporate	1	1	2	1	2	2	1	1	1
Mortgages	1	1	1	1	1	2	1	1	1
Market Risk	1	1	1	1	1	1	1	1	1
Operational Risk									
Liquidity Risk	1	1	1	1	1	1	1	1	1
Other Risk									
Reputational									
Compliance									
Others									
TOTAL									

Risk/business area	Transition risk			Physical risk		
	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term
Credit Risk						
Corporate	1	2	2	1	1	1
Mortgages	1	1	2	1	1	1
Market Risk	1	1	1	1	1	1
Operational Risk						
Liquidity Risk	1	1	1	1	1	1
Other Risk						
Reputational						
Compliance						
Others						
TOTAL						

Non-material impact	1
Somewhat material impact	2
Very material impact	3
Critical impact	4

The climate scenarios are based on information provided by the Network for Greening the Financial System (NGFS) and consider different levels of environmental policy ambition, market developments and different technological changes, in order to reflect a wide range of possible climate risks the Bank is subject to:

- Long-term, considering three NGFS scenarios that encompass the impacts of climate events, environmental policy ambitions and different technological changes: Net Zero 2050 (+1.5°C), Delayed Transition (<+2°C) and Current Policies (>+3°C) .
- Short-term, two scenarios were considered: the Delayed Transition scenario (<+2°C) and the baseline budget scenario, complemented with short-term climate factors in terms of physical and transition risk.

According to the Group's risk taxonomy, climate and environmental risks are a risk category and also an additional risk factor for the remaining prudential risk categories. In this way, the climate Stress Test methodologies mainly focus on the risk categories in which the

climate impact most materializes at CGD, such as credit risk, market risk and operational risk.

Specifically at the level of transition risk, the impact of climate risk on the projection of credit risk was assessed by incorporating climate drivers into the models, namely customers' carbon emissions, the ESG rating and the energy performance certificate (EPC). Consequently, these drivers generate economic, financial and macroeconomic impacts incorporated through credit factors, such as the Probability of Default (PD) for companies and the Loss Given Default (LGD) for properties, that is, the probability of default and loss expected in this case, respectively. In order to estimate the impacts on impairment for climatic factors that only affect the PD, an assumption of conservatism is used, to observe the coverage rate of stage 3 exposures at the NACE level. The scenario analysis carried out is aligned with the NGFS scenarios.

In line with the impact of transition risk, physical risk is incorporated through drivers such as the location of the asset (depending on the location's susceptibility to climate events) and the impact of a drought/heat wave event on companies, differentiated according to sector level (NACE).

Regarding the impact of physical climate risk on credit risk projection, a single climate event scenario is considered to assess the impacts of acute physical events. In this scenario, which ensures a more negative outlook than the remaining two scenarios due to slow technological change and political reaction, sectors D - Electricity, gas, steam and air conditioning and H - Transport and storage are the most significantly impacted.

Liquidity and Market risks were considered as non-material in all time horizons, taking into account CGD's idiosyncrasies.

Operational risk can be impacted by transition risk, changes in consumer perceptions of climate issues, increases in the Bank's reputational risk and liability arising from incidents caused by the financing of environmentally controversial activities (greenwashing), which also has an impact on compliance risk. CGD has developed a scenario for fines and climate-related litigation to estimate the short to medium-term losses. This took into account potential remediation costs, legal costs, regulatory sanctions, compensation for customers and the devaluation of assets, justifying the non-materiality in the short and medium term. Operational risk analysis takes advantage of a critical dimension, given the nature of operations. To assess operational risk, two scenarios were designed to capture operational risk events related to climate risk, considering a maximum impact of 5 million, justifying the short and medium term assessment as non-material.

Additionally, with regard to business continuity, a risk analysis of the unavailability of CGD facilities was carried out, in the form of risk exposure matrices, depending on the probability and impact of each group of risk events. For the buildings analyzed, the average risk exposure was low-impact floods.

In the long term, a more severe stance from regulators is expected and, given the complex and interconnected nature of CGD's operations, Operational and Compliance risks were assessed as somewhat material. To this end, the assessment of the impact on "Other" risks, namely Reputational risk in the short, medium and long term, was considered material.

The results of this tool allowed an analysis of the sectors in the portfolio that are most susceptible to climate risks, in addition to evaluating the bank's exposure to potential operational losses and devaluation of assets at fair value in the portfolio.

The Institution has integrated all these results into the various aspects of its activity, in order to inform the Management Bodies about current and latent vulnerabilities, as well as assist in making strategic decisions. In particular, climate and environmental risks are already part of the stress testing framework whose results influence and are an integral part of various planning exercises, such as the Budget Exercise, the ICAAP, the Recovery Plan and CGD's Transition Plan, which, in turn, impact the Bank's results and are taken into consideration for strategic Management actions.

Additionally, within the scope of the stress test, the budget process is evaluated against adverse climatic and environmental scenarios, ensuring compliance with tolerance limits after considering the impacts of environmental risks on the Bank's solvency and liquidity profile.

The impact assessment uses a combination of stress test results, other scenarios and sensitivity analyses, and expert judgment. The risk drivers covered in the materiality assessment are used to integrate climate risk considerations into the risk identification process, which serves as the basis for the group risk inventory and, consequently, the ICAAP and ILAAP exercises.

The ICAAP and ILAAP exercises leverage the budget process to ensure a comprehensive view of capital (both regulatory and internal) and liquidity, fully assessing them against the impacts of climate and other environmental risks.

In this way, CGD's approach to climate and environmental risks will strengthen the resilience of the business model in the short, medium and long term, prepare the Group for a range of unpredictable, albeit increasingly plausible, risks and also capitalize on the opportunities that a more aware and concerned future in relation to climate change will bring.

Limits and Monitoring of Climate and Environmental Risk

The Risk Management Division (DGR) regularly monitors climate and environmental risk indicators and their respective tolerance limits.

This information on climate and environmental risks is presented quarterly on the CGD Group's RAS Dashboard, which is submitted monthly for consideration by the Risk Committee, the Executive Committee and the Board of Directors.

The Risk Appetite Statement contains climate and environmental risk metrics that are continuously monitored, namely:

Figure 13 | Risk Indicators

RAS 2024 Indicator

Interest, fee and commission income from GHG intensive industries

Financed GHG emissions

Loans collateralized by immovable property with low energy performance (\leq EPC E)

Loans collateralized by immovable property located in regions sensitive to the impact from climate change acute physical events

NFC portfolio sensitive to the impact from climate change acute physical events

NFCs with Weak ESG Rating

NFCs with Weak Environmental Rating

Exposure to companies with dependence on or relevant impact on biodiversity

CGD integrates the short, medium and long-term effects of environmental risk drivers into its risk tolerance framework in several aspects.

The limits established for RAS indicators guarantee the timely warning about negative developments arising therefrom, as well as safeguard a level of tolerance that allows the development of a recovery plan to reverse any negative trend that could threaten the sustainability of the company's business model.

In assessments carried out in the short term, the limits were calibrated considering the current business model, the need to review portfolios and the dependence on the most vulnerable sectors, that is, those that are most intensive in greenhouse gases (GHG) or that contribute significantly to climate change.

In assessments carried out in the medium and long term, the Risk Appetite Statement includes prospective metrics aligned with the strategic planning horizon, namely CGD's decarbonization plan, ensuring that sustainability objectives are achieved in a manner that is consistent with the Institution's strategic objectives.

The Risk Management function regularly supervises and monitors climate and environmental risk indicators and their respective tolerance limits within the Risk Appetite Statement.

In order to consider materially relevant risks in risk appetite with key risk indicators, appropriate and adequate limits were defined in order to effectively manage climate and environmental risks, and were approved by the Board of Directors.

Calibrating these risk appetite limits is essential to ensure that CGD is prepared to face different scenarios over time. This process was carried out considering short, medium and long-term time horizons. In this context, operational goals were established to be achieved within one year, such as improving operational efficiency and reducing costs; strategic objectives for a period of three to five years, including market expansion and new product development; and goals of continuous innovation beyond ten years, aiming for resilience and adaptation to market changes.

Climate and environmental risk information is also monitored and submitted quarterly in the Integrated Risk Report (IRR), which is submitted monthly for consideration by the Executive Committee and quarterly for consideration by the Risk Committee and the Board of Directors.

In the scope of climate and environmental risk, the IRR includes transition risk indicators, physical risk indicators, the Environmental, Social and Governance (ESG) Rating, in terms of distribution of exposure by risk level, forward-looking risk indicators (KRIs) related to CGD's business strategy and KRI related to long-term scenarios.

This report monitors and analyzes two of the current transition risk indicators present in the RAS:

- Interest, fee and commission income from GHG intensive industries;
- Evolution of financed GHG emissions.

In addition, it also evaluates:

- Exposure to non-financial corporations (NFCs) from Climate Policy Relevant Sectors (CPRS) by type of impact.

The Climate and Environmental Risk dashboard integrates short, medium and long-term scenarios, monitoring:

- the KRIs related to the business strategy, through the monitoring of the performance concerning emission reduction, in accordance with the objectives undertaken in the transition plan.
- counterparties with the most relevant exposures that contribute to or influence CGD's progress in meeting its long-term objectives and business strategy for climate and environmental risks.
- KRIs for different transition paths, based on long-term scenarios, evaluating risk exposures in different scenarios and time horizons.

The availability and quality of ESG data, and particularly climate data, has been an ongoing challenge for the organization. Caixa works continuously with a working group dedicated to governance and ESG data management, which meets regularly and is composed of various areas, namely areas more closely linked to the business and others with responsibility for analysis and risk management. CGD's goal is to achieve an effective and holistic aggregation of data and, through the ever developing availability and quality of data to improve the accuracy and estimates of the climate and environmental data used, while always maintaining transparency regarding to the limitations of the data supporting analysis and report processes.

CGD's response to climate and environmental risks involves optimizing the bank's adaptive and dynamic capacity in the face of emerging national, international, political and regulatory developments in these risks. This effort is being carried out by all of Caixa's structural bodies, in a holistic and forward-looking approach.

For more information on climate and environmental targets and issues, please refer to CGD's response to the recommendations of the Taskforce on Climate-related Climate Disclosures (TCFD).

1.2 Social Risk

1.2.1 Business Strategy and Processes

Strategic approach

In terms of integrating social factors and risks into CGD's strategy and business model, the pillars "Equity, Digital and Financial Inclusion" and "Transparent Governance Models" of the 21-24 Sustainability Strategy stand out.

As mentioned in the Environmental Risk chapter, the sustainability materiality exercise has also identified a set of social topics considered relevant to CGD's activity, namely "ESG Practices", "Equity, development and well-being of employees", "Investment in the community" and "Accessibility and financial inclusion".

Figure 14 | Topics arising from the sustainability materiality matrix

	ESG governance practices and ethical conduct in business: Ensuring the integration of ESG principles into governance practices ensuring the highest standards of ethics and transparency
	Equity, development and well-being of employees: promoting the development and well-being of employees, safeguarding culture of diversity and equal opportunities
	Investment in the community: Supporting the development of the communities in which CGD operates, contributing to creating social and economic value
	Accessibility and financial inclusion: Accelerating digital transformation as an agent promoting the population inclusion and financial literacy and reducing inequalities in access to financials product and services

CGD has several communication mechanisms¹⁴ which allow meeting the main expectations of its stakeholders, in particular employees, the community and social organizations, and which are incorporated into its social responsibility initiatives and projects through the Caixa Social Program, aiming at promoting the best practices and responding to the challenges of Portuguese society through initiatives in the area of financial, social and digital literacy and inclusion, as well as job creation, education, volunteering and support for culture.

Aiming to ensure that its activity is guided by the best practices in social matters, Caixa has implemented a set of internal policies and regulations¹⁵ which take an active role in developing a culture supported by principles of diversity, equity and inclusion, guaranteeing

¹⁴ For more information, see subchapter "4.7.1 – Stakeholders and materiality" of the 2023 Sustainability Report, integrated in CGD's 2023 Annual Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

¹⁵ For more information, see subchapter "4.5.1 – ESG Policies and other corporate documents" of the 2023 Sustainability Report, integrated into CGD's 2023 Annual Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

not only the creation of value and the well-being of its employees, but also an effective response to society's main challenges:

- The Diversity, Equity and Inclusion (DEI) Policy aims to define the principles, responsibilities and implementation mechanisms in terms of Diversity, Equity and Inclusion, ensuring a humane, innovative, resilient and sustainable organizational culture.
- The Code of Conduct¹⁶ establishes the values, principles of action and standards of professional conduct that are fundamental to the ethical positioning of the institution and that of its employees, further defining the way in which Caixa relates to its various stakeholders.
- The 2024 Equality Plan¹⁷ is based on the principles defined and approved in the DEI Policy and aims to define, implement, monitor and annually review initiatives that guarantee a humane, innovative, resilient and sustainable organizational culture.
- The Statement of Commitment to Human Rights reinforces CGD's commitment to respect human rights in its relationships with stakeholders and communities in which it operates, seeking to avoid or mitigate the adverse impacts, whether direct or indirect, of its activity.

At the end of 2023, an e-learning program on Diversity, Equity and Inclusion was developed with the aim of reinforcing employees' knowledge of this topic and promoting a better understanding of the different characteristics that make one individual or group different from another.

At the same time, the Bank subscribes to the 10 principles of the United Nations Global Compact and annually reports on its progress via the "Communication on Progress" in line with the principles of the United Nations initiative, which imply respect for references such as the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, among others.

Social objectives

In the final report of the Sustainable Finance Platform on Social Taxonomy, the European Commission recognizes the existence of three main groups of stakeholders: i) workforce (included in the value chain); ii) end users/consumers; iii) affected communities (directly or through the value chain). In this sense, the Sustainable Finance and Energy Transition Policy also took into account the definition of social objectives in alignment with the aforementioned report.

From an internal perspective, particularly in terms of CGD's workforce/employees, the existence of a Plan for Equality stands out, which establishes the principles to guarantee a management centered on the human factor and socially responsible leadership, promoting the creation an environment of respect, equity and inclusion and allowing the development

¹⁶ For more information, see the Code of Conduct, available at: <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Codigo-de-Conduto-CGD.pdf>

¹⁷ For more information, see the 2024 Equality Plan, available at: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Praticas-de-Bom-Governo/Documents/CGD_Plano-para-igualdade-genero.pdf

and well-being of employees¹⁸. To this end and within the scope of the “Transparent Governance Models” pillar of the 21-24 Sustainability Strategy, Caixa has set the objective of reaching 38% of women in management positions by 2024.

Even though suppliers are not a material stakeholder in the financial sector, Caixa recognizes that their activities can cause positive and negative environmental impacts throughout the value chain. When signing contracts with suppliers, the CGD Group's Ethical Principles and Good Business Practices are attached, seeking to ensure an operational performance that guarantees the efficient management and use of economic, social and environmental resources. Caixa has developed a sustainability questionnaire (ESG Supplier Rating) to characterize its supplier portfolio across all dimensions of sustainability. On the social side, the performance of its suppliers was evaluated on different topics such as internal policies and regulations, certifications, representation of women in the company's staff/management positions, the countries of origin of the activities outsourced by CGD's suppliers and also mechanisms implemented that aim to ensure concepts of diversity, equal opportunities and the protection of human rights. The conclusions drawn from the sustainability questionnaire will be reflected in a future assessment matrix for suppliers that enter into contracts with Caixa.

From an external perspective, namely in terms of end users/customers, Caixa operates through its supply of products, services and financial instruments. Caixa has published the Allocation and Impact Report¹⁹ concerning the two “green” issues of senior preferred debt that it made in the previous year, taking another significant step towards achieving its objective of achieving leadership in sustainable finance in Portugal. Since 2021, Caixa has already carried out three sustainable debt issues, totaling 1.3 billion euros. The allocation of assets and the calculation of their impact is supported by CGD's Sustainable Finance Framework, which defines the eligible financing categories (namely social ones – microfinance, support for small farmers, healthcare and job creation).

Additionally, as a State-owned bank, Caixa is committed to the community in which it operates through the Caixa Social Program. Within the scope of the “Equity, Digital and Financial Inclusion” pillar of the 21-24 Sustainability Strategy, Caixa has defined the objective of investing Eur 40M in the community by 2024, the achievement of which is ensured through various CGD social solidarity initiatives.

Throughout 2023, CGD has carried out more than a thousand credit restructurings and, proactively, in more than 15 thousand operations there was a renegotiation of the index and/or spread reduction. Additionally, CGD implemented the state bonus, supporting more than 2,200 customers. In a unique move in the market, extraordinary support was also provided to low income families, as described in Decree-Law no. 20-B, reducing the mortgage loan spread by 0.5 p.p. in its installments until the end of 2023.

¹⁸ For more information, see subchapter “4.10.1 – Equity, development and well-being of employees” of the 2023 Sustainability Report, integrated in CGD's 2023 Annual Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

¹⁹ For more information, see the Allocation and Impact Report published in 2023, available at: https://www.cgd.pt/English/Investor-Relations/Debt-Issuances/Prospectus/Documents/CGD_Green_Bond_and_Allocation_Report_2023-06.pdf

Engagement in assessing and limiting social risks

CGD recognizes the existence of sectors of activity or projects that may be socially harmful. The Credit Risk Policy contains specific rules that ensure that social risks are duly identified and mitigated, namely through the Sectoral Exclusion and Limitation Principles and the consideration of the ESG Rating in credit decision procedures.

Under the Sectoral Exclusion and Limitation Principles, Caixa limits financing to companies or projects with the following characteristics:

- Production or trade in any product or activity considered illegal in the country where the investment takes place, or considered illegal under international regulations or conventions and agreements;
- Companies or projects that use child labor, or work considered forced;
- Companies and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that engage in discriminatory acts towards religion, politics, race or gender;
- Military activities, manufacture or supply of related material, limited by legislation

The ESG Rating developed by Caixa evaluates and weighs several social factors specific to the counterparty. This assessment supports the prioritization and differentiation of commercial action depending on the customers' risk level, contributing to a holistic and integrated view of risk in decision-making processes. The assessment of the social dimension of the ESG Rating considers several indicators such as those related to the principles of exclusion and sectoral limitation provided for in CGD's credit policies, and others related to the working conditions of company employees, including gender equality, salary conditions and training. The new version of the ESG Rating, which has now been developed and implemented, includes an additional indicator related to workplace safety conditions.

Furthermore, in the context of reputational risk management, the examination of customer transactions becomes particularly significant when issues arise concerning social responsibility, adherence to labor laws, or behaviors that deviate from ethical standards and sound business practices.

1.2.2 Governance

In the context of overseeing management and supervision of strategic actions and initiatives related to social responsibility, the Sustainability Committee is particularly noteworthy. This consultative entity of the Executive Committee provides guidance on the execution of CGD's social responsibility strategy. Additionally, it is tasked with monitoring adherence to sound business practices and ethical conduct, ensuring compliance with legal standards and regulations. The Government Committee has powers delegated by the Board of Directors, particularly in the areas of Sustainability and Social Responsibility. As an advisory body to the Board of Directors made up of Non-Executive Directors, it has the role, among others, of monitoring issues related to corporate governance, organizational culture, social responsibility, environmental protection and sustainable finance. In particular, this Committee monitors and advises the Board of Directors on social responsibility, sustainability and environmental protection guidelines, as well as on the definition and implementation of the Corporate Sustainability Strategy.

The Risk Committee is responsible for monitoring the management policies of all financial and non-financial risks inherent to CGD's activity, thus having an integrated view of risks at the level of the supervisory function, including monitoring the risk strategy and appetite risk in the short, medium and long term. The Risk Committee evaluates and promotes the effectiveness of the processes and procedures implemented to monitor the financial and non-financial risks of the Risk Management and Compliance Functions through internal reporting, in particular, through the Risk Appetite Statement.

Additionally, from a corporate perspective of combating and mitigating social risks, the bank provides its employees with mechanisms for reporting and mitigating harassment situations in the workplace.²⁰

With regard to remuneration practices, CGD's Compliance Division annually checks the legal and/or regulatory adequacy of the respective practices.

Within the scope of products marketed by Caixa, in alignment with the regulator's new requirements, within the scope of behavioral supervision, Caixa specifies the types of customers for which a financial instrument is suitable, taking into account their needs, characteristics and objectives, including consideration of any objectives related to sustainability²¹.

The governance of social risks is part of the common governance established for sustainability. See the "governance" section in Chapter 1.1 - "Environmental Risk".

In chapter 2.1, "Governance model," you can find more information about the responsibilities of forums and management bodies.

Social criteria in variable remuneration

As reported in chapter 15.1 - Environmental Risk -, in 2023 the CGD Group's Employee Remuneration Policy and the Remuneration Policy for Members of CGD's Management and Supervisory Bodies were revised with the aim of incorporating ESG criteria and, in this way, promoting alignment with the bank's strategy. ESG performance is assessed through seven indicators of an environmental, social and governance nature, of which stand out, among others, the following social metrics:

- Social investment in the community;
- Classification obtained from Sustainalytics' ESG Risk Rating (whose assessment also focuses on social risk management).

1.2.3 Risk Management

Caixa has implemented internal policies and regulations that contribute to the achievement of its strategic vision in terms of social responsibility, which are based on a set of internationally recognized principles and guidelines, as discussed previously in the chapter "Business Strategy and Processes", and which constitute the social risk management framework, namely:

²⁰ For more information, consult chapter "4.10 – Equity, digital and financial inclusion" of the 2023 Sustainability Report, integrated in CGD's 2023 Annual Report, available at: <https://www.cgd.pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2023/Documents/Relatorio-Contas-CGD-2023.pdf>.

²¹ Products covered by articles 309-I to 309-N of the Securities Code (with the changes introduced by Decree-Law no. 109-H/2021, of December 10).

- Corporate Sustainability Policy;
- Corporate Sustainable Finance and Energy Transition Policy;
- Corporate Reputational Risk Policy;
- CGD Group Outsourcing Policy;
- CGD Code of Conduct;
- Global Conflict of Interest Prevention and Management Policy;
- Anti-Money Laundering and Countering Terrorist Financing Policy;
- Personal data protection policy;
- CGD's sectoral exclusion and limitation principles;
- Socially responsible investment policy;
- Quality policy²²;;
- Statement of commitment to human rights;
- Code of conduct to prevent and combat workplace harassment;
- Diversity policy for CGD group employees and members of CGD's management and supervisory bodies;
- Plan for equality;
- CGD Group employee remuneration policy;
- Sustainable financing framework;
- Ethical principles and best business practices for suppliers;
- CEO's Guide to Human Rights.
- Climate and Environmental Risk Management Policy.

These standards bind employees, functional structures, as well as other stakeholders, and define CGD's actions in terms of responsible management practices, emphasizing the primacy of ethical conduct, precision and transparency in all its activities and transactions.

The social risk management framework includes processes for identifying, evaluating and monitoring exposures sensitive to social risk, when applicable.

The CGD Group has implemented a process to identify the Group's risk profile, which is developed in annual cycles and is based on the CGD Group's risk taxonomy, in order to assess and inventory the risks that are the subject of concern. The process is structured in two phases, the first phase being a self-assessment of risk by Caixa and the Group's entities, and the second phase being the determination of the CGD Group's risk profile based on the results of the self-assessment of all participating entities in the process.

This process has the wide involvement of different areas of the bank (including the first line of defense, the Compliance Division for compliance risk and the Risk Management Division for all other risks) and culminates in the definition of the bank's risk profile. CGD Group and with the identification of risks subject to quantification within the scope of the internal capital adequacy assessment process (ICAAP).

As part of the alignment process with the Corporate Sustainability Reporting Directive (CSRD), Caixa developed a dual materiality analysis in accordance with the EFRAG Implementation Guidance on Materiality Assessment guidelines. The methodology

²² It defines CGD's commitments and principles regarding Quality Management and expresses the organization's commitment to customer satisfaction and the improvement of its products/services and processes.

consisted of a phased approach that included, among others, the identification of risks by relevance along the value chain (downstream, upstream, own operations) and by time horizon (short, medium and long term). The results made it possible to identify social risks that fall within a set of subtopics and material topics (from an impact and financial perspective) that will be reported in the 2024 Sustainability Report and that will support the definition of the new Sustainability Strategy.

With regard to the social risk assessment process, CGD annually defines a set of measures and targets to be achieved, which aim to respond to the areas of improvement identified in the review of the Plan for Equality. This Plan is based on CGD's strategy, mission and values, as well as its positioning in terms of social responsibility and sustainable growth among employees, families, customers, suppliers, partners and the community.

In the pillar of Equity, digital and financial inclusion, Caixa is aware that inequality of opportunities is still a global challenge and directly impacts some of the main problems in today's society. In this sense, CGD has been taking an active role in developing a culture supported by principles of diversity, equity and inclusion, which guarantees not only the creation of value and the well-being of its employees, but also an effective response to society's main challenges.

Caixa Geral de Depósitos, SA (CGD), through its Diversity, Equity and Inclusion Policy, annually ensures initiatives that enhance the enrichment of professional, social and economic conditions, improving efficiency, competitiveness and decision-making, based on the understanding that Diversity, Equity and Inclusion (DEI) is a driver of innovation, attraction, retention, incentive and promotion of talent and diverse skills. This policy is based on the Plan for Equality, whose strengths are based on the commitment of top management, the appreciation and interest in the topic at CGD and the existence of global programs and initiatives already underway.

In this context, the Plan for Equality is annually reported to the market, identifying the DEI measures, in force and planned, representing a significant evolution for the Bank's activity and an important contribution to the fulfillment of commitments assumed, namely respect for Human Rights and pursuit of the Sustainable Development Goals. In what concerns the governance model, the Sustainability Committee stands out, whose role is to supervise management and guide decisions regarding the implementation of the Sustainability Strategy.

In addition to the Plan for Equality with regard to Social Risk matters, monthly reports are issued by the Human Resources Division to CGD's Structural Bodies, informing about the composition of each of its teams, as well as monthly reports within the scope of the Budgetary control of parity metrics. Additionally, on a quarterly basis, these indicators are expanded and included in the Human Resources Outlook Report presented to the CEO.

The identification of the risk profile appears crucial as it allows us to conclude about the risks to which Caixa is exposed, thus enabling more informed decision-making within the risk management framework, particularly in essential pillars such as ICAAP, the risk appetite, internal stress testing exercises and the definition of a corporate strategy.

The availability and quality of ESG data has been a challenge in the organization. Caixa has created a working group dedicated to ESG data governance and management, which meets regularly and has the participation of several areas, namely areas more closely linked to the business and others with responsibility for analysis and risk management. CGD's goal is to

achieve an effective and holistic aggregation of data and to further the availability and quality of data for the organization to improve the accuracy and estimates of the ESG data used, while always maintaining transparency regarding the limitations of the data that supports analysis and reporting.

Caixa has several mechanisms for identifying, evaluating and mitigating social risk, of which stand out the reputational risk management framework, the compliance risk management framework and the credit risk management framework, namely the ESG Rating and the Sectoral Exclusion and Limitation Principles.

Reputational risk management framework

Reputational risk is integrated into the CGD Group's risk framework, therefore integrating risk appetite, decision-making processes and the bank's strategy. This includes, among others, the subcategories of banking and global activity risk and personal data protection risk, which cover risks related to social factors.

The reputational risk management strategy was established based on CGD's Risk Appetite, formalized through the Risk Appetite Statement, which contains reputational risk metrics, such as:

- The Reputational Index which reflects CGD's global activity and its performance towards stakeholders, namely the perception of CGD's attitude towards the duty of confidentiality, ethical principles and social responsibility and towards emerging topics such as sustainable and inclusive finance.
- Customer complaints and satisfaction;
- Breach of banking secrecy or personal data protection;

Within the scope of reputational risk management, internal procedures are also provided for situations that may represent a reputational risk, which can be identified by any of CGD's structural bodies. With regard to counterparties, there are situations that trigger a prior analysis of reputational risk, particularly:

- Non-compliance with labor, environmental legislation or other applicable legal and regulatory requirements;
- Controversies related to the principles of social responsibility;
- Corrupt practices;
- Conduct practices inconsistent with the ethical principles and best business practices observed by CGD;
- Harassing or discriminatory practices;
- Conflicts of interests, sanctions and practices in the context of money laundering and countering the financing of terrorism.

The conclusions of the analysis within the scope of reputational risk are incorporated into a risk opinion that is integrated into the credit decision processes, namely by monitoring proposals in decision forums.

The identification of situations that may represent a reputational risk can also raise triggers that lead to action plans to mitigate the risk.

Within the scope of outsourcing activities, the risk management function issues a reputational risk opinion prior to decision-making or within the scope of contract renewal,

where social factors of suppliers are considered, such as non-compliance with labor legislation, the existence of controversies related to the principles of social responsibility, corrupt or discriminatory practices and adverse media related to corporate bodies and supplier conduct.

Suppliers who enter into a contract with CGD must subscribe to the CGD Group's Ethical Principles and Good Business Practices, as well as be subject to an assessment of their social criteria, carried out through the ESG Supplier Rating, the conclusions of which will be reflected in the evaluation matrix of suppliers that enter into contracts with Caixa. It is worth noting that 344 Caixa suppliers have environmental or social clauses in the contracts signed with CGD.

Additionally, as part of the qualification of CGD's suppliers, characteristics such as the existence of a code of conduct and possible fines or processes related to labor legislation are assessed.

Credit risk management framework

CGD recognizes the existence of sectors of activity or projects that are not aligned with the core values that guide CGD's activity and conduct, namely those that may be socially harmful. The Credit Risk Policy contains specific rules that ensure that social risks are duly identified and mitigated, namely through the Sectoral Exclusion and Limitation Principles and the consideration of the ESG Rating in credit origination and decision procedures.

Under the Sectoral Exclusion and Limitation Principles, CGD limits financing to companies or projects with the following characteristics:

- Production or trade in any product or activity considered illegal in the country where the investment takes place, or considered illegal under international regulations or conventions and agreements;
- Companies or projects that use child labor, or work considered forced;
- Companies and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that engage in discriminatory acts towards religion, politics, race or gender;
- Military activities, manufacture or supply of related material, limited by national legislation and international conventions.

The ESG Rating developed by Caixa evaluates and weighs several social factors specific to counterparties. This assessment supports the prioritization and differentiation of commercial action depending on the customers' risk level, contributing to a holistic and integrated view of risk in decision-making processes.

Within the scope of the social dimension, the ESG Rating considers several indicators, including those related to the principles of exclusion and sectoral limitation provided for in CGD's credit policies, and others related to the working conditions of company employees, including gender equality, conditions salaries and training. The new version of the ESG Rating, which is currently being implemented, will include an additional indicator related to safety conditions at work.

Compliance risk management framework

Within the scope of compliance risk management, Caixa has implemented permanent measures that aim to ensure the prevention and repression of the crime of corruption and

related infractions, which are reflected in various internal procedures and standards, particularly the Code of Conduct, the Policy for the Prevention of Corruption and Related Offenses, the Global Policy for the Prevention and Management of Conflicts of Interest or the Internal Reporting System on Irregular Practices.

We also highlight the fact that Caixa has organizational and administrative mechanisms suited to the nature, scale and complexity of its activity, which effectively enable the identification of possible conflicts of interest, the adoption of appropriate measures to avoid or mitigate risk of its occurrence and designed to safeguard the clients' best interests whenever a conflict of interests arises.

1.3 Governance Risk

1.3.1 Governance/Risk Management

The Risk Management Function (RMF) at the CGD Group is supported by a governance model that aims to respect the best practices in this matter, as explained in the “Guidelines on Internal Governance under Directive 2013/36/UE” (EBA/GL/2021/05), and ensure solidity and effectiveness in the system for identifying, measuring, monitoring, reporting and controlling the various risks incurred by the Group.

The individual primarily accountable for the CGD Group's RMF is the Chief Risk Officer (CRO), who serves as a member of CGD's Executive Committee. The CRO holds global responsibility for overseeing the Group's risk management framework, with a specific focus on ensuring the proper and effective operation of the RMF. This role includes the obligation to inform and elucidate the members of both the management and supervisory bodies regarding the risks faced, the overall risk profile of CGD and the Group, as well as the extent of adherence to the established risk tolerance levels.

Risk management is carried out centrally and supported by a dedicated structure, the Risk Management Division (DGR), which carries out functions in the area of management and control of the Group's financial and non-financial risks, with the goal of ensuring stability, solvency and financial solidity, guaranteeing the functions of identification, evaluation, measurement, monitoring, control and reporting of the risks to which the CGD Group is exposed and the interrelationships between them, in order to ensure the coherent integration of their partial contributions, so that they remain at the level of risk appetite defined by the Board of Directors and will not significantly affect the financial situation of the institution, all the while continuously ensuring compliance with external standards and the legal and regulatory requirements in this area.

The Board of Directors defines, supervises and is responsible, within the scope of its respective powers, for the application of governance systems that guarantee effective and prudent management, including the separation of functions within the organization and the prevention of conflicts of interest.

The Board of Directors, supported by the Risk Committee and the Audit Committee, establishes the risk appetite, which is implemented by the Executive Committee with the support of the Risk Management Division and the control and business areas. The Board of Directors is also responsible for aligning risk appetite with the bank's strategic priorities for sustainable finance and climate action.

CGD's day-to-day management is delegated by the Board of Directors to the Executive Committee, which is responsible for the overall risk management of the CGD Group, namely for the management and execution of risk appetite, for monitoring risk metrics and for ensuring coherence between risk appetite and the corporate strategy for social responsibility and impact.

The Risk Committee monitors the management policy for all risks involved in the CGD Group's activities, particularly non-financial risks. The Risk Committee monitors the models for measuring risk and calculating own funds adopted internally, as well as the Community Directives and guidelines from the Bank of Portugal and the European Central Bank, in this matter. As part of its functions and responsibilities, it analyzes, among others, the reports presented by the Risk Management Division on financial and non-financial risks.

The management of risks related to governance is carried out from a corporate perspective and also from a risk management perspective for CGD's counterparties.

CGD's mission is to create value for Portuguese society, providing quality banking services to individuals and companies, thus contributing to improving the well-being of Portuguese families and to the development of the business sector, generating adequate profitability for the shareholder. Caixa provides its customers with access to a diversified set of quality financial products and services, with a particular focus on capturing savings and granting medium and long-term financing, based on an efficient corporate governance model and the respect for the highest ethical standards.

Topics related to sustainability and ESG risks have an increasingly accentuated reputational weight, inherent to the high level of scrutiny from not only customers, but all stakeholders, emphasized by the fact that it is a State-owned bank. Caixa has sought to ensure that these topics are addressed in the business strategy in a transparent and rigorous manner and has made commitments to sustainable financing, carbon neutrality and the alignment of its business with the challenges and opportunities of ESG topics.

CGD has published its Mission Charter²³, which highlights the commitment to the principles of social responsibility, sustainable development and respect for stakeholders as well as the fundamental values that guide CGD's activity and conduct, namely trust, profitability, transparency, integrity, professionalism, proximity, responsibility, risk and rigor culture and innovation.

CGD's Reputational Index is made up of indicators considered fundamental to a bank's sustainability (Trust, Solidity, Transparency, Ethics and Governance) and reflects good governance factors. CGD has stood out in the Reputational Index values, which recorded a score of 77 at the end of 2023, thus maintaining the score of previous quarters. The credibility of the image of CGD's CEO has also been increasing and contributes significantly to the good assessment of this indicator, positively impacting the image of Caixa itself. In 2024, CGD's CEO stands out in business leadership, being the only leader to present a score above 70 points.

Caixa has implemented internal policies and regulations that contribute to the achievement of its strategic vision in matters of governance all the while defining commitments, procedures and responsibilities for the management and mitigation of governance-related risks related, in particular:

- CGD's Code of Conduct;
- Corporate Reputational Risk Policy;
- Regulations of the Compliance Function;
- Anti-Money Laundering and Countering Terrorist Financing Policy;
- Global Conflict of Interest Prevention and Management Policy;
- Suitability Assessment Policy for the Selection of Members of the Management and Supervisory Bodies and Key Function Holders (Suitability Policy);
- Corruption and Related Offenses Prevention Policy;
- Prevention of Market Abuse;

²³ For more information consult: <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Pages/Missao-Estrategia.aspx>.

- Related Party Transactions Policy;
- Outsourcing Policy;
- Socially responsible investment policy;
- Statement of commitment to human rights;
- Ethical principles and good business practices for suppliers.

The governance risk management framework includes processes for identifying, assessing and monitoring sensitive exposures to governance risk, when applicable.

The CGD Group has established a process to identify the Group's risk profile, which is developed in annual cycles and is based on the CGD Group's risk taxonomy, in order to evaluate and inventory the risks that are the subject of concern. The process is structured in two phases, the first phase being a self-assessment of risk by Caixa and the Group's entities, and the second phase being the determination of the CGD Group's risk profile based on the results of the self-assessment of all entities participating in the process.

This process has broad involvement from different areas of the bank (including the first line of defense, the Compliance Division for compliance risk and the Risk Management Division for all other risks) and culminates in the definition of CGD Group 's risk profile. and with the identification of risks subject to quantification within the scope of the internal capital adequacy assessment process (ICAAP).

The identification of the risk profile appears crucial as it allows us to conclude about the risks to which Caixa is exposed, thus allowing for more informed decision-making within the risk management framework, particularly in essential pillars such as ICAAP, the risk appetite, internal stress testing exercises and the definition of corporate strategy.

From the perspective of managing the risk of CGD's counterparties, there are several mechanisms for identifying, evaluating and mitigating governance risk, of which stand out the reputational risk management framework, the compliance and credit risk management frameworks, namely the ESG Rating and the Sectoral Exclusion and Limitation Principles.

Credit risk management framework

CGD recognizes the existence of sectors of activity or projects that are not aligned with the fundamental values that guide CGD's activity and conduct. The Credit Risk Policy contains specific rules that ensure that this risk is duly identified and mitigated, namely through the Sectoral Exclusion and Limitation Principles and the consideration of the ESG Rating in credit origination and decision procedures.

Under the Sectoral Exclusion and Limitation Principles, Caixa limits financing to companies or projects with the following characteristics:

- Production or trade in any product or activity considered illegal in the country where the investment takes place, that is, considered illegal under the terms of regulations or international conventions and agreements, including those to which CGD subscribes or is part;
- Companies or projects that use child labor, or work considered forced;
- Companies and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that engage in discriminatory acts towards religion, politics, race or gender;

- Companies and activities involved in the unlicensed trade of wildlife or endangered species;
- Companies and projects that use scarce natural resources, whose exploration or extraction may cause a negative environmental impact and that do not comply with conditions defined in national or international regulations in this area;
- Companies producing or processing dangerous materials or substances restricted by national legislation;
- Military activities, manufacture or supply of related material, limited by national legislation and international conventions.

The ESG Rating developed by Caixa evaluates and weighs governance factors related to the quality and suitability of shareholders and the management team. This assessment is based on qualitative assessments carried out by the commercial areas within the scope of their relationship with the counterparty, which varies between A (the best level) and D (the worst level).

In accordance with the best Corporate Governance practices, this assessment is related to the criteria of the shareholders' financial commitment to the company, governance model, succession and internal control, which tends to be supported by appropriate and effective instruments in these areas²⁴, namely:

- Principles of the Governance Model and Internal Control System;
- Assessment Policy for the Selection of Governing Bodies and Management Teams;
- Succession Plan and Sustainability Plan;
- Code of Conduct and Conflict of Interest Prevention and Management Policy;
- Risk Management and Control Policy, Remuneration Policy and Dividend Policy.

For listed companies, Caixa collects information relating to the following indicators:

- Does the company have a Social and Corporate Responsibility Committee or team to make decisions about the Social and Corporate Responsibility strategy?
- Does the company have a compensation policy that includes the remuneration of the Board of Directors and other management bodies based on ESG or sustainability factors?
- Does the company have a Chief Diversity Officer who is a member of the Executive Committee?

This assessment carried out through the ESG Rating supports the prioritization and differentiation of commercial action depending on the clients' risk level, contributing to a holistic and integrated view of risk in decision-making.

²⁴ For more information see: <https://www.cgd.pt/Empresas/SolucoesESG/Pages/Rating-ESG.aspx#governance>

The new version of the ESG Rating, which is currently being implemented, will include an additional indicator relating to the reliability of the financial statements and the respective reserves and emphases identified by an independent auditor.

Compliance risk management framework

Within the scope of compliance risk management, Caixa has implemented permanent measures that aim to ensure the prevention and repression of the crime of corruption and related infractions, which are reflected in various internal procedures and standards, particularly the Code of Conduct, the Policy of Prevention of Corruption and Related Offenses, the Global Policy for the Prevention and Management of Conflicts of Interest or the Internal Reporting System on Irregular Practices.

We also highlight the fact that Caixa has organizational and administrative mechanisms suited to the nature, scale and complexity of its activity, which effectively enable the identification of possible conflicts of interest, the adoption of appropriate measures to avoid or mitigate risk of its occurrence and designed to prevent that, when a conflict of interest situation is identified, the interests of its clients are harmed.

With regard to financial crime risks, these are managed by the function of complying with the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regulations through the maintenance and development of a specific program with regard to risks of money laundering and terrorist financing, sanctions and embargoes, corruption and bribery and market abuse.

To comply with legal and regulatory standards and recommendations issued by relevant international entities in matters of AML/CFT, Caixa has implemented an advanced and effective system for preventing the phenomena of money laundering and terrorist financing that allows it to identify, evaluate and mitigate potential risks associated with its customers and the business relationships established with them.

To this end, Caixa, through its anti-financial crime area, is equipped with IT tools suitable for AML/CFT, with emphasis on applications dedicated to monitoring accounts and customers, classifying the risk profile of customers and the filtering of sanctioned customers and politically exposed people.

The AML/CFT activity is developed based on defined policies and procedures with the aim of ensuring strict compliance with internationally accepted legal, regulatory, ethical, deontological and good practice standards.

Reputational risk management framework

Within the scope of reputational risk management, internal procedures are provided for situations that may represent a reputational risk, which can be identified by any area/body within CGD's structure. With regard to counterparties, there are situations that trigger a prior analysis of reputational risk, particularly in situations such as:

- Failure to comply with labor, environmental legislation or other applicable legal and regulatory provisions;
- Controversies related to the principles of social responsibility, balanced relationship with the environment and sustainable development;
- Corrupt practices;

- Conduct practices that are not consistent with the ethical principles and good business practices observed by CGD;
- Harassing or discriminatory practices;
- Conflicts of interests, sanctions and practices in the context of money laundering and countering the financing of terrorism.

The conclusions of the analysis within the scope of reputational risk are incorporated into a risk opinion that is integrated into the credit decision processes, namely by monitoring proposals in decision forums.

The identification of situations that may represent a reputational risk can also activate triggers that give rise to action plans to mitigate the risk.

Within the scope of outsourcing activities, the risk management function issues a reputational risk opinion prior to decision-making or within the scope of contract renewal, where supplier governance factors are considered, such as non-compliance with legislation, existence of controversies related to the principles of social and environmental responsibility, corrupt or discriminatory practices and adverse media related to corporate bodies and supplier conduct.

Suppliers who enter into a contract with CGD must subscribe to the Ethical Principles and Good Business Practices of the CGD Group, as well as the assessment of supplier governance criteria, carried out through the ESG Supplier Rating, the conclusions of which will be published in the future. reflected in the evaluation matrix of suppliers that enter into contracts with Caixa.

Additionally, as part of the qualification of CGD's suppliers, characteristics such as the existence of a code of conduct, possible fines or legal proceedings and the existence of possible conflicts of interest are assessed.

1.4 Transition Risk: Exposure, Credit Quality, Emissions and residual maturity by sector

The Table below reports, with a reference date of June 30, 2024, the distribution of gross amounts in loans and advances, debt securities and capital instruments in non-financial corporations by sectors that contribute significantly to climate change, including, among others, information on the credit quality of financed exposures and issues.

As of June 30, 2024, approximately 80% of the total exposure to loans and advances, debt securities and equity instruments to non-financial corporations relate to sectors identified by the EBA as the largest contributors to climate change (NACE codes A-I and L).

The exposures excluded from benchmarks aligned with the Paris Agreement are reported in column “B” of Table 1. CGD identified exposure according to eligible sectors in light of the Climate Benchmark Standards Regulation (EU) 2020/1818²⁵, applying the thresholds defined in the regulation and based on public information from counterparties, and in cases where it is not available, the counterparty was considered to be excluded from benchmarks aligned with the Paris Agreement.

Greenhouse gas emissions (GHG) can be distinguished into three categories: 1, 2 and 3²⁶.

- Scope 1 - Direct GHG emissions from sources that belong or are controlled by the company;
- Scope 2 - Indirect GHG emissions arising from the company's acquisition of electrical energy;
- Scope 3 - Other indirect GHG emissions that result from activities that are not owned or controlled by the company; can be subdivided into upstream emissions, i.e. the life cycle of materials, products or services up to the point of sale, and downstream emissions, i.e. the distribution, storage, use and end-of-life treatment of products and services.

In Table 1, columns “I)” and “J)” report the emissions financed by CGD, calculated in accordance with the following methodologies:

- For counterparties disclosing scope 1, 2 and 3 GHG emissions, the information was collected directly from the companies' integrated or sustainability reports or other public sources.
- For counterparties that are part of an Economic Group, whose holding company discloses information relating to real emissions, in consolidated terms, the emissions considered represent a percentage of the holding company's emissions corresponding to the weight of the counterparty in turnover.
- For cases where there is no real data, emissions were estimated based on sector-specific average emission factors, according to the following methodology:
 - For the purposes of estimating scope 1 emissions, GHG emission intensities by sector were used, then applying an average emission factor specific to the counterparty's sector, as a proxy.

²⁵ In accordance with article 12.1 paragraphs d) to g).

²⁶ Also called scope 1, 2 and 3.

- The estimation of scope 2 values considered as a proxy for applying the sector-specific average emission factor, the average electricity consumption per sector after its conversion into emissions.
- For scope 3 emissions, values are estimated based on the average distribution of emissions by scope, according to data observed from comparable counterparties. The observation was made based on the maximum number of counterparty peers that disclose scope 1, 2 and 3 emissions

Table 1 | ESG 1: Banking portfolio – Indicators of potential transition risk associated with climate change: Credit quality of exposures by sector, emissions and residual maturity

Sector / Subsector	Gross carrying amount (Mln EUR)				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column I): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity	
	Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures	Of which Stage 2 exposures	Of which non-performing exposures	Of which scope 3 financed emissions									
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	
1 Exposures towards sectors that highly contribute to climate change	15.561,94	257,58	275,00	1.734,31	737,84	-762,24	-147,76	-475,69	8.249.433,21	5.823.867,23	5,40%	10.655,71	2.611,87	2.085,85	208,50	4,41
2 A - Agriculture, forestry and fishing	366,71	0	0	43,43	45,67	-32,44	-3,86	-25,43	1.262.209,61	935.751,01	0,00%	267,99	50,01	47,13	1,58	4,10
3 B - Mining and quarrying	251,87	0	0	6,61	15,61	-9,78	-0,44	-7,93	895.087,15	857.637,51	0,01%	152,82	43,04	0,85	55,16	1,95
4 B.05 - Mining of coal and lignite	0	0	0	0	0	0	0	0	0	0	0,00%	0	0	0	0	0
5 B.06 - Extraction of crude petroleum and natural gas	0	0	0	0	0	0	0	0	0	0	0,00%	0	0	0	0	0
6 B.07 - Mining of metal ores	128,19	0	0	0,01	0	-0,53	-0,00	0	682.684,47	654.121,58	0,01%	73,16	0	0	55,03	0,04
7 B.08 - Other mining and quarrying	44,81	0	0	4,12	15,61	-8,48	-0,26	-7,93	201.556,49	193.123,54	0,00%	40,00	4,21	0,49	0,11	2,78
8 B.09 - Mining support service activities	78,87	0	0	2,48	0	-0,77	-0,19	0	10.846,19	10.392,39	0,00%	39,65	38,84	0,37	0,02	4,60
9 C - Manufacturing	3.726,53	3,52	14,80	290,53	167,78	-166,46	-21,04	-111,64	4.350.522,16	3.295.320,31	2,00%	2.920,91	696,59	55,67	53,36	2,83
10 C.10 - Manufacture of food products	489,07	0	0	35,17	13,99	-17,59	-2,93	-10,32	354.100,96	268.215,18	0,00%	421,87	46,69	3,94	16,58	1,88
11 C.11 - Manufacture of beverages	314,34	0	0	74,74	3,29	-9,55	-4,52	-2,17	86.555,12	65.561,51	0,00%	214,66	79,38	2,77	17,53	2,30
12 C.12 - Manufacture of tobacco products	12,34	0	0	0	0,06	-0,15	0	-0,03	234,84	177,88	0,00%	12,34	0	0	0	0,75
13 C.13 - Manufacture of textiles	140,08	0	0	17,18	25,05	-19,70	-0,87	-17,40	155.173,16	117.536,52	0,01%	118,41	18,62	1,03	2,01	2,72
14 C.14 - Manufacture of wearing apparel	90,09	0	0	12,48	18,15	-13,92	-0,97	-11,95	21.267,81	16.109,39	0,00%	84,72	3,91	1,33	0,14	2,42
15 C.15 - Manufacture of leather and related products	60,32	0	0	7,21	11,91	-9,64	-0,61	-8,31	9.574,76	7.252,44	0,00%	50,61	5,99	3,51	0,22	2,65
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	182,39	0	1,95	10,84	5,87	-6,46	-0,72	-3,95	71.305,59	54.010,70	0,00%	168,14	8,16	1,52	4,58	1,66
17 C.17 - Manufacture of paper and paper products	351,49	0	11,88	3,63	0,38	-3,43	-0,14	-0,37	313.422,10	237.402,81	0,29%	244,95	106,45	0	0,09	3,45
18 C.18 - Printing and reproduction of recorded media	36,67	0	0	6,47	3,27	-3,00	-0,33	-2,41	9.921,25	7.514,90	0,00%	30,35	4,62	1,57	0,12	3,40
19 C.19 - Manufacture of coke and refined petroleum products	222,95	3,52	0,97	1,68	0	-2,13	-0,29	0	281.568,09	213.274,87	1,04%	117,74	101,03	0	4,17	3,85
20 C.20 - Manufacture of chemicals and chemical products	183,20	0	0	2,94	3,08	-2,40	-0,13	-0,75	290.929,25	220.365,51	0,00%	172,28	7,31	0,45	3,16	2,18
21 C.21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations	130,02	0	0	0,40	0,99	-1,91	-0,01	-0,75	17.448,60	13.216,51	0,00%	74,24	55,65	0,13	0,00	3,60
22 C.22 - Manufacture of rubber products	134,77	0	0	8,02	8,33	-8,35	-0,52	-6,53	29.782,30	22.558,73	0,00%	112,48	20,66	0,30	1,32	2,76
23 C.23 - Manufacture of other non-metallic mineral products	474,00	0	0	14,85	4,98	-10,06	-2,41	-3,62	2.523.427,26	1.911.380,06	0,65%	361,18	106,47	6,22	0,13	3,01
24 C.24 - Manufacture of basic metals	81,33	0	0	6,30	4,85	-5,66	-0,87	-4,13	28.455,47	21.553,72	0,00%	78,53	1,16	1,64	0,00	1,10

Values in millions of euros

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
	Gross carrying amount (Mn EUR)				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column I), gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures	Of which Stage 2 exposures	Of which non-performing exposures	Of which Scope 3 financed emissions									
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	338,42	0	0	33,82	18,47	-19,35	-2,41	-13,46	72.014,11	54.547,35	0,00%	275,78	52,98	7,34	2,31	3,29
26 C.26 - Manufacture of computer, electronic and optical products	26,39	0	0	1,33	2,74	-1,95	-0,11	-1,43	1.863,33	1.411,37	0,00%	21,86	4,54	0	0,00	3,41
27 C.27 - Manufacture of electrical equipment	67,35	0	0	3,48	3,76	-3,34	-0,31	-2,59	3.543,09	2.683,71	0,00%	61,59	2,44	3,31	0,01	2,25
28 C.28 - Manufacture of machinery and equipment n.e.c.	116,29	0	0	18,19	1,97	-3,23	-1,02	-1,35	36.001,11	27.269,20	0,00%	80,10	27,45	8,67	0,07	4,11
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	67,44	0	0	6,98	12,42	-8,08	-0,56	-6,87	6.723,49	5.092,72	0,00%	58,26	8,34	0,77	0,07	2,80
30 C.30 - Manufacture of other transport equipment	28,83	0	0	0,72	11,65	-7,23	-0,07	-6,97	1.851,56	1.402,46	0,00%	22,14	5,59	1,01	0,08	4,72
31 C.31 - Manufacture of furniture	70,20	0	0	9,59	5,50	-5,27	-0,83	-3,70	17.183,96	13.016,05	0,00%	59,70	8,16	1,76	0,58	2,92
32 C.32 - Other manufacturing	59,04	0	0	8,84	5,81	-2,87	-0,15	-2,14	2.898,11	2.195,21	0,00%	39,36	12,98	6,59	0,11	6,23
33 C.33 - Repair and installation of machinery and equipment	49,49	0	0	5,66	1,27	-1,19	-0,27	-0,45	15.276,84	11.571,51	0,00%	39,62	8,00	1,81	0,06	3,18
34 D - Electricity, gas, steam and air conditioning supply	877,25	250,06	245,67	29,23	0,40	-12,12	-3,27	-0,37	132.195,90	68.267,60	2,30%	609,56	58,22	209,47	0,00	4,58
35 D35.1 - Electric power generation, transmission and distribution	838,51	249,74	245,67	28,96	0,38	-11,77	-3,27	-0,36	131.231,71	67.769,68	2,11%	570,97	58,22	209,31	0,00	4,71
36 D35.11 - Production of electricity	571,10	249,74	96,20	27,80	0	-9,12	-3,18	0	89.381,34	46.157,63	0,81%	304,53	57,64	208,93	0,00	6,61
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	36,95	0,32	0	0	0,01	-0,32	0	-0,01	9,59	4,95	0,19%	36,95	0	0	0	1,68
38 D35.3 - Steam and air conditioning supply	1,80	0	0	0,27	0	-0,03	-0,01	0	954,60	492,97	0,00%	1,64	0	0,16	0	2,19
39 E - Water supply; sewerage, waste management and remediation activities	250,39	0	0	57,55	3,24	-16,01	-11,25	-3,06	546.898,82	187.350,39	0,00%	161,28	54,76	33,81	0,54	5,66
40 F - Construction	1.551,68	0	0,05	239,24	185,29	-177,89	-15,67	-147,36	200.276,44	123.367,71	0,00%	1.146,19	124,71	247,28	33,49	4,11
41 F.41 - Construction of buildings	504,36	0	0	113,44	46,33	-49,47	-9,29	-35,77	43.962,66	27.080,43	0,00%	364,77	91,86	44,38	3,35	4,09
42 F.42 - Civil engineering	776,10	0	0,05	91,59	126,95	-115,19	-4,47	-103,69	87.002,97	53.592,71	0,00%	548,53	10,26	190,82	26,49	4,32
43 F.43 - Specialised construction activities	271,22	0	0	34,22	12,01	-13,22	-1,91	-7,90	69.310,81	42.694,57	0,00%	232,89	22,60	12,08	3,65	3,55
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3.282,77	3,99	14,49	280,62	126,21	-136,68	-20,75	-80,60	414.231,26	245.298,93	1,04%	2.924,79	264,53	72,99	20,46	2,73
45 H - Transportation and storage	1.672,09	0	0	269,92	74,36	-93,54	-40,16	-34,94	422.038,69	108.362,27	0,05%	979,19	438,99	238,26	15,66	5,07
46 H.49 - Land transport and transport via pipelines	535,44	0	0	84,63	16,25	-21,95	-5,32	-9,40	322.418,62	82.783,92	0,03%	451,78	64,17	10,50	8,98	3,11
47 H.50 - Water transport	96,54	0	0	31,14	0,44	-9,45	-5,59	-0,41	46.663,97	11.981,40	0,00%	18,79	76,88	0,78	0,09	6,83
48 H.51 - Air transport	103,66	0	0	99,50	3,70	-16,20	-14,40	-1,80	44.899,80	11.528,43	0,00%	30,89	72,78	0	0	6,22
49 H.52 - Warehousing and support activities for transportation	929,69	0	0	53,45	52,93	-45,08	-14,77	-22,58	7.839,50	2.012,86	0,00%	474,94	225,08	226,76	2,90	6,17
50 H.53 - Postal and courier activities	6,76	0	0	1,20	1,04	-0,86	-0,07	-0,74	216,80	55,66	0,02%	2,79	0,08	0,21	3,68	1,28
51 I - Accommodation and food service activities	895,53	0	0	154,57	46,69	-41,67	-10,26	-22,57	21.387,61	67,02	0,00%	392,21	295,20	202,69	5,43	6,69
52 L - Real estate activities	2.687,12	0	0	362,61	72,59	-75,66	-21,05	-41,78	4.585,57	2.444,48	0,00%	1.100,77	585,82	977,70	22,83	8,17
53 Exposures towards sectors other than those that highly contribute to climate change*	3.822,54	0	0	290,67	90,85	-360,12	-144,44	-137,21	149.149,70	94.478,55	1,78%	3.018,48	629,53	160,12	14,41	3,86
54 K - Financial and insurance activities	437,43	0	0	34,20	12,50	-17,78	-2,31	-12,21	0,32	0	0,40%	226,24	164,26	46,43	0,51	5,29
55 Exposures to other sectors (NACE codes J, M - U)	3.385,11	0	0	256,47	78,36	-342,34	-142,13	-125,00	149.149,38	94.478,55	1,38%	2.792,25	465,27	113,69	13,90	4,00
56 TOTAL	19.384,48	257,58	275,00	2.024,97	828,69	-1.122,36	-292,20	-612,89	8.398.582,91	5.918.345,78	7,18%	13.674,19	3.241,40	2.245,98	222,91	4,48

Values in millions of euros

1.5 Transition Risk: Loans collateralized by properties and energy efficiency levels of properties given as collateral

The table below reports, with a reference date of 30 June 2024, the gross amounts of CGD Group loans, collateralized with commercial or residential properties as well as the level of energy efficiency expressed in kWh/m² and the energy performance in accordance with the property's energy certificate (CE or EPC).

With the aim of promoting the energy efficiency of buildings, the Energy Performance of Buildings Directive (2010/31/EU) and the Energy Efficiency Directive (2012/27/EU) introduced the energy classification of properties in Europe. The obligation to obtain energy certificates in Portugal has only been applicable since 2013 (Decree-Law No. 118/2013, of August 20). After its entry into force, the energy certificate is mandatory for new or old buildings when they are placed on the market for sale or rent. The CE must be presented when concluding a purchase and sale, financial leasing or leasing contract. Buildings that are subject to interventions exceeding 25% of the building's total value are also required to request the issuance of the CE.

The CE provides information on the energy performance of a property, classifying the property on a scale from A+ (very efficient) to F (not very efficient), issued in Portugal by qualified experts recognized by the Energy Agency (ADENE).

It is important to take into account the following when analyzing Table 2;

- Transactions (sales/rental) prior to the date of entry into force of the directive were not subject to the obligation to make the EC available.
- The directive is applicable in the European Union and, as such, does not cover all jurisdictions where CGD operates.
- Within the European Union, and as recognized by the EBA in the implementation of technical standards on prudential disclosures about ESG risks, the application of the directive is not standard.

CGD developed a project during 2022 to collect the energy certificates of properties given as collateral for operations in Portugal. CGD already collects information on the EC of properties given as collateral for new operations on a mandatory basis.

However, given that it was not possible to obtain a CE for the entire portfolio, a model was developed that estimates the energy classification of the property taking into account specific information about the property, namely the location, typology, year of construction and value of the property.

The model was developed using the Decision Tree method, which, by obtaining alternative models, proceeds to select the final model taking into account a set of performance measures and expert analysis.

The level of energy efficiency (expressed in kWh/m²) was determined based on the energy classification of the property, according to the total average values of that energy class, determined by the PCAF²⁷ "European building emission factor database" for residential and commercial properties and according to the country in which the property is located.

²⁷ <https://building-db.carbonaccountingfinancials.com/>

Table 2 | ESG 2a: Banking book - Climate change transition risk: Loans collateralized by immovable property - Energy efficiency of the collateral

Counterparty sector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Total gross carrying amount amount (in MEUR)														
	Level of energy efficiency (EP score in kWh/m ² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G			
1 Total EU area	29.430,29	23.535,97	1.717,75	109,87	0	0	0	1.373,53	1.757,79	3.012,56	2.766,79	1.518,73	685,34	2,96	18.312,58
2 Of which Loans collateralised by commercial immovable property	3.920,57	563,65	552,47	109,87	0	0	0	49,69	211,54	188,63	131,17	22,12	16,06	0,03	3.301,33
3 Of which Loans collateralised by residential immovable property	25.509,72	22.972,33	1.165,27	0	0	0	0	1.323,84	1.546,26	2.823,93	2.635,62	1.496,62	669,28	2,93	15.011,26
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	176,74	0	0	0	0	0	0	0	0	0	0	0	0	0	176,74
5 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	14.245,89	13.448,49	725,74	71,66	0	0	0	0	0	0	0	0	0	0	14.245,89
6 Total non-EU area	2.444,58	0	0	0	0	0	0	0	0	0	0	0	0	0	2.444,58
7 Of which Loans collateralised by commercial immovable property	360,03	0	0	0	0	0	0	0	0	0	0	0	0	0	360,03
8 Of which Loans collateralised by residential immovable property	2.084,54	0	0	0	0	0	0	0	0	0	0	0	0	0	2.084,54
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	36,76	0	0	0	0	0	0	0	0	0	0	0	0	0	36,76
10 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Values in millions of Euros

Table 3 | ESG 2b: Banking book - Climate change transition risk: Loans collateralized by immovable property - Energy efficiency of the collateral

Counterparty sector	p
	Without EPC label of collateral
	Of which level of energy efficiency (EP score in kWh/m ² of collateral) estimated
1 Total EU area	78%
2 Of which Loans collateralised by commercial immovable property	18%
3 Of which Loans collateralised by residential immovable property	91%
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	0%
5 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	0%
6 Total non-EU area	0%
7 Of which Loans collateralised by commercial immovable property	0%
8 Of which Loans collateralised by residential immovable property	0%
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	0%
10 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	0%

1.6 Alignment metrics

Regulation (EU) 2022/2453 establishes that financial institutions must disclose information about their efforts to align with the objectives of the Paris Agreement for a certain number of sectors. This information must take into account the extent to which financial flows are coherent with a trajectory leading to development with low greenhouse gas emissions and resilient to climate change, as referred to in the Paris Agreement. The economic scenario that describes the decarbonization trajectory is the International Energy Agency (IEA) net-zero emissions scenario by 2050 (NZE2050).

In this sense, in Table 4, Caixa discloses its scope 3 financed emissions in specific sectors based on an alignment metric defined by the International Energy Agency (IEA).

Table 4 | ESG 3: Banking book - Climate change transition risk: Alignment metrics

A	B	C	D	E	F	G
Setor	NACE Sectors (a minima)	Portfolio gross carrying amount (Mn EUR)	Alignment metric**	Year of reference	Distance to IEA NZE2050 in % ***	Target (year of reference + 3 years)
1 Power	35.11	630.88	155.03 gCO2/kWh	2023	-30%	155.03 gCO2/kWh
2 Fossil fuel combustion	06.10, 06.20, 08.92, 09.10, 19.20	316.34	71.62 kgCO2/GJ	2023	33%	69.90 kgCO2/GJ
3 Automotive	29.1	0.01				
4 Aviation	51.1	108.07	111.10 gCO2/km	2023	31%	105.10 gCO2/km
5 Maritime transport	50.2	23.87				
6 Cement, clinker and lime production	23.51	101.92	663.3 kgCO2/t	2023	47%	629.5 kgCO2/t
7 Iron and steel, coke, and metal ore production	24.1, 24.42	18.52				
8 Chemicals	20.1	52.12				

*** PIT distance to 2030 NZE2050 scenario in % (for each metric)

Four of the eight sectors listed in the guidance in table 4 of Regulation (EU) 2022/2453 were considered for the definition of intermediate targets (illustrated in column [g]), justified by the immaterial exposure and low relevance in the Group's commercial strategy. However, CGD will continue to actively monitor these sectors. If any of them reach significance (in terms of exposure or commercial strategy), CGD will establish alignment metrics accordingly. Following clarifications from EBA (Question ID 2024_6974), from these sectors, only NACE codes compatible with IEA pathways were noted.

The exposure disclosed in column [c], for all sectors, refers to December 31, 2023, as specified in column [e], and is relative to the gross values in the balance sheet for the NACE sectors covered by the alignment metrics (as per question ID EBA: 2024_6974).

The alignment metrics reported in column [d] are those that simultaneously a) ensure full consistency with IEA published pathways (in line with EBA question ID 2024_6974); and b) better describe the Bank's financing activity (i.e., the metric also used by the relevant counterparties), as assessed by CGD. In the future, CGD will continue to evaluate the

disclosures made by counterparties and the types of assets financed, in order to confirm or adjust the selected metrics.

To calculate the distances published in this model, CGD used data from public companies, when available, as well as obtaining climate data directly from its customers. In other cases, it applied sectoral averages provided by the IEA (in the most recent update, i.e. 2024). The distances presented in columns [f] and [g] are based on the IEA NZE2050 scenario.

When determining the target referred to in column [g] (i.e. reference year + 3 years), CGD assessed a) its current exposures and their respective maturities; b) effective ability to engage with customers and counterparties; c) existence or absence of net-zero commitments from customers; and d) national decarbonization plans and their performance to date. Therefore, the target in column [g] reflects CGD's best perspective for the transition of the sector and group of companies in question, considering the available climate and economic scenarios, without compromising the ambition to align with the IEA's NZE2050 scenario by 2030.

The alignment metrics reported in column [d] are those that simultaneously a) ensure full consistency with IEA published pathways (in line with EBA question ID 2024_6974); and b) better describe the Bank's financing activity (i.e., the metric also used by the relevant counterparties), as assessed by CGD. In the future, CGD will continue to evaluate the disclosures made by counterparties and the types of assets financed, in order to confirm or adjust the selected metrics.

To calculate the distances published in this model, CGD used data from public companies, when available, as well as obtaining climate data directly from its customers. In other cases, it applied sectoral averages provided by the IEA (in the most recent update, i.e. 2024). The distances presented in columns [f] and [g] are based on the IEA NZE2050 scenario.

When determining the target referred to in column [g] (i.e. reference year + 3 years), CGD assessed a) its current exposures and their respective maturities; b) effective ability to engage with customers and counterparties; c) existence or absence of net zero commitments from customers; and d) national decarbonization plans and their performance to date. Therefore, the target in column [g] reflects CGD's best perspective for the transition of the sector and group of companies in question, considering the available climate and economic scenarios, without compromising the ambition to align with the IEA's NZE2050 scenario by 2030.

1.7 Transition Risk: Exposures to the 20 most carbon-intensive companies

The table below reports, with a reference date of 30 June 2024, gross amounts in loans and advances, debt securities and equity instruments in non-financial companies, as well as CGD's exposure to the 20 most carbon-intensive companies in the world. The CGD Group does not have exposure to the 20 most carbon-intensive companies in the world, nor to their subsidiaries.

To identify the 20 most carbon-intensive companies in the world, CGD used a public data source "The Climate Accountability Institute".

The Climate Accountability Institute report contains data for 2018, which is the most recent of the sources analyzed by CGD. Data is available on cumulative emissions for periods of up to 50 years, which aim to identify the companies most responsible for worsening climate crises due to their global GHG emissions. However, given that some companies may have made a greater contribution to carbon emissions in the past, but may have improved their performance, CGD considers that the most recent and static information is the most relevant to identify companies that, according to the most recent data, they have the worst performance in terms of GHG emissions.

Table 5 | ESG 4: Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms

A	B	D	E
Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)	Weighted average maturity	Number of top 20 polluting firms included
0	0	0	0

Values in millions of Euros

1.8 Physical Risk: Exposures subject to physical risk

The Table below reports, with a reference date of June 30, 2024, gross amounts in loans and advances, debt securities and capital instruments in non-financial companies, with a breakdown by sectors of economic activity (classification by NACE) and by exposures considered sensitive to the impact of chronic and severe phenomena related to climate change.

The methodology developed by the World Bank Group (Think Hazard!) has a mapping of physical risks (Coastal floods, water scarcity, heat waves, river flooding, floods, volcanic eruption, hurricanes, forest fire) applying a risk level (not applicable, low, medium and high) by country, district and municipality.

The National Platform for Disaster Risk Reduction of the National Emergency and Civil Protection Authority (PNRRC), has a mapping of physical risks (river floods, coastal floods, extreme heat, urban fires, rural fires, water scarcity, strong winds and snowfall), applying a risk level (not available, low, medium and high) for Portugal where it provides granularity at the parish level.

To identify CGD exposures sensitive to the impact of physical risk phenomena, locations with at least one climatic phenomenon characterized as high or high were considered, according to information from the “PNRRC” Platform for exposures in Portugal and “ThinkHazard” for the remaining geographies, and considering the location of the counterparty.

The methodology used by Caixa defines extreme weather events such as river floods, floods, tsunamis, hurricanes and forest fires as severe phenomena and those triggered by long-term climate change, such as rising sea levels, water scarcity, and global warming, as chronic phenomena.

Table 6 | ESG 5: Banking book - Climate change physical risk: Exposures subject to physical risk

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Variable: Geographical area subject to climate change physical risk - acute and chronic events	Gross carrying amount (Mln EUR)													
	of which exposures sensitive to impact from climate change physical events													
	Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity						of which Stage 2 exposures	Of which non-performing exposures	of which Stage 2 exposures	Of which non-performing exposures
1 A - Agriculture, forestry and fishing	366,71	179,72	39,18	37,62	1,04	4,32	112,67	89,65	55,24	31,98	41,33	-26,68	-2,51	-22,12
2 B - Mining and quarrying	251,87	142,42	39,20	0,76	55,16	1,82	149,93	71,36	16,26	4,82	14,29	-8,66	-0,30	-7,08
3 C - Manufacturing	3.726,53	1.768,94	544,31	35,26	40,73	2,97	467,23	1.676,67	245,33	194,25	93,22	-95,14	-12,42	-61,74
4 D - Electricity, gas, steam and air conditioning supply	877,25	583,06	58,17	209,47	0,00	4,62	165,42	683,25	2,03	29,16	0,40	-11,97	-3,27	-0,37
5 E - Water supply; sewerage, waste management and remediation activities	250,39	129,58	40,97	0,41	0,54	4,02	27,48	111,69	32,33	17,14	0,22	-2,86	-1,30	-0,16
6 F - Construction	1.551,68	759,07	78,09	153,53	32,28	4,11	355,40	622,53	45,02	184,77	39,63	-51,58	-10,58	-29,81
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3.282,77	1.766,60	141,35	48,08	12,77	2,57	335,31	1.438,02	195,46	176,12	89,29	-92,72	-12,01	-57,25
8 H - Transportation and storage	1.672,09	693,96	243,67	36,09	14,31	3,78	148,39	603,84	235,80	217,74	70,18	-72,69	-32,66	-31,73
9 L - Real estate activities	2.687,12	842,54	507,21	914,70	21,15	8,14	170,87	1.975,89	138,84	327,52	57,21	-56,60	-17,42	-29,03
10 Loans collateralised by residential immovable property	27.594,26	447,05	1.294,83	3.888,73	12.442,30	24,91	4.190,29	11.703,21	2.179,41	1.576,54	199,43	-302,50	-142,43	-112,44
11 Loans collateralised by commercial immovable property	4.272,39	1.871,35	691,23	1.138,89	62,43	6,64	220,61	3.121,70	421,59	509,42	144,76	-187,97	-34,17	-110,16
12 Repossessed colaterals	213,50	0,00	0,00	0,00	8,21	0,00	0,00	8,21	0,00	0,00	0,00	-6,21	0,00	0,00
13 Other relevant sectors (breakdown below where relevant)														

Values in millions of Euros

1.9 Green Asset Ratio (GAR)

In 2020, the European Parliament and Council adopted Regulation (EU) 2020/852, known as the Taxonomy Regulation, on the establishment of a regime for the promotion of sustainable investment.

This Regulation establishes a set of uniform and common criteria in the European Union, in order to determine whether an economic activity can be considered environmentally sustainable, and establishes the obligation on the part of companies subject to the Non-Financial Reporting Directive (NFRD) to disclose how its operations are aligned with the criteria established in the European Union Taxonomy.

The main indicator used to measure the alignment of economic activities with the Taxonomy Regulation is the so-called Green Asset Ratio (GAR). This ratio indicates the percentage of assets covered by the institution that are used for activities aligned with the criteria of the European Union Taxonomy.

According to Article 8 of the Taxonomy Regulation, from 2023 onwards, credit institutions are required to determine and report the Ecological Asset Ratio with regard to climate change mitigation and adaptation targets.

In this sense, in this report, Caixa publishes, with a reference date of June 30, 2024, the templates related to the GAR, namely the summary of the key performance indicators relating to exposures aligned according to the European Union Taxonomy, the assets taken into account in the denominator and numerator of the ratio, and, finally, the value of the GAR based on the information reported in the previously mentioned templates .

Summary of key performance indicators for exposures aligned with the Taxonomy

The tables below provide, with a reference date of 30 June 2024, an overview of the key performance indicators (KPI) on the CGD Group's exposures aligned with the Taxonomy.

This table represents the ecological assets ratio in two ways

- in terms of stock, based on the total gross amount of loans and advances as of June 30, 2024;
- in terms of flow, based on the gross amount of new loans and advances during the last year.

As of June 30, 2024, CGD has a total GAR stock of 2.59% and a total GAR flow of 0.40%. It should be noted that both ratios result from the sum of the ICD ratios relating to climate change mitigation and adaptation.

Regarding ICDs relating to adaptation to climate change, the ratio in terms of flow is zero.

Table 7 | ESG 6a: Summary of key performance indicators (KPI) for exposures aligned according to the Taxonomy

	a	b	c
	KPI		
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)
GAR stock	2,52%	0,07%	2,59%
GAR flow	0,40%	0,00%	0,40%

Table 8 | ESG 6b: Summary of key performance indicators (KPI) for exposures aligned according to the Taxonomy

	d
	% coverage (over total assets)
GAR stock	65,69%
GAR flow	0,00%

Mitigation actions: assets for GAR calculation

The tables below report, with a reference date of June 30, 2024, the assets that constitute the numerator and denominator of the ecological assets ratio.

The exposures reported in these tables are presented by type of counterparty, namely financial and non-financial companies and families, by type of product, loans and advances, debt securities and equity instruments. Assets that are not taken into account in the GAR calculation, in particular exposures to sovereign entities, central banks and the trading portfolio, are also reported in this table. Additionally, the eligibility and alignment, according to the Taxonomy, of the assets included in the GAR numerator are also assessed in this table.

As of June 30, 2024, approximately 70% of the assets covered in both the numerator and denominator of the GAR relate to loans secured by residential properties, of which, approximately 5% are considered sustainable from an environmental point of view.

With regard to the “Climate Change Mitigation” and “Adaptation to Climate Change” criteria, around 77% of the assets covered in the numerator and denominator of the ratio are classified in the “Climate Change Mitigation” category.

Table 9 | ESG 7a: Mitigating actions: Assets for the calculation of GAR

	June 2024																
	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					
		Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/a adaptation	Of which enabling		
GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not eligible for GAR calculation	39,251,07	30,188,24	1,506,28	0	17,64	153,61	59,73	40,91	0	0	0	30,247,97	1,547,18	0	17,64	153,61
2	Financial corporations	4,238,17	1,749,53	1,82	0	0	0	0	0	0	0	0	1,749,53	1,82	0	0	0
3	Credit institutions	3,009,19	688,31	1,82	0	0	0	0	0	0	0	0	688,31	1,82	0	0	0
4	Loans and advances	938,62	283,92	1,82	0	0	0	0	0	0	0	0	283,92	1,82	0	0	0
5	Debt securities, including UoP	2,070,55	404,38	0	0	0	0	0	0	0	0	0	404,38	0	0	0	0
6	Equity instruments	0,02	0,02	0	0	0	0	0	0	0	0	0	0,02	0	0	0	0
7	Other financial corporations	1,228,98	1,061,22	0	0	0	0	0	0	0	0	0	1,061,22	0	0	0	0
8	of which investment firms	1,205,74	1,037,98	0	0	0	0	0	0	0	0	0	1,037,98	0	0	0	0
9	Loans and advances	290,82	290,82	0	0	0	0	0	0	0	0	0	290,82	0	0	0	0
10	Debt securities, including UoP	104,26	58,48	0	0	0	0	0	0	0	0	0	58,48	0	0	0	0
11	Equity instruments	810,65	688,68	0	0	0	0	0	0	0	0	0	688,68	0	0	0	0
12	of which management companies	4,30	4,30	0	0	0	0	0	0	0	0	0	4,30	0	0	0	0
13	Loans and advances	4,30	4,30	0	0	0	0	0	0	0	0	0	4,30	0	0	0	0
14	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity instruments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16	of which insurance undertakings	18,94	18,94	0	0	0	0	0	0	0	0	0	18,94	0	0	0	0
17	Loans and advances	1,35	1,35	0	0	0	0	0	0	0	0	0	1,35	0	0	0	0
18	Debt securities, including UoP	17,60	17,60	0	0	0	0	0	0	0	0	0	17,60	0	0	0	0
19	Equity instruments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20	Non-financial corporations (subject to NFRD disclosure obligations)	4,451,02	357,68	228,64	0	0	153,61	59,73	40,91	0	0	0	417,41	269,55	0	0	153,61
21	Loans and advances	2,327,90	12,57	1,78	0	0	1,52	16,99	0,18	0	0	0	29,57	1,95	0	0	1,52
22	Debt securities, including UoP	2,123,12	345,11	226,86	0	0	152,10	42,74	40,73	0	0	0	387,85	267,59	0	0	152,10
23	Equity instruments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24	Households	30,561,87	28,081,03	1,275,82	0	17,64	0	0	0	0	0	0	28,081,03	1,275,82	0	17,64	0
25	of which loans collateralised by residential immovable property	27,585,90	27,585,90	1,258,18	0	0	0	0	0	0	0	0	27,585,90	1,258,18	0	0	0
26	of which building renovation loans	488,82	488,82	16,96	0	16,96	0	0	0	0	0	0	488,82	16,96	0	16,96	0
27	of which motor vehicle loans	6,43	6,31	0,68	0	0,68	0	0	0	0	0	0	6,31	0,68	0	0,68	0

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	June 2024															
Total gross carrying amount	Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
	Of which towards taxonomy relevant sectors (Taxonomy-eligible)						Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
	Of which environmentally sustainable (Taxonomy-aligned)						Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				
		Of which specialised lending	Of which transitional	Of which enabling		Of which specialised lending	Of which adaptation	Of which enabling		Of which specialised lending	Of which transitional/adaptation	Of which enabling		Of which specialised lending	Of which transitional/adaptation	Of which enabling
28 Local governments financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29 Housing financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31 Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32 TOTAL GAR ASSETS	39.251,07	30.188,24	1.506,28	0	17,64	153,61	59,73	40,91	0	0	0	30.247,97	1.547,18	0	17,64	153,61
33 Assets excluded from the numerator for GAR calculation (covered in the denominator)																
34 EU Non-financial corporations (not subject to NFRD disclosure obligations)	13.625,98															
35 Loans and advances	11.203,20															
36 Debt securities	2.140,37															
37 Equity instruments	282,41															
38 Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	2.013,09															
39 Loans and advances	1.804,01															
40 Debt securities	195,21															
41 Equity instruments	13,87															
42 Derivatives	51,65															
43 On demand interbank loans	516,46															
44 Cash and cash-related assets	639,92															
45 Other assets (e.g. Goodwill, commodities etc.)	3.654,80															
46 TOTAL ASSETS IN THE DENOMINATOR (GAR)	59.752,96															
47 Other assets excluded from both the numerator and denominator for GAR calculation																
48 Sovereigns	20.190,04															
49 Central banks exposure	23.126,82															
50 Trading book	720,59															
51 TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	44.037,44															
52 TOTAL ASSETS	103.790,41															

Values in millions of Euros

Table 10 | ESG 7b: Mitigating actions: Assets for the calculation of GAR

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	June 2024															
Total gross carrying amount	Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)						TOTAL (CCM + CCA)			
	Of which towards taxonomy relevant sectors (Taxonomy-eligible)						Of which towards taxonomy relevant sectors (Taxonomy-eligible)						Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
	Of which environmentally sustainable (Taxonomy-aligned)						Of which environmentally sustainable (Taxonomy-aligned)						Of which environmentally sustainable (Taxonomy-aligned)			
	Of which specialised lending		Of which transitional		Of which enabling		Of which specialised lending		Of which adaptation		Of which enabling		Of which specialised lending		Of which transitional/a adaptation	Of which enabling
GAR - Covered assets in both numerator and denominator																
1 Loans and advances, debt securities and equity instruments not eligible for GAR calculation	39.251,07	30.188,24	1.506,28	0	17,64	153,61	59,73	40,91	0	0	0	30.247,97	1.547,18	0	17,64	153,61
28 Local governments financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 Other local governments financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Values in millions of Euros

Green Asset Ratio

The following Tables disclose, with a reference date of June 30, 2024, the value of the GAR.

The ratio reported in these tables allows us to determine to what extent the institutions' activities qualify as environmentally sustainable, that is, they are aligned according to the European Union Taxonomy.

These tables include the GAR related to stock ICD based on the data disclosed in the ESG7 tables, reflecting the percentage of exposures related to eligible activities and aligned with the Taxonomy in relation to the total assets covered. Additionally, the tables include the GAR related to ICD flow which corresponds to the flow of new loans and advances, debt securities and equity instruments eligible and aligned with the Taxonomy in relation to the total flow of loans and advances, debt securities and instruments of capital. It should be noted that the data taken into account in the flow are determined based on the gross amount of exposure incurred over the last year.

With regard to the GAR relating to ICD flow, CGD presents a ratio of 0.03% as of June 30, 2024. The proportion of the total new assets covered corresponds to 0.00%.

As of June 30, 2024, CGD presents a GAR relating to stock ICD of 50.52% of which 2.59% belong to sectors relevant to the Taxonomy. Noting that the proportion of total assets covered corresponds to 65.69%.

Table 11 | ESG 8a: GAR (%) (KPI on Stock)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
June 2024: KPIs on stock															
Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable					
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
1 GAR	50,52%	2,52%	0,00%	0,03%	0,26%	0,10%	0,07%	0,00%	0,00%	0,00%	50,62%	2,59%	0,00%	0,03%	0,26%
2 Loans and advances, debt securities and equity instruments not eligible for GAR calculation	50,52%	2,52%	0,00%	0,03%	0,26%	0,10%	0,07%	0,00%	0,00%	0,00%	50,62%	2,59%	0,00%	0,03%	0,26%
3 Financial corporations	2,93%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	2,93%	0,00%	0,00%	0,00%	0,00%
4 Credit institutions	1,15%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	1,15%	0,00%	0,00%	0,00%	0,00%
5 Other financial corporations	1,78%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	1,78%	0,00%	0,00%	0,00%	0,00%
6 of which investment firms	1,74%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	1,74%	0,00%	0,00%	0,00%	0,00%
7 of which management companies	0,01%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,01%	0,00%	0,00%	0,00%	0,00%
8 of which insurance undertakings	0,03%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,03%	0,00%	0,00%	0,00%	0,00%
9 Non-financial corporations subject to NFRD disclosure obligations	0,60%	0,38%	0,00%	0,00%	0,26%	0,10%	0,07%	0,00%	0,00%	0,00%	0,70%	0,45%	0,00%	0,00%	0,26%
10 Households	47,00%	2,14%	0,00%	0,03%	0,00%						47,00%	2,14%	0,00%	0,03%	0,00%
11 of which loans collateralised by residential immovable property	46,17%	2,11%	0,00%	0,00%	0,00%						46,17%	2,11%	0,00%	0,00%	0,00%
12 of which building renovation loans	0,82%	0,03%	0,00%	0,03%	0,00%						0,82%	0,03%	0,00%	0,03%	0,00%
13 of which motor vehicle loans	0,01%	0,00%	0,00%	0,00%	0,00%						0,01%	0,00%	0,00%	0,00%	0,00%
14 Local government financing	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%
15 Housing financing	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%
16 Collateral obtained by taking possession: residential and commercial immovable properties	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%

Table 12 | ESG 8b: GAR (%) (KPI on Stock)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
June 2024: KPIs on stock															
Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable					
		Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
1 GAR	50,52%	2,52%	0,00%	0,03%	0,26%	0,10%	0,07%	0,00%	0,00%	0,00%	50,62%	2,59%	0,00%	0,03%	0,26%
2 Loans and advances, debt securities and equity instruments not eligible for GAR calculation	50,52%	2,52%	0,00%	0,03%	0,26%	0,10%	0,07%	0,00%	0,00%	0,00%	50,62%	2,59%	0,00%	0,03%	0,26%
16 Other local governments financing	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%

Table 13 | ESG 8c: GAR (%) (KPI on Flows)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
June 2024: KPIs on flows															
Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
Proportion of new eligible assets funding taxonomy relevant sectors						Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors				
Of which environmentally sustainable						Of which environmentally sustainable					Of which environmentally sustainable				
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling
1 GAR	0,40%	0,40%	0,40%	0,40%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,40%	0,40%	0,40%	0,40%	0,00%
2 Loans and advances, debt securities and equity instruments not eligible for GAR calculation	0,40%	0,40%	0,40%	0,40%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,40%	0,40%	0,40%	0,40%	0,00%
3 Financial corporations	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
4 Credit institutions	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
5 Other financial corporations	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
6 of which investment firms	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
7 of which management companies	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
8 of which insurance undertakings	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
9 Non-financial corporations subject to NFRD disclosure obligations	0,40%	0,40%	0,40%	0,40%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,40%	0,40%	0,40%	0,40%	0,00%
10 Households	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%
11 of which loans collateralised by residential immovable property	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%
12 of which building renovation loans	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%
13 of which motor vehicle loans	0,01%	0,00%	0,00%	0,00%	0,00%						0,01%	0,00%	0,00%	0,00%	0,00%
14 Local government financing	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%
15 Housing financing	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%
17 Collateral obtained by taking possession: residential and commercial immovable properties	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%

Table 14 | ESG 8d: GAR (%) (KPI on Flows)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
June 2024: KPIs on flows															
Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
Proportion of new eligible assets funding taxonomy relevant sectors						Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors				
Of which environmentally sustainable						Of which environmentally sustainable					Of which environmentally sustainable				
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling
1	GAR	0,40%	0,40%	0,40%	0,40%	0,00%	0,00%	0,00%	0,00%	0,00%	0,40%	0,40%	0,40%	0,40%	0,00%
2	Loans and advances, debt securities and equity instruments not eligible for GAR calculation	0,40%	0,40%	0,40%	0,40%	0,00%	0,00%	0,00%	0,00%	0,00%	0,40%	0,40%	0,40%	0,40%	0,00%
16	Other local governments financing	0,00%	0,00%	0,00%	0,00%	0,00%					0,00%	0,00%	0,00%	0,00%	0,00%

Table 15 | ESG 8e: GAR (%)

		p	p
		KPIs on stock	KPIs on flows
		Proportion of total assets covered	Proportion of total new assets covered
1	GAR	65,69%	0,00%
2	Loans and advances, debt securities and equity instruments not eligible for GAR calculation	65,69%	1,47%
3	Financial corporations	7,09%	0,02%
4	Credit institutions	5,04%	0,00%
5	Other financial corporations	2,06%	0,02%
6	of which investment firms	2,02%	0,01%
7	of which management companies	0,01%	0,00%
8	of which insurance undertakings	0,03%	0,00%
9	Non-financial corporations subject to NFRD disclosure obligations	7,45%	1,46%
10	Households	51,15%	0,00%
11	of which loans collateralised by residential immovable property	46,17%	0,00%
12	of which building renovation loans	0,82%	0,00%
13	of which motor vehicle loans	0,01%	0,01%
14	Local government financing	0,00%	0,00%
15	Housing financing	0,00%	0,00%
16	Other local governments financing	0,00%	0,00%
17	Collateral obtained by taking possession: residential and commercial immovable properties	0,00%	0,00%

1.10 Other climate change mitigation measures

The objective of Table 15 is to disclose other climate change mitigation measures and actions that support counterparties in their process of transition and adaptation to climate change, but that do not meet the criteria established in the Taxonomy Regulation and, consequently, are not included in the tables relating to the GAR (ESG7 and ESG8).

This framework includes two types of financial instruments, bonds and loans, that support financial and non-financial companies, families and other counterparties in the process of mitigating the transition and physical risk associated with climate change.

As of June 30, 2024, around 77% of the gross carrying amount reported in column c) of Table 15 relates to loans. Of which, approximately 35% correspond to loans to families secured by residential properties.

The approach developed by Caixa, in order to comply with regulatory requirements, was based on the following assumptions:

- With regard to the bonds segment, green and sustainable debt issues made by the Bank were considered in accordance with its Sustainable Finance Framework, which is aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines published by International Capital Market Association (ICMA).
- With regard to the segment of loans to companies, only loans from sustainable financing facilities made available to customers in the areas of activity identified in the Bank's Sustainable Financing and Energy Transition Policy are considered, such as: energy and transport.
- Regarding loans secured by commercial properties, properties with energy certification equal to or higher than B were considered, in accordance with the Bank's sustainable financing and energy transition policy and with the criteria established in the Taxonomy Regulation.
- In the segment of loans to households, and in accordance with the Bank's sustainable financing and energy transition policy residential properties with an A or A- energy certificate built after 2020 were considered.

Table 16 | ESG 10: Other climate change mitigation measures not covered by Regulation (EU) 2020/852

	a	b	c	d	e	f	
	Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions	
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations		Policy and Legal risk	Non mitigated		
2			846,13	Policy and Legal risk	Non mitigated	In this template, green and sustainable debt issues issued by the bank were considered in accordance with its Sustainable Finance Framework, which is aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines published by the International Capital Market Association (ICMA).	
3		Non-financial corporations				Sustainable debt issues from customers that are part of Caixa's balance sheet are also considered.	
4		Of which Loans collateralised by commercial immovable property			Policy and Legal risk	Non mitigated	
5		Households			Policy and Legal risk	Non mitigated	
6		Of which Loans collateralised by residential immovable property			Policy and Legal risk	Non mitigated	
7		Of which building renovation loans			Policy and Legal risk	Non mitigated	
8		Other counterparties		Policy and Legal risk	Non mitigated		
9	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations		Policy and Legal risk	Non mitigated		
10			498,89	Policy and Legal risk	Non mitigated	This segment only considers loans from sustainable financing lines made available to customers in the areas of activity identified in the Bank's Sustainable Financing and Energy Transition Policy, such as energy and transport. Additionally, properties with more detailed information are considered in the line below	
11		Non-financial corporations					In this segment, properties belonging to companies with energy certification equal to or higher than B are considered in this segment, in accordance with the Bank's sustainable financing and energy transition policy, which defines properties belonging to the top 15% of the national market in terms of efficiency as green. energy.
12		Of which Loans collateralised by commercial immovable property		360,12	Policy and Legal risk	Non mitigated	
13		Households		1.173,90	Policy and Legal risk	Non mitigated	This segment considers the financial products that the Bank has available to private ESG customers, such as loans to young university students. Additionally, this segment includes properties that the Bank considers green despite not being aligned with taxonomy and are excluded from map 7.
14			1.146,61	Policy and Legal risk	Non mitigated	Residential properties with energy certification A or A- are considered, in accordance with the Bank's sustainable financing and energy transition policy, which classifies as green only properties with the best energy performance (top 15%). Only properties built after 2020 as properties built before 2020 with energy certification (A or A-) are considered in map 7 for calculating the GAR.	
15			7,82	Policy and Legal risk	Non mitigated	Residential properties with energy certification A or A- are considered, in accordance with the Bank's sustainable financing and energy transition policy, which classifies as green only properties with the best energy performance (top 15%). Only properties built after 2020 as properties built before 2020 with energy certification (A or A-) are considered in map 7 for calculating the GAR.	
16		Other counterparties		Policy and Legal risk	Non mitigated		