



MARKET DISCIPLINE

ESG Risks

JUNE 2025

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1. Declaration of Responsibility

The Board of Directors of Caixa Geral de Depósitos, S.A. declares that the public disclosure of the "Market Discipline – ESG Risks" document is compliant with the requirements contained in Regulation (EU) 575/2013 (Part VIII).

Regarding the information included in this report, the Board of Directors:

- Certifies that all procedures considered necessary were undertaken and that, to the best of its knowledge, all disclosed information is factual and reliable;
- Ensures the quality of all disclosed information, including data originating from entities within the economic group to which Caixa Geral de Depósitos, S.A., belongs;
- Commits to the timely disclosure of any significant amendments arising from subsequent activities relevant to the scope of this document;
- Promotes the continued improvement of the risk management system, considering it appropriate to the complexity, nature, dimension, risk profile and strategy of the CGD Group.

Information on the activity and subsequent facts relating to the CGD Group is available on our website, at <https://www.cgd.pt/>, with particular emphasis on the informative content of the "Investor Relations" tab.

The Board of Directors of Caixa Geral de Depósitos, S.A., by delegation.



(Administrador Executivo)



(Administrador Executivo)

CAIXA GERAL DE DEPÓSITOS, S.A.

30 October 2025

2. Environmental, Social and Governance (ESG) Risks

In June 2021, with the revision of the *Capital Regulation Requirements* (called CRRII), the requirements for the disclosure of environmental, social and governance risks (ESG risks) are introduced through its Article 449a. This article obliges large institutions, which have issued securities admitted to trading on a regulated market of any member state, to disclose, as of June 2022, information on ESG risks, including physical and transition risks.

In January 2022, the EBA published the recommendations and requirements on ESG risk prudential disclosures (EBA/ITS/2022/01) in accordance with Article 449a of the CRRII.

On February 2025, the European Commission launched the OMNIBUS Package with the aim of streamlining and reducing the regulatory burden associated with sustainability (ESG) reporting, thereby enhancing the competitiveness of European companies.

This package introduces amendments to several key legislative instruments, including the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the EU Taxonomy Regulation and the Carbon Border Adjustment Mechanism (CBAM).

In July 2025, the European Commission published a Delegated Regulation designed to simplify and make reporting requirements more proportionate.

In August 2025, a simplified approach to quantitative disclosures was released. This approach notably includes semi-annual reporting for templates 1, 2, 4, and 5, while the remaining templates are to be reported annually. Template 9, related to BTAR, is considered voluntary.

In alignment with the CSRD guidelines, a double materiality assessment was conducted in 2024, encompassing the main business activities of the Caixa Group - commercial banking, asset management, investment banking, and venture capital. This assessment involved the participation of the Group's most representative entities.

As a result of this exercise, ten material topics were identified:

- Climate Change
- Community Support
- Human Resources Management
- Customer Relations
- Digital Transformation and Innovation
- Corporate Governance
- Ethics, Conduct and Compliance
- Sustainable Financing and Investment
- Risk Management
- Privacy and Information Protection.

The outcomes of the double materiality assessment represent a key element in shaping the 2025–2028 Strategic Sustainability Plan, which will be structured around the following priority areas:

- Transforming climate and environmental challenges into financing opportunities, ensuring a just and inclusive transition for all;
- Strengthening the integration of ESG risk management to enhance organizational resilience, mitigate negative environmental impacts, and reduce vulnerability to transition and physical climate risks;
- Promoting financial solutions that contribute to greater customer inclusion, financial resilience, and satisfaction;
- Fostering the development and well-being of employees;
- Enhancing the integration of ESG principles into the governance model, and promoting a culture of knowledge, transparency, and integrity;
- Establishing processes and mechanisms to collect, manage, and integrate ESG data into analysis and decision-making processes;
- Ensuring that ESG disclosures comply with legal and regulatory requirements, supervisory and regulatory expectations, and market best practices;
- Creating a positive impact on the local community.

To support the implementation of this strategy, CGD has a set of internal policies and regulations¹ that guide its performance in incorporating risks and opportunities inherent to sustainability in risk management and strategic planning processes, namely:

- **Sustainability Policy:** defines the governance model, guiding principles and specific activities, as well as the main stakeholders and respective responsibilities in the management of Sustainability at CGD and in 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 financing at CGD and in the Group's Entities and contributes to the achievement of the objectives of the Paris Agreement and the United Nations Sustainable Development Goals and in response to international commitments to the *Principles for Responsible Banking and the Net Zero Banking Alliance*.
- **C&A Risk Management Policy:** defines the guiding principles, the internal organization, namely the responsibilities of the three lines of defense, the procedures for assessing C&A risks, the integration of its factors into business processes, which are intrinsically related to business strategies and risk appetite and, finally, the monitoring and reporting procedures. In addition, it establishes the principles of replicability and auditability and, globally, describes the processes associated with the management of C&A risks, allowing CGD to maintain these risks at levels compatible with its risk appetite.
- **Diversity, Equity and Inclusion Policy:** establishes the principles applicable to Diversity, Equity and Inclusion (DEI) to CGD Employees and CGD Entities, also defining diversity objectives and goals for balanced representation between women and men in CGD's Management and Supervisory Bodies.
- **Risk Appetite Governance Model:** Regularly monitors risk indicators and their tolerance limits. Information on Climate and Environmental (C&A) 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.

¹ Para mais informação sobre as Políticas em vigor, consultar o site institucional da Caixa, disponível em: <https://www.cgd.pt/Sustentabilidade/Visao/Pages/Politicass.aspx>

- **Guidelines for "healthy" origination and aligned with Risk Appetite:** Establishes guidelines for analysis and decision-making in credit operations, highlighting the importance of a careful analysis of the financial situation of customers, especially in crisis contexts. In addition, it incorporates considerations on climate and environmental risks, aligning with CGD's Sustainable Finance Policy.
- In the credit analysis and decision-making process, CGD favours solutions that support adjusted transition plans for carbon neutrality, especially in critical sectors. In this context, obtaining sustainability reports from clients is essential to assess environmental impact and climate, physical and/or transition risks.

The *guidelines* explicitly state that all credit operations must comply with CGD's risk appetite.

In addition, CGD subscribes to and is part of a set of commitments, associations and working groups that enhance its performance in terms of sustainability and allow the creation of mechanisms and tools to respond to existing challenges.

In 2025, the Bank implemented a set of initiatives with the aim of strengthening its performance in ESG risk management, namely:

- Revision of the Sustainable Financing Framework;
- Issuance of the 3rd Green Bond;
- Launch of the Caixa Invest EU Green II credit line;
- Revision of the Sustainability Policy, reinforcing governance responsibilities related to climate change;
- Promotion of the 2025 Sustainability Week, including capacity-building and engagement sessions focused on climate transition.

2.1 Environmental Risk

2.1.1 Business Strategy and Processes

Strategic approach

In 2024, CGD conducted its double materiality process based on a structured approach, aligned with the requirements of the ESRS 2 standard of the CSRD (*Corporate Sustainability Reporting Directive*), with the aim of identifying the most relevant impacts, risks and opportunities (IRO) for the organization, considering both impact materiality and financial materiality. Based on this process, 10 material topics were identified:

- Climate Change;
- Community Support;
- Human Resources Management;
- Customer relationship;
- Digital transformation and innovation;
- Corporate Governance;
- Ethics, Conduct and Compliance;
- Sustainable Financing and Investment;
- Risk Management;
- Privacy and information protection.

At the climate and environmental level, the following topics stand out:

1. Climate change whose subtopics to be addressed are "Adaptation to climate change in own operations", "Climate Change Mitigation" and "Decarbonization of the portfolio";
2. Risk management, whose subtopic to be addressed is related to "ESG risk management and other systemic risks".

Legislation around ESG risks has been the subject of 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 channelling resources towards sustainable investments.

In November 2020, the European Central Bank (ECB) published the final version of the "*Guide on climate-related and environmental risks*", which addresses the 13 expectations regarding how banks should transparently manage and disclose climate-related and environmental risks, based on prudential rules.

In this context, CGD implemented an action plan of expectations and was accompanied by a supervisory team from the Bank of Portugal and the European Central Bank (JST) that supervised or monitored the implementation of the plan at the corporate level. The measures implemented included the study of the macroeconomic context and framework (*Business Environment Scan*), which ensures an analysis of the external context that influences how Climate and Environmental (C&E) factors can impact on the CGD Group's business model. The conclusions of this study allowed a prioritized classification of the most relevant C&E topics to be monitored by CGD and the consequent reinforcement of the aspects addressed in the *Materiality Assessment exercise*.

In line with these initiatives, in January 2025, the EBA issued the final version of the "*Guidelines on the management of ESG risks*" that will enter into force from January 2026, with the aim of improving

the identification, measurement, management and monitoring of ESG risks to ensure the resilience of the business model.

In order to address climate and environmental risks, CGD has implemented a Corporate Policy for the management of climate and environmental risks, which establishes the 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. Among others, the policy defines the scope of application, the principles for C&A risk management, the governance model, including the responsibilities of the three lines, the procedures for identifying and assessing these risks, the integration of C&A factors into business processes and risk appetite. In addition, the policy establishes monitoring and reporting procedures to ensure transparency and effectiveness in the management of C&A risks. This policy addresses the applicable prudential regulations and the expectations of supervisors and regulators, considering C&A's internationally recognized practices in terms of climate risk management. namely the CGD Group's risk assessment framework, the CGD Group's risk appetite framework, *stress test* exercises and the Internal Capital Adequacy Assessment Process (ICAAP).

In a context of rapid climate change and increased scrutiny of business practices, CGD recognizes that it is essential to have a proactive strategic approach, which includes monitoring as a core activity. The ability to assess progress, adjust initiatives, and make decisions based on concrete data is essential to ensure the achievement of the established goals and mitigate potential risks that could compromise the success of the defined strategy. Continuous monitoring allows CGD to reinforce its commitment to sustainability, as well as to strengthen its competitive position in the banking sector.

Climate targets 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 the adhesion to the *Net Zero Banking Alliance* (NZBA) commitment, an initiative of the *United Nations Environment Programme Finance Initiative* (UNEP FI) which aims to promote carbon neutrality by 2050 in the financial system through an approach consistent with the Paris Agreement.

Based on the commitments made, the bank voluntarily defined financed emission reduction targets for the sectors identified as more carbon-intensive. In July 2023, reduction targets were set for own activities and for the cement, electricity production and *commercial real estate* sectors for the activity in Portugal.

Figure 1 | Carbon emission reduction trajectory for own activities

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

Scope Emissions	Starting Point 2021	Metrics	Benchmark Climate Scenarios (1)	Target 2030	
Scope 1 and 2 (location-Based)	8 410 ton CO ₂ eq	Absolute	SBTi - Absolute Contraction Approach	-42%	4 878 ton CO ₂ eq

Figure 2 | Carbon emission reduction trajectory for financing activities (perimeter CGD, S.A., Portugal)²

Activity sector	Emission Scope	Starting Point 2022	Metric	Status 2024	Target for 2030
Electricity Generation Corporate	Scope 1 and 2	0.149 ton CO ₂ eq/MWh	Relative intensity	0.085 (-43%) ton CO ₂ eq/MWh	-71% 0.043 ton CO ₂ eq/MWh
Electricity Generation Project Finance	Scope 1	0.305 ton CO ₂ eq/MWh	Relative intensity	0.147 (-52%) ton CO ₂ eq/MWh	-71% 0.088 ton CO ₂ eq/MWh
Cement Manufacturing	Scope 1 and 2	0.637 ton CO ₂ eq/ ton cement	Relative intensity	0.662 (+4%) ton CO ₂ eq/ ton cement	-21% 0.505 ton CO ₂ eq/ ton cement
Commercial Real Estate Residential segment	Scope 1 and 2	0.011 ton CO ₂ eq/m ²	Relative intensity	0.005 (-54%) ton CO ₂ eq/m ²	-53% 0.005 ton CO ₂ eq/m ²
Commercial Real Estate Services segment	Scope 1 and 2	0.059 ton CO ₂ eq/m ²	Relative intensity	0.036 (-39%) ton CO ₂ eq/m ²	-64% 0.021 ton CO ₂ eq/m ²

In accordance with the guidelines of the Market Discipline (Pillar III), CGD has defined intermediate carbon reduction targets (to be achieved in 2026) and disclosed the distance to 2030 by the *International Energy Agency Net Zero Emissions 2050* (IEA NZE 2050) scenario for the prudential perimeter. These targets focus on the most representative sectors of the portfolio eligible for reporting: electricity generation, fossil fuels, air transport and cement.

Figure 3 | Carbon emission reduction trajectory for financing activities (Prudential perimeter)³

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

Monitoring of goals

In 2024, CGD defined a climate strategy monitoring manual that allows for continuous and effective monitoring of the implementation of CGD's strategic plan with regard to environmental and climate challenges and ambitions. This manual describes the *framework*, processes and governance that ensure that strategic execution is monitored in a rigorous and transparent manner. Additionally, it establishes a set of performance indicators (KPI's) and risk indicators (KRI's) that allow monitoring the established goals and assessing the need to implement mitigation measures in case of material deviations.

² Scope: Loan items (perimeter CGD, S.A., Portugal)

³ Scope: All items in the banking book covering (a) loans and advances; b) debt securities; c) equity instruments (prudential perimeter)

Thus, within the scope of the Sustainability Report⁴, CGD disclosed the monitoring of the targets as of December 2024, which is summarized below:

Figure 4 | Monitoring of transition objectives (own activities)

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

Emission Scope	Starting Point 2021	Metric	Status 2024	Target for 2030
Scope 1 and 2 (location-based)	8 410 tons CO ₂ eq	Absolute	7 059 (-16%) tons CO ₂ eq	-42% 4 878 tons CO ₂ eq

Own activities (scope 1 and 2) - Portugal

In 2024, scope 1 and scope 2 emissions reached 7,059 tCO₂ eq, which represents a reduction of 16% compared to the starting point. This reduction is mainly due to the reduction in fuel consumption in the company's own fleet as well as the reduction in electricity consumption.

Figure 5 | Monitoring of transition objectives (funding activities)

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

Activity sector	Emission Scope	Starting Point 2022	Metric	Status 2024	Target for 2030
Electricity Generation Corporate	Scope 1 and 2	0.149 ton CO ₂ eq/MWh	Relative intensity	0.085 (-43%) ton CO ₂ eq/MWh	-71% 0.043 ton CO ₂ eq/MWh
Electricity Generation Project Finance	Scope 1	0.305 ton CO ₂ eq/MWh	Relative intensity	0.147 (-52%) ton CO ₂ eq/MWh	-71% 0.088 ton CO ₂ eq/MWh
Cement Manufacturing	Scope 1 and 2	0.637 ton CO ₂ eq/ ton cement	Relative intensity	0.662 (+4%) ton CO ₂ eq/ ton cement	-21% 0.505 ton CO ₂ eq/ ton cement
Commercial Real Estate Residential segment	Scope 1 and 2	0.011 ton CO ₂ eq/m ²	Relative intensity	0.005 (-54%) ton CO ₂ eq/m ²	-53% 0.005 ton CO ₂ eq/m ²
Commercial Real Estate Services segment	Scope 1 and 2	0.059 ton CO ₂ eq/m ²	Relative intensity	0.036 (-39%) ton CO ₂ eq/m ²	-64% 0.021 ton CO ₂ eq/m ²

Electricity Production (*Project Finance*) - Portugal

In 2024, the physical intensity of the portfolio associated with this segment was estimated at 0.147 tCO₂/MWh, which means a reduction of 52% compared to the starting point and 40% compared to the expected curve for 2024. The reduction was based on a decrease in exposure to fossil electrical production.

Commercial real estate (Residential segment) - Portugal

The physical intensity of the portfolio associated with this segment was estimated at 0.005 tCO₂/m², which means a reduction of 54% compared to the starting point and 47% compared to the trajectory for 2024.

Commercial real estate (Services segment) - Portugal

⁴ For more information, see chapter "4.4.2.1. Climate Change (ESRS E1 Standard – Climate Change) of the Management and Accounts Report.

The physical intensity of the portfolio associated with this segment was estimated at 0.036 tCO₂/m², which means a reduction of 39% compared to the starting point and 26% compared to the trajectory for 2024.

Electricity Production (*Corporate Segment*) – Portugal

The physical intensity of the portfolio associated with this segment was estimated at 0.085 tCO₂/MWh, which means a reduction of 43% compared to the starting point and 29% compared to the 2024 target. The estimate was based on carbon intensity information provided by some of the portfolio companies, data from the IEA (International Energy Agency) and the reduction in the Portuguese electricity sector by the end of 2024.

Cement manufacturing - Portugal

In 2024, *engagement* was carried out with customers in the portfolio to collect their real data. Taking into account the actual information shared, the simulation was adjusted, and the carbon intensity of the starting point was significantly reduced (0.637 tCO₂/ton cement). The physical intensity of the portfolio associated with this sector was 0.662 tCO₂/ton cement, which means an increase of 4% compared to the starting point and 9% compared to the expected value for 2024.

Regarding the prudential objectives, disclosed with reference to 31.12.2024 and starting from the reference date of 31.12.2023, the monitoring of them is systematized below:

Electricity production sector – CGD Group

In the electricity production sector, CGD increased its intensity from 155 gCO₂/kWh, on 31.12.2023, to 221.5 gCO₂/kWh, on 31.12.2024. This increase is justified by CGD's financing to companies located in geographies whose energy matrix is still highly dependent on non-renewable energy sources. Nevertheless, CGD has been growing its financing for companies and projects related to the production of energy from renewable sources. Despite the increase in carbon intensity, the curve is below the IEA value for 2030 (222.73 gCO₂/kWh).

Fossil fuel sector – CGD Group

In the fossil fuel sector, there is also a reduction in the carbon intensity of financing and investments (from 71.6 kgCO₂/GJ on 31.12.2023 to 70.0 kgCO₂/GJ). This reduction results from a more favourable estimate of carbon emissions compared to those observed last year with customers and relevant counterparties.

Cement production sector – CGD Group

In the cement production sector, the carbon intensity recorded increases in 2024 due to the increase in exposure to companies with reported climate information (from 663.3 kgCO₂/t to 701.8 kgCO₂/t). This real climate information contrasts with the estimated average carbon intensity, averages that are automatically imputed to companies without available climate information. In this case, the verification of the current performance of the companies resulted in a greater intensity compared to the estimates available in the market.

Air transport sector – CGD Group

In the air transport sector, there is an increase in carbon intensity, from 111.1 gCO₂/km on 31.12.2023, to 122.5 gCO₂/km. This increase results from the amortization, and consequent outflow from the portfolio, of relevant exposure to companies with the best environmental performance in the sector.

European Taxonomy

As part of the disclosures to be made under the European Taxonomy Regulation (EU Regulation 2020/852), CGD reported⁵ its degree of eligibility and alignment in accordance with the guidelines established by the European Commission.

From the analysis of the results obtained for December 2024, it is possible to see that approximately 59.1% of the Group's assets are covered by the GAR, of which 50.8% are eligible assets. 4.0% of the assets covered are aligned, with household financing being the segment that contributes most to the indicator.

Comparing the alignment with the taxonomy with the reference to 2023, where the GAR was 2.3%, the increase of 1.7 percentage points was due to:

- Increased information coverage for the alignment of corporate counterparties (i and ii), which allowed a percentage of alignment of exposures with representation in the portfolio.

It should be noted that, for these corporate counterparties (i and ii), it is expected that there will be an increase in the alignment of their economic activities with the technical criteria of the Taxonomy over time, either due to improvements in data quality that allow a better assessment of alignment, or in the alignment of companies' strategic objectives with the EU's sustainability objectives.

In addition, with regard to mortgage credit, the review of the data processing allowed to refine the analysis and increase alignment in this segment of the portfolio.

Sustainable finance

Following the Double Materiality analysis carried out in accordance with the requirements of the CSRD, the following opportunity impacts were identified, namely:

- Positive impact: i) Creation of positive environmental and social impact on society through the channeling of capital to companies and projects that promote environmental stewardship, social equity and responsible governance practices.
- Opportunity: i) To strengthen differentiation in the market through the development of sustainable products; (ii) strengthen the integration of sustainability principles in the selection of investment funds and (iii) seize the business opportunities associated with the transition to a carbon-neutral economy.

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 various levels (internal and external), CGD has been developing a holistic approach supported by mechanisms, processes and regulations that aim to provide a more sustainable, personalized offer that allows for strengthening mitigation and adaptation to climate change:

- The **Exclusion and Sectoral Limitation Principles**⁶ set out the principles underlying activities and projects that are excluded, or restricted under certain conditions, from CGD's credit policy;
- The **Sustainable Finance Framework**⁷ (aligned with the *Green Bond Principles* and *Sustainability Bond Guidelines*) provides investors with detailed information on CGD's

⁵ For more information on the exercise of the Taxonomy, please refer to chapter "4.4.2.2. European Taxonomy" of the 2024 Sustainability Report, integrated in CGD's 2024 Management and Accounts Report.

⁶ For more information, see the Principles of Exclusion and Sectoral Limitation, available at: https://www.cgd.pt/Sustentabilidade/Visao/Documents/CGD-Lista-Exclusao_CE_PT_Dsc.pdf

⁷ For more information, see Caixa's Sustainable Financing Framework, available at: <https://www.cgd.pt/English/Investor-Relations/Debt-Issuances/Prospectus/Documents/CGD-SustainableFinanceFramework.pdf>

sustainable finance 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 Policy⁸** defines a set of principles that guide the development of the commercial approach at the 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 for the creation and/or distribution of products in 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 and that the interests, objectives and characteristics of customers are taken into account, avoiding its potential detriment, as well as minimizing potential conflicts of interest.
- **Caixa Gestão de Ativos' Engagement Policy** presents the general principles present in the Engagement Policy, which aim to stipulate Caixa Gestão de Ativos' performance with the companies in which it invests, representing the funds it manages and its discretionary management clients in ESG matters. It is the objective of Caixa Gestão de Ativos to establish an action with these companies, encouraging the adoption of the best environmental, social and corporate governance practices, which allows them to ensure sustainable development in the long term in financial and non-financial terms.
- **CGD Pensions' Socially Responsible Investment Policy** aims to ensure compliance with the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. It frames the nature of the various products managed by CGD Pensions, which promote, among other environmental or social characteristics and which, under the regulation, may correspond to the terms of articles 6 and 8 of the aforementioned regulation, as explained in the pre-contractual information of each product.
- The **Statement on the Due Diligence Policies of Caixa Gestão de Ativos** has as its object the due diligence policies that are implemented at Caixa Gestão de Ativos, namely the Socially Responsible Investment Policy, the Engagement Policy and the Voting Rights Exercise Policy that frame the strategy to be adopted in the integration of risks in terms of Socially Responsible Investment in the decision-making process of investment by Caixa Gestão de Ativos.

Considering the guidelines explained in the aforementioned processes, CGD is committed to developing customized sectoral business approaches aligned with the transition needs of its clients.

Counterparty engagement and evaluation

To assess the engagement approach with its clients according to their maturity and ambition in climate risk management, in 2021 CGD defined and implemented a risk assessment methodology, called *ESG Rating*, which evaluates ESG criteria of counterparties and allows their integration into decision-making processes.

The ESG rating model aims to complement the financial rating information, considering non-financial aspects, although equally important in terms of risk impact and feasibility, contributing to a forward-looking view of the economic and financial situation of companies and consequently to a more 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

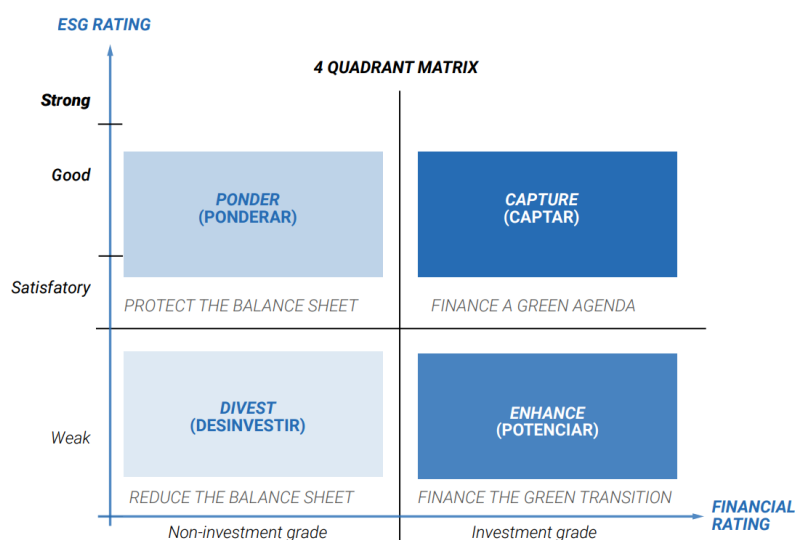
⁸ For more information, see the Sustainable Finance and Energy Transition Policy, available at: <https://www.cgd.pt/Sustentabilidade/Visao/Documents/PoliticaFinanciamentoSustentavel.pdf>

(environmental, social and governance) will be expressed in the balance sheet and in the companies' income statement.

The ESG rating aims to contribute with input to regulatory obligations, but also, and with equal importance, the integration of these criteria in decision-making processes and granting credit to companies, contributing not only to better risk management, but also to the enhancement of profitability that is more resilient to ESG risks in the long term.

The ESG rating developed by CGD evaluates and weights several counterparty-specific environmental factors. This assessment supports the prioritization and differentiation of commercial action according to the level of risk of customers, contributing to a holistic and integrated view of risk in decision-making.

Figure 6 | Rating ESG



In order to ensure the maximization of value for the various *stakeholders*, it should also be highlighted, as an objective of the *ESG rating*, to reinforce the customer-centric vision, creating opportunities for dialogue and awareness, between commercial areas and companies and promoting advice and anticipation of needs, in order to better support companies in the transition process to a greener economy, more inclusive and more responsible.

CGD's ESG Rating covers approximately 400 thousand companies and around 23,000 million euros of bank loans and is composed of 3 dimensions, including the environmental dimension, which integrates the following components:

Figure 7 | Components of the environmental dimension of the *Rating ESG*

	Components
Physical Risk	Regional Risk – Assesses Climate Physical Risks at the parish level for 11 types of risk (fluvial flooding, coastal flooding, landslides, tsunamis, extreme heat, urban fires, rural fires, earthquakes, water scarcity, strong winds, and snowfalls) in mainland Portugal, and at the municipal level for the islands.
	Activity Risk – Evaluates the impacts of climate change and events on various sectors of activity, in terms of productivity, supply chain, dependence on natural resources, energy dependence, and demand impact.
	Country Risk – Assesses each country's exposure and vulnerability to the risk of extreme natural disaster events and the negative impacts of climate change.
	Company Risk – Evaluates the company's greater or lesser flexibility in dealing with physical risks inherent to the location of its assets or the sector in which it operates.
Transition Risk	GHG by Sector – Greenhouse gas emissions in Portugal and by sector of activity.
	Carbon Intensity – Variation in Carbon Intensity (Scope 1, Scope 2, and Scope 3).
	Energy Expenses – Expenses on electricity and fuels.
	R&D Investment – Expenses incurred in research & development.
	CO2VAB Impact – Impact of the increase in CO2 price on gross value added.
Other Environmental Risks	Waste Treatment – Assesses the quantity and method of waste treatment.
	Water Expenses – Expenses incurred with water during the course of activity.

It should be noted that, in addition to the calculation of the *ESG Rating* as a whole, each dimension and each component are also calculated independently, and this information is available for consultation and inclusion in credit allocation decisions by the commercial and risk areas on the respective credit decision platforms.

The contribution of the information collected and worked on in the *ESG Rating* can help assess the company's current position with regard to the environmental dimension and provide *inputs* on what can be improved in order to increase its performance and, consequently, access more advantageous conditions in the subscription of CGD's financial products dedicated to the transition to a greener economy. circular and inclusive.

2.1.2 Governance

Relevant bodies

The Risk Management Function at the CGD Group is supported by a governance model that aims to respect the best practices in the matter, as explained in the "*Guidelines on Internal Governance under Directive 2013/36/EU*" (EBA/GL/2021/05), and to ensure the solidity and effectiveness of the

system of identification, measurement, monitoring, reporting and control of the various risks incurred by the Group.

To ensure the involvement and discussion of the C&A risk management model at CGD in an effective manner, CGD's management body, management and relevant committees have established the following governance structure.

The Board of Directors defines, supervises and is responsible, within the scope of its competences, for the application of governance systems that ensure 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 (CR) and the Audit Committee (CAUD), establishes the risk appetite, which is implemented by the Executive Committee (EC) with the support of the Risk Management Division (DGR) 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.

The day-to-day management of CGD is delegated by the Board of Directors to the EC. The EC is responsible for the CGD Group's overall risk management, including the management and execution of risk appetite, the monitoring of risk metrics and ensuring consistency between risk appetite and the corporate strategy for sustainable finance and climate action.

The Governance Commission (GC) ensures compliance with the principles of internal governance and the assessment of sustainability strategies and policies, proposing to the Board of Directors the guidelines on sustainability, social and environmental responsibility. Their skills include, among others:

- To propose to the Board of Directors guidelines on social responsibility, sustainability and environmental protection;
- Monitor the definition of the Corporate Sustainability Strategy and its implementation, the elaboration of global policies and trends - existing and emerging - and the best practices internal and external to the CGD Group, with relevance to sustainability matters associated with governance, *compliance*, people development culture and its incorporation into the business units;
- Monitor the initiatives in the field of Sustainable *Finance* and propose subsequent guidelines for analysis by the Board of Directors, considering the valuation of ESG criteria, in order to increase awareness and transparency about the government that can impact the stability of CGD, investments and financial services provided.

The CR monitors the management policy of all risks of the CGD Group's activity, namely climate and environmental risk, namely the risk measurement and capital calculation models adopted internally, as well as the Community Directives and guidelines of the Bank of Portugal and the European Central Bank, in this matter. Within the scope of its functions and competences, it analyses, among others, the reports presented by the DGR on climate and environmental risk. CR is also responsible for monitoring the management policies of all financial and non-financial risks inherent to CGD's activity, namely with regard to climate and environmental risk.

The Sustainability Committee (CSU) is the EC's advisory body that oversees the management and guides the decision regarding the implementation of the Sustainability Strategy, incorporating the principles of sustainable development, responsible banking and sustainable finance into CGD's day-to-day activities, in alignment with the Institution's Strategic Plan and the expectations of stakeholders. CSU operates from a corporate perspective, covering the Branches and Subsidiaries of the CGD Group. Within the scope of its competences regarding climate and environmental risk management (CR&A), the following stand out:

- Monitor the development and implementation of the CGD Group's strategic orientation for climate action;

- Review the CGD Group's climate position statements and carbon neutrality commitments, including climate commitments in sectors that emit more carbon;
- Monitor and streamline the implementation of the business strategy and the main policies regarding climate change and RC&A risks;
- Promote corporate alignment of sustainable financing, as a function of RC&A;
- Monitor and streamline the implementation of measures for mitigation and adaptation to RC&A;
- Monitor and streamline the measurement of the carbon footprint, pricing mechanisms and transition plans;
- Monitor and streamline the measurement, management and reduction of financed emissions;
- Monitor and streamline actions for the good performance of RC&A targets and KPIs;
- Discuss and propose strategies for integrating the results of climate stress test exercises and scenario analyses into the CGD Group's business strategy;
- Monitor and streamline the development of action plans in response to the requirements of the regulator and supervisor;
- Discuss and promote the integration of climate and ESG aspects in the main business lines, internal processes and regulations of the CGD Group;
- Monitor documents and reports on CGD's positioning and performance with regard to RC&A.

Lines of defense

The C&A risk management model at CGD 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 organisation and encompasses the participation of various CGD structural bodies. It is responsible for ensuring the daily execution and supervision of risk management and internal control procedures. It must also identify, evaluate, 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 developed are achieved. In this context, the Corporate Support Division (DSC) plays a key role in the execution of the supervision of the Board of Directors.

Risk management, as the 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 performs functions in the area of management and control of the Group's financial and non-financial risks, with stability objectives. solvency and financial soundness, ensuring the functions of identifying, assessing, measuring, monitoring, controlling and reporting the risks to which the CGD Group is exposed and the interrelationships between them, in order to ensure the consistent integration of its partial contributions, that they remain at the level of the risk appetite defined by the Board of Directors and that they will not significantly affect the financial situation of the institution, continuously ensuring compliance and compliance with external standards and legal and regulatory requirements in this area.

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

The key pillars in monitoring compliance with climate and environmental risks are as follows:

- **Establishment of Internal Continuous 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.
- **Maintaining 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, 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.
- **Updating 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 respond effectively to new legal requirements and changes in supervisory expectations. These updates are essential to meet immediate compliance needs while supporting long-term strategic objectives, including reducing exposure to environmental risk and facilitating a sustainable transition.
- **Facilitation of Effective Oversight and Reporting Mechanisms:** The Local Compliance Division reports regularly to the governing bodies of the CGD Group Entity, providing critical information on adherence to C&E regulations and identifying emerging risks that may affect the organization's environmental and climate commitments. This oversight mechanism ensures that governing bodies remain informed about compliance levels, allowing them to adjust risk tolerance as needed and strengthen the organization's resilience to evolving C&E risk landscapes.

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

The third line has carried out a set of its own initiatives in order to respond to the integration of climate and environmental risk in the CGD Group. It is important to highlight the introduction of the sustainability component in the mission of Internal Audit, the development of training programs and certification programs for Internal Audit teams and the introduction of several works in this matter in the audit plan.

Environmental criteria in variable remuneration

In accordance with CGD's Remuneration Policy for the Members of the Management and Supervisory Bodies, the remuneration of the executive members of the Board of Directors is composed of a fixed component to which is added a non-guaranteed variable remuneration.

This Remuneration Policy takes into account, among other principles, consistency with the management of sustainability risks, through the incorporation of metrics related to environmental, social and governance risks in the process of assigning variable remuneration, taking into account the responsibilities and functions assigned.

The variable remuneration of the members of the management bodies is directly related to the performance of strategic objectives, with sustainability being one of these objectives. The ESG KPI present in the *Corporate Balance Score Card* (BSC) has a weight of 12.5% in the total evaluation, and is composed of three indicators: *Sustainalytics*, CDP and MSCI ESG Rating, with a weight of 33.3% each.

In addition, a Corporate Remuneration Policy for CGD Group Employees is also established, and it is up to the CGD Group Entities to adopt the aforementioned Service Order, transposing it into the

respective internal regulations with the necessary adaptations to their circumstances, both in terms of legislation and applicable local regulations, with prior confirmation by CGD.

The Employee Remuneration Policy contains several provisions on matters related to Sustainability, such as:

- Comply with the limits established in the Risk Appetite Statement (RAS) defined for CGD and CGD Entities, taking into account all risks, namely reputational risks and risks resulting from *the mis-selling* of products and including environmental, social and governance risk factors;
- Ensure non-discrimination, being gender-neutral, covering all employees and promoting the principle of equal pay in terms of gender, including the conditions for awarding and paying fixed and variable remuneration;
- The attribution of variable remuneration considers, among other dimensions, regulatory performance and Sustainability, and is ensured that it is not exclusively associated with a quantitative target for the marketing or supply of banking products and services, and does not promote the marketing or supply of a particular product, or category of products, that are more profitable for CGD. or to its Employees, without prejudice to the legitimate interests of the Customers.

2.1.3 Risk Management

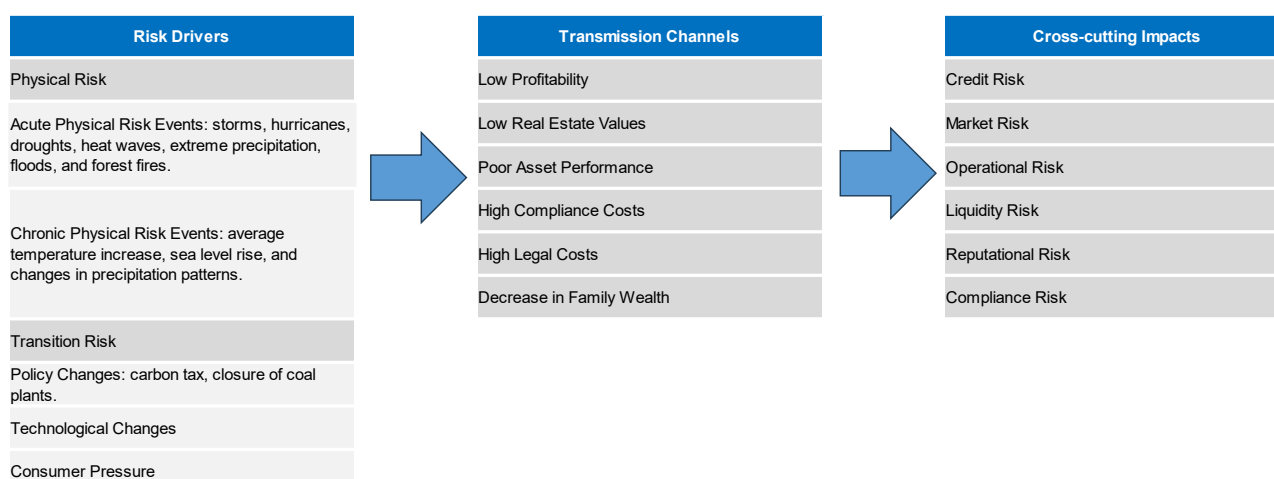
According to CGD's Risk Taxonomy, non-financial risks include five key risks, namely: Strategy and Business, Operational, Cyber and Information Technology, Reputational, and Climate and Environmental (C&A).

According to the review carried out in 2024, the CGD Group taxonomy classifies C&A risk as a level 1 risk category, with 3 specific risk subcategories called climate risk from transition events, climate risk from physical events, biodiversity and other environmental risks.

- **Climate Risk of Transition Events:** it is the risk of impacts of *drivers* associated with the effort to transition to a low-carbon economy, which materialize, for example, in legislative and policy changes, behavioral changes of consumers, suppliers and investors, technological changes and pressure from the various *stakeholders* for climate action;
- **Climate Risk of Physical Events:** is the risk of impacts resulting from climate change. Physical risk is "acute" when it arises from the impact of *drivers* associated with extreme events, such as droughts, heat waves, floods, and storms; and "chronic" when it results from the impact of *drivers* associated with progressive changes, such as average temperature rise, sea level rise, and changes in precipitation patterns;
- **Biodiversity and other environmental risks:** it is the risk of *drivers* associated with the reduction or restriction of natural capital, both physical (namely air, water and soil pollution, pressure on water resources, loss of biodiversity and deforestation), and transition (the costs/effort that the preservation of natural capital may imply, for example, through legislative changes or adaptation of production models).

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 transversal risks).

Figure 8 | Drivers, transmission channels and cross-cutting impacts of climate-related and environmental risks



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 C&A risks.

Consequently, a short, medium and long-term approach was developed, due to the uncertainty regarding the time horizon for the manifestation of these risks. Although these risks are expected to manifest themselves in the long term, they are dependent on short-term actions for climate change adaptation and mitigation.

The C&A risk management model is led by the guidelines and objectives present in the CGD Group's C&A risk appetite and integrates, in an adjusted manner, to the C&A objectives of each geography in which the CGD Group is present, with the following key pillars in the identification, monitoring and management of C&A risk:

- **Business Environmental Scanning (BES):** Aimed at identifying the main climate risk factors. This study assesses the political, economic, social, technological, legal and environmental dimensions. Based on a PESTEL approach, this study allows CGD 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 a thorough assessment of the transmission channels from climate risk to traditional risks, the most material portfolios are identified based on scenarios. This analysis is carried out for the various portfolios, sectors and geographic areas where CGD operates, both for climate risk and for other environmental risks. CGD carries out, at least annually, the process of assessing the materiality of C&A risks in June (with data from December of the previous year) and, if necessary, a reassessment in December (with data from June of the same year), with the aim of assessing and inventorying the risks of concern to the Bank.
- **Stress Test:** Intended to assess potential impacts, based on the results of the *Materiality Assessment*. This tool aims to assess C&A 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 adjustment process to a low-carbon economy, and in terms 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.

- **C&A Risk Limits and Monitoring:** Intended to monitor C&A risk. Taking advantage of the scenarios used in the *stress test* and the concentrations identified in the risk assessment, risk exposure is assessed against the limits established by the bank in its risk appetite. The *climate risk dashboard* integrates short, medium and long-term scenarios, monitoring:
 - **KRI forward-looking related to CGD's business strategy:** It is intended to monitor, on a quarterly basis, the most relevant exposures that contribute to or condition CGD's progress in meeting the long-term objectives and business strategy for C&A risks, namely more granular information on exposure variations in the cement production segments, credit collateralized by residential real estate and electricity production (corporate and project financing).
 - **Transition Plan:** In July 2023, CGD established and published decarbonization targets for 2030, for its own activities and for financed activities. In this analysis, CGD monitors the progress of exposure, but only including the CAE sectors that are part of the transition plan.
 - **KRI related to long-term scenarios:** By monitoring KRI related to CGD's long-term scenarios linked to different transition paths, CGD aims to have a complete picture of risk exposures under different scenarios and time horizons. A sectoral transition risk matrix has been developed based on a specific transition risk scoring methodology. This transition risk score is supported by a sectoral approach, which considers the expected impact of carbon pricing, fluctuations in energy prices, and the necessary technological investment on the profit margins of companies in each sector – the climate shock. The climate shock and its components are then calculated for three different NGFS climate scenarios (Net Zero 2050, Delayed Transition and Current Policies) in 2030, 2040 and 2050. These scenarios are based on different ambitions and political reactions, as well as technological changes. The transition risk score covers a total of 79 sectors, including agriculture, extractive and manufacturing industries, and services. A level of transition risk was assigned to the 79 sectors of activity in the 3 NGFS scenarios and time horizons. With this methodology, CGD estimated risk exposure in different scenarios and time horizons, which, combined with exposure to counterparties with a sensitive ESG profile from a *bottom-up* perspective, will provide more meaningful information to analyze the resilience of CGD's portfolio to C&A risks in the medium and long term, and to define mitigation measures.
 - **Stress Test Inputs:** The purpose of this section is to monitor and analyse based on the results of the *Climate Stress Test 2023*, specifically on: (i) Transition Risk: Analysis of the top 5 NFCs, in terms of exposure, in the most vulnerable sectors, and identification of their respective transition plans or sustainable initiatives. In addition, an analysis of energy certificates less than or equal to E, as the impacts on LGD become more significant as EPCs deteriorate; (ii) Physical Risk: Analysis of exposure to NFS in sector E that are susceptible to heat waves and droughts. In addition, an analysis of exposure to collateral located in districts with a higher risk of flooding is carried out.

The C&A risk management model is led by the guidelines and objectives present in the CGD Group's C&A risk appetite and integrates, in a manner adjusted to the C&A objectives of each geography in which the CGD Group operates, the following elements:

- Risk identification and assessment exercise, including scenonation components;
- Integration into the business strategy;
- Risk assessment and quantification;

- Periodic monitoring and reporting.

This process is detailed in the C&A Corporate 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 the management of C&A risks, namely the responsibilities of the three lines of defence, the procedures for the identification and assessment of C&A risks, the integration of their factors into business processes, which are intrinsically related to business strategies and risk appetite and, and finally, the monitoring and reporting procedures.

Materiality assessment

The risk profile identification process is framed by a governance model that ensures the involvement of the Board of Directors, the Audit Committee, the Executive Committee and the Risk Committee.

The materiality assessment of climate, environmental, social and reputational risks was carried out during the second half of 2024 involving several internal teams (Risk, Rating, Credit, Marketing and Sustainability). The assessment was carried out by Group entity, by portfolio and by traditional risk category, integrating data from CGD's Group entities. This exercise has been revised to fully comply with the supervisory expectations applicable in this regard. It is a quantitative assessment and refers to data from June 2024, based on the quantification of sensitive exposure to C&A risk factors.

The assessed scope was 92% of the Group's assets and 97% of the assets in the national perimeter. A specific methodology has been developed to identify and assess other environmental risks, such as biodiversity risks, including through the use of the methodology that measures vulnerability using the ENCORE (*Exploring Natural Capital Opportunities, Risks, and Exposure*) classification. It defines four variables of dependence and pressure: (i) Habitat stability – degree of disturbance of ecosystems; (ii) Water security – reflecting the dependence and risks of water availability; (iii) Provision of food and other goods – assessment of dependence on ecosystem products; (iv) Air quality and local climate regulation – assessment of sensitivity to atmospheric conditions. Different climate scenarios were also considered to assess transition and physical risks, and the central Net-Zero 2050 scenario was adopted, with projections for the year 2030.

The consolidated results show that transition risks are material for CGD's business due to the high financial costs associated with the adjustment process necessary for the transition to a low-carbon economy, in line with the goals of the Paris Agreement. The main impacts occur in credit exposures to companies and real estate assets, without considering any mitigation measures, which will have to be identified later.

Regarding physical risks, they present costs associated with the physical impacts of the effects of climate change on infrastructure and real estate assets, as a result of the increasing frequency and severity, in the short-medium term, of acute (material risk) and chronic (low material risk) weather events.

With regard to biodiversity and other social risks, the consolidated results show that they are a "non-material" risk and are associated with dependence on natural resources and natural capital services, as well as the existence of impacts on nature as a result of the activity of companies in specific and carbon-intensive sectors. The concentration of exposures sensitive to C&A factors was considered material as it exceeds the limits established in the risk appetite exercise.

As future actions, it will be necessary to integrate the results into the different analyses and internal reflections, define appropriate mitigation measures, implement control procedures in order to prevent or mitigate the risk exposures projected for 2030.

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

Figure 9 | Materiality of transition risk and physical risk

Risk categories	Transition			Physical acute			Physical chronic			Nature impact			Nature dependency			Social			Sovereign			ESG-reputation		
	'27	'30	'35	'27	'30	'35	'27	'30	'35	'27	'30	'35	'27	'30	'35	'27	'30	'35	'27	'30	'35	'27	'30	'35
Business																								
Solvability																								
CSRBB																								
Credit																								
Country																								
Default																								
Corporate																								
Retail																								
Financials																								
Concentration																								
Recovered assets																								
Market																								
Liquidity																								
Funding																								
Liquidity buffer																								
Operational																								
Buildings																								
Workforce																								
Reputational																								

■ Nonmaterial
 ■ Somewhat material
 ■ Very material
 ■ Critical
 ■ At least 1 company flagged in the portfolio

The assessment is based on the identification of exposures that, based on the relevant climate narrative and projected 2030 dynamics, may be affected by C&A dynamics.

The reported results should guide business and risk management approaches to address key concentrations of risk. In practice, CGD will implement the controls and conditions that will prevent or mitigate the projected risk exposures for 2030.

Main conclusions obtained and discussions held:

- Relevant risk concentrations were observed in the physical risks (acute component) and in the transition components. These concentrations are especially relevant to the credit risk category. In fact, it is assumed that this is a very conservative assessment, since the physical risk classification is based on a high-risk scenario and values the simultaneous occurrence of any physical risk event.
- In practice, this means that if CGD's counterparties fail to transition their business models and if climate policies (and political feasibility) move forward to implement the planned reforms, a relevant number of counterparties could face increased operational and investment costs in the medium term. Thus, CGD's approach should be based on understanding (and promoting) the transition efforts of these counterparties.
- For physical risk, the impacts may come from the effects on corporate activity or real estate assets, resulting from acute events. Thus, the approach should be more focused on identifying, evaluating (and ensuring) the relevant mitigators (such as insurance policies or similar plans).
- In addition, for the operational risk category, significant risk views may be outlined for CGD's properties, especially those located outside Portugal. This may advise further confirmation of the insurance/protection schemes in place, as well as proper business continuity planning to address these events.

For the identification and assessment of transition risk and physical risk, CGD uses methodologies, definitions and *standards* based on information from global organizations and initiatives in these matters, such as the TCFD, UNEP FI, the *Network for Greening the Financial System* (NGFS), the *Intergovernmental Table on Climate Change* and the *Climate Financial Risk Forum*, combined with expert judgment in this area and recommendations from the regulator. As regards transition risk,

additional data are needed on carbon pricing, energy prices, carbon intensity, energy intensity, distance to targets and, additionally, energy certificates (EPCs).

The physical risk impact assessment considers the identification and location of the areas affected by the materialization of physical risk events⁹ and the distribution of assets located in these areas, namely the location of companies and their assets and the location of properties that guarantee credit 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 climate transformations, such as changes in temperature, precipitation, periods of drought and rising sea levels. The effects of physical climate risks may be transmitted to CGD directly through its activity or indirectly, among others, through an increase in credit risk, operational risk and reputational risk, with possible distributional effects due to the interlinkages between economic agents.

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

The Caixa Group's exposure to physical risk is more relevant for acute risks than for chronic risks. Particularly, at Group level, around 20% of the corporate credit portfolio has underlying companies located in areas sensitive to chronic risks and around 55% has underlying 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 may reduce economic activity in some sectors, such as those linked to the production or use of fossil fuels, or more energy-intensive, 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 of the transition process are transmitted to CGD directly through its activity or indirectly, through, among others, an increase in credit risk, operational risk, *compliance risk* and reputational risk, with possible distributional effects due to the interconnections between economic agents

The CGD Group's exposure to transition risk is relevant with respect to sectors that contribute most to climate change. Particularly, in domestic activity, about 77%.

The assessment of the impact of biodiversity risk and other environmental risks was considered in the CGD Group's risk profile assessment process. 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 emission reductions are also part

⁹ For the methodologies for identifying and evaluating 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 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 Agreement on Biodiversity, which aims to protect and restore degraded ecosystems, both on land and at sea.

In 2024, the sectors identified with high dependence and impacts on biodiversity, water and forests were: agriculture, animal production, hunting, forestry and fisheries (NACE code A) and non-food product manufacturing (NACE code C12-C33).

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 "double materiality" perspective, taking into account both the climate impact on CGD's activities and CGD's impact on the environment. As a financial entity, CGD is co-responsible for the environmental impacts of highly polluting industries or sectors.

Thus, the classification of these risks was based on sectoral vulnerability, ecosystem dependence and geographical exposure, covering biodiversity, agroforestry, water resources and air quality. These variables were determined by the average of the sectoral impact, dependency and geographical exposure classifications. The exposure component was assessed using Geographic Information Systems (GIS), which leveraged national data to align asset locations with exposure to environmental factors. Sectoral vulnerability was assessed using the ENCORE (*Exploring Natural Capital Opportunities, Risks, and Exposure*) classification framework. The CGD Group does not have significant exposures with dependence or relevant impact on biodiversity and the typology and size of the client companies 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.

Thus, it is considered that biodiversity risk and other environmental risks are not material in any time horizon.

Future action plans and ESG risk management objectives

CGD's C&A risk materiality assessment identified the main risks to the Group, namely physical risks in the corporate business segments and transition risks in those same segments. Several actions have been discussed and some are already in progress to address these risk factors. In addition, other risk factors, such as environmental factors, although not material, are also subject to the definition of follow-up actions.

With regard to governance and risk structure, initiatives were promoted, including improvements in data, however as action plans several actions will be triggered, including:

- The risk policies will be updated to establish regular procedures to identify and assess the materiality of C&A factors.
- Credit policies will be reviewed to integrate the results of C&A considerations into credit decisions and risk monitoring routines.
- Methodological procedures will be formalized and periodic routines for updating and review will be promoted.
- Knowledge sharing will be encouraged, presenting and syndicating C&A risk methodologies and their results among the Group's entities.

- Due to the relevance of physical climate risks, especially in corporate business segments, the reinforcement of internal data will be promoted, involving companies to obtain the precise location of their main assets and business activities.
- Improvements to the data structure have been identified to reduce the need for adjustments during the process, and these improvements should now be prioritized.
- Existing risk appetite indicators for environmental risks will be reviewed to ensure consistency between risk appetite metrics and the methodological views adopted in the C&A risk materiality assessment.
- In terms of business integration, a strategy will be designed to integrate environmental risks (especially biodiversity factors) into CGD's commercial strategy and risk framework. The project for this purpose has already started in 2024.
- After the GHG reduction targets are defined for the sectors most relevant to climate policy, trade guidelines will be defined to support the engagement and commercialization strategy, driving the achievement of these targets.
- Based on the results of the C&A risk materiality assessment, a further review of the Group's transition planning will be prepared, covering additional sectors and activities to manage all relevant exposures to transition risks.
- Existing capacity building and training programmes will be strengthened, with a focus on frontline responsibilities, to improve knowledge and capacity for effective C&A risk management.

The existence of mitigating factors for C&A risk in the bank's traditional risks allows to reduce or circumscribe the potential impact of changes and reforms related to this risk on CGD's business model and balance sheet.

In order to manage the process of identifying C&A risk mitigants, CGD has instituted an annual inventory process. This process is carried out through questionnaires distributed 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 these 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. These ensure 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. In addition, it facilitates communication and coordination between different Divisions, promoting an integrated and proactive approach to managing C&A risks.

Regarding risk mitigation:

- An insurance risk analysis will be conducted for the remaining corporate exposures, including CGD's assets associated with corporate leasing products.
- If necessary, credit/risk policies will establish additional requirements to be observed in business decisions.
- The availability of data for existing insurance policies will be improved, including in terms of protected events and assets and reconstruction values.

- A process will be structured to interact with collateral assessors to confirm/review the actual presence of conditions that expose collateral to physical risk events.
- Additional controls/restrictions will be set at the credit decision level to allow for further reductions in risk exposure
- Confirmation of consistency between business continuity plans/strategies and physical risk assessment will be promoted.

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.

In addition, CGD has committed to the Net Zero Banking Alliance (NZBA) and has defined a Transition Plan towards Carbon Neutrality. Therefore, financial support for projects in the most carbon-intensive sectors must take into account the decarbonization targets and intermediate objectives established in the aforementioned Transition Plan towards Carbon Neutrality.

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, i.e., considered illegal under regulations or international conventions and agreements;
- Companies and activities engaged in unlicensed trade in wildlife or endangered species;
- Companies or projects that use scarce natural resources, whose exploitation or extraction may cause a negative environmental impact and that do not comply with conditions defined in national or international regulations in this area; and
- Companies producing or processing hazardous 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 their losses (direct and indirect), recoveries and non-financial impacts, where, among others, strategy and business risk is considered, which includes C&A.

CGD also considers C&A risk in the analysis and assessment of the occurrence of physical risk events, as well as in the consideration of physical risk and transition risk scenarios in the ICAAP, such as:

- Partial destruction of buildings of CGD Group Entities (due to flooding);
- Partial destruction of buildings of CGD Group Entities (due to urban fires);
- Fines and litigation related to climate issues;
- Partial destruction of buildings of CGD Group Entities (due to hurricanes).

Within the scope of the Business Continuity Management System, a risk assessment is carried out annually, which analyzes various types of events that may compromise the continuity of critical processes, their consequences and impact on the business, existing vulnerabilities and implemented controls.

In the identification stage, risk events are considered grouped into environmental, technological, human and organizational that impact the resources that support CGD's critical processes, that is,

facilities, information systems, human resources and suppliers. In terms of climate risks, the analysis is carried out at the level of the environmental events group, 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 reputational risk, which can be identified by any CGD structural body.

With regard to counterparties, there are situations that trigger a prior analysis of reputational risk, namely when situations are identified related 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 sustainable development.

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 accompanying the proposals in the decision forums.

The identification of situations that may represent reputational risk can also trigger *triggers* that originate action plans to mitigate risk.

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

CGD's approach to climate change contemplates a "double 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 recognises that a relevant component of commercial business and investment initiatives stems from opportunities linked to the climate and energy transition of the economy. At the same time, this business perspective supports C&A risk management, in the sense that it promotes a reduction in transition risk on the CGD Group's balance sheet.

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

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 and robustness of data. In this sense, CGD is working to increase the granularity and quality of ESG data required for management, including, among others:

- i. Strengthening of the ESG information contained in CGD's internal database, namely in terms of the quality of data on energy certificates for residential and commercial properties.
- ii. The collection and availability of financed emissions from customers, information that will be facilitated in Europe with the recent entry into force of the CSRD regulation.
- iii. Improved granularity and accuracy of information required to assess physical risks.

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

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

Climate Stress Test

CGD has sought to develop capabilities in identifying, assessing, monitoring and managing C&A 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 about the time horizon for the manifestation of these risks, which appears to be longer-term but dependent on action in the short term.

CGD, as the largest Portuguese banking institution, and aware of the growing importance of C&A 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 C&A risks and their short, medium and long-term impacts, 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, and 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 the results of materiality assessments of climate and other environmental risks as a basis 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 through the *frameworks* of each type of risk.

The relationship between environmental risks and the Bank's balance sheet, including 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 transition and physical risks.

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

Figure 10 | Materiality of physical risks and transition in climate scenarios

Potential 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

Risco / Área de Negócio	Cenário "Orderly Transition"			Cenário "Disorderly Transition"			Cenário "Hot house"		
	Curto Prazo	Médio Prazo	Longo Prazo	Curto Prazo	Médio Prazo	Longo Prazo	Curto Prazo	Médio Prazo	Longo Prazo
Risco de Crédito									
Corporate	1	1	2	1	2	2	1	1	1
Mortgages	1	1	1	1	1	2	1	1	1
Risco de Mercado	1	1	1	1	1	1	1	1	1
Risco Operacional									
Risco de Liquidez	1	1	1	1	1	1	1	1	1
Outros riscos									
Reputacional									
Compliance									
Outros									
Total									

Risco / Área de Negócio	Risco de Transição			Risco Físico		
	Curto Prazo	Médio Prazo	Longo Prazo	Curto Prazo	Médio Prazo	Longo Prazo
Risco de Crédito						
Corporate	1	2	2	1	1	1
Mortgages	1	1	2	1	1	1
Risco de Mercado	1	1	1	1	1	1
Risco Operacional						
Risco de Liquidez	1	1	1	1	1	1
Outros riscos						
Reputacional						
Compliance						
Outros						
Total						

1 Não material
 2 Algo material
 3 Muito materia
 4 Crítico

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 to which the Bank is subject:

- For an orderly transition, the 'Net Zero 2050' scenario was selected, which is based on the EU's targets of achieving zero emissions by 2050, associated with a temperature increase of +1.5°C;
- In order to analyze a late climate transition ('Disorderly Transition'), the 'Disorderly' scenario (<+2.0°C);
- An additional scenario was also included that considers that current climate policies are maintained, corresponding to the 'Hot House World' (>+3°C) and having a strong component of associated physical risk.

According to the Group's risk taxonomy, C&A risks are a risk category and also an additional risk factor for the other supervisory risk categories. In this way, the climate *Stress Test* methodologies have as their main focus the risk categories in which the climate impact most materializes in CGD, such as credit risk, market risk and operational risk.

Specifically in terms of transition risk, the impact of climate risk on the projection of credit risk was assessed through the incorporation of climate drivers in the models, namely customers' carbon emissions, the ESG rating and the real estate energy 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 real estate, i.e. the probability of default and the expected loss in that case, respectively. In order to estimate the impairment impacts for climatic factors affecting only the DP, it is followed as a conservative assumption to use the observed coverage rate of *stage 3* exposures at the NACE level. Emphasizing that 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 asset location (depending on the site's susceptibility to weather events) and the impact of a drought/heatwave event on companies, differentiated at industry level (NACE).

Regarding the impact of physical climate risk on the 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 other 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 on climate issues, increasing reputational risk and bank liability due to episodes caused by the financing of environmentally controversial activities (*greenwashing*), also impacting Compliance Risk. CGD has developed a scenario related to fines and climate-related litigation events, to estimate losses in the short to medium term, considering potential remediation costs, legal costs, regulatory sanctions, compensation to customers and asset devaluation, justifying 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, in terms of business continuity, a risk analysis of the unavailability of CGD's facilities was carried out, in terms of risk exposure matrices, depending on the probability and impact of each group of risk events. For the buildings analyzed, the average exposure to risk was flooding with low impact.

In the longer term, a tougher stance is expected from regulators and, given the complex and interconnected nature of CGD's operations, Operational and Compliance risks have been 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 to be material.

The results of this tool allowed an analysis of the portfolio sectors most susceptible to climate risks, in addition to assessing the bank's exposure to potential operating 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 Management about current and latent vulnerabilities, as well as assist in strategic decision-making. In particular, C&A risk is already part of the stress testing framework whose results influence and are an integral part of several planning exercises, such as the Budget, the ICAAP, the Recovery Plan and the CGD Transition Plan, which, in turn, impact the bank's results and are taken into account for strategic Management actions.

Additionally, within the framework of the stress test framework, the budget process is evaluated against adverse C&A 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 the results of the *stress test*, other scenario and sensitivity analyses, and an *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's risk inventory and, consequently, the ICAAP and ILAAP exercises.

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

In this way, CGD's approach to C&A risks will strengthen the resilience of the business model in the short, medium and long term, prepare the Group for a set of unpredictable, although increasingly plausible, risks, and also embrace the opportunities that a future that is more aware and concerned about climate change will bring.

Climate and Environmental Risk Limits and Monitoring

C&A's risk management strategy was established based on the *Risk Appetite Statement* (RAS) which formally defines the CGD Group's risk appetite, detailing the maximum level of risk that the bank is willing to assume for each risk category considered material.

This information on climate and environmental risks is presented quarterly on the CGD Group's RAS Dashboard, which is submitted to 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 11 | Risk Indicators

RAS Indicators 2024	
Revenue generated from interest, fees, and commissions from companies in GHG-intensive sectors	
Financed GHG emissions	
Loans secured by real estate with low energy performance ($\leq$ EPC E)	
Loans secured by real estate located in regions sensitive to the impact of acute physical phenomena resulting from climate change	
NFC portfolio sensitive to the impact of acute physical phenomena resulting from climate change	
NFCs with a "Weak" ESG Rating	
NFCs with a "Weak" E Rating	
Exposure to companies with significant dependence on or impact on biodiversity	

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

In this sense, the limits established for the RAS indicators are reviewed periodically, or whenever necessary, in order to ensure timely warning of negative developments in them, as well as to safeguard a level of tolerance that allows the development of a recovery plan to reverse any negative trend that may threaten the sustainability of CGD's business model.

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

In the medium and long-term analyses, the Risk Appetite Statement includes forward-looking metrics aligned with the strategic planning horizon, namely CGD's decarbonisation plan, ensuring that sustainability objectives are achieved in a manner consistent with the institution's strategic objectives.

The Risk Management Function regularly supervises and monitors C&A risk indicators and their respective tolerance limits within the Risk Appetite Statement.

In order to consider the materially relevant risks in the risk appetite with key risk indicators, appropriate and appropriate limits were defined in order to effectively manage climate and environmental risks, and they were approved by the Board of Directors. In line with the CGD Group's ambition, the Board of Directors also approved the inclusion of limits and tolerance intervals for C&A metrics in the RAS of the Group's entities, for the purpose of improving the monitoring of these risks.

The calibration of these risk appetite limits is essential to ensure that CGD is prepared to face different scenarios over time.

It is also monitored, and submitted quarterly C&A risk information in the Integrated Risk Report (RIR). This report is addressed to the Executive Committee, the Risk Committee and the Board of Directors,

and is submitted quarterly. The main objective is to inform CGD's statutory bodies about the most relevant facts that occurred in the Group during the quarter in question, namely with regard to C&A risks.

The RIR minimum content includes metrics that integrate risk appetite, as well as other C&A metrics related to physical and transition risk drivers, considered relevant for the timely detection of the level of risk exposure, namely:

- ESG rating of the 5 counterparties with the highest exposure to CGD;
- Interest income, fees and commissions from GHG-intensive industries (RAS metric);
- Evolution of financed GHG emissions (RAS metric);
- Exposures to sectors that contribute heavily to climate change (as per the sectors identified in the Climate Benchmark Standards Supplementing Regulation);
- Exposure to NFC of sectors relevant to climate policy (CPRS) by type of impact;
- Level of coverage of energy certificates (real and proxy) in the residential real estate portfolio;
- Loans secured by immovable property with low energy performance (RAS metric);
- Sensitive exposure to the impact of physical events resulting from climate change (RAS metric);
- Exposure to companies with a dependence or relevant impact on biodiversity (RAS metric).

The C&A Risk dashboard integrates short, medium and long-term scenarios, monitoring:

- **KRI forward-looking related to CGD's business strategy:** It is intended to monitor, on a quarterly basis, the most relevant exposures that contribute to or condition CGD's progress in meeting the long-term objectives and business strategy for C&A risks, namely more granular information on exposure variations in the cement production segments, credit collateralized by residential real estate and electricity production (corporate and project financing).
- **Transition Plan:** In July 2023, CGD established and published decarbonization targets for 2030, for its own activities and for financed activities. In this analysis, CGD monitors the progress of exposure and emissions, but only including the CAE sectors that are part of the transition plan.
- **KRI related to long-term scenarios:** By monitoring KRI related to CGD's long-term scenarios linked to different transition paths, CGD aims to have a complete picture of risk exposures under different scenarios and time horizons. A sectoral transition risk matrix has been developed based on a specific transition risk scoring methodology. This transition risk score is supported by a sectoral approach, which considers the expected impact of carbon pricing, fluctuations in energy prices, and the necessary technological investment on the profit margins of companies in each sector – the climate shock. The climate shock and its components are then calculated for three different NGFS climate scenarios (Net Zero 2050, Delayed Transition and Current Policies) in 2030, 2040 and 2050. These scenarios are based on different ambitions and political reactions, as well as technological changes. The transition risk score covers a total of 79 sectors, including agriculture, extractive and manufacturing industries, and services. A level of transition risk was assigned to the 79 sectors of activity in the 3 NGFS scenarios and time horizons. With this methodology, CGD estimated risk exposure in different scenarios and time horizons, which, combined with exposure to counterparties with a sensitive ESG profile from a *bottom-up perspective*, will provide more meaningful information to analyze the resilience of CGD's portfolio to C&A risks in the medium and long term, and to define mitigation measures.

- **Stress Test Inputs:** The purpose of this section is to monitor and analyse based on the results of the *Climate Stress Test 2023*, specifically on: (i) Transition Risk: Analysis of the top 5 NFCs, in terms of exposure, in the most vulnerable sectors, and identification of their respective transition plans or sustainable initiatives. In addition, an analysis of energy certificates less than or equal to E, as the impacts on LGD become more significant as EPCs deteriorate; (ii) Physical Risk: Analysis of exposure to NFS in sector E that are susceptible to heat waves and droughts. In addition, an analysis of exposure to collateral located in districts with a higher risk of flooding is carried out.

The availability and quality of ESG data, and particularly climate data, has been an ongoing challenge in the organization. CGD works continuously through a working group dedicated to governance and ESG data management, which meets regularly and has the participation of several areas, namely areas more linked to the business and others with responsibility for risk analysis and management. CGD's goal is for there to be an effective and holistic aggregation of data and that as the availability and quality of data evolves, the organization can improve the accuracy and estimates of the climate and environmental data it uses, while maintaining transparency regarding the limitations of data that support analysis and reporting.

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 CGD's structural bodies, in a holistic and *forward-looking approach*.

2.2 Social Risk

2.2.1 Business Strategy and Processes

Strategic approach

As a result of the double materiality analysis, three topics related to the social theme were identified:

1. Human Resources Management whose subtopics to be addressed are "Talent Attraction and Retention", "Intensification of the talent shortage", "Training and Development" and "Occupational Health and Safety";
2. Community Support whose subtopics to be addressed are "Social value and community development";
3. Customer relationship whose subtopic to be addressed is related to "Responsible marketing and marketing".

This analysis is in line with that presented in the final report of the European Commission's Sustainable Finance Platform on Social Taxonomy, which recognizes the existence of three main stakeholder groups: i) workforce (included in the value chain); (ii) end-users/consumers; iii) affected communities (directly or through the value chain).

CGD has several communication mechanisms that allow it to listen to 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, whose objective is to promote best practices in responding to the challenges of Portuguese society through initiatives in the field of literacy and financial inclusion. social and digital, job creation, education, volunteering and cultural support.

Intending to ensure that its activity is guided by the best practices in social matters, CGD has implemented a set of internal policies and regulations that play an active role in the development of a culture supported by principles of diversity, equity and inclusion, which guarantees not only the

creation of value and well-being of its employees, but also an effective response to the main challenges of society, namely:

- 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 **Training and Talent Development Policy** is a critical success factor, whose objective is to have qualified employees, with the updating of knowledge and skills adjusted to the development of CGD's activity, which allow their professional progression.
- The **Code of Conduct**¹⁰ establishes the values, principles of action and standards of professional conduct that are fundamental for the ethical positioning of the institution and its employees, also defining the way in which CGD relates to the various stakeholders.
- The **Equality Plan 2025**¹¹ is based on the principles defined and approved in the DEI Policy and aims to define, implement, monitor and annually review initiatives that ensure a humane, innovative, resilient and sustainable organizational culture.
- The **Declaration of Commitment on Human Rights** reinforces CGD's commitment to respect human rights in the development of its relationships with stakeholders and communities in which it operates, seeking to avoid or mitigate the adverse impacts, direct or indirect, of its activity.
- The **Corporate Volunteering Policy** establishes that CGD must encourage the active participation of its employees in the implementation of the policy and in the practice of corporate volunteering with the vulnerable Community. The Volunteer Program represents CGD's set of initiatives towards the Community, namely through the provision of knowledge related to the business area and the skills of employees, along with the availability to follow other challenges and areas of intervention that are equally important for the sustainable development - social, economic and environmental - of the country.
- The **internal Rule for Customer Complaints and Suggestions** establishes how Customers may complain about any situation, within the scope of the services provided by CGD, that has not met their expectations, as well as the responsibilities of the various areas of the Bank in dealing with these complaints and the levels of service associated with the Customer response process. This document reflects how CGD is committed to enhancing the treatment of customer complaints and suggestions as a means of improving the quality of the service provided.

At the end of 2023, an *e-learning* 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 reports annually through *Communication on Progress* on its progress and alignment with the principles of the United Nations initiative, which imply respect for benchmarks such as the *Universal Declaration of Human Rights*, *International Labour Organization's Declaration on Fundamental Principles and Rights at Work*, among others.

Social goals

¹⁰ For more information, see the Code of Conduct, available at: <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Codigo-de-Conduita-CGD.pdf>

¹¹ 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

From an internal perspective, namely in terms of CGD's workforce/employees, the existence of an Equality Plan stands out, which establishes the principles to ensure management focused on the human factor and socially responsible leadership, promoting the creation of an environment of respect, equity and inclusion and allowing the development and well-being of employees¹². To this end, and within the scope of the "Transparent Governance Models" pillar of the 21-24 Sustainability Strategy, CGD has set the goal of reaching 38% of women in management positions by 2024. In 2024, the ratio was reached 35.5%.

In terms of community support, a goal was set for community support for the 2021-2024 strategic period in Portugal: "Invest 40 million euros in the community (2021-2024 period)". The methodology used to define the target was supported by the indicator Development and impact of investments in infrastructures and services offered. In 2024, 18.9 million euros were invested, and in the period from 2021 to 2024 a total of 59.9 million euros were invested.

Engagement in the assessment and limitation of social risks

CGD recognizes the existence of sectors of activity or projects that can be socially harmful. The Credit Risk Policy contains specific rules that ensure that social 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 that is considered illegal in the country where the investment takes place, or is considered illegal under regulations or international conventions and agreements;
- Companies or projects that use child labor, or labor considered forced;
- Enterprises and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that practice discriminatory acts in religious, political, racial, or gender terms;
- Military activities, manufacture or supply of related material, limited by legislation

The *ESG Rating* developed by CGD evaluates and weighs several social factors specific to the counterparty. This assessment supports the prioritization and differentiation of commercial action according to the level of risk of customers, contributing to a holistic and integrated view of risk in decision-making. 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 the companies' employees including gender equality, salary conditions, training and safety conditions.

Additionally, in the context of reputational risk management, the analysis of transactions with clients is highlighted whenever controversies related to the principles of social responsibility, compliance with labour legislation or conduct practices that are not consistent with the ethical principles and good business practices observed by CGD are at stake.

2.2.2 Governance

¹² For more information, see the subchapter "4.10.1 – Equity, development and well-being of employees" of the 2024 Sustainability Report, integrated in CGD's 2024 Management and Accounts Report, available at: <https://www.cgd.pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2024/Documents/Relatorio-Contas-CGD-2024.pdf>

Regarding the governance of the management and supervision of strategic measures and initiatives in the field of social responsibility, the Sustainability Committee stands out, an advisory body to the Executive Committee that guides the decision on the implementation of CGD's social responsibility strategy and is responsible, among others, for monitoring compliance with good business practices and principles of conduct, in legal and *compliance terms*.

The Governance Committee has powers delegated by the Board of Directors, namely in the areas of Sustainability and Social Responsibility. As an advisory body to the Board of Directors composed of Non-Executive Directors, it has the function, among others, of monitoring issues related to corporate *governance*, organizational culture, social responsibility, environmental protection and sustainable financing. In particular, this Committee monitors and advises the Board of Directors on the guidelines for social responsibility, sustainability and environmental protection, as well as the definition of the Corporate Sustainability Strategy and its implementation.

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 the monitoring of the risk strategy and risk appetite 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, 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 situations of harassment in the workplace.

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

Within the scope of the products marketed by CGD, in line with the regulator's new requirements, within the scope of banking conduct supervision, CGD specifies the types of clients for which a financial instrument is suitable, taking into account their needs, characteristics and objectives, including the consideration of any sustainability-related objectives¹³.

More information on the responsibilities of management forums and bodies can be found in chapter 2.1 "Governance model" of the Market Discipline.

Social criteria in variable remuneration

As reported in chapter 16.1 Environmental Risk, in 2023 the Remuneration Policy of CGD Group Employees and the Remuneration Policy of Members of CGD's Management and Supervisory Bodies were revised with the objective of incorporating ESG criteria and, in this way, promoting alignment with the bank's strategy.

2.2.3 Risk Management

CGD 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 previously addressed in the chapter "Business Strategy and Processes", and which constitute the *framework* for social risk management, highlighting:

- Corporate Sustainability Policy;
- Corporate Policy for Sustainable Financing and Energy Transition;

¹³ Products covered by articles 309-I to 309-N of the Securities Code (as amended by Decree-Law no. 109-H/2021, of 10 December).

- Corporate Reputational Risk Policy;
- CGD Group's Subcontracting Policy;
- CGD's Code of Conduct;
- Global Policy for the Prevention and Management of Conflicts of Interest;
- Policy for the Prevention of Money Laundering and Terrorist Financing;
- Personal data protection policy;
- Principles of exclusion and sectoral limitation of CGD;
- Socially responsible investment policy;
- Quality policy¹⁴;
- Declaration of commitment to human rights;
- Code of good conduct for preventing and combating harassment at work;
- Diversity policy for CGD group employees and members of CGD's management and supervisory bodies;
- Plan for equality;
- Remuneration policy for CGD Group employees;
- *Sustainable financing* framework;
- Ethical principles and good business practices for suppliers
- CEO's Guide on Human Rights.
- C&A Risk Management Policy.

These standards bind employees, functional structures, as well as other *stakeholders* and delimit CGD's performance in relation to its responsible management practices, emphasizing the primacy of ethical conduct, accuracy and transparency in all its activities and transactions.

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

The social component plays a crucial role in assessing the sustainability and ethical behaviour of companies and investments, covering several dimensions:

- Human Capital Management: fair labor practices, diversity, well-being and talent development;
- Stakeholder Engagement: effective relationships with employees, customers, suppliers and the community;
- Community Impact: corporate philanthropy and community development;
- Ethical Practices: Transparency and fairness in business operations;
- Reputation and Brand Value: Positive influence on brand reputation and value.

In the methodology for assessing social risk materiality, a holistic approach is adopted at the country level, complemented by a sectoral view, considering social risk in value chains. In this sense, the social categories evaluated in the methodology are shown in the graph below:

¹⁴ It defines CGD's commitments and principles with regard to Quality Management and expresses the organization's commitment to customer satisfaction and the improvement of its products/services and processes.

Figure 12 | Categories of indicators of the social risk model

Social Risk Model	
Risk Indicator Categories	No. of Metrics
Freedom of Association	5
Forced Labor	3
Discrimination	4
Child Labor	3 + 1*
Health and Safety at Work	6 + 2*
Armed Conflicts	6

Final Risk Level	The final classification of the country in terms of risk is calculated based on the classifications of all indicators. The final score is then categorized into one of four risk levels: Non-material, Some material, Very material, or Critical.
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*For these categories, there are sector-specific aggravating factors (NACE level 1, e.g. A, B, C).

The social risk score represents a country-sector score, calculated by combining (i) a country-based score and (ii) sector-specific aggravating factors for relevant risk categories. Subsequently, the social risk score is applied to CGD's clients based on the country of incorporation and its activity, as identified by the relevant NACE code.

In the materiality assessment exercise carried out in December 2024, social risks were considered to have non-material impacts in the short, medium and long term across CGD's various traditional risk categories.

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

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

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 revision of the Equality Plan. This Plan is based on CGD's strategy, mission and values, as well as its

positioning in terms of social responsibility and sustainable growth with employees, family members, customers, suppliers, partners and the community.

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

Through its Diversity, Equity and Inclusion Policy, it 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 Equality Plan is reported annually to the market, where the DEI measures, in force and planned, are identified, representing a significant evolution for the Bank's activity and an important contribution to the fulfilment of commitments made, namely respect for Human Rights and the pursuit of the Sustainable Development Goals. In terms of the governance model, the Sustainability Committee stands out, which supervises the management and guides the decision regarding the implementation of the Sustainability Strategy

In addition to the Equality Plan with regard to Social Risk matters, monthly reports are made by the Directorate of Management and Development of Personnel (DPE) to CGD's Structural Bodies, informing the composition of each of its teams, as well as monthly reports within the scope of budgetary control of parity metrics. Additionally, on a quarterly basis, these indicators are extended and included in the Human Resources Outlook Report presented to the CEO.

The identification of the risk profile is crucial as it allows conclusions to be drawn about the risks to which CGD is exposed, thus allowing more informed decision-making of the Risk Management Table, namely in essential pillars such as the ICAAP, the Risk Appetite Table, internal stress testing exercises and the definition of the corporate strategy.

The availability and quality of ESG data has been a challenge in the organization. CGD has created a working group dedicated to governance and ESG data management, which meets regularly and has the participation of several areas, namely areas more linked to the business and others with responsibility for risk analysis and management. CGD's goal is that there is an effective and holistic aggregation of data and that as the availability and quality of data evolves, the organization can improve the accuracy and estimates of the ESG data it uses, while always maintaining transparency regarding the limitations of data that support analysis and reporting. In this context, CGD is carrying out a detailed analysis of the "*Report on Data Availability and Feasibility of a Common Methodology for ESG Disclosures*", published by the EBA in March 2025, in order to improve the process of collecting and reporting ESG data, ensuring its high quality, consistency and comparability.

CGD has several mechanisms for identifying, assessing and mitigating social risk, including the reputational risk management framework, the *compliance* risk management *framework* and the credit risk management framework, namely the *ESG Rating* and the Principles of Exclusion and Sectoral Limitation.

Reputational Risk Management Framework

Reputational risk is integrated into the CGD Group's risk framework, thus integrating the bank's risk appetite, decision-making processes and strategy. This includes, among others, the subcategories of banking and global 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 that 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 issues such as sustainable and inclusive financing.
- 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 reputational risk, which can be identified by any CGD structural body. With regard to counterparties, there are situations that trigger a prior analysis of reputational risk, namely when situations such as:

- Failure to comply with labor, environmental or other applicable legal and regulatory provisions;
- Controversies related to the principles of social responsibility;
- Corrupt practices;
- Conduct practices not consistent with the ethical principles and good business practices observed by CGD;
- Harassment or discriminatory practices;
- Conflicts of interest, sanctions and practices in the field of money laundering and combating 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 accompanying the proposals in the decision forums.

The identification of situations that may represent reputational risk can also trigger *triggers* that originate action plans to mitigate risk.

Within the scope of subcontracting activities, the risk management function issues a reputational risk opinion prior to decision-making or in the context of contract renewal, where social factors of suppliers are considered, such as non-compliance with labour legislation, the existence of controversies related to the principles of social responsibility, corrupt or discriminatory practices and adverse media related to the governing bodies and the supplier's conduct.

Regarding suppliers that enter into a contract with CGD, it is mandatory to subscribe to the CGD Group's Ethical Principles and Good Business Practices, as well as the evaluation of suppliers' social criteria, carried out through the *ESG Rating*. It should be noted that 354 CGD suppliers have environmental or social clauses in the contracts signed with CGD.

In CGD's Sustainability area, the circuit and procedures related to environmental criteria for services considered environmentally critical, to be integrated into CGD regulations and to be implemented in the procurement process, in accordance with the general principles applicable to ecological matters in the Resolution of the Council of Ministers no. 132/2023 of 25 October 2023, are also under analysis.

Additionally, within the scope of the qualification of CGD's suppliers, characteristics such as the existence of a code of conduct and possible fines or proceedings related to labour legislation are assessed.

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, namely those that may be socially harmful. The Credit Risk Policy contains specific rules that ensure that social risks are properly identified and mitigated, namely through the Principles of Exclusion and Sectoral Limitation and the consideration of the *ESG Rating* in credit origination and 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 that is considered illegal in the country where the investment takes place, or is considered illegal under regulations or international conventions and agreements;
- Companies or projects that use child labor, or labor considered forced;
- Enterprises and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that practice discriminatory acts in religious, political, racial, or gender terms;
- Military activities, manufacture or supply of related material, limited by national legislation and international conventions.

The *ESG Rating* developed by CGD evaluates and weights several social factors specific to counterparties. This assessment supports the prioritization and differentiation of commercial action according to the level of risk of customers, contributing to a holistic and integrated view of risk in decision-making.

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 the companies' employees, including gender equality, salary conditions, training and safety conditions.

Compliance Risk Management Framework

Within the scope of compliance risk management, CGD has implemented permanent measures aimed at ensuring the prevention and repression of the crime of corruption and related infractions, which are reflected in various internal procedures and standards, including the Code of Conduct, the Policy for the Prevention of Corruption and Related Infractions, the Global Policy for the Prevention and Management of Conflicts of Interest or the Internal Communication System for Irregular Practices.

We also highlight the fact that CGD has organisational and administrative mechanisms appropriate 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 the risk of their occurrence and aimed at preventing that, when a situation of conflict of interest is identified, the interests of its customers are harmed.

2.3 Governance Risk

2.3.1 Governance/ Risk Management

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

The head of the CGD Group's FGR is the CRO, a member of CGD's Executive Committee and globally responsible for monitoring the Group's Risk Management Table and, in particular, for ensuring the proper and effective functioning of the FGR, being responsible for informing and clarifying the members of the management and supervisory bodies about the risks incurred, the overall risk profile of CGD and the Group and the degree of compliance with the defined risk tolerance levels.

Risk management is carried out centrally and supported by a dedicated structure, the Risk Management Department (DGR), which carries out functions in the area of management and control of the Group's financial and non-financial risks, with objectives of stability, solvency and financial soundness, ensuring 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 consistent integration of its partial contributions, that they remain at the level of the risk appetite defined by the Board of Directors and that they will not significantly affect the financial situation of the institution, continuously ensuring compliance and compliance with external rules and legal and regulatory requirements in this area.

The Board of Directors defines, supervises and is responsible, within the scope of its competences, for the implementation of governance systems that ensure 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 Department 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 consistency between risk appetite and the corporate strategy for responsibility and social impact.

The Risk Committee monitors the management policy of all risks in the CGD Group's activity, namely non-financial risks. The Risk Committee monitors the risk measurement and capital calculation models adopted internally, as well as the Community Directives and guidelines of the Bank of Portugal and the European Central Bank on this matter. Within the scope of its functions and competences, it analyses, among others, the reports submitted by the Risk Management Directorate on financial and non-financial risks.

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

CGD's mission is to create value for Portuguese society, providing quality banking services to individuals and companies, thus contributing to the improvement of the well-being of Portuguese families and to the development of the business sector, generating adequate profitability for the shareholder. CGD guarantees customers' access to a diversified set of quality financial products and

services, with a particular focus on attracting savings and granting medium and long-term financing, based on an efficient corporate governance model and respect for the highest ethical standards.

Issues related to sustainability and ESG risks have an increasingly strong reputational weight, inherent to the high scrutiny by not only customers, but all *stakeholders*, emphasized by the fact that it is a publicly owned bank. CGD has sought to ensure that these issues are addressed in the business strategy in a transparent and rigorous manner and has been making commitments to sustainable financing, carbon neutrality and alignment of its business with the challenges and opportunities of ESG issues.

CGD has published its Mission Charter¹⁵ where it highlights its 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, highlighting trust, profitability, transparency, integrity, professionalism, proximity, responsibility, the culture of risk and rigor and innovation.

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

CGD has implemented internal policies and regulations that contribute to the achievement of its strategic vision in terms of governance and that define commitments, procedures and responsibilities for the management and mitigation of governance-related risks, including:

- CGD's Code of Conduct;
- Corporate Reputational Risk Policy;
- Regulation of the Compliance Function;
- Policy for the Prevention of Money Laundering and Terrorist Financing;
- Global Policy for the Prevention and Management of Conflicts of Interest;
- Suitability Assessment Policy for the Selection of Members of the Management and Supervisory Bodies and Holders of Key Functions (Suitability Policy);
- Policy for the Prevention of Corruption and Related Infractions;
- Prevention of Market Abuse;
- Policy on Transactions with Related Parties;
- Subcontracting Policy;
- Socially responsible investment policy;
- Declaration 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, where applicable.

The CGD Group has instituted a process for identifying 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 of concern. The process is structured in two phases, the first phase being self-assessment

¹⁵ For more information, see: <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Pages/Missao-Estrategia.aspx>.

of risk by CGD and the Group's entities, and the second phase the determination of the CGD Group's risk profile based on the result of the self-assessment of all entities participating in the process.

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

The identification of the risk profile is crucial as it allows conclusions to be drawn about the risks to which CGD is exposed, thus allowing more informed decision-making of the Risk Management Table, namely in essential pillars such as the ICAAP, the Risk Appetite Table, internal stress testing exercises and the definition of the corporate strategy.

From a perspective of risk management of CGD's counterparties, there are several mechanisms for identifying, assessing and mitigating governance risk, highlighting the reputational risk management framework, the compliance risk management framework and the credit risk management framework, namely the *ESG Rating* and the Principles of Exclusion and Sectoral Limitation.

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 properly 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 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, that is, considered illegal under the terms of regulations or international conventions and agreements, including those to which CGD subscribes or is a member;
- Companies or projects that use child labor, or labor considered forced;
- Enterprises and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that practice discriminatory acts in religious, political, racial, or gender terms;
- Companies and activities engaged in unlicensed trade in wildlife or endangered species;
- Companies and projects that use scarce natural resources, whose exploitation or extraction may cause a negative environmental impact and that do not comply with conditions defined in national or international regulations in this area;
- undertakings producing or processing hazardous 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 CGD evaluates and weights factors of the governance dimension 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, and the respective varies between A (the best level) and D (the worst level). In addition, it also includes an additional indicator regarding the reliability of the financial statements and the respective reserves and emphases identified by the independent auditor.

In accordance with the best Corporate *Governance practices*, this assessment is related to the criteria of financial commitment of shareholders to the company, governance model, succession and internal control, which tends to be supported by appropriate and effective instruments in these areas¹⁶, specifically:

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

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

For listed companies, CGD collects information on the following indicators:

- Does the company have a Corporate and Social Responsibility Committee or team to make decisions about the Corporate and Social 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?

Compliance Risk Management Framework

Within the scope of compliance risk management, CGD has implemented permanent measures aimed at ensuring the prevention and repression of the crime of corruption and related infractions, which are reflected in various internal procedures and standards, including the Code of Conduct, the Policy for the Prevention of Corruption and Related Infractions, the Global Policy for the Prevention and Management of Conflicts of Interest or the Internal Communication System for Irregular Practices.

We also highlight the fact that CGD has organizational and administrative mechanisms appropriate 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 the risk of its occurrence and aimed at preventing that, when a situation of conflict of interest is identified, the interests of its customers are harmed.

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

In order to comply with legal and regulatory standards and recommendations issued by relevant international entities in terms of AML/CFT, CGD has implemented an advanced and effective system for the prevention of money laundering and terrorist financing that allows it to identify, assess and mitigate the potential risks associated with its clients and the business relationships established with them.

¹⁶ For more information, see: <https://www.cgd.pt/Empresas/SolucoesESG/Pages/Rating-ESG.aspx#governance>

To this end, CGD, through its financial anti-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 filtering sanctioned customers and politically exposed persons.

The AML/CFT activity is developed based on policies and procedures defined 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 reputational risk, which can be identified by any CGD structural body. With regard to counterparties, there are situations that trigger a prior analysis of reputational risk, namely when situations such as:

- Failure to comply with labor, environmental 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 not consistent with the ethical principles and good business practices observed by CGD;
- Harassment or discriminatory practices;
- Conflicts of interest, sanctions and practices in the field of money laundering and combating 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 accompanying the proposals in the decision forums.

The identification of situations that may represent reputational risk can also trigger *triggers* that give rise to action plans to mitigate risk.

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

Additionally, within the scope 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 any conflicts of interest are evaluated.

2.4 Transition Risk: Exposure, Creditworthiness, Issuances and Residual Maturity by Sector

The Table below reports, with a reference date of 30 June 2025, the breakdown of gross amounts in loans and advances, debt securities and equity instruments in non-financial corporations by sectors that contribute significantly to climate change, including, inter alia, information on the creditworthiness of the exposures and emissions financed.

As of 30 June 2025, around 70% of the total exposure to loans and advances, debt securities and equity instruments to non-financial corporations relates to sectors identified by the EBA as major contributors to climate change (NACE codes A-H and L).

Exposures excluded from Paris-aligned benchmarks *are reported in column "B" of the Table below*. CGD identified the exposure according to eligible sectors in light of the *Climate Benchmark Standards Regulation (EU) 2020/1818*¹⁷, 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 as excluded from *the benchmarks* aligned with the Paris Agreement.

Greenhouse gas (GHG) emissions can be distinguished into three categories: Scope 1, 2, and 3¹⁸.

- Scope 1 - direct GHG emissions from sources that belong to or are controlled by the company;
- Scope 2 - indirect GHG emissions from the acquisition of electricity by the company;
- Scope 3 – other indirect GHG emissions that result from activities that are not owned or controlled by the company; it can be subdivided into *upstream* emissions, i.e., life cycle of materials, products, or services to the point of sale, and *downstream* emissions, i.e., distribution, storage, use, and end-of-life treatment of products and services.

In the Table below, the issuances financed by CGD, calculated according to the following methodologies, are reported in columns "I" and "J";

- For counterparties disclosing scope 1, 2 and 3 GHG emissions, the information was collected directly from the companies' integrated or sustainability reports or from other public sources.
- For counterparties that are part of an Economic Group, whose *holding company* discloses information on actual emissions, in consolidated terms, the emissions considered represent a percentage of the holding company's emissions corresponding to the counterparty's weight in turnover.
- For cases where no actual data are available, emissions have been estimated on the basis of sector-specific average emission factors according to the following methodology:
 - For the purpose of estimating scope 1 emissions, the GHG emission intensities per sector were used and then a sector-specific average emission factor of the counterparty was applied as a proxy.
 - The estimation of scope 2 values considered as a proxy for the application of the sector-specific average emission factor, the average electricity consumption per sector after its conversion into emissions.
 - For scope 3 emissions, the values are estimated based on the average distribution of emissions by scope, according to observed data from comparable counterparties.

¹⁷ In accordance with Article 12.1(d) to (g).

¹⁸ Also called scope 1, 2 and 3.

The observation was made based on the maximum number of *counterparty peers* disclosing scope 1, 2 and 3 issuances.

Table 1| ESG 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

Sector / Subsector	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
	Gross carrying amount (Min EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Min EUR)			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 points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	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								
1 Exposures towards sectors that highly contribute to climate change*	13.679,75	192,95	77,55	1.594,26	516,47	-589,69	-126,04	-329,47	8.533.664,00	6.025.102,00	9,00%	9.815,20	2.256,55	1.436,99	171,01	4,90
2 A - Agriculture, forestry and fishing	439,91	0	0	52,76	37,04	-30,31	-3,96	-22,86	836.435,00	620.923,00	0,00%	341,62	58,24	38,91	1,13	4,00
3 B - Mining and quarrying	281,28	0	0	22,93	10,47	-11,63	-0,70	-8,71	820.959,00	802.547,00	1,00%	224,64	56,03	0,48	0,12	1,41
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	166,10	0	0	0,00	0	-1,38	-0,00	0	489.143,00	485.253,00	1,00%	140,19	25,91	0	0,00	0,88
7 B.08 - Other mining and quarrying	41,77	0	0	8,51	8,78	-8,17	-0,58	-7,27	195.437,00	186.620,00	0,00%	37,40	3,77	0,48	0,12	3,10
8 B.09 - Mining support service activities	73,40	0	0	14,42	1,69	-2,08	-0,13	-1,44	136.380,00	130.674,00	0,00%	47,05	26,35	0	0	2,65
9 C - Manufacturing	3.475,83	4,57	18,63	288,16	153,83	-160,06	-19,50	-105,13	5.161.690,00	3.758.727,00	3,00%	2.790,62	533,15	59,88	92,18	4,70
10 C.10 - Manufacture of food products	500,50	0	0	40,60	20,04	-21,66	-2,49	-13,71	287.269,00	231.234,00	0,00%	421,78	48,82	6,40	23,51	5,53
11 C.11 - Manufacture of beverages	261,72	0	0	31,83	3,74	-6,07	-1,54	-1,78	33.319,00	25.075,00	0,00%	171,32	64,51	2,04	23,86	9,28
12 C.12 - Manufacture of tobacco products	1,91	0	0	0,00	0	-0,02	-0,00	0	283,00	214,00	0,00%	1,91	0	0	0	0,52
13 C.13 - Manufacture of textiles	153,78	0	0	19,78	25,40	-22,54	-1,00	-19,40	86.838,00	65.776,00	0,00%	130,60	11,38	9,71	2,09	3,76
14 C.14 - Manufacture of wearing apparel	89,43	0	0	13,68	14,52	-12,45	-1,07	-10,39	17.069,00	12.929,00	0,00%	79,14	7,73	2,16	0,41	2,82
15 C.15 - Manufacture of leather and related products	66,78	0	0	8,86	9,31	-8,76	-0,58	-6,95	6.898,00	5.225,00	0,00%	58,93	5,22	2,33	0,31	2,72
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	154,01	0	0	13,05	5,31	-6,62	-1,01	-3,76	42.103,00	32.027,00	0,00%	144,41	5,20	1,19	3,20	4,13
17 C.17 - Manufacture of pulp, paper and paperboard	275,36	0	18,63	3,08	0,28	-2,82	-0,12	-0,28	258.575,00	175.265,00	1,00%	120,65	154,71	0	0,00	4,33
18 C.18 - Printing and service activities related to printing	38,17	0	0	7,41	2,67	-2,44	-0,32	-1,77	9.511,00	6.723,00	0,00%	28,54	6,79	2,72	0,12	4,16
19 C.19 - Manufacture of coke oven products	78,65	4,57	0	1,34	0	-1,10	-0,39	0	2.220.261,00	2.043.048,00	0,00%	73,66	0	0	4,99	5,43
20 C.20 - Production of chemicals	187,86	0	0	8,29	2,68	-3,24	-0,19	-1,44	193.835,00	147.654,00	0,00%	179,73	2,09	1,70	4,35	3,96
21 C.21 - Manufacture of pharmaceutical preparations	133,18	0	0	1,40	0,87	-2,08	-0,21	-0,74	9.882,00	7.485,00	0,00%	77,64	55,54	0	0,00	3,06
22 C.22 - Manufacture of rubber products	142,37	0	0	13,45	8,23	-9,62	-0,95	-6,95	27.870,00	21.110,00	0,00%	126,70	13,57	0,61	1,49	3,13
23 C.23 - Manufacture of other non-metallic mineral products	505,59	0	0	18,65	4,02	-9,91	-2,45	-3,11	1.791.224,00	851.029,00	1,00%	473,07	18,41	9,95	4,16	3,28
24 C.24 - Manufacture of basic metals	70,98	0	0	1,72	5,87	-6,01	-0,04	-5,33	41.439,00	31.233,00	0,00%	44,49	4,61	1,07	20,81	23,66

Values in million Euros

Sector / Subsector	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
	Gross carrying amount (Min EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Min EUR)			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 points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CDM)	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	358,53	0	0	38,96	15,57	-16,93	-2,18	-10,88	64.498,00	49.247,00	0,00%	305,88	47,71	4,11	0,83	3,04
26 C.26 - Manufacture of computer, electronic and optical products	21,87	0	0	3,80	2,37	-2,74	-0,57	-1,95	1.746,00	1.322,00	0,00%	16,66	3,97	1,24	0,00	3,65
27 C.27 - Manufacture of electrical equipment	49,11	0	0	3,84	1,54	-1,52	-0,17	-0,94	4.377,00	3.315,00	0,00%	45,11	2,25	1,73	0,02	1,67
28 C.28 - Manufacture of machinery and equipment n.e.c.	108,13	0	0	11,95	5,58	-3,54	-0,70	-1,88	30.858,00	23.375,00	0,00%	72,37	34,88	0,83	0,04	4,35
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	59,92	0	0	7,07	7,29	-4,04	-0,19	-3,31	5.431,00	4.114,00	0,00%	46,53	9,93	3,42	0,04	3,65
30 C.30 - Manufacture of other transport equipment	22,30	0	0	2,34	9,43	-6,07	-0,13	-5,68	1.299,00	861,00	0,00%	16,00	5,25	0,96	0,09	4,81
31 C.31 - Manufacture of furniture	80,03	0	0	15,88	4,97	-5,41	-0,60	-3,88	15.077,00	11.420,00	0,00%	67,34	10,42	1,91	0,36	3,27
32 C.32 - Other manufacturing	60,81	0	0	13,17	2,70	-2,78	-1,88	-0,44	3.091,00	2.341,00	0,00%	42,02	13,32	5,43	0,04	3,61
33 C.33 - Repair and installation of machinery and equipment	54,85	0	0	8,01	1,45	-1,70	-0,72	-0,54	8.940,00	6.705,00	0,00%	46,16	6,85	0,38	1,47	4,81
34 D - Electricity, gas, steam and air conditioning supply	1.212,30	186,00	51,33	18,40	0,46	-11,72	-1,56	-0,39	101.012,00	53.964,00	1,00%	980,09	228,79	3,42	0,00	4,28
35 D35.1 - Electric power generation, transmission and distribution	420,63	185,78	51,33	16,99	0,45	-6,09	-1,44	-0,38	100.012,00	53.452,00	1,00%	188,57	228,64	3,42	0,00	5,71
36 D35.11 - Production of electricity	201,90	92,21	13,06	1,45	0,00	-1,37	-0,09	-0,00	57.559,00	21.520,00	1,00%	102,26	96,91	2,73	0,00	5,59
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	790,08	0,22	0	0,00	0,01	-5,46	-0,00	-0,01	181,00	89,00	0,00%	790,08	0	0	0	3,51
38 D35.3 - Steam and air conditioning supply	1,59	0	0	1,41	0,00	-0,17	-0,12	-0,00	819,00	423,00	0,00%	1,44	0,15	0	0	1,76
39 E - Water supply; sewerage, waste management and remediation activities	298,45	0	0	38,98	2,31	-12,44	-8,02	-1,60	470.020,00	162.165,00	1,00%	211,39	53,99	32,98	0,10	4,19
40 F - Construction	1.347,23	0	0	186,84	52,25	-64,62	-12,02	-37,62	224.782,00	122.870,00	1,00%	1.071,81	94,49	155,17	25,76	4,60
41 F.41 - Construction of buildings	614,01	0	0	97,44	28,51	-34,76	-6,96	-21,69	50.281,00	30.972,00	0,00%	518,40	49,13	43,82	2,66	3,35
42 F.42 - Civil engineering	371,64	0	0	33,49	9,52	-13,26	-1,53	-7,09	41.154,00	22.114,00	1,00%	238,17	18,28	96,43	18,76	7,93
43 F.43 - Specialised construction activities	361,57	0	0	55,91	14,23	-16,59	-3,53	-8,84	133.347,00	69.784,00	0,00%	315,23	27,08	14,92	4,34	3,25
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2.517,88	1,96	0	326,88	106,49	-124,99	-22,49	-70,63	339.280,00	273.729,00	1,00%	2.170,80	265,92	60,14	21,02	3,08
45 H - Transportation and storage	1.348,68	0	7,59	291,52	45,89	-86,32	-42,18	-29,13	546.917,00	223.337,00	2,00%	864,65	397,45	82,39	4,19	4,34
46 H.49 - Land transport and transport via pipelines	550,80	0	0	98,68	20,23	-30,26	-6,76	-15,41	368.904,00	93.958,00	0,00%	494,50	48,22	4,39	3,70	3,40
47 H.50 - Water transport	88,10	0	0	70,76	0,04	-11,00	-10,42	-0,04	43.467,00	11.410,00	0,00%	17,27	70,08	0,71	0,03	6,05
48 H.51 - Air transport	57,94	0	0	57,60	0,14	-10,03	-9,89	-0,14	8.156,00	2.094,00	0,00%	0,60	57,34	0	0	6,88
49 H.52 - Warehousing and support activities for transportation	621,06	0	0	63,42	24,64	-33,96	-15,05	-12,79	123.718,00	113.914,00	1,00%	349,88	193,69	77,09	0,39	5,07
50 H.53 - Postal and courier activities	30,78	0	7,59	1,06	0,83	-1,08	-0,08	-0,75	2.673,00	1.962,00	0,00%	2,39	28,12	0,20	0,08	6,20
51 I - Accommodation and food service activities	912,17	0	0	144,71	31,49	-36,54	-9,62	-17,76	20.860,00	65,00	0,00%	395,37	326,72	182,60	7,49	7,18
52 L - Real estate activities	2.758,19	0,43	0	367,78	107,73	-87,61	-15,60	-53,40	11.708,00	6.775,00	0,00%	1.159,58	568,50	1.003,62	26,49	8,11
53 Exposures towards sectors other than those that highly contribute to climate change*	6.007,80	0	276,05	460,60	186,18	-415,64	-134,60	-203,22	1.485.322,00	1.297.172,00	11,00%	4.054,05	1.387,61	464,53	101,62	4,99
54 K - Financial and insurance activities	838,41	0	4,25	21,59	7,79	-15,16	-0,79	-7,71	1.163.299,00	1.085.880,00	2,00%	231,77	527,09	59,06	20,50	6,05
55 Exposures to other sectors (NACE codes J, M - U)	4.257,22	0	271,80	294,30	146,89	-363,94	-124,19	-177,75	322.022,00	211.292,00	8,00%	3.426,92	533,80	222,87	73,63	4,33
56 TOTAL	19.687,55	192,95	353,61	2.054,85	702,65	-1.005,33	-260,64	-532,69	10.018.986,00	7.322.274,00	19,00%	13.869,25	3.644,16	1.901,51	272,62	4,92

Values in million Euros

2.5 Transition Risk: Loans collateralized by real estate and energy efficiency levels of real estate pledged as collateral

The Table below reports, with a reference date of 30 June 2025, the gross amounts of the CGD Group's loans, collateralized with commercial or residential real estate, as well as the level of energy efficiency expressed in kWh/m² and the energy performance according to 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 rating of buildings in Europe. The obligation to obtain energy certificates in Portugal has only applied since 2013 (Decree-Law No. 118/2013, of 20 August). After its entry into force, the energy certificate is mandatory for new or old buildings at the time they are placed on the market for sale or rent. The EC must be submitted at the time of conclusion of a contract of sale, leasing or leasing. Buildings that are subject to interventions greater than 25% of the total value of the building are also required to request the issuance of the CE.

The EC provides information on the energy performance of a property, rating 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 in the analysis of the Table below:

- Transactions (sales/rentals) prior to the date of entry into force of the Directive were not subject to an 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 on ESG risks, the application of the directive is not *standard*.

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

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

The model was developed using the Decision Tree method, which, by obtaining alternative models, selects the final model taking into account a set of performance measures and analysis of the *experts*.

The level of energy efficiency (expressed in kWh/m²) was determined based on the energy rating of the property, according to the total average values of that energy class, determined by the PCAF "European building emission factor database"¹⁹ for residential and commercial properties and according to the country of location of the property.

¹⁹ <https://building-db.carbonaccountingfinancials.com/>

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

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Counterparty sector		Total gross carrying amount amount (in MEUR)														
		Level of energy efficiency (EP score in kWh/m² 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	32.244,92	25.408,51	2.137,71	292,47	52,23	22,45	21,13	2.112,19	2.408,53	4.162,28	3.907,93	2.173,13	958,50	41,07	16.481,29
2	Of which Loans collateralised by commercial immovable property	4.308,64	1.001,75	816,07	264,01	38,98	14,66	17,60	97,76	421,90	242,87	207,94	80,08	57,47	28,99	3.171,64
3	Of which Loans collateralised by residential immovable property	27.782,33	24.406,76	1.321,64	28,46	13,25	7,79	3,54	2.014,43	1.986,63	3.919,42	3.699,99	2.093,06	901,03	12,08	13.155,69
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	153,95	0	0	0	0	0	0	0	0	0	0	0	0	0	153,95
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	12.175,37	11.222,21	815,89	137,27	0	0	0								12.175,37
6	Total non-EU area	2.297,56	0	0	0	0	0	0	0	0	0	0	0	0	0	2.297,56
7	Of which Loans collateralised by commercial immovable property	318,50	0	0	0	0	0	0	0	0	0	0	0	0	0	318,50
8	Of which Loans collateralised by residential immovable property	1.950,94	0	0	0	0	0	0	0	0	0	0	0	0	0	1.950,94
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	28,11	0	0	0	0	0	0	0	0	0	0	0	0	0	28,11
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	0	0	0	0	0	0	0								0

Values in million of euros

Table 3 | ESG 2b: Banking book – Indicators of potential transition risk associated with climate change: Loans secured by real estate – Energy efficiency of real estate pledged

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	77,98%
2	Of which Loans collateralised by commercial immovable property	33,26%
3	Of which Loans collateralised by residential immovable property	89,67%
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	0,00%
5	Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	100,00%
6	Total non-EU area	0,00%
7	Of which Loans collateralised by commercial immovable property	0,00%
8	Of which Loans collateralised by residential immovable property	0,00%
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	0,00%
10	Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	0,00%

2.6 Alignment Metrics

Regulation (EU) 2022/2453 provides that financial institutions are to disclose information on their efforts to align with the objectives of the Paris Agreement for a number of sectors. This information should take into account the extent to which financial flows are consistent with a pathway towards low-greenhouse gas emission and climate-resilient development, as referred to in the Paris Agreement. The economic scenario describing the decarbonisation trajectory is the International Energy Agency's (IEA) net-zero emissions scenario by 2050 (NZE2050).

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

Table 4 | ESG 3: Banking book – Indicators of potential transition risk associated with climate change: 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	670,40	221,48 gCO ₂ /kWh	2024	-1%	155,03 gCO ₂ /kWh
2	Fossil fuel combustion	06.10; 06.20; 08.92; 09.10; 19.20	610,40	69,96 kgCO ₂ /GJ	2024	30%	65,85 kgCO ₂ /GJ
3	Automotive	29.1	2,30				
4	Aviation	51.1	171,50	122,54 gCO ₂ /km	2024	44%	105,10 gCO ₂ /km
5	Maritime transport	50.2	10,80				
6	Cement, clinker and lime production	23.51	215,80	659,02 kgCO ₂ /t	2024	46%	629,5 kgCO ₂ /t
7	Iron and steel, coke, and metal ore production	24.1; 24.42	32,20				
8	Chemicals	20.1	46,10				

*** 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 have been considered for the definition of interim targets (illustrated in column [g]), the remaining sectors continue to have immaterial exposure and low relevance in the Group's business strategy (as presented in Table above). Should any of them reach significance (in terms of exposure or business strategy), CGD will establish alignment metrics accordingly.

The exposure disclosed in column [c], for all sectors as at 30 June 2025, as specified in column [e], is the gross balance sheet values for the NACE sectors covered by the alignment metrics (as per EBA question ID: 2024_6974).

The alignment metrics reported in column [d] are those that simultaneously a) ensure full consistency with the paths published by the IEA (in line with EBA question ID 2024_6974); and b) better describe the Bank's financing activity (i.e., the metric also employed by the relevant counterparties), as assessed by CGD. Going forward, 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 state-owned companies, where available, as well as obtained climate data directly from its customers. In the other cases, it applied sectoral averages provided by the IEA. The distances shown in columns [f] and [g] are based on the IEA scenario NZE2050.

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 clients and counterparties; c) existence or absence of net zero commitments from customers; and d) national decarbonization plans and their performance to date. Thus, the target of 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 of alignment with the IEA's NZE2050 scenario by 2030.

2.7 Transition Risk: Exposures to the 20 Most Carbon-Intensive Companies

The Table below reports, with a reference date of 30 June 2025, gross amounts in loans and advances, debt securities and equity instruments in non-financial corporations, as well as CGD's exposure to the 20 most carbon-intensive companies in the world. CGD Group has no 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 on cumulative emissions are available for periods of up to 50 years, which aim to identify the companies most responsible for the worsening of climate crises due to their global GHG emissions. However, given that some of the 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 the companies that, according to the most recent data, 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
1	0	0	0	0

(*) *For counterparties among the top 20 carbon emitting companies in the world

Values in million Euros

2.8 Physical Risk: Exposures subject to physical risk

The Table below reports, with a reference date of 30 June 2025, gross amounts in loans and advances, debt securities and equity instruments in non-financial corporations, with a breakdown by sectors of economic activity (NACE classification) 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 flooding, 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 flooding, extreme heat, urban fires, rural fires, water scarcity, strong winds and snowfall), applying a risk level (not available, weak, medium and high) for Portugal where it provides granularity at the parish level.

To identify CGD's 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 other geographies, and considering the location of the counterparty.

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

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	
1	A - Agriculture, forestry and fishing	439,91	237,24	48,64	32,70	0,64	4,27	123,69	101,74	93,80	34,06	33,20	-24,82	-2,22	-20,21
2	B - Mining and quarrying	281,28	207,36	54,94	0,39	0,11	1,27	179,80	65,00	18,00	18,02	9,16	-10,29	-0,43	-7,82
3	C - Manufacturing	3.475,83	1.565,78	219,24	33,25	48,20	4,54	513,65	1.113,89	238,93	161,65	90,50	-90,04	-10,48	-60,63
4	D - Electricity, gas, steam and air conditioning supply	1.212,30	957,96	228,79	3,42	0,00	4,30	83,17	1.105,68	1,33	18,17	0,40	-11,51	-1,53	-0,38
5	E - Water supply; sewerage, waste management and remediation activities	298,45	177,98	35,59	0,38	0,09	2,46	27,21	157,30	29,53	3,52	0,02	-2,51	-0,09	-0,02
6	F - Construction	1.347,23	728,17	59,97	137,03	17,80	4,73	272,15	617,02	53,80	137,68	31,86	-41,34	-8,15	-23,19
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2.517,88	1.186,43	164,97	36,90	10,40	2,97	344,61	867,82	186,26	189,50	64,54	-76,44	-14,10	-42,85
8	H - Transportation and storage	1.348,68	602,41	208,65	18,41	2,81	3,57	138,64	530,11	163,52	176,51	39,90	-61,70	-28,65	-24,54
9	L - Real estate activities	2.758,19	837,27	457,30	885,06	26,20	7,93	168,40	1.899,20	138,23	327,72	55,00	-48,54	-11,11	-24,74
10	Loans collateralised by residential immovable property	29.733,27	458,17	1.130,46	4.089,53	13.406,30	24,70	4.585,37	12.061,27	2.437,82	1.362,72	157,44	-188,69	-71,54	-100,73
11	Loans collateralised by commercial immovable property	4.627,14	1.314,69	1.168,04	1.343,75	29,41	7,88	427,06	3.018,37	410,46	523,07	192,55	-672,32	-41,19	-593,15
12	Reposessed colaterals	182,07	0,00	0,00	0,00	7,52	0,41	0,00	7,52	0,00	0,00	0,00	0,00	0,00	0,00
13	Other relevant sectors (breakdown below where relevant)														

Values in million Euros