Carbon Net Zero 2050

OUR COMMITMENT

JULY 2023

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

As the largest Portuguese banking institution, Caixa Geral de Depósitos assumes great prominence and responsibility in financing the transition to a carbon-neutral economy and in supporting companies in their resilience and adaptation to climate and environmental risks.

CGD has set out paths to reduce the carbon emissions of its activity and funding in three priority sectors. The action plan encompasses the laying out of energy efficiency measures, the launch of financial products and services that support the energy transition and a customer relationship plan with the aim of aligning its portfolio with better climate performance.

Paulo Moita de Macedo

OUR COMMITMENT

In 2021 Caixa Geral de Depósitos (CGD) joined the Net Zero Banking Alliance (NZBA) commitment with the aim of achieving carbon neutrality by 2050, by following an approach consistent with the target of limiting the maximum increase in temperature to 1.5ºC above pre-industrial levels by 2100. This commitment comprises:

- Setting out decarbonization goals and targets for 2030, both for own operations and for the most carbon-intensive sectors (financed emissions);
- Publishing the targets for a set of priority sectors;
- Annually monitoring the progress on absolute emissions and carbon intensity;
- Reporting the progress to the United Nations Environment Programme Finance Initiative (UNEP FI).

EMISSION REDUCTION TARGETS FOR 2030

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

Emission Scope	Starting point 2021	Metric	Benchmark Climate Scenario (1)	Target for 2030	
Scope 1 and 2 (location-based)	**8 410** tons CO_2 eq	Absolute	SBTi 1.5 – Absolute Contraction Approach	**-42%**	4 878 tons CO_2 eq

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

Activity sector	Emission Scope	Starting Point 2022	Metric	Benchmark Climate Scenario (1)	Goal for 2030	
Electricity Generation Corporate	Scope 1 and 2	**0.149** ton CO_2 eq/MWh	Relative intensity	SBTi 1.5 – Energy SDA (Corporate)	**-71%**	0.043 ton CO_2 eq/MWh
Electricity Generation Project Finance	Scope 1	**0.305** ton CO_2 eq/MWh	Relative intensity	SBTi 1.5 – Energy SDA (Project Finance)	**-71%**	0.088 ton CO_2 eq/MWh
Cement Manufacturing	Scope 1 and 2	**0.841** ton CO_2 eq/ cement ton	Relative intensity	SBTi 1.5 – Cement SDA	**-21%**	0.665 ton CO_2 eq/ cement ton
Commercial Real Estate Residential segment	Scope 1 and 2	**0.011** ton CO_2 eq/m^2	Relative intensity	SBTi 1.5 – Commercial Real Estate SDA	**-53%**	0.005 ton CO_2 eq/m^2
Commercial Real Estate Service segment	Scope 1 and 2	**0.059** ton CO_2 eq/m^2	Relative intensity	SBTi 1.5 – Commercial Real Estate SDA	**-64%**	0.021 ton CO_2 eq/m^2

Regarding the financed emission reduction targets, CGD depends on the objectives and performance achievement of its corporate clients, as well as on the implementation of new laws and regulations (e.g. energy performance of buildings).

(1) CGD is committed to setting science-based carbon emission reduction targets to limit temperature increase to 1.5ºC above pre-industrial levels by 2100. These targets have not been approved by the Science-based Target initiative (SBTi).

SETTING OUT COMMITMENTS

For the definition of intermediate reduction commitments (2030), CGD has followed the recommendations and best practices published by the Science-based Targets initiative (SBTi) in the 'Financial Sector Science Based Targets Guidance', the NZBA and the Sustainable Markets Initiative (SMI).

Own operations

With regard to the reduction of absolute emissions generated by own operations, namely scope 1 and scope 2 emissions of CGD, S.A. (Portugal), there were determined in accordance with the location-based methodology.

Financing activities

The Transition Plan for financed emissions sets reduction targets for the following segments:

- Cement Manufacturing (CAE 2350);
- Power Generation (CAE 35110, 35111, 35112 and CAE 35113) Corporate and Project Finance;
- Commercial Real Estate – Residential (CAE 68);
- Commercial Real Estate – Services (CAE 41100, 45, 46, 47, 55, 56, 64, 68, 84, 85 and 86).

The financial perimeter considered by CGD includes equity exposure to the segments covered by the Transition Plan. The exposure considered is equivalent to the on-balance sheet value of eligible companies (for the perimeter of banking activity in Portugal), amounting to a total of 2,015 million EUR. For each segment it was considered:

- The total active exposure of the electricity generation sector (Finrep non-financial corporations segment);
- Total active exposure in the cement manufacturing sector (Finrep non-financial corporations segment), excluding exposure associated with small and medium enterprises;
- The active exposure associated with the commercial real estate collateral assets from the commercial real estate sector, excluding real estate leasing activities.

The scope of emissions considered refers to emissions financed by CGD S.A., (Portugal) and includes scope 1 and 2 emissions from financed companies and real estate assets, and scope 1 emissions from power generation projects. For the sectors covered, the financed emissions were determined using the Partnership for Carbon Accounting Financials (PCAF) methodology .

The Greenhouse Gases (GHG) emission reduction targets were calculated according to the methodology provided by the SBTi, using the fixed market share option, and compared with baseline climate scenarios representative of different approaches to the transition of the economy – business as usual (BAU), national contributions and internal measures – and, consequently, also representative of different ambitions of alignment with the objectives of the Paris Agreement. The approach described encompasses the objectives of reducing both own operation emissions and financed emissions.

In a subsequent phase, the Transition Plan for financed emissions will include the remaining carbon-intensive sectors identified in the UNEP-FI guidelines and it will be defined a strategic approach to transition towards carbon neutrality for the main group entities.

GOVERNANCE MODEL

The targets published in this document were approved by the Executive Committee and by the Board of Directors of Caixa Geral de Depósitos .

The targets governance model respects the governance processes implemented across the Bank. Of particular highlight are the Sustainability Committee, chaired by the Chief Executive Officer and comprising, in addition to the Chief Risk Officer, the Divisions involved in the implementation of the Sustainability Strategy and in the monitoring of the Transition Plan for carbon neutrality.

The Sustainability Committee is the governance body that monitors the development and implementation of the CGD Group's strategic path towards sustainable development and that streamlines the implementation of the business strategy, policies and measures with regard to climate change and environmental risks.

CONTROL MECHANISMS

In order to monitor the alignment of CGD's business with the targets defined in the Transition Plan for carbon neutrality, CGD is developing mechanisms for data collection and aggregation, as well as defining performance measurement indicators to annually assess the compliance with the Plan.

The progress of the targets will be presented on an annual basis in the Sustainability Report disclosing the evolution of the indicators concerning:

(i) the GHG emissions generated by CGD;

(ii) physical intensity – tons CO_2 eq/physical metric; and

(iii) the total financed emissions calculated within the scope of the carbon footprint.

Additionally, it will be published the operational indicators for monitoring the implementation of the plan, concerning each sector.

The reduction targets and the transition strategy will be revised at least every 5 years in accordance with the UNEP FI guidelines or whenever there are significant structural changes to internal and external policies. Any revision to the targets will be publicly reported.

IMPLEMENTATION OF THE PLAN

Meeting CGD's Scope 1 and 2 GHG emissions reduction targets includes the implementation of internal measures aimed at greater energy efficiency in buildings and operations, including changes to the car fleet, replacement of fluorinated gases, among other initiatives.

Regarding the financed emission reduction targets, CGD depends on the objectives and performance achievement of its corporate clients, as well as on the implementation of new laws and regulations (e.g. energy performance of buildings).

Nevertheless, in line with the targets now defined, CGD is committed to deploying business approaches focused on financing and promoting transition paths towards carbon neutrality through close engagement with its customers and the use of the available tools, namely ESG Rating.

Compliance with emission reduction targets is therefore promoted through the implementation of CGD's sustainable finance strategies.

Customer prioritization	The categorization of companies and financing opportunities stems from an integrated analysis of their ESG and financial performance, which will reflect the current position of the company in its transition path and will shape the Bank's approach as the financing entity. The approach can be one of maintenance, expansion or limitation.
Maintenance	A coordinated approach to support existing customers in improving the environmental performance of their activities: – Commitment to debt reconversion and specialized financing; – Interaction and monitoring in the development and implementation of transition plans; – Financing for the reconversion and transformation of assets.
Expansion	An approach based on financing opportunities for new clients or increasing exposure to existing customers focused on activities with positive environmental performance and low-carbon intensity activities.
Limitation	In the medium and long term, a gradual limitation of financing is expected for carbon-intensive sectors and companies that have an ESG Rating with significant weaknesses, or which do not have transition plans or decarbonization commitments in force.

This project contributes to the implementation of CGD's 2021-2024 Sustainability Strategy.
Learn more about CGD's vision on Sustainability at:

Cover image: Miradouro da Vista do Rei - Sete Cidades - São Miguel Island, Azores - Aerial view