



CAIXA GERAL DE DEPÓSITOS, S.A.

CLIMATE AND ENVIRONMENTAL RISK MANAGEMENT POLICY



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The Climate and Environmental Risk Management Policy of the Caixa Geral de Depósitos Group (CGD Group) establishes guiding principles and responsibilities to maintain these risks at levels compatible with its risk appetite, applying to all Employees in the exercise of their functions.

SCOPE

The Board of Directors of Caixa Geral de Depósitos acknowledges that climate & environmental (C&E) risks can significantly impact other risk categories, due to the cross-cutting factors associated with them.

This policy complies with applicable prudential regulations and international practices, integrating into the global risk management system, namely through risk profile self-assessment exercises, risk appetite frameworks and the Internal Capital Adequacy Assessment Process ("ICAAP").

Additionally, this policy contributes to the objectives of international agreements and European Union (EU) policies, such as the Paris Agreement and the European Green Deal.

GENERAL PRINCIPLES OF C&E RISK MANAGEMENT

- **CROSS-CUTTING NATURE OF C&E RISKS**

C&E risks may simultaneously underlie different existing risk categories and subcategories, with an emphasis on credit, market, operational, liquidity and reputational risks.

- **LONG-TERM VISION ON C&E RISKS**

The magnitude and distribution of C&E risks depend on the level and timing of mitigation measures and whether the transition occurs in an orderly manner. Potential losses arising from C&E risks depend, in particular, on the future adoption of C&E policies, technological developments and changes in consumer preferences and market sentiment.

- **C&E RISKS MANAGEMENT AND CONTROL**

Management of C&E risks begins with the deployment of approaches that identify, understand and assess the impacts of these risks on the remaining categories and business model of the CGD Group, with mitigation strategies and alignment with short, medium and long term transition objectives.

- **THREE-LINE MODEL**

The CGD Group's Risk Taxonomy provides a single, common language based on three lines of defense: The first line is responsible for the direct identification and management of the risks; the second line is responsible for ensuring the proper development and implementation of a robust risk management and control model; the third line consists of the internal audit, whose main objective is to identify any shortcomings or deficiencies that should be addressed through actions leading to their elimination or mitigation.

GLOBAL C&E RISK MANAGEMENT STRATEGY

- **RISK APPETITE INTEGRATION**

The C&E risk management strategy is deployed in accordance with the CGD Group's risk appetite statement, aiming to adequately control all activities and processes, to limit losses caused by climate and environmental risks, and mitigate other relevant negative impacts, keeping them within the defined tolerance levels, and it is supported by risk limits that are documented and regularly reviewed by the management bodies.

- **GLOBAL C&E RISK MANAGEMENT MODEL**

The C&E risk management model complies with the guidelines and objectives set out in the climate



risk appetite of the Group and of each entity, in accordance with the guidelines conveyed by DGR (Risk Management Directorate). This model includes the identification, assessment, business strategy, risk monitoring and quantification tailored to the climate and environmental goals of each geography in which the CGD Group is present.

GOVERNANCE AND ORGANIZATION OF THE C&E RISK MANAGEMENT SYSTEM

- **BOARD OF DIRECTORS OF CGD (CA)**

The body that defines and supervises the principles of risk management. Regarding C&E risks, the CA is supported by the Risk Committee and the Governance Committee.

- **EXECUTIVE COMMITTEE (CE)**

The body that ensures business development within the approved C&E risk appetite framework, as well as effective risk management.

- **SUSTAINABILITY COMMITTEE (CSU)**

The body that guides the implementation of the Sustainability Strategy, incorporating the principles of sustainable development, responsible banking, and sustainable finance into the current operations of CGD, in alignment with the institution's Strategic Plan.

- **TOP MANAGEMENT BODIES OF CGD GROUP ENTITIES**

Bodies responsible for business development and local risk management, ensuring the implementation of the C&E Risk Policy.

- **FIRST LINE OF DEFENSE STRUCTURE BODIES (OE)**

Bodies responsible for the identification and management of C&E risks in product, commercial, and support areas.

- **SECOND LINE OF DEFENSE STRUCTURE BODIES (OE)**

The Risk Management Directorate (DGR), in coordination with the Chief Risk Officer (CRO) of CGD, ensures an effective process for managing C&E risks at the CGD Group level, in collaboration with the Risk Management Functions of the Entities. The Compliance Directorate (DC) of CGD is responsible for ensuring the understanding, identification, assessment, monitoring, and control of compliance risks related to the institution's activities.

- **THIRD LINE OF DEFENSE STRUCTURE BODIES (OE)**

The Internal Audit Directorate (DAI) of CGD evaluates the adequacy of the C&E risk management mechanisms and identifies any deficiencies.

CLIMATE AND ENVIRONMENTAL RISK SCENARIOS

The CGD Group regularly carries out stress tests in order to identify the risk factors, as well as types of risk, which include solvency, liquidity, sensitivity and scenario analyzes with the purpose of informing the institution's management bodies about current and potential vulnerabilities and supporting strategic decision-making. The Annual Stress Test Program defines all the stress tests and risk factors considered relevant, considering the impacts of C&E risks and following EBA and ECB guidelines.

RISK ASSESSMENT AND QUANTIFICATION

C&E risks have a direct and observable impact on credit risk and are managed according to the policy, which includes an analysis of the alignment of the balance sheet with the defined transition objectives. The market, operational and liquidity risk categories may also reflect significant impacts arising from C&E risks, for which the



most appropriate assessment approaches are established.

- Market risk: Regarding risk exposures to sovereigns and similar, transition and physical risks are considered, as they collectively and over time affect the financial capacity of these issuers.
- Operational risk: it is considered that operational risk, in terms of impact on the institution's physical assets and activity, is mitigated by existing controls related to business continuity planning (BCP), which includes the assessment of physical risk factors and their potential impacts.
- Liquidity risk: Liquidity risk approaches are directly linked to market risk outcomes, through the composition of the liquidity buffer and the institution's counterbalancing capacity, with additional analysis conducted when there is significant exposure to C&E risks.

DGR centrally monitors C&E risks, communicating results to the Board of Directors quarterly and ensuring the quality of information. Each Local Risk Management Function is responsible for maintaining the monitoring framework for C&E risks, tailored to the market and the internal control framework of each entity, following the guidelines set by the DGR.

COMMUNICATION AND REPORTING

CGD ensures compliance with external and prudential reporting obligations, particularly through the following cross-cutting information provision routines, in which each Group entity may be invited to participate:

- Sustainability report: The drafting is carried out annually by the Sustainability Area, coordinating with the remaining CGD structural bodies and other Group Entities the preparation and disclosure of the necessary information for the report. The interim updates observe the same governance framework and requirements of non-financial reporting.
- Market discipline (Pillar 3): The drafting is carried out by DGR, specifically concerning disclosures on C&E risks, ensuring the preparation and provision of the necessary information from the remaining CGD structural bodies and CGD Group Entities.
- Mandatory legal disclosures: The marketing of products, is the responsibility of the marketing functions and product units. Other aspects or obligations have their responsibilities defined according to the specific matters in question.

On an annual basis, the Compliance Function coordinates efforts to confirm CGD's alignment with applicable reporting obligations and ensures the quality and reliability of the information provided.

