CAIXA GERAL DE DEPÓSITOS, S.A.

SUSTAINABLE FINANCE AND ENERGY TRANSITION POLICY

INTRODUCTION/FRAMEWORK

Sustainable finance is a major topic on the national and international agenda marked by the definition of a complex regulatory framework and the setting out of ambitious global commitments, with the purpose of aligning the financial sector with financing and investment needs in order to achieve a more responsible, inclusive economy based on a low level of carbon emissions. In this sense, it becomes necessary to have a set of crosscutting lines of action for building a business approach, underpinned by sustainability principles, that contributes to a more robust risk management and a more efficient use of the opportunities associated with the transition to a decarbonized economy.

As a benchmark institution in the Portuguese financial sector, the strategic priorities of Caixa Geral de Depósitos ('CGD') include supporting the transition of households and companies to a more sustainable economy through:

- **the development of products and services that allow channeling capital flows towards economic activities, businesses or projects with a specific environmental or social benefit/objective;** and
- **the gradual integration of Environmental, Social and Governance (ESG) factors into financing analyses.**

SCOPE

The Sustainable Finance and Energy Transition Policy defines the responsibilities and establishes the principles applicable to the promotion of sustainable finance for CGD and the Group Entities covered by it.

This regulation follows the Guidelines of the European Banking Authority (EBA) on loan origination and monitoring (EBA/GL/2020/06), the European Central Bank's Guide on climate-related and environmental risks, as well as the principles and duties enshrined in the national legislation and regulations on sustainable finance in credit institutions.

GOVERNANCE STRUCTURE

CGD's Board of Directors is responsible for defining and monitoring the strategy and corporate policies in terms of sustainability and sustainable finance; and it is incumbent upon CGD's Executive Committee to ensure the management and implementation of the Sustainable Finance and Energy Transition Policy and to decide on the related action plans proposed to it.

The remaining Commissions and Committees (ex.: Products Specialized Executive Board, Governance Committee and Sustainability Committee) are also involved, within the scope of their area of responsibility, along with the Divisions that have a direct involvement, such as the first and second lines of defense.

CRITICAL SECTORS FOR CARBON NEUTRALITY

The process of evolution towards a low-carbon economy will be accompanied by significant investment in various activity sectors based on national and international reference documents such as the Roadmap for Carbon Neutrality 2050. This is a profound transformational process that will have a cross-cutting impact on the whole of society, covering companies, households and the State, and that will influence financing strategies in critical sectors, namely:

- Energy;
- Transport;
- Industry;
- Buildings and cities;
- Food, agriculture and fisheries;
- Waste;

- Natural resources and healthy ecosystems.

SUSTAINABLE FINANCE PRINCIPLES

A The Sustainable Finance and Energy Transition Policy 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, based on the following principles:

- **Principle 1:** Support the transition to a low-carbon economy for companies and households through financing activities, mitigating risks and enhancing opportunities arising from sustainable development;
- **Principle 2**: Develop financial products and services that contribute to the achievement of environmental or social goals in line with the Sustainable Development Goals;
- **Principle 3**: Ensure the continuous assessment of corporate customers in terms of sustainability, through the gradual furthering of the integration of ESG criteria in the credit analysis and decision process;
- **Principle 4**: Support the climate transition process of companies operating in sectors considered polluting and promote the gradual divestment of financing for environmentally unsustainable activities;
- **Principle 5**: Implement governance practices that guarantee the identification and monitoring of eligible sustainable finance;
- **Principle 6**: Promote the internal training of employees, the generation of knowledge in the market and raise society's awareness of the challenges and opportunities associated with sustainability;
- **Principle 7**: Be an active part in combating greenwashing practices by making regular and transparent disclosures to stakeholders about the approach and performance achieved by the organization in terms of sustainable finance.

CRITERIA FOR THE CLASSIFICATION OF SUSTAINABLE FINANCE OPERATIONS

In line with the main European regulations regarding the classification of economically sustainable activities and the adoption of best practices in this area, CGD has identified several objectives and areas of action to be considered within the scope of sustainable finance from an environmental and/or social point of view according to the following objectives:

- **Environmental objectives**: Mitigation of climate change; Adaptation to climate change; Sustainable use and protection of water and marine resources; Transition to a circular economy; Pollution prevention and control; Protection and restoration of biodiversity and ecosystems.
- **Social objectives**: Decent work; Living conditions and well-being; Inclusive and sustainable communities.

FINANCING TYPOLOGIES ELIGIBLE FOR SUSTAINABLE FINANCE

CGD defines the following types of bank financing as being part of the purpose of financing sustainable development, as long as they comply with environmental or social eligibility criteria, namely

- **Financing products** for projects with environmental or social goals;
- **Financing operations** for projects with environmental or social goals;
- **Sustainable economic activities** within activity sectors aligned with the Taxonomy Regulation (with the aim of Mitigating Climate Change) and that have an ESG Rating of strong, good or satisfactory, assigned by CGD;
- **Customer debt instruments** that are part of the assets on CGD's balance sheet, with sustainable, social or environmental characteristics.

CLASSIFICATION OF SUSTAINABLE FINANCING FROM THE ENVIRONMENTAL OR SOCIAL POINT OF VIEW

In order to respond to the legal and regulatory obligations in terms of ESG reporting, CGD acknowledges the importance of classifying the funding that aims at sustainable finance and allowing it to be clearly differentiated from other types of funding.

INCORPORATION OF ESG FACTORS IN THE CREDIT ANALYSIS AND GRANTING PROCESSES

CGD should continuously promote the integration of ESG factors in the banking activity's business processes, allowing the efficient management of non-financial risks, as an essential approach to the implementation of its sustainable finance strategy. The identification and assessment of ESG factors in the credit analysis and granting processes is a fundamental factor in managing and reducing the Bank's exposure to climate and environmental risk, which will be reflected in the financial conditions of borrowers depending on the overall performance in terms of ESG criteria.

The incorporation of ESG factors in the financing processes must comply with the following phases:

- Identification of ESG financing criteria;
- Assessment of ESG criteria;
- Definition of Pricing;
- Financing analysis and decision;
- Monitoring of the use of financing for ESG purposes.

ENVIRONMENTAL AND SOCIAL GOALS AND RELATED ELEGIBILITY CRITERIA

Activities deemed eligible will be regularly reviewed and expanded as necessary in order to change or add additional activities and/or qualifying criteria, and to comply with future regulatory requirements under the EU Taxonomy Regulation or others, as deemed appropriate.

Financing area	Example of eligible activities
Energy	• Renewable energy; • Alternative energy; • Energy and resource efficiency; • Infrastructure for transmission, storage and distribution of renewable energy.
Transport	• Sustainable mobility and transport systems with low-carbon emissions and support equipment, technology and infrastructure.
Buildings and cities	• Sustainable construction and implementation of environmentally more responsible and efficient systems throughout the buildings' lifecycles; • Energetically more efficient buildings.

Financing area	Example of eligible activities
Industry	• Energy efficiency, consumption of materials and natural resources from industrial processes.
Food, agriculture and fisheries	• Sustainable agricultural practices and processes.
Waste	• More efficient waste management though the reduction, reuse, recovery and recycling of material, and for the implementation of circular economy practices.
Natural resources and ecosystems	• Infrastructure for the sustainable management of water resources.
Inclusion and socioeconomic development of communities	• Financial inclusion and self-employment creation; • Population's access to essential health services; • Education and personal training of the society; • Access to affordable housing for people with vulnerable economic and social conditions.

CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

The financing activities in Table 1: Financing areas and eligibility criteria have positively contributed to the following Sustainable Development Goals:

This document is an excerpt from the internal regulation ‘Sustainable Finance and Energy Transition Policy’.
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