

# Defence sector relationship policy

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# Introduction



## 0.1 Background

CaixaBank Asset Management SGIC, S.A.U. (hereinafter, "CaixaBank AM", the "Bank" or the "Management Company") carries out its activity in strict compliance with the laws of the territories in which it operates and the most demanding standards of ethics and professional conduct.

The Management Company has supported and applied the ten principles of the United Nations Global Compact, relating to human rights, employment rights, the environment and the fight against corruption, since its accession in 2011. The second principle of the Global Compact states that: "businesses must make sure that they are not complicit in human rights abuses".

The management company recognises the rights of countries to defend and protect their citizens and, accordingly, to develop, produce and possess, as well as finance, weapons for this purpose.



## 0.2 Purpose

The purpose of this Policy is to establish principles of action and the distribution of responsibilities that should apply in the Management Company to avoid exposure to companies related to the defence sector that do not comply with the principles established by the Board of Directors.



## 0.3 Scope and field of application

### 3.1. Scope

This Policy is applicable to CaixaBank AM. It is consistent with the general policy of CaixaBank, S.A. and includes refinements to ensure the optimum implementation. This Policy applies to:

- Management of the assets of companies in which it invests directly. For more details, refer to CaixaBank AM's current Socially Responsible Investment procedure.

In applying this policy, support will be sought from independent advisers and external tools that can provide a specialist and up-to-the-minute vision.



## 0.4 Updating frequency and procedure

This Policy will be reviewed annually, to ensure alignment of the current risk governance in the Management Company with prevailing regulatory requirements and applicable sector recommendations.

Reviews of the Policy may result in changes to some of its sections. The new Policy resulting from such changes must be approved by the Board of Directors.

Changes to the appendices of the Policy and typographical or linguistic changes do not require submission to the Board of Directors, with approval from the Management Committee being sufficient.

There is a public summary of this Policy, known as the "Corporate policy for the defence sector action principles".



## 0.5 Roles and responsibilities in the Policy

### 5.1. Roles

The roles involved in developing this Policy are as follows:

- **Creation:** responsibility for drawing up and implementing the Policy in the first instance.
- **Signature and approval:** ultimate responsibility for approval of the Policy and subsequent versions.
- **Implementation:** responsibility for implementing the Policy.
- **Custody:** responsibility for custody of the Policy and subsequent versions.
- **Distribution:** the Area/Department responsible for distributing the Policy and its content to the rest of the Bank.
- **Monitoring:** the Area/Department responsible for monitoring the Policy.
- **Control:** the Area/Department responsibility for controlling the Policy.
- **Amendments and deletions:** responsibility for any required modifications or updates to the Policy.

## 5.2. Responsibilities

Function	Responsables
Creation	Business and Commercial Development Area, Iberia Investment Area and Risk Area
Initial approval and updates	<b>Governance bodies (final approval):</b> <ul style="list-style-type: none"> <li>• Review and approval for escalation to the Board: Management Committee</li> <li>• Final approval: Board of Directors</li> </ul>
Performance	Ygna Ybrg Area
Custody and distribution	Risk Area
Monitoring and control	Risk Area
Management of modifications and deletions	Risk Area

# Defence sector relationship policy

## 0.1 Action principles

### 1.1. Reference regulations and documents

CaixaBank AM's governance bodies have approved a range of corporate responsibility policies:

- Code of Business Conduct and Ethics
- The Corporate Human Rights Policy
- Corporate Social Responsibility Policy

These policies reflect its commitment to performing its activity in strict compliance with applicable regulations and the highest standards of ethical and professional conduct. It considers that proper evaluation and management of the risks and social and environmental impacts arising from its activities are essential. For this reason, it expects its customers to meet with the highest responsible governance, transparency, social and environmental standards.

CaixaBank AM recognises the following initiatives, conventions and institutions:

- The United Nations International Charter of Human Rights.
- The United Nations Global Compact.
- The United Nations Guiding Principles on Business and Human Rights.

CaixaBank defines controversial arms in accordance with the criteria set out in the international treaties detailed below:

- **Anti-personnel mines:** Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (1997).
- **Biological weapons:** Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972).
- **Chemical weapons:** Convention on the Prohibition of the Development, Production and Stockpiling and Use of Chemical Weapons and on their Destruction (1993).
- **Cluster bombs:** Convention on Cluster Munitions (2008).
- **Nuclear weapons:** Nuclear Non-Proliferation Treaty (1968).

## 1.2. General standards

CaixaBank AM will not be involved in the defence sector when there may be a clear risk of the use of defence material for repression or other serious violations of international humanitarian law, non-proliferation conventions and treaties and other related regulations and guidelines. CaixaBank AM recognises the right of countries to defend themselves and protect their citizens. Therefore, it could have commercial relations with companies in the defence sector whose activity is considered consistent with legitimate national security and defence interests.

**Under this Policy, defence material is defined as:**

- **Weapons** (such as pistols or other light weapons, bombs, missiles and rockets), except for blank, sporting and replica weapons.
- **Ammunition and explosives for military use.**
- **Specially designed components and equipment** required to produce, maintain and use conventional arms and ammunition, as well as defence-related software or hardware.
- **Dual-use items:** items which can be used for both civil and military purposes when earmarked for military use. For the definition of dual-use items, the CaixaBank Group follows Council Regulation (EU) 428/2009, of May 5, 2009 on the control of exports, transfer, brokering and transit of dual-use items, as modified by Commission Delegated Regulation (EU) 2016/1969, of 12 September 2016.

## 1.3. Exclusions

**General restrictions:**

**In managing assets on behalf of third parties:**

- Investments in the capital and debt instruments of companies that develop, produce, maintain or market weapons that are considered controversial (as defined in point 1), and their essential components, are excluded. *overtido (según definido en el punto 1), incluyendo sus componentes esenciales.*
- Investments in the capital and debt instruments of companies and groups whose activity is significantly related to the defence sector are excluded.

If a company does not comply with the requirements of this Policy, CaixaBank AM will take action for the purposes of compliance within the shortest possible time compatible with economically reasonable management. CaixaBank AM will promote active dialogue with companies and asset managers, either directly or through collective action aimed at adopting measures to modify controversial practices or activities. It may eventually divest in the event of the incompatibility of the company's activities with the provisions of this policy.



## 0.2 Definition and duties related to governance in the defence sector

### 2.1. Governance bodies

#### 2.1.1. Board of Directors

The Board of Directors of CaixaBank AM undertakes the same responsibilities with regard to defence as it undertakes against the risks explicitly identified in the Corporate Risk Catalogue and Internal Control Policies.

The Board of Directors is responsible for approving this Policy and ensuring compliance with its provisions, as the body with the ultimate responsibility for establishing strategies and policies in the Management Company.

### 2.2. Committees and other collegiate bodies

#### 2.2.1. Management Committee

CaixaBank AM's Management Committee, and the equivalent bodies in subsidiaries, evaluates and makes decisions about the development of the Strategic Plan and the Annual Budget, and issues that affect the organisational life of the Management Company. It also approves structural changes, appointments, business strategies and investments.

Its responsibilities with respect to this Policy include approving exceptions in relation to investment in capital or debt instruments, or submitting these to higher bodies, and related decision-making when consensus about approval has not been reached at lower levels, as established in the Policy.

#### 2.2.2. Socially Responsible Investment Committee

The Socially Responsible Investment Committee reports to the Management Committee. It is responsible for submitting any changes in CaixaBank AM involving investment in the defence sector for approval by the Management Committee.

The governance, composition and detailed scope of action of the SRI Committee are regulated by its Operating Regulations, which are approved by the Management Committee.

This Committee oversees all initiatives related to the defence sector. It may draw on advice from experts and tools that facilitate the management, monitoring or control of initiatives with potential impact on this Risk.

**The SRI Committee is responsible for the following:**

- Proposing changes to the scope, sphere of application and principles of the Policy.
- Ensuring that the technical criteria used to identify and evaluate the companies potentially subject to it are adequate and consistent
- Receiving an annual proposal to update the Policy. This must be accompanied by a report with the exposure to this type of customer in the Management Company.

It must also be informed of any breaches of the Policy, with an assessment of the potential impact of these and the remedial actions, sanctioning these based on the recommendations of the Operational Group for defence operations.

Reviewing, approving and monitoring identified action plans to remedy potential weaknesses in the Policy's application processes.

## 2.3. Main functional areas

### 2.3.1. Business and Commercial Development Area/Iberia Investment Area

CaixaBank AM's Business and Commercial Development Area is responsible for coordinating with CaixaBank's Communications, International Relations, Brand and CSR Department to ensure a framework for action consistent with the high standards set by the CaixaBank Group in relation to investment in the defence sector. The Iberia Investment Area - specifically the SRI Department - is responsible for assisting the Product & Services Area in identifying non-financial risks in portfolio construction.

These areas are responsible for the following:


- Supporting business areas in detecting investments related to defence activity and supporting customers in related operations
- Maintaining dialogue with internal and external stakeholders with respect to positioning and management in relation to defence, working with other relevant areas in this role.

### 2.3.2. Risk Area

In relation to defence issues, CaixaBank AM's Risk Area undertakes all the duties of a second line of defence that underpin this policy, as if it were one of the risk categories identified in the Corporate Catalogue, coordinating with CaixaBank's Corporate Risk Management and Planning Executive division.

### 2.3.3. Products and Services Area

Acting as a check in the first line of defence, it ensures compliance with the principles and responsibilities established in this Policy by the areas described in point 2.3.1, in accordance with the provisions of CaixaBank AM's Internal Control Policy. It is responsible for the first review of operations subject to the scope of the Defence Policy.



## 0.3 Monitoring and control of application of the Policy

### 3.1. Monitoring and control of application of the Policy

The control mechanisms required are put in place to ensure correct identification and monitoring of defence-related exposure and potential breaches of the Policy.

These mechanisms must ensure preventive detection (through alerts, for example) of possible transactions excluded under this Policy and the subsequent monitoring of any authorised exceptions or breaches.

An aggregate overview of CaixaBank AM's exposure to the defence sector must also be monitored and reported internally.

**Policy reviewed and approved by the Board of Directors**