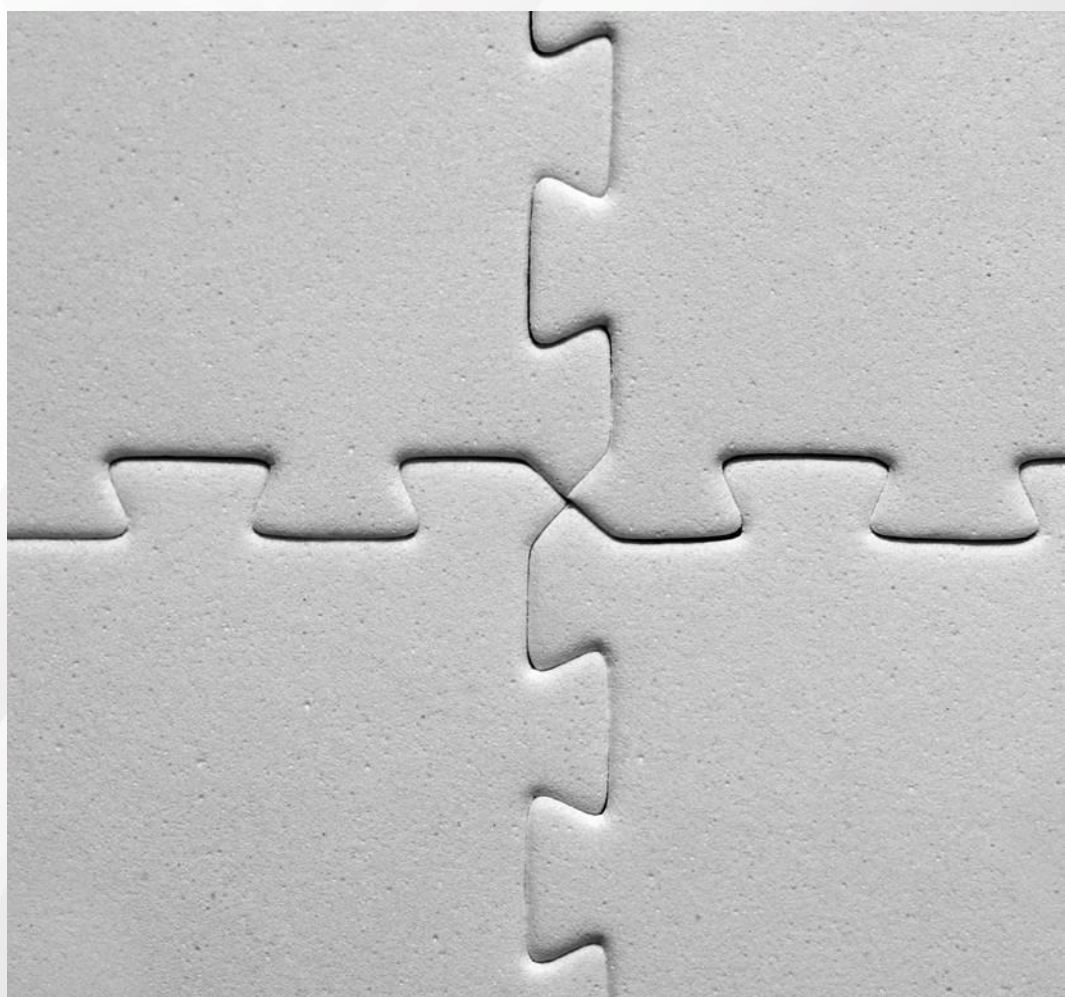


Statement of Due Diligence Policies in relation to Adverse Incidents

CAIXABANK ASSET MANAGEMENT SGIIC, S.A.U.

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1

Introduction and context

In its commitment to evolving towards a sustainable economy and in accordance with the mission and values of the CaixaBank Group (the 'Group'), CaixaBank Asset Management SGIIC, S.A.U. ('CaixaBank AM' or the 'Management Company'), has implemented a holistic framework for sustainable investing that applies to its asset management business.

This sustainable investment framework is based on three essential pillars:

- The incorporation of environmental, social and governance (ESG) factors into the investment analysis and decision-making process, in addition to traditional financial criteria.

ESG factors can be defined as:

- Environmental: factors related to the quality and functioning of the environment and natural systems, such as air, water and soil quality, carbon and climate, ecology and biological diversity, CO2 emissions and climate change, energy efficiency, scarcity of natural resources and waste management.
 - Social: factors related to the rights, well-being and interests of individuals and communities, such as human rights, labour conditions and standards, education, gender equality and the prohibition of child and forced labour.
 - Governance: factors related to the good governance of the companies and other entities invested in, such as the independence and supervision of the board, best practices and transparency, the remuneration of senior officials, shareholder rights, management structure, or measures taken against corruption and the use of privileged information.
- The long-term involvement of the management company with the companies it invests in, with greater participation in corporate governance decisions (by proxy voting).
 - Open dialogue with listed companies or issuers of financial, public or private products on material or controversial issues relating to ESG factors (engagement).

The integration of this model could have a favourable effect on the companies' long-term profit or loss and contribute to greater environmentally sustainable economic growth and social progress.

1.1. Context of the Statement

As a sign of its commitment to sustainability, in 2011 the management company formalised its commitment to the United Nations Global Compact, committing itself to supporting and applying its ten principles relating to human rights, employment rights, the environment and the fight against corruption.

In 2016, it adopted the Principles for Responsible Investment (PRI), an initiative from the investment community fostered by the United Nations to contribute to the development of a more stable and sustainable financial system through the implementation of six defined principles. These principles were our main point of reference when developing our sustainable investment model.

In its analysis and management processes, CaixaBank AM takes into consideration various policies on the subject adopted by the group, such as the Environmental Risk Management Policy, the Defence Policy, the Code of Business Conduct and Ethics, the Voting Policy, or the Corporate Human Rights Policy. The latter establishes its commitment to respect:

- The United Nations International Charter of Human Rights, which includes:
 - The Universal Declaration of Human Rights.
 - The International Covenant on Civil and Political Rights.
 - The International Covenant on Economic, Social and Cultural Rights.
- The ILO Declaration on Fundamental Principles and Rights at Work and the eight covenants that this has identified as essential.
- The Charter of Fundamental Rights of the European Union.

The management company also undertakes to carry out its activity in strict compliance with the applicable regulations and in accordance with the highest standards of ethical and professional conduct. These include:

- The United Nations Global Compact (UN Global Compact) and the Principles for Responsible Investment (PRI), as mentioned above.
- The United Nations Guiding Principles on Business and Human Rights.
- The United Nations Sustainable Development Goals (SDGs).

The management company also supports achieving the objectives of the Paris Agreement through its backing of the *Task Force on Climate-related Financial Disclosures* (TCFD) and its adherence to the *Climate Action 100+*.

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1.2. Purpose of the Statement

CaixaBank AM is committed to transparency and the transmission of information on the procedures, results, and plans relating to the due diligence procedures implemented for the performance of its asset management business. Article 4 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the 'Sustainable Finance Disclosure Regulation') establishes the obligation to report on the due diligence policies in relation to these adverse incidents, which is fulfilled through this statement.

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1.3. What is ESG Integration?

This holistic framework includes what is called 'ESG integration', which is the explicit and systematic inclusion of ESG considerations in investment analysis and decision making. Investment managers must consider the sustainability risk and impact of adverse sustainability incidents on their investment processes, as defined below:

- **Sustainability risk** is understood to be any environmental, social or governance state or event that could have an actual or possible negative material effect on the value of the investment if it occurred ¹.
- **The principal adverse impacts** are understood to be the impacts of investment decisions that may have negative effects on sustainability factors ².

ESG integration aims to reduce the effects of both, of sustainability risk and of the principal adverse impacts, without losing sight of generating profitability. For clients, ESG integration should result in a better risk-adjusted result and greater control of the impact of their investments on ESG factors. For managers, integrating ESG factors into investment processes means accessing a wide range of non-financial data, making better-informed decisions and increasing potential customer satisfaction.

The OECD Due Diligence Guidance for Responsible Business Conduct [3](#) recommends that companies conduct risk-based due diligence to avoid and address these negative impacts associated with making investment decisions in asset management.

CaixaBank AM has established risk-based due diligence processes to identify, prevent, mitigate and explain how these negative impacts are addressed.

In the area of asset management, CaixaBank AM has the opportunity not only to avoid adverse incidents but also to facilitate change through its dialogue and active voting policies, where applicable. For this reason, the existing due diligence in its business conduct is also reinforced in the area of investment decisions through specific due diligence measures.



2

The Due Diligence Process

Due diligence helps to anticipate, prevent or mitigate these adverse events. In some cases, due diligence can help decide whether to continue or discontinue activities or investments as a last resort, either because the risk of a negative impact is too high or because mitigation efforts have not been successful.

Bearing in mind that due diligence must be proportional to risk and adapted to the circumstances and context of a specific company, the following principles are followed in CaixaBank AM's investment decision-making processes:

- Identifying the principal actual or potential negative impacts.
- Taking steps to stop, prevent or mitigate these negative impacts.
- Monitoring the implementation and results of these measures.
- Reporting on how the principal adverse impacts are addressed.

In this regard, the management company has implemented a specific procedure to adequately monitor compliance with these principles on a recurring basis. In practice, the due diligence process is continuous, iterative and not necessarily sequential, since several stages can be implemented simultaneously with results that feed back into each other.

1. As established by 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.

2. As established in the EBA Discussion Paper, of 30 October 2020, on the management and supervision of ESG risks for credit institutions and investment firms (EBA/DP/2020/03).

3. <https://mneguidelines.oecd.org/Guia-de-la-OCDE-de-debida-diligencia-para-una-conducta-empresarial-responsable.pdf>

3

How are the principal adverse impacts identified?

The process of identifying the principal adverse impacts is directly linked to the investment decision-making process.

First, the relevant sustainability factors are identified in a certain area, industry, sector or company. CaixaBank AM uses different materiality analyses from benchmark organisations to do this, with the support of ESG analysis providers commissioned for this purpose, as well as public sources of information.

In accordance with the above, the material indicators that will be integrated into the process of building the different portfolios will be identified selecting and allocating different assets in accordance with the procedures implemented by the management company.

Once the portfolio is built, CaixaBank AM will analyse and monitor the adverse impacts on sustainability of the investments made by the different portfolios, publishing the indicators for the principal adverse impacts (PAIs) considered by the management company, pursuant to the format and content required by prevailing legislation at all times⁴ and applying the due diligence procedures described above.

CaixaBank AM will monitor the actual and potential negative impacts identified, taking the necessary measures, which, where appropriate, will be prioritised when it is not possible to immediately address all of the impacts. These measures may involve not investing, divesting, reducing the exposure or placing it under observation.

The management company, through its Socially Responsible Investment Committee (SRI), establishes the general principles and reference framework for the principal adverse impacts. The SRI Committee is tasked with keeping the Management Committee regularly informed of the main issues addressed and decisions adopted in relation to the principal adverse impacts, for ratification and/or approval, as necessary. In addition, the Management Committee will submit any proposals that are considered relevant to the management company's Board of Directors.

4. Version published on the date of issuance of this draft statement: *ESG disclosures - Regulatory technical standards with regard to the content, methodologies and presentation of disclosures pursuant to Article 2a, 4(6) and (7), Article 8(3), Article 9(5), Article 10(2) and Article 11(4) of Regulation (EU) 2019/2088.*

4 Engagement policies

4.1. Dialogue policy

CaixaBank AM has a long-term investment vocation, in general, which is why it will encourage dialogue with public or private companies or issuers of financial products as the main mechanism for improving the sustainability of the entities and institutions where it invests.

In accordance with its fiduciary responsibility, and in order to be an active owner of the investments it makes, CaixaBank likewise establishes mechanisms for initiating dialogue actions in order to change any identified behaviours that:

- May be contrary to the values of CaixaBank AM or stakeholders and shareholders in the vehicles it manages.
- Allow alignment with the strategic risk and opportunities identified by CaixaBank AM and the Group, such as climate change, the objectives of the Paris Agreement through its support of the TCFD, or the Sustainable Development Goals (SDGs).
- May have a negative impact on society, the environment, or the reputation or solvency of the management company.

CaixaBank AM may establish dialogue actions, either directly with the providers of investment products and companies, in collaboration with other investors or through a third party on its behalf.

In the case of dialogues with public or private companies or issuers of financial products, when considered appropriate and preserving CaixaBank AM's independence and interests at all times, priority is given to collaborative actions that can achieve a greater impact on changing the conduct of companies.

In the case of third-party products, such as mutual funds, in addition to the dialogue processes, surveys will be conducted periodically to evaluate the ESG integration processes at manager level and for investments made. Among the aspects considered, special attention will be paid to the mechanisms available for engagement, dialogue and voting, initiating actions when, for example, the management company is seen to be investing in companies excluded by CaixaBank AM.

Lastly, if, as a result of dialogue with a company, a favourable result has not been obtained for its objective, a vote may be taken at the Annual General Meeting as an opposition mechanism, in accordance with the mechanisms for voting and exercise of policy rights set out in the following section.



4.2. Voting policy

CaixaBank AM has implemented a voting policy aligned with its vision of socially responsible investment, addressing the issues of social responsibility and sustainable development, as well as governance factors, as these are essential in the evaluation of a company. By exercising the right to vote, the management company aims to influence corporate policies in order to improve deficiencies detected in ESG.

The quality of information on the governance of the company, its changes, its position in relation to best market practices and its relations with stakeholders/interest groups are essential components. They are therefore fully integrated into the voting decisions adopted by CaixaBank AM.

CaixaBank AM will exercise the right to vote based on the evaluation of the medium-term and long-term performance of the companies it invests in, taking into account environmental aspects (e.g. pollution, sustainable use of resources, climate change and protection of biodiversity), social aspects (e.g. gender equality) and governance aspects (e.g. remuneration policies), in line with its adherence to the United Nations Principles for Responsible Investment (UNPRI).

CaixaBank AM exercises attendance and voting rights for the listed securities directly or by delegating to another shareholder, with the vote indicated in the proxy being mandatory, as previously decided by CaixaBank AM. The management company has an advisory body that specialises in preparing voting recommendations on the matters that a certain company is going to vote on at its shareholders' meeting so that it may form a judgment from a broader perspective and exercise the above rights in line with the content of this statement.

CaixaBank AM diligently exercises attendance and voting rights to the exclusive benefit and interest of unitholders and shareholders, depending on the nature of each of the corporate resolutions submitted to the Annual General Meeting for consideration, based on publicly available information or information made available to the shareholders on the occasion of the AGM.

In any event, the decision on how to vote will be taken with total independence and objectivity in relation to the Group.