



# Engagement Policy

## January 2023

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## 1. INTRODUCTION

VidaCaixa, in accordance with the mission and values of the CaixaBank Group, takes criteria of socially responsible investment into consideration when managing its investments based on the principles of sustainable investment and transparency in management.

Including ESG (Environmental, Social and Governance) criteria and integrating them into investment management can have a favourable effect on the long-term financial results of companies and contribute to greater economic and social progress.

It is under this context that VidaCaixa integrates ESG factors following the PRI criteria (Principles for Responsible Investment promoted by the United Nations, to which it has adhered since 2009) as its main reference.

VidaCaixa also undertakes to integrate ESG factors into the organisation, following the Principle for Sustainable Insurance (PSI) of the UNEPFI (United Nations Environment Programme Finance Initiative) as a reference, to which it has adhered since 2020.

Likewise, in managing its investments, VidaCaixa considers the social aspects in its Principles for Human Rights and Sustainability Risk Integration Policy, which establish its commitment to respect the main international declarations and principles, including:

- The United Nations International Bill 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 fundamental Conventions it has identified
- The Charter of Fundamental Rights of the European Union
- United Nations Guiding Principles on Business and Human Rights
- The OECD Guidelines for Multinational Enterprises
- The United Nations Global Compact

Similarly, when managing its investments, the Entity considers environmental aspects, included in its Environmental Risk Management Policy, which establishes that the following are taken into account, among others:

- The Paris (COP21) and Katowice, Poland (COP24) Agreements.
- The United Nations (UN) Sustainable Development Goals (SDGs)
- The energy transition scenario adopted by the Government of Spain

Additionally, through its support of the *Task Force on Climate-Related Disclosure* (TCFD) VidaCaixa commits to and supports its recommendations on climate change.

Integrating ESG criteria into investment management as a principle of action is compatible with having exclusion criteria for certain assets from the investment portfolio if deemed appropriate.

ESG analysis is intended to be applied to all assets in the portfolio and seeks constant improvement in the medium-long term. To do this, VidaCaixa uses data from providers specialised in ESG in its analysis and considers due diligence procedures performed with external fund managers. It also relies on partners to establish the criteria, methodologies and procedures necessary to perform it. In addition, VidaCaixa takes part in forums and working groups on ESG topics, coordinating with other CaixaBank Group companies and collaborating in the regulatory developments proposed at an international level, such as the European Commission's Sustainable Finance Action Plan.

VidaCaixa wants to be an active owner of its investments and exercise the rights that derive from them, especially in the areas set by the PRIs:

- Directly or indirectly taking part in forums and working groups that seek to promote dialogue with the asset managers and companies in which it invests, divesting in cases of incompatibility with the aspects previously expressed or our policies.
- Exercising the policy rights of its own equity positions or on behalf of its clients and attending general shareholders' meetings voting taking into account ESG criteria.

Note: VidaCaixa opposes investing in companies or states engaged in reprehensible practices that violate international treaties such as the United Nations Global Compact, of which it is a signatory. Similarly, the entity will not invest in companies in sectors or with activities excluded in its various policies, such as arms, as set out in VidaCaixa's Defence Policy, or companies with significant activities in extracting or generating thermal coal, or the extraction or production of tar sands, as set out in VidaCaixa's Environmental Risk Policy.

## 2. PURPOSE AND SCOPE OF APPLICATION

On issues of engagement, the purpose of this Policy is to bring together the general principles, criteria and procedures of the portfolios managed by VidaCaixa, in its capacity as an insurer and pension fund manager.

As established in section 7.3.1, this Policy has a Group purpose, so VidaCaixa insurance subsidiaries must have their own Policies defined and approved by their corresponding governing bodies so that they are aligned with this Policy, although they may and should include additional unique aspects with respect to it to ensure its best implementation and adaptation to local regulatory frameworks.

In this sense, dialogue activities with companies and providers of investment products, and the exercise of the rights inherent to the listed securities that make up the portfolios managed by VidaCaixa, will be carried out with the aim of preserving the exclusive interest of clients and stakeholders, while remaining fully independent and objective with respect to the interests of the CaixaBank Group.

Likewise, mechanisms will be established to preserve VidaCaixa's reputation as fund manager and insurer with regard to its clients and stakeholders, as well as to contribute to greater economic and social progress through the companies where it invests on its own behalf and on behalf of its clients.

This Policy may be applicable to those pension funds directly investing in shares that have delegated, in whole or in part, the management of their political and economic rights as shareholders in VidaCaixa and expressly declare their desire to adhere to it.

### 3. REGULATORY FRAMEWORK

The applicable regulation in this area is Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC (hereinafter, 'SRD II'). The aforementioned regulation has been transposed into Spanish legislation via (i) Royal Decree-Law 3/2020, of 4 February, on urgent measures by which various European Union directives are incorporated into the field of public procurement in certain sectors; private insurance; pension plans and funds; tax and tax litigation (hereinafter, 'Royal Decree-Law 3/2020'); and (ii), Royal Decree 738/2020, of 4 August, amending Royal Decree 304/2004, of 20 February, approving the Regulation of pension plans and funds, and Royal Decree 1060/2015, of 20 November, on the management, supervision and solvency of insurance and reinsurance entities (hereinafter, 'Royal Decree 738/2020').

The purpose of the above regulation is twofold:

- To improve the transparency of investment strategies, engagement policies and the voting process, especially when using proxy advisors.
- To encourage the involvement of institutional investors (life insurance companies, Pension Fund Management Entities (PFME) and Employment Pension Funds (EPF)), in the governance of the invested companies. In accordance with the SRD II Directive itself, as well as the explanatory notes of Royal Decree-Law 3/2020 and Royal Decree 738/2020.

## 4. GENERAL PRINCIPLES

In general, VidaCaixa aims for long-term investment, and this is why dialogue with companies and/or providers of financial products will be promoted as the main means to improve the sustainability of the companies in which it invests.

The engagement strategy with listed companies mainly focuses on governance, social and environmental aspects due to the potential for shareholder long-term value creation, positively valuing and encouraging the OECD Guidelines<sup>1</sup> being used as a reference by companies.

The fact that not all listed companies or industries are the same is kept in mind in this engagement strategy, taking their business characteristics and how they manage different risks into account. The focus will therefore be on the more material issues that each company must address, varying the engagement strategy based on the characteristics of each.

Pursuant to its fiduciary responsibility, and for the purpose of being an active owner in the investments it makes, VidaCaixa establishes mechanisms to commence dialogue actions with companies and providers of investment products in order to amend any identified conduct that:

- Could run counter to VidaCaixa's values or those of its clients and participants in Pension Funds.
- Allows alignment with strategic opportunities and risks identified by VidaCaixa and the CaixaBank Group such as climate change and support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), expressed through the climate change declaration, as well as the CaixaBank Group's stated opportunities and risks through the Sustainable Development Goals (SDG).
- Could have a negative impact on the company, the environment, as well as its reputation or solvency. A dialogue action is also begun in these cases with the providers of the affected investment funds.
- Entails holding, via investment funds managed by other entities, positions in companies excluded by VidaCaixa or Employment Pension Funds.
- Allows the interests expressed by clients and participants to be represented, as long as they do not contradict any of the previous general principles.

VidaCaixa may established dialogue actions directly with providers of investment products and companies, either collaboratively with other investors or through a third party on their behalf.

As far as possible, and always preserving the independence and interest it offers, collaborative actions with other investors are assessed when engaged in dialogue with companies, as they may have a greater impact on amending the behaviour of the companies.

In addition to the dialogue processes, when dealing with third-party products, such as investment funds, due diligence will be carried out regularly assess the ESG integration processes at a fund manager level and the investments made. Among the aspects considered, special attention will be given to the mechanisms they have in terms of engagement, dialogue and voting.

The attendance and voting rights of the listed securities will either be exercised directly or delegated to another shareholder or the Chair of the Board of Directors of the companies in whose capital they hold. In any case, the delegated voting stance, as previously decided by VidaCaixa, will be mandatory.

The right to vote will be exercised or delegated where that is deemed most appropriate for the interests of the participants/clients, giving due consideration to the nature of each resolution submitted to the General Shareholders' Meeting, on the basis of information that is publicly available or that has been made available to shareholders for the General Shareholders' Meeting.

If a favourable result is not obtained for its objective as a result of dialogue with a company, its vote may be used as an escalation tool, such as supporting shareholders' proposals in favour of greater transparency or enhanced ESG performance or voting to oppose the (re)election of a board member responsible for ESG issues in the event of an adverse incident.

In any case, the decision regarding how to vote will remain fully independent and objective with respect to the interests of the CaixaBank Group.

<sup>1</sup> OECD Guidelines for Multinational Enterprises, 2011 Edition.

## 5. SOURCES OF INFORMATION TO BEGIN DIALOGUE

To identify the events set out in the general principles that may lead to a dialogue action beginning, there are various sources of reference information, on which criteria for beginning dialogue are based. These principles are set out below:

- The recommendations of an ESG agency contracted by VidaCaixa for this purpose.  
Here, a dialogue action will commence whenever a company receives an ESG rating qualified as very low, whenever a major controversy is uncovered or whenever a company excluded by VidaCaixa or client policies is detected, and whose exposure arises from a third-party managed vehicle.
- The analyses and recommendations of a proxy advisor<sup>2</sup>, contracted by VidaCaixa to exercise the political rights of listed companies.  
In this case, recommendations on the reasons to vote against any point submitted by the board of directors of listed companies and requiring shareholder approval may lead to a dialogue action being initiated.
- The communiqués and sanctions of regulators and supervisory bodies.  
In these cases, sanctions with a reputational and clear solvency impact for companies and providers could give rise to a dialogue action being initiated.
- News published by the media, financial analysis or that declared by the providers themselves either proactively or reported via periodic questionnaires carried by VidaCaixa out for this purpose.
- The PRI clearinghouse platform where the signatories or the organisation itself proposes dialogue activities to the other signatories.
- Those promoted by clients of VidaCaixa or the CaixaBank Group, once analysed and validated by the corresponding decision-making bodies.

<sup>2</sup> proxy advisors who issue recommendations on the voting direction of different resolutions submitted for approval at a General Shareholders' Meeting (AGM).

## 6. PROCEDURES FOR DIALOGUE ACTIONS AND VOTING

### 6.1. Implementation of dialogue actions

VidaCaixa considers the following aspects so as to guarantee the appropriate monitoring of investments:

- Setting the engagement<sup>3</sup> objectives, and circumstances under which an escalation strategy will be implemented, specified in actions or processes to be implemented where this engagement is not conclusive.
- Preparing an inventory of the issues or aspects that will be considered when interacting with the companies in which it invests and that will specifically be considered and reviewed prior to meetings and conversations with the relevant companies. Specifically, among others, VidaCaixa will give consideration to: investment strategy, financial and non-financial yield of the investment, risks, capital structure, corporate governance, and social and environmental impact.
- Establishing guidelines for governing the engagement process such as:
  - Determining key contact people within the company.
  - Contacting those key people to explain VidaCaixa's objective.
  - Ensuring all topics in the inventory are covered in the meetings.
  - Collating the responses from the companies to analyse the strengths and weaknesses with respect to VidaCaixa's objective and give feedback.
  - Carrying out an internal monitoring and evaluation.
- Redefining and adjusting engagement objectives after each meeting, if necessary. Every so often, VidaCaixa will reassess the indicators and other relevant information related to the company so as to make a decision on whether to divest or not, depending on the degree of which the objectives set by VidaCaixa have been achieved.
- Assessing potential conflicts of interest. VidaCaixa has a Policy that constitutes a general framework to manage possible conflicts of interest, as well as a regulation that develops it to ensure the interests of clients, among others.

### 6.2. Exercising the voting rights of the listed securities during the investment period

The companies in which VidaCaixa invests must have a coherent ESG strategy aligned to its corporate strategy. Companies with strong governance and sustainability policies aim to act in the best interests of all stakeholders, and are better positioned to manage both financial and non-financial risks.

VidaCaixa will exercise the political rights inherent to all types of Listed Securities that comprise the managed portfolios for the sole benefit of the participants/clients.

The direction of the vote is defined by taking into consideration the company's performance on sustainability and guided by the main treaties and conventions, such as those stated in this policy, in order to support:

- Sustainable business practices that champion environmental protection, fair labour practices, non-discrimination and the protection of human rights.
- Corporate ESG actions that present new opportunities or that mitigate related financial and reputational risks.
- A commitment to creating and preserving economic value through good corporate governance.

The recommendations of a globally recognised proxy advisor will be followed for this as a general criterion.

In general, the right to vote will be exercised at all General Shareholders' Meetings unless a possible blocking of the shares could result in economic harm to the management of the investments.

<sup>3</sup> dialogues with the companies or providers of financial products.



## 7. GOVERNING FRAMEWORK

### 7.1. Governing bodies

VidaCaixa's governing bodies perform functions associated with their responsibility to approve and supervise the strategic and management guidelines established in the realm of sustainability/corporate social responsibility, as well as the supervising, monitoring and integrated control of risks as a whole, which include sustainability risks.

#### 7.1.1. VidaCaixa's Board of Directors

VidaCaixa's Board of Directors is responsible for implementing a risk governance framework in line with VidaCaixa's risk appetite, and in line with that set out by the CaixaBank Group. It is also responsible for the strategic definition of VidaCaixa and its Group, the required organisation for its implementation, and supervising and controlling management in their compliance with the objectives and management guidelines established by the Board of Directors, all in accordance with its corporate purpose and interest.

In this vein, the powers of the Board of Directors are to:

- Approve the sustainability strategy.
- Approve policies that pursue the sustainability strategy, including this policy.
- Supervise and periodically assess the sustainability strategy's implementation.
- Approve adhesions to new key sustainability initiatives.

#### 7.1.2. Appointments, Remuneration and Sustainability Committee

The Appointments, Remuneration and Sustainability Committee has the function of supervising VidaCaixa's actions in relation to sustainability issues, including the review and proposal to the Board of approval of VidaCaixa's policies, statements and standards that develop the sustainability strategy.

#### 7.1.3. Risk Committee

The Risk Committee advises VidaCaixa's Board of Directors on the Group's overall propensity to risk and its strategy in this regard. As part of managing dialogue activities with companies and providers of investment products, and exercising the rights inherent to the listed securities that comprise the portfolios managed by VidaCaixa, this Committee:

- Proposes the approval of this Policy to the Board.
- Monitors the degree of appropriateness of the Risks assumed to the previously decided profile and ensures that the Group's actions are within the established tolerance levels.
- Jointly with the Board of Directors, determines the information that the Board of Directors must receive and sets the information that the Committee must receive, so that knowledge of the exposure to this risk in the decision-making process is sufficient.
- Assesses the risk of regulatory compliance with actions and decisions, detecting any risk of non-compliance and monitoring and studying possible deficiencies in accordance with ethical principles.
- Checks that the Group has the means, systems, structures and resources in accordance with best practices to allow it to implement its strategy in managing this risk.
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#### 7.1.4. Audit and Control Committee

VidaCaixa's Audit and Control Committee oversees the effectiveness of the internal control and management systems for financial and non-financial risks.

In addition, and within the Entity's own action scope, VidaCaixa's Audit and Control Committee oversees that Internal Audit ensures the proper operation of the information and internal control systems, checking their adequacy and integrity.

### 7.2. Committees

#### 7.2.1. Management Committee

VidaCaixa's Management Committee is responsible for developing the Strategic Plan and the consolidated budget approved by the Board of Directors. It also approves structural changes, appointments, and the business strategies and investments.

The development involves adopting agreements on sustainability either directly or through its delegated committees. Specifically, and within VidaCaixa's own scope, the Management Committee:

- Gives its agreement to VidaCaixa's sustainability policies, as well as to public adhesions and commitments in this regard.
- Receives regular information on sustainability initiatives.

### **7.2.2. Investment Committee**

The Investment Committee is charged with establishing and approving the investment stance, the approval and backing of the operations carried out by the insurer, as well as ensuring proper management, monitoring and control of the insurer's investments and clients based on defined investment policies and the current regulatory framework.

It is also responsible for optimising and making the financial structure of VidaCaixa's balance sheet profitable using the risk appetite framework and risk limits policies approved by the Board of Directors and based on the principles of sustainable investment and transparency in management, as well as the integration of ESG aspects.

### **7.2.3. Global Risk Committee**

VidaCaixa's Global Risk Committee is the subordinate body of the Risk Committee responsible for globally managing, controlling and monitoring reputational risk, among others, as well as the implications for solvency management and capital consumption.

In doing this, it analyses the global stance in relation to this risk and establishes or reviews the policies that optimise its management, monitoring and control within the framework of the strategic objectives for the VidaCaixa Group.

In relation to sustainability – as a key component of reputational risk management – the Global Risk Committee reviews this policy prior to submitting it to the governing bodies.

### **7.2.4. Sustainability Steering Group**

The functions of this Group are to coordinate decisions on sustainability across the Entity, analyse and be aware of the reports related to these risks prior to their being reported to the Investment Committee, the Global Risk Committee, the VidaCaixa's Governing Bodies or the Committees of subsidiaries of the CaixaBank Group to whom such risks must be reported. Its functions also include the monitoring and promotion of action plans related to those risks.

### **7.2.5. Good Governance Steering Group**

This Group's functions are related to Regulatory Compliance risks, with a particular focus on this Policy's possible impacts on reputational risk, as well as their analysis prior to being submitted to the management and governance bodies.

## 8. CONTROL FRAMEWORK

VidaCaixa promotes a risk culture that encourages risk control and compliance, as well as establishing a robust internal control framework that extends across the entire Entity and allows fully informed decisions to be made about the risks assumed.

The VidaCaixa Group's internal control framework is structured into Control Levels that follow the CaixaBank Group's Three Lines of Defence model, which guarantees the strict segregation of functions and several layers of independent control:

- The first control level is made up of procedures and processes of the operating units that manage dialogue activities with companies and providers of investment products, and exercising the rights inherent to the listed securities that comprise the portfolios managed by VidaCaixa. They are responsible for applying the internal policies and procedures in this regard, proactively implementing measures to identify, manage and mitigate Risks, and establishing and implementing adequate controls.
- Specifically, the Sub-Directorate General for Investments acts as the first level of management control.
- As the second level internal control for reputational risk, Regulatory Compliance will ensure the quality of the entire socially responsible policies management process; it will review the coherence of internal policy with the guidelines on sustainability and ensure that specific controls on compliance with the Policy are available.
- Risk Management, as an internal control function, is the second control level for Financial Risks. Its input includes an assessment of the risks under its scope of action derived from new activities, possible deficiencies in the Entity's risk management and internal control frameworks, and the Entity's ability to manage the new risks effectively.
- Internal Audit, as an internal supervisory function that is the third control level, will carry out periodic control activities on the effectiveness and efficiency of the sustainability management framework, including the first and second control levels, as well as compliance with current legislation, the requirements of supervisory bodies, and internal policies and procedures related to this risk. In accordance with the results of its controls, it will issue recommendations to other areas, monitor their proper implementation and, where appropriate, make recommendations to the Governing Bodies and propose possible improvements.

As managing areas in the parent entity, Regulatory Compliance, Audit and Risk, and Internal Audit are responsible for the strategic orientation, supervision and coordination with respect to the respective internal control functions of the subsidiaries while safeguarding their own scope.

There must be a guarantee of controls over the appropriate application of the general principles established in this Policy, as well as, where appropriate, their progression in internal frameworks and procedures.

## 9. UPDATING THE POLICY

In general, this Policy will be reviewed annually, notwithstanding the possibility of a more frequent review should the need for amendments, adaptations, updates or substitutions in any of its sections be identified.

It is the responsibility of the Sustainability Division to update this Policy periodically or whenever the aforementioned relevant changes occur.

When amendments are made outside the established period, at least every two years, if these are of a lesser nature, approval by the Global Risk Committee is possible upon the proposal of the Investment Committee and with the prior approval of the Management Committee. For these purposes, minor amendments are understood to be those derived from organizational changes without affecting sustainability management functions or corrections that are merely typographical or result from updating the documents referenced in the Policy and amending the annexes.

The Risk Committee will always be informed of the amendments approved by the Global Risk Committee. If the Risk Committee deems it appropriate, it will submit the amendments to the Board of Directors.

## 10. PUBLICATION AND TRANSPARENCY

Once the Board of Directors has approved this policy, it will be made available to all VidaCaixa personnel through the intranet so they are aware of it.

Likewise, this Policy will be published on VidaCaixa's corporate website, thereby promoting the Entity's commitment and transparency on the aforementioned points.

Annually, VidaCaixa will publish information on how it has applied the Policy, including a general description of its behaviour in relation to its voting rights, an explanation of the most important votes in which they have taken part and, where appropriate, the use of proxy advisor services.

Likewise, each year, it will publish how it has voted except when said obligation is legally exempted and for votes that are immaterial due to the reason for the vote or the size of the shareholding in the Entity.