



# Policy on the Integration of Sustainability Risks

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## 1. INTRODUCTION

### 1.1. Background

VidaCaixa S.A.U. de Seguros y Reaseguros (hereinafter 'VidaCaixa' or 'the Entity') and the rest of the companies comprising the VidaCaixa Group make every effort to optimise the relationship between profitability and risk, and to prevent, minimise, mitigate and remedy all factors that may pose a significant risk for the environment or the community to the extent possible in line with the highest standards of responsibility. Therefore, the VidaCaixa Group integrates environmental, social and governance (hereinafter 'ESG'1) criteria in its business decisions with the aim of mitigating risks and supporting business projects in line with its corporate values.

The presentation of this Policy, in line with CaixaBank's Corporate ESG Risk Management Policy, takes place within a context of greater awareness and concern by society for the long-term sustainability of the economic and growth model. This has given rise to the ongoing development of regulations and expectations in this area, both general and specific to the potential contribution of the financial sector to mitigate adverse effects. In this regard, the Principal Adverse Impacts Statement of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (hereinafter 'SFDR') takes on special significance.

Financial institutions are considered to have a potentially significant impact on contributing towards the achievement of the Sustainable Development Goals ('SDGs'). This is because some of the sectors they finance, invest in or provide services to are the subject of controversy and must and will face multiple constraints, challenges and transformations of their business models and technologies over the coming years, either to adapt to consumer preferences or due to regulatory pressure.

For this reason, VidaCaixa considers it essential to identify, measure, assess, manage, control, mitigate and report ESG risks associated with the VidaCaixa Group's activities.

This Policy integrates and repeals two documents previously approved by the Board of Directors:

- Environmental risk management policy
- Policy on relations with the defence sector

Likewise, it also adds other positions, as a result of a comparison with international best practice and the growing demands of the different stakeholders relevant to the VidaCaixa Group.

The 'Principles of Action on Sustainability Matters', which sets out the strategy to be followed with the different stakeholders in this area<sup>2</sup>, as well as the 'Human Rights Principles', the 'Statement on Climate Change' and the 'Engagement Policy' are kept as separate documents related to this Policy.

The provisions of this Policy shall not alter the provisions of the rest of the risk management policies in force in the Entity.

In the same way, it should be considered that the exclusions introduced by this Policy and the integration of ESG criteria in general, will be applied whenever the regulation allows it.

### 1.2. Scope

The risks governed, managed and controlled by this Policy are as follows (called 'ESG' or 'sustainability'):

- Environmental ('E') risks are risks associated with exposure to legal entities that could potentially be affected by, or contribute to the negative impacts of environmental trends such as climate change and other forms of environmental degradation (such as air and water pollution, freshwater scarcity, soil contamination, biodiversity loss and deforestation). Additionally, they include corrective actions aimed at preventing or mitigating their manifestation.

Within environmental risk, the risk arising from climate change is the risk linked to global warming caused by greenhouse gas emissions, which can be divided into two types:

- Physical, related to weather events (such as hurricanes or storms), geological (earthquakes) or ecosystem degradation (such as sea level rise or desertification), either:
  - Acute, through the increased likelihood and impact of extreme natural events.
  - Chronic, associated with permanent changes in the environment.

In any case, physical risks may involve damage to company assets, supply chain disruptions or increased costs to deal with them.

- Transition, associated with the timing and speed at which the process of adjustment towards a low-carbon economy will take place. This will depend on political/legal, technological, market or reputational factors.

<sup>1</sup> Going forward, ESG risks will be considered to be equivalent to sustainability risks.

<sup>2</sup> Compliance with ESG aspects by our clients and the potential indirect impacts that this could have on the VidaCaixa Group is the aspect of the area of 'sustainability/ESG' regulated by this Policy.

- Social ('S') risks measure potential indirect adverse impacts on society as a result of providing services to or investing in legal entities that do not respect human rights or the health and safety of their employees.
- Governance ('G') risks arise from a negative impact due to weaknesses by commercial counterparties or investee companies in terms of transparency, market conduct, anti-corruption policies, compliance with tax obligations or other behaviours considered ethical by the relevant stakeholders.

Likewise, the VidaCaixa Group integrates ESG aspects into the management of its investments in the insurance business, as well as in the management of the investments of its clients in relation to its activities as a pension fund management company.

This Policy is addressed to the companies with which it maintains a business or investment relationship in any of the following activities:

- The selling of insurance policies, pension plans and EPSVs that the Entity sells.
- The management of assets on its own behalf (investments by VidaCaixa as an insurance company) and on behalf of third parties (investments in customer products).

Indexed products or products where clients expressly decide on the assets they invest in are excluded from this Policy.

The sectoral exclusions defined in this Policy are applicable to direct investments. In the case of investments in vehicles by third-party managers (investment funds and ETFs), VidaCaixa will make every effort to ensure that these investment vehicles do not invest in the excluded sectors listed in Section 7.3 by means of due diligence processes, dialogue with these managers, specific controls and thresholds tailored to the asset's characteristics and included in the internal control frameworks.

In the same way, the commercial exclusions applicable to clients during this first phase are limited to those related to the defence sector.

VidaCaixa's Global Risk Committee will propose possible updates to the scope of the Policy, always in line with CaixaBank's Policy. The governing bodies will be duly notified of any update to this scope and/or the areas for approval.

Therefore, this document does not cover relationships with its own providers or their providers. In this case, ESG risk analysis is covered through the procurement approval process, which – in terms of CaixaBank and CaixaBank Group companies such as VidaCaixa, which share the same procurement management model – includes the 'Code of Conduct for Providers' approved by CaixaBank's Steering Committee.

### 1.3. Purpose

The purpose of this Policy is to set out the principles, premises and mechanisms that ensure governance, management and control of ESG risks associated with clients and investments on its own behalf and on behalf of third parties. These must meet the expectations of the VidaCaixa Group's stakeholders, enabling the capture of business opportunities and providing support for the transformation that the companies it invests in is undergoing and will undergo in the coming years.

Therefore, this Policy sets out a framework of overarching principles on which all actions related to or identified as having a significant impact on these risks should be based, as well as the governance framework for the authorisation, management, communication and dissemination of these actions. Managing ESG risks constitutes one of the main courses of action in the sustainability strategy defined by VidaCaixa.

The content of this Policy includes:

- Regulatory framework
- Corporate ESG risk strategy
- General principles for the integration of sustainability risks
- Governance framework
- ESG risk management framework
- Control framework
- Information / reporting framework

## 2. SCOPE OF APPLICATION

This Policy is corporate in nature. As a result, the principles of action defined in it are applicable to all the insurance subsidiaries of VidaCaixa that carry out activities involving exposure to sustainability risks. The governing bodies of these subsidiaries will adopt the appropriate decisions for the purpose of integrating the provisions of this Policy by adapting – following the principle of proportionality – the governance framework to the peculiarities of the structure of their governing bodies, committees and divisions, and their principles of action, methodologies and processes to what is set out in this document.

This integration may involve, among other decisions, the approval of the subsidiary's own policy. Approval will be necessary in the subsidiaries that need to adapt the provisions of this Policy to their own specific circumstances, whether due to the subject matter, jurisdiction or relevance of the risk in the subsidiary.

In any case, given its corporate nature, VidaCaixa's Actuarial and Risk Function Division will ensure that the integration of this Policy among VidaCaixa's subsidiaries is proportionate, the policies approved by the subsidiaries (if any) are in line with the corporate policy, and there is consistency across the entire VidaCaixa Group.

Lastly, this Policy, aside from being a corporate policy of the VidaCaixa Group, is considered an individual policy of VidaCaixa.

This Policy is applicable from the date it is approved by the Board of Directors and excludes any pre-existing investment. Nevertheless, the latter would be subject to it in case exposure to the same issuers is expanded.

### 3. REGULATORY FRAMEWORK

This Policy will be governed by the provisions of the applicable regulations in force, as well as the regulations amending or replacing them in the future.

Specifically, on the date of drafting, the applicable regulation in force is Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services, as mentioned in Section 1.1 above.

This Regulation maintains the requirements obliging financial market participants to act in the interests of end investors, particularly but not exclusively the requirement to act with the appropriate due diligence before making investments, in accordance with the provisions of Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97 and (EU) 2016/2341<sup>3</sup>, Regulations (EU) No 345/2013 and No 346/2013<sup>4</sup>, as well as Spanish regulations regulating personal and individual pension products.

In order to comply with the obligations under these regulations, financial market participants must integrate not only all relevant financial risks but also all sustainability risks that could have a material negative impact on the investment's financial profitability into their processes – including due diligence processes – as well as assess them on an ongoing basis. Therefore, financial market participants should specify how they integrate these risks into their policies and publish them.

Aside from adherence to international standards and codes of business conduct, the Entity made the following sustainability commitments as a sign of its willingness to avoid and address the negative impacts associated with investment decision-making:

- United Nations Global Compact
- United Nations Principles for Responsible Investment (PRI)
- Principles for Sustainable Insurance (PSI)
- UN-Convened Net-Zero Asset Owner Alliance

Lastly, both VidaCaixa and its subsidiaries will develop the frameworks, regulations, guidelines and procedures necessary for the proper implementation, execution and compliance with this Policy.

<sup>3</sup>

- Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).
- Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II).
- Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010.
- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.
- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.
- Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution.
- Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs).

<sup>4</sup>

- Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds.
- Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds.

## 4. CORPORATE ESG RISK STRATEGY

The strategy that will govern the actions of VidaCaixa – in line with the CaixaBank Group – to control and manage ESG risks considers the following main courses of action:

- Drive sustainable business, leading to production with a positive impact on the environment and climate and supporting the transition towards more sustainable business models.
- Integrate social risks into decision-making and avoid financing or investing in companies linked to serious human rights or workers' rights violations.
- Make every effort to understand the impacts on human rights arising from its activities to prevent and avoid contributing to potential adverse impacts, and if any, to mitigate them to the extent possible.
- Manage environmental, social and governance risks, and integrate their analysis into the provision of products and services to clients and investments on its own behalf and on behalf of its clients.
- Act in accordance with the public commitments made, such as the 'Statement on Climate Change' and the 'Human Rights Principles', as well as any other initiative or commitment in the area of ESG deemed necessary, always in line with the responsibility to adequately comply with their demands.
- Support the transition towards a net-zero economy by 2050.
- Promote transparency, adequately reporting on the management and control of ESG risks to stakeholders.

## 5. GENERAL PRINCIPLES FOR THE INTEGRATION OF SUSTAINABILITY RISKS

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

The inclusion of ESG (Environmental, Social and Governance) criteria and their integration into the management of investments can have a favourable impact on the long-term financial results of companies and contribute towards greater economic and social progress.

Within this context, VidaCaixa integrates ESG factors into the area of investments, using as its main reference the PRI (Principles for Responsible Investing) criteria promoted by the United Nations, which it has adhered to since 2009. Additionally, VidaCaixa undertakes to integrate ESG factors in the organisation, using as its reference UNEP FI's (United Nations Environment Programme Finance Initiative) Principles for Sustainable Insurance, which it has adhered to since 2020.

Likewise, to manage investments, VidaCaixa considers the social aspects contained in its Human Rights Principles, which set out its commitment to abide by the key international declarations and principles. These include:

- The International Bill of Human Rights by the United Nations, which comprises:
  - 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 core conventions it has identified
- The Charter of Fundamental Rights of the European Union
- The United Nations Guiding Principles on Business and Human Rights
- The OECD Guidelines for Multinational Enterprises
- The United Nations Global Compact

In the same way, to manage investments, the Entity considers the environmental aspects contained in this Policy, which sets out to take the following into account, among others:

- The Paris Agreement (COP21) and the Katowice Climate Package (COP24)
- The United Nations' Sustainable Development Goals (SDGs)
- The energy transition scenario adopted by the Government of Spain
- The European Union's commitment to achieve carbon neutrality by 2050

VidaCaixa has assumed additional climate commitments in the insurer's investment portfolio, as a member of the Net Zero Asset Owner Alliance. These commitments make it possible to align the portfolio to a 1.5° scenario, as included in the Paris Agreement.

Additionally, VidaCaixa, through its support of the Task Force on Climate-Related Financial Disclosures (TCFD), is committed to and endorses its recommendations on climate change.

The integration of ESG criteria in the management of investments as a principle of action is compatible with the establishment, as appropriate, of criteria for the exclusion of certain assets from the investment portfolio, as set out below in this Policy.

VidaCaixa states its opposition to investing in companies or States that engage in reprehensible practices that violate international treaties such as the United Nations Global Compact, which it has signed. In the same way, the Entity will not invest in companies in excluded sectors or with excluded activities such as the armaments sector or companies with significant activity in the extraction or production of coal, as well as the extraction and processing of tar sands, as set out in Section 7 of this Policy.

The ESG analysis applies to all the assets in the portfolio and is intended to be continuously improved in the medium and long term. To this end, VidaCaixa uses data from specialist ESG data providers in its analyses and considers due diligence procedures carried out with external fund managers. It also relies on partners to set the criteria, methodologies and procedures necessary to carry out its analyses. Additionally, it participates in ESG forums and working groups while coordinating with the rest of the CaixaBank Group companies and collaborates in regulatory developments that are being proposed at the international level such as the European Commission's Sustainable Finance Action Plan.

In order to be an active owner in the management of its investments and to exercise the rights arising therefrom, particularly in the areas defined by the PRI:

- It directly or indirectly participates in forums and working groups that seek to promote dialogue with asset managers and investee companies, going so far as to disinvest in the event of incompatibility with the aspects mentioned above or with its own policies.
- It exercises the political rights of equity positions on its own behalf or on behalf of its clients and attends general meetings of shareholders voting in a manner aligned with the PRI.

To ensure that risks are properly identified, measured, assessed, managed, controlled and monitored, VidaCaixa considers a Risk Catalogue with two levels of description, among other aspects, in its strategic risk management processes as set out

in the Risk Management Policy. In terms of the integration of sustainability risks, ESG aspects are included in the different risks in the Catalogue.

## 6. GOVERNANCE FRAMEWORK

The governance framework for the integration of sustainability risks is structured from the highest level of the organisation down to the divisions and operational units, with the appropriate segregation of duties.

The pillars on which the governance framework rests are:

- Compliance with the principles set out in this Policy.
- Corporate supervision of subsidiaries.
- Strategic alignment among the VidaCaixa Group companies, as well as with best practices, supervisory expectations and the regulations in force.
- Maximum involvement of the governing and management bodies.
- Implementation of an internal control framework, with three levels of control, which ensures the strict segregation of duties and the existence of several independent layers of protection.

### 6.1. Governing Bodies

VidaCaixa's governing bodies carry out functions associated with their responsibility to approve and supervise the strategic and management guidelines set out for sustainability matters, as well as the supervision, monitoring and integrated control of risks as a whole.

#### 6.1.1. Board of Directors

VidaCaixa's Board of Directors is responsible for implementing a risk governance framework in keeping with VidaCaixa's risk appetite, in line with what has been set out in the CaixaBank Group. This includes disseminating a solid and diligent risk culture, setting the risk appetite as set out in a Risk Appetite Framework (RAF) and defining responsibilities for the risk-taking, management and control functions. In terms of the integration of sustainability risks, the following responsibilities stand out:

- Set the strategy and fundamental principles of sustainability risk integration, approve this policy and ensure its compliance.
- Create the framework for monitoring the situation and evolution of sustainability risks (nature, type of information and frequency).
- Create and supervise the implementation of a risk culture at VidaCaixa which promotes behaviours consistent with the identification and mitigation of sustainability risks.
- Create and maintain a suitable organisational structure at VidaCaixa for the management of sustainability risks, which is proportionate to the nature, scale and complexity of the activities it carries out.
- Ensure that the staff involved in the management of sustainability risks have the appropriate skills and experience.
- Create the mechanisms for monitoring and escalating sustainability risks.
- Ensure that there are sufficient internal controls over sustainability risks.

#### 6.1.2. Risk Committee

The Risk Committee advises VidaCaixa's Board of Directors on the VidaCaixa Group's overall risk appetite and its strategy in this area. Within the sustainability risk management framework, this Committee:

- Proposes the approval of this Policy to the Board.
- Monitors the degree to which the risks assumed match the profile previously decided on and ensures that the actions of the VidaCaixa Group are consistent with the risk tolerance levels set out.
- Assists the Board of Directors in the approval and periodic review of the strategies and policies on the assumption, management, supervision and reduction of these risks.
- Decides, together with the Board of Directors, the information that the Board of Directors should receive and sets out the information that the Committee has to receive so it has sufficient knowledge of the exposure to this risk when making decisions.
- Evaluates the risk of regulatory compliance in this area of action and decision-making, detecting any risk of noncompliance, as well as monitoring and examining possible deficiencies in terms of deontological principles.
- Verifies that the VidaCaixa Group has the means, systems, structures and resources in line with best practices, enabling it to implement its sustainability risk management strategy.

### 6.1.3. Audit and Control Committee

VidaCaixa's Audit and Control Committee supervises the effectiveness of the internal control systems, ensuring that the policies and systems set out in this area are applied effectively. It also supervises and assesses the effectiveness of the management systems for financial and non-financial risks.

Additionally, and within the scope of the Entity's own activities, VidaCaixa's Audit and Control Committee:

- Reports to the Board of Directors beforehand on financial and related non-financial information that CaixaBank is obliged to periodically disclose to the markets and its supervisory bodies.
- Supervises the effectiveness of the financial information (FIICS) and non-financial information internal control systems (NFIICS), drawing conclusions about the confidence and reliability levels of these systems.
- Monitors that the internal audit unit ensures that the information and internal control systems work properly, verifying their suitability and integrity.

### 6.1.4. Appointments, Remuneration and Sustainability Committee

VidaCaixa's Appointments, Remuneration and Sustainability Committee has the following functions, among others:

- Supervises compliance with the Entity's environmental, social and governance policies and rules, periodically assessing and reviewing them in order to fulfil its mission of promoting social interest and to bear in mind the legitimate interests of the remaining stakeholders as appropriate.
- Submit the proposals it deems appropriate in this regard to the Board.
- Submit the sustainability principles and strategy for approval.
- Supervise that the Company's environmental, social and governance practices are in line with the strategy, principles and policies set out.
- Look into the reports on sustainability made public by the Company – prior to their submission to the Board of Directors – including a review of the sustainability report and the Sustainability Master Plan in any case, ensuring the integrity of their content and their compliance with the applicable regulations and the international standards of reference.

## 6.2. VidaCaixa's collegiate bodies in the area of sustainability risks

### 6.2.1. Steering Committee

VidaCaixa's Steering Committee is responsible for developing the Strategic Plan and the Consolidated Budget approved by the Board of Directors. It adopts agreements – directly or through its delegated committees – relating to ESG aspects for this. It also adopts agreements that affect VidaCaixa's organisational life. What's more, it approves structural changes, appointments, expenditure lines and business strategies.

### 6.2.2. Investment Committee

The Investment Committee is responsible for setting out and approving the position on investments, approving and endorsing the transactions carried out by the insurance company, as well as ensuring the proper management, monitoring and control of investments by the insurance company and clients in line with the investment policies defined and the regulatory framework in force.

Likewise, it's responsible for optimising and making the financial structure of VidaCaixa's balance sheet profitable, all under the policies of the risk appetite framework and risk limits approved by the Board of Directors and based on the principles of sustainable investing and transparency in management, as well as in the integration of ESG aspects.

### 6.2.3. Global Risk Committee

The Global Risk Committee is a body under the Risk Committee responsible for managing, controlling and monitoring the integration of sustainability risks, among others, as a whole, as well as the implications for liquidity management, solvency and capital consumption.

Specifically, the Global Risk Committee must ensure that the types of exposure identified as relevant for the purposes of ESG risks are identified, measured, assessed, managed, mitigated and reported appropriately, as well as any aspect of the VidaCaixa Group's operations that could have a significant impact on these risks and compliance with the appetite levels set out.

### 6.2.4. Sustainability Steering Group

The functions of this Group will be coordinating decisions on sustainability across the Entity, analysing and taking note of the reports related to these risks prior to their report to the Investment Committee, the Global Risk Committee, VidaCaixa's

Governing Bodies, or the CaixaBank Group's Committees to which these risks should be reported. Monitoring and promoting the action plans related to these will also be among its functions.

### 6.3. Subsidiaries of the VidaCaixa Group

#### 6.3.1. Governing bodies of the subsidiaries of the VidaCaixa Group

The governing bodies of the subsidiaries of the VidaCaixa Group will:

- Adopt the appropriate decisions for the purposes of integrating the provisions of this Policy and applying the guidelines set out herein, considering the special circumstances of each company and the legal or regulatory standards that are applicable.
- Create and supervise the implementation of a risk culture in the organisation which promotes behaviours consistent with the identification and mitigation of ESG risks.
- Create and maintain a suitable organisational structure for the management of ESG risks which is proportionate to the nature, scale and complexity of the activities it carries out.
- Ensure that the staff involved in the management ESG risks have the appropriate skills and experience.
- Create the monitoring and escalation mechanisms in case any of the defined thresholds are breached.
- Ensure that there are sufficient internal controls over ESG risks.

#### 6.3.2. Collegiate bodies of the subsidiaries of the VidaCaixa Group

Depending on its needs and size, each subsidiary will set out or assign the powers it deems appropriate in relation to ESG risks to the committees or steering groups already formed.

If they exist, the committees of the subsidiaries will act in the same manner as those of the parent company, carrying out their functions in line with these, consulting the Sustainability Division with regard to any transaction that could lead to a breach of any of the criteria in this Policy.

### 6.4. ESG risk management functions

To properly manage and control ESG risks among the VidaCaixa Group companies, the following functions will be carried out in accordance with the criteria for proportionality:

#### 6.4.1. Strategy and governance

- Development of ESG risk management and control policies and frameworks.
- Coordination, control and implementation of the processes of ESG risk identification, measurement, monitoring, control and reporting within the framework of strategic risk processes (Risk Assessment, Risk Catalogue and Risk Appetite Framework).
- Definition and setting of the criteria in relation to ESG risk appetite, strategy and policies.
- Implementation of the processes relating to ESG risk appetite, strategy and policies in the Company's systems and circuits.
- Proposal for setting policies, criteria and risk levels in the assumption and management of exposure that would comply with the risk appetite set by the Company's Board of Directors.
- Validation, with a critical view, of compliance with the rules and procedures and their alignment with the ESG risk policies, carrying out ongoing monitoring of the regulations applicable to this area.

#### 6.4.2. Identification

- Materiality analysis of ESG risks in their intersection with the different risks in the Company's Catalogue (e.g., credit, market, liquidity or operational), and where applicable, by portfolio or segment, identifying the most relevant ones for the Entity.
- Setting (definition of criteria) of reference taxonomies at the VidaCaixa Group level, enabling a common understanding of risk factors and exposure to ESG risks.
- Implementation of taxonomy criteria in ESG risk management processes.

#### 6.4.3. Investment and new clients

- Compilation of relevant information on (potential) investee companies on its own behalf or on behalf of its clients, from the ESG perspective.
- Analysis of the admissibility of new clients, according to ESG factors.

#### **6.4.4. Measurement and control**

- Establishment of methodologies that make it possible to determine and rank individual types of exposure according to their level of ESG risks, as a reference in the admission, monitoring and mitigation processes.
- Development of indicators to measure the impact of ESG risks in each of the risks in the Company's Catalogue (e.g., credit, market, liquidity or operational), as well as potential adjustments to the existing models and methodologies, in compliance with the requirements of the regulations in force and as a channel to integrate the sustainability strategy into decision-making.
- Calculation of concentration risk indicators, by portfolio and geographical area, where applicable.
- Determination of the inherent risk and assessment of the effectiveness of the control environment, proposing potential risk treatments to improve or remedy it.

#### **6.4.5. Monitoring**

- Periodic monitoring of ESG risks in the investment portfolios.

#### **6.4.6. Risk management**

- Analysis of the causes behind deviations in the indicators, and application of the preventive and mitigation measures necessary to keep them within the defined thresholds.

#### **6.4.7. Reporting**

- Periodic internal and external reporting and support for requests for information on ESG risks.
- Ongoing regulatory analysis to adapt ESG risk reporting criteria to regulatory requirements.

## 7. ESG RISK MANAGEMENT FRAMEWORK

### 7.1. General courses of action

The ESG risk management framework that is implemented in the development of this Policy must include at least the following courses of action:

1. Define and manage an internal ESG risk management plan in line with the VidaCaixa Group's strategy.
2. Define and manage the implementation of a framework of admission, monitoring and mitigation policies that enable the maintenance of a risk profile in line with this strategy.
3. Develop the ESG risk analysis tools necessary for decision-making in investment processes.
4. Monitor actions and transactions with a potentially significant impact on ESG risks.
5. Drive the development of systems for the identification, marking of transactions and measurement of exposure to ESG risks, in accordance with the evolution of the regulatory framework, social sensitivity to these risks and best practices in the market.
6. Assign roles linked to ESG risk management in the current organisational structure, with the necessary segregation of duties to maintain independence among the areas responsible for the processes of defining the strategy, analysing and allowing transactions, and monitoring and controlling these risks.
7. Set up a system of powers for the admission of ESG risks, which makes it possible to include them in an agile but robust manner into ordinary decision-making processes, according to the scope of this document.

In terms of the criteria to be applied to keep risk levels in line with the risk appetite, the Policy determines:

- **General action criteria** to exclude or limit the assumption of exposure to ESG risks. These are cross-cutting criteria that apply to all sectors in which the Entity may invest directly.
- **Specific action criteria** to exclude or limit the assumption of exposure to certain sectors (hereinafter '**sectoral**') and activities with a particular impact on the environment or on society, at times with special sensitivity for certain protected ecosystems, heritage assets or populations.

Lastly, the analysis required for the implementation of this policy will generally apply to investee companies or clients according to the corporate group they belong to, unless there is a lower level that can give a more accurate picture of the ESG risk assumed. Depending on the materiality of the ESG impact and the risk appetite, this Policy sets out the **exclusion** of certain types of companies among its client base (i.e., non-provision of products or services or not investing), while in other cases it advocates **restrictions** to investment.

### 7.2. General criteria

#### 7.2.1. Climate change

##### **Context and objectives**

Climate change is one of the major challenges facing the planet, with impacts for the physical environment, society and the economy.

The scientific community and organisations such as the Intergovernmental Panel on Climate Change (IPCC) believe that only substantial and sustained reductions in greenhouse gas emissions can limit global warming and reduce the risks and impact of climate change.

In 2015, the Paris Agreement set out a global action plan with the long-term goal of keeping the average global temperature increase well below 2 °C above pre-industrial levels, preferably to 1.5 °C.

VidaCaixa's aim is to contribute towards the transition to a net-zero economy through the reduction of the impact of its investments. As proof of the Entity's commitment to the clean energy transition, VidaCaixa is a member of the Net Zero Asset Owner Alliance, which is committed to net zero emissions by 2050.

##### **Implementation standards**

In the drafting of this Policy, internationally recognised standards and initiatives were taken into account, which include:

- United Nations 2030 Agenda's Sustainable Development Goals (SDGs)
- Paris Agreement (COP21) and Katowice Agreement (COP24) of the United Nations Framework Convention on Climate Change
- United Nations Global Compact (UNGC)
- United Nations Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises

- Principles of Responsible Investment (PRI)
- Recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD)
- Principles for Sustainable Insurance promoted by UNEP FI

### **Restrictions**

As a result, the VidaCaixa Group may decide not to go ahead with investments that could pose a material risk to the Entity in terms of not fulfilling its commitments with regard to climate change, as well as decarbonising its portfolio.

#### **7.2.2. Natural heritage, biodiversity, water stress and cultural heritage**

##### **Context and objectives**

VidaCaixa recognises that the economic activities of its investments on its own behalf or on behalf of its clients may have a substantial impact on areas with high biodiversity value, sensitive ecosystems, areas vulnerable to water stress or areas protected under national or international instruments. Consequently, the Entity will gradually include – as it becomes possible to measure these risks – their consideration in its sustainability risk management, in order to minimise the potential adverse impact of its portfolio on the natural environment.

#### **7.2.3. Human rights**

##### **Context and objectives**

For VidaCaixa, respect for human rights is an integral part of its values and the minimum standard of action to legitimately carry out business activities. Likewise, it considers that the protection of human rights rests mainly with governments and that companies have the responsibility to promote them and respect them within their scope of action.

Under this premise, in line with its responsible policies and positions on ethics and human rights, VidaCaixa operates under a culture of respect for human rights and expects its employees, collaborators, partners and all other parties directly involved with its operations, products and services to do the same.

In order to mitigate the risk of being party to such breaches, aside from setting out a series of sectoral positions, VidaCaixa has a series of general exclusions.

##### **Implementation standards**

In the drafting of this Policy, internationally recognised standards and initiatives were taken into account, which include:

- The International Bill of Human Rights by the United Nations, which comprises:
  - The Universal Declaration of Human Rights
  - The International Covenant on Civil and Political Rights
  - The International Covenant on Economic, Social and Cultural Rights
  - The European Union Action Plan on Human Rights and Democracy 2020-2024
- The ILO Declaration on Fundamental Principles and Rights at Work and the eight core conventions it has identified
- The Charter of Fundamental Rights of the European Union
- The Principles for Sustainability Insurance (PSI) of UNEP FI (United Nations Environment Programme Finance Initiative)
- The United Nations Guiding Principles on Business and Human Rights
- The OECD Guidelines for Multinational Enterprises
- The United Nations Global Compact
- The United Nations Principles for Responsible Investment

##### **Exclusions**

In the area of human rights, the VidaCaixa Group sets out a series of general exclusions:

- Not to invest in companies for which there is solid evidence that they use child or forced labour as defined in the ILO (International Labour Organisation) Conventions or that they have been involved in human rights violations or abuses, and therefore, contravene the United Nations Global Compact.
- Not to invest in companies that do not have health and safety policies in place to protect their workers (such as OHSAS 18001) or that cannot provide an adequate health and safety record for its workers for the past five years.
- Not to invest in companies that violate the rights of indigenous or vulnerable populations or resettle them without their free, prior and informed consent.

### **7.3. Sectoral criteria**

### 7.3.1. Energy

#### **Context and objectives**

The energy sector is of great importance in the development of the global economy. Access to safe and affordable energy is fundamental for global wellbeing. Nevertheless, VidaCaixa is aware that the energy sector can have a potential negative impact on both society and the environment. In this regard, it can drive climate change through greenhouse gas (GHG) emissions, alter the ecosystem, generate an impact on biodiversity through the construction of power plants in sensitive areas and the generation of hazardous waste, among others. These sustainability risks must be adequately managed to minimise the impact on the environment and local communities. Likewise, there's a growing demand for cheaper, safer, cleaner and more efficient sources of energy.

This sector comprises the companies whose activities related to oil and gas exploration and production, as well as energy production (including the construction/expansion/maintenance of power plants) – whether thermal, nuclear or from renewable sources – represent a significant part of their total activities.

#### **Oil and gas:**

Oil and gas play an important role in the global energy mix. Nevertheless, oil and gas exploration and production can have an adverse impact on the environment and local communities. In this regard, tar sands are particularly sensitive.

#### **Coal:**

Coal processing and combustion entail a significant impact on the environment. Coal power plants emit high amounts of carbon dioxide, thus substantially contributing to climate change.

#### **Nuclear energy:**

Improper handling of nuclear energy can entail health, safety or environmental problems such as radioactive contamination, with an impact on biodiversity and communities.

#### **Renewable energy:**

In the context of the fight against climate change and the transition towards a low-carbon economy, the renewable energy sector (wind, solar, geothermal, hydroelectric, biomass, among others) is gaining ground within the energy industry. It's the cleanest form of generating electricity, although its development and production can have a negative impact on the environment and society in case the potential environmental and social impacts (e.g., water use or impact on biodiversity) are not managed properly.

#### **Implementation standards**

In the drafting of this Policy, internationally recognised standards and initiatives were taken into account, which include:

- The International Petroleum Industry Environmental Conservation Association (IPIECA) Guide to operating in areas of conflict
- The World Bank's Global Gas Flaring Reduction Partnership (GGFR)
- The Extractive Industries Transparency Initiative

#### **Exclusions and restrictions**

VidaCaixa will not invest in **companies** that meet any of the following requirements:

- Turnover depends on more than 25% of energy generation from coal.
- There is evidence that tar sands exploration, production or transport represents more than 10% of its turnover.
- There is evidence that oil and gas exploration, production or transport in the Arctic region represents more than 10% of its turnover.
- For new investments with revenues of more than 50% from oil exploration, extraction, transport and refining, petroleum coke plants and oil-fired power generation, which do not promote the energy transition and none of the following circumstances apply:
  - Have an adequate diversification and decarbonisation strategy and
  - The purpose of the investment is renewable energy.
- For new investments with revenues of more than 50% from natural gas exploration, extraction/production, liquefaction, transport, regasification, storage and natural-gas fired power generation, which do not promote the energy transition and none of the following circumstances apply:
  - Have an adequate diversification and decarbonisation strategy and
  - The purpose of the operation is renewable energy.

Lastly, with existing companies, the aim will be to drive transition while maintaining a competitive position, thus achieving improvement through dialogue processes.

### 7.3.2. Mining

#### **Context and objectives**

The mining industry plays an essential role for the economy. It's a major source of income and wealth for numerous regions, providing decent work, business development and tax revenues. Likewise, some minerals are essential for other industries. Minerals such as phosphates or potassium are used in the agricultural or chemical industry. Metals are necessary for the production of consumer goods and capital goods, etc. In this regard, recycling or other actions related to the circular economy can reduce the need for raw materials, but not do away with it entirely.

At the same time, this industry can generate negative environmental and social impacts. For this reason, VidaCaixa considers it essential to properly assess and manage environmental, social and governance aspects related to this activity. To this end, it expects its clients and the companies in the mining sector found in its portfolios to comply with the law and internationally recognised standards of responsibility.

These criteria apply to companies involved in the mining sector, including the exploration, planning and development, operation, closure and rehabilitation of mines, and the processing of extracted minerals (excluding oil and gas, whose criteria are defined in the section on energy).

#### **Implementation standards**

In the drafting of this Policy, internationally recognised standards and initiatives were taken into account, which include:

- The International Council on Mining and Metals (ICMM)
- The ILO Safety and Health in Mines Convention (No 176), 1995
- The Extractive Industries Transparency Initiative (EITI)
- The International Finance Corporation (IFC)/World Bank Group Environmental, Health, and Safety Guidelines for Mining
- The Voluntary Principles on Security and Human Rights
- The Energy and Biodiversity Initiative (EBI)
- The Bettercoal Code (coal)

#### **Exclusions and restrictions**

VidaCaixa will not invest in companies with more than 25% of their consolidated revenues dependent on coal extraction.

On an exceptional basis, with the aim of driving and promoting the energy transition, the VidaCaixa Group could invest in companies whose revenues from coal mining represent more than 25% of their consolidated revenues provided that the purpose of the investment is demonstrably associated with the company's energy transition, such as investment in green bonds.

### 7.3.3. Defence

#### **Context and objectives**

VidaCaixa and its subsidiaries will not get involved with the defence sector when there may be a clear risk of the defence equipment being used for repression or other serious violations of international humanitarian law, conventions or treaties on the non-proliferation of weapons and other related regulations and guidelines. In this regard, VidaCaixa and its subsidiaries recognise the right of countries to defend themselves and protect their citizens and, as a result, could maintain business relationships with companies related to the defence sector whose activities are considered to be consistent with legitimate national security and defence strategies.

#### **Implementation standards**

For the definition of controversial weapons, VidaCaixa uses the criteria found in the following international conventions:

- 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, Stockpiling and Use of Chemical Weapons and on their Destruction (1993).
- Cluster bombs: Convention on Cluster Munitions (2008).

- Nuclear weapons: Treaty on the Non-Proliferation of Nuclear Weapons (1968).

Within the scope of this Policy, the following are considered to be defence equipment:

- Weapons (such as pistols or other light weapons, bombs, missiles or rockets), with the exception of blank firing guns, sporting guns, replicas or collectible firearms.
- Ammunition and explosives when the purpose of use is military (including bullets, projectiles, torpedoes, grenades, mines, depth charges, among others), provided the purpose of use is not civilian.
- Specially designed components and essential equipment for the production, maintenance and use of conventional arms and ammunition, as well as software or hardware related to defence activities, unless their purpose is related to civil protection and security.
- Dual-use items: items that can be used for both civilian and military purposes, when they are intended for military use. For the definition of dual-use items, the CaixaBank Group follows the EU regulation on export control and dual-use items according to Council Regulation (EU) 428/2009 of 5 May 2009, as amended by Commission Delegated Regulation (EU) 2016/1969 of 12 September 2016 and Regulation (EU) 2021/821 of the European Parliament and of the Council of 20 May 2021 (which repeals Regulation (EU) 428/2009, except for authorisation applications made before 9 September 2021).

### **Exclusions and restrictions**

As a general rule:

- **Insurance products, pension funds or EPSVs will not be offered to companies** with the following characteristics:
  - Companies that develop, produce, maintain or sell controversial weapons (including their essential components). These include: anti-personnel mines, biological weapons, chemical weapons, white phosphorus, cluster bombs, depleted uranium munitions and nuclear weapons. On an exceptional basis, in the case of the latter, products may be offered to companies with annual consolidated revenues of not more than 5% from such nuclear activity, provided they do not carry out any other type of activity related to controversial weapons.
- VidaCaixa will not invest in the capital or debt instruments of defence equipment manufacturers with consolidated revenues of more than 35% from this sector or that develop, produce, maintain or sell weapons (including their essential components) that are considered controversial (as defined above). For nuclear weapons, this percentage is limited to 5%, provided no other type of activity related to controversial weapons is carried out.

In the event that, as a result of its involvement in mergers and acquisition processes of companies, VidaCaixa becomes a shareholder of a company subject to this Policy, it will make every effort to divest itself of its share in the shortest time possible compatible with economically viable management.

On an exceptional basis, establishing a business or investment relationship with a company or corporate group that could be subject to these exclusions may be considered if the purpose of the relationship is an activity that is not related to defence equipment. The approval of these exceptions must comply with the governance framework set out at VidaCaixa and have the favourable opinion of the Good Governance Steering Group or the Sustainability Steering Group, as appropriate.

## **7.4. Key processes for compliance with this Policy**

In order to ensure compliance with this Policy and the risk appetite, generating a manageable impact on the VidaCaixa Group's business and investment activities, an ESG risk assessment methodology will be integrated into the relevant admission processes, applicable to the perimeter described in Section 1.2. Scope.

### **7.4.1. Methodology for the assessment and sanction of ESG risks in client assessment**

The need to assess the ESG risks of clients will be begin – in line with that of other risks for VidaCaixa – by evaluating the inherent risk, which will be considered based on certain characteristics, such as the most representative National Economic Activities Classification Code (CNAE) of the client's Group or country of residence, to ensure that the client is not engaged in activities involving controversial weapons, as described in Section 7.3.3.

### **7.4.2. Investment on its own behalf or on behalf of its clients**

The management model for this activity – tailored to the specific circumstances of investing in these assets – is fundamentally based on the verification of compliance based on the information provided by specialist ESG data providers, the most relevant points in this Policy, as well as the restrictions on investment in companies involved, whether directly or indirectly, in controversial activities, as described in Section 5.

## 8. CONTROL FRAMEWORK

VidaCaixa promotes a risk culture that fosters risk control and compliance, as well as the creation of a robust internal control framework that encompasses the entire Entity and allows for fully informed decision-making on the risks assumed.

The VidaCaixa Group's internal control framework is comprised of Levels of Control, which follows the CaixaBank Group's Three Lines of Defence model. This ensures the strict segregation of duties and the existence of several independent layers of protection:

- The **first level of control** is made up of the procedures and processes of the operational units that handle dialogue activities with companies and providers of investment products and the exercise of the rights inherent to the listed securities comprising the portfolios managed by VidaCaixa. They are responsible for applying the internal policies and procedures in this area, proactively implementing risk identification, management and mitigation measures, as well as setting out and implementing adequate controls. Specifically, the General Investment Subdivision serves as the first level of management control.
- The **second level of control** ensures the quality of the entire process of generating and managing the different risks, reviews consistency with internal policy and public process guidelines, carries out specific controls on the information inputs used, sets out the design and review guidelines for the processes and the controls to be put in place in the risk management units. Among others, it includes:
  - The Risk Management Function, as a key function of Directive 2009/138/EC (Solvency II)<sup>5</sup> and a key risk function of Directive (EU) 2016/2341 (IORP II)<sup>6</sup>, comprises the second level of control for financial and operational risks in sustainability matters. It takes on the functions linked to the management of risk management policies, the control of risk categories and the coordination and maintenance of the Risk Catalogue. Additionally, as a key risk function of IORP II in the management of pension funds, risks from the perspective of the parties and beneficiaries and control over the investment policies of managed funds are also taken into account. The Investment Risk Management Division, which is part of the Risk and Capital Division, carries out management, monitoring and control tasks for investment risks for both VidaCaixa's insurance business and the risks to which the parties and beneficiaries of the managed pension funds are exposed.
  - The Regulatory Compliance Function, as a function of the second level of internal control for reputational risk, will assure the quality of the entire management process for socially responsible policies. It will review the consistency of internal policy with sustainability guidelines and ensure the existence of specific controls for compliance with this Policy.
- The **third level of control**, comprised of the Internal Audit Function, will carry out periodic supervisory activities on the effectiveness and efficiency of the sustainability management framework, including controls for the first and second levels of control, as well as compliance with current legislation, the requirements of supervisory bodies and the internal policies and procedures related to this risk. Based on the results of its controls, it will issue recommendations of value to the areas, monitor their implementation and, where applicable, formulate recommendations to the Governing Bodies and propose possible improvements.

The Regulatory Compliance Function, the Actuarial and Risk Function and the Internal Audit Function, as the responsible areas in the parent company, take on strategic orientation, supervision and coordination with regard to the internal control functions of the subsidiaries, while safeguarding their respective scopes.

Controls over the proper application of general principles set out in this Policy, as well as, where applicable, their implementation in internal frameworks and procedures, must be ensured.

<sup>5</sup> Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II)

<sup>6</sup> Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs)

## 9. INFORMATION / REPORTING FRAMEWORK

The creation of a suitable information framework is fundamental for the integration of sustainability risks.

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a classification system to identify 'green' activities (hereinafter 'Taxonomy') sets out the need to report information on the activities considered to be environmentally sustainable in its eighth article, and to adopt a delegated act to supplement this article, specifying the content and presentation of the required disclosures.

Based on the Taxonomy, quantitative (such as the Green Asset Ratio) as well as qualitative indicators are being defined to make it possible to analyse and understand the Entity's risk profile in these areas.

With regard to internal communications, the best practices in the market will be adopted, communicating aggregate risk data that reflects its exposure to the risks related to climate and the environment so that the governing bodies and relevant committees can make informed decisions.

The primary objectives of the information framework are:

- Provide the Governing Bodies and Senior Management with accurate, clear and sufficient information to facilitate decision-making early enough and make it possible to verify that it is operating within the risk tolerance set.
- Satisfy the information requirements of supervisory bodies.
- Keep shareholders, as well as VidaCaixa's stakeholders, informed of ESG risks.
- Provide the managers of the different areas, particularly the management and control areas, with the necessary data to monitor compliance with the strategy defined for the VidaCaixa Group in terms of ESG risks.

As a result, the areas that specialise in ESG risks will submit the status of sustainability risks to the Risk Committee and the Appointments, Remuneration and Sustainability Committee at least once a year.

## 10. UPDATING OF THE POLICY

This Policy will be reviewed by the Board of Directors every two years. Nevertheless, the Actuarial and Risk Function Division, as the manager of this Policy, together with the Regulatory Compliance Division and the Sustainability Division and the other affected Divisions such as Investments, Risks and Capital, among others, will review its content on an annual basis, and if appropriate, will propose amendments to the Board of Directors for their approval.

Additionally, this Policy may be updated at any time upon the request of any of the parties involved in the integration of the sustainability risks which has identified the need to amend it as a result of any of the following reasons, among others:

- Changes in the regulatory framework.
- Changes in the business objectives and strategy.
- Changes in the management approach or processes.
- Changes arising from the results obtained in the monitoring and control activities.
- New policies or amendments to existing policies that affect the content of this Policy.
- Modification of the organisational structure that involves a change in ESG risk management functions.

As part of the review procedure, the manager of this Policy will:

- Share the results of the analysis carried out with the rest of the parties involved and apply the necessary amendments to the Policy.
- Include a summary of the changes made in the 'Version control' section of this Policy.
- Ask the Sustainability Steering Group, the Global Risk Committee and/or the Investment Committee to submit the amendments made to the Appointments, Remuneration and Sustainability Committee, as well as the Risk Committee, whose approval will be sought before submitting them to the Board of Directors for approval.

The Sustainability Division is responsible for updating this Policy when any of the aforementioned changes take place.

Nevertheless, when amendments are made outside the set period (every two years), approval by the Global Risk Committee and/or the Investment Committee will suffice if such amendments are minor. For these purposes, minor amendments are understood to be any amendments arising from organisational changes without any implications on ESG risk management functions, typographical corrections or resulting from the update of documents that this Policy refers to<sup>7</sup>. The Risk Committee and the Appointments, Remuneration and Sustainability Committee will always be informed of the amendments approved by the Global Risk Committee and/or the Investment Committee. If the Risk Committee or the Appointments, Remuneration and Sustainability Committee deems it appropriate, it can submit the amendments to the Board of Directors.

The Actuarial and Risk Function Division will be responsible for the storage and accessibility of this Policy and will be in charge of ensuring that the filing, dissemination and, where applicable, publication processes are properly carried out.

<sup>7</sup> The 'update of documents that this Policy refers to' would only include the transcription of extracts from documents approved by the competent bodies (Board of Directors, Global Risk Committee, etc.) or regulatory provisions, provided the amended content is not subject to regulation by the Policy itself.

## 11. GLOSSARY

- The International Bill of Human Rights comprises the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights and its two optional protocols.
  - The Universal Declaration of Human Rights (UDHR): is a declaratory document drafted by representatives with different legal and cultural backgrounds from all regions of the world. The Declaration was proclaimed by the United Nations General Assembly as a common standard of achievement for all peoples and nations. It sets out, for the first time, fundamental human rights that must be protected the world over (basic civil, cultural, economic, political and social rights that must be enjoyed by every human being in the world).
  - International Covenants: Following the adoption of the UDHR, the Commission on Human Rights, the main inter-governmental body within the United Nations, turned these principles into international treaties to protect certain rights. Given the unprecedented nature of this task, the General Assembly decided to draft two covenants corresponding to two types of rights set out in the UDHR: civil and political rights and economic, social and cultural rights.
- United Nations Global Compact: The United Nations Global Compact (Global Compact) is an international initiative that promotes the implementation of ten universally accepted principles to promote sustainable development in the areas of Human Rights and Business, Labour Standards, the Environment and the Fight against Corruption in the business activities and strategy of companies. It's the world's largest corporate sustainability initiative.
- International Labour Organisation (ILO) Conventions: The International Labour Organisation (ILO) is a specialised agency of the United Nations dealing with employment and industrial relations. International labour standards are divided into conventions, which are legal instruments drawn up by the ILO's constituents (governments, employers and workers) setting out basic principles and rights at work.
- Greenhouse Gases (GHG): Gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of infrared radiation emitted by the Earth's surface, the atmosphere and clouds. This property causes the greenhouse effect. The primary GHGs in the Earth's atmosphere are water vapour, carbon dioxide, methane, nitrogen oxide and ozone.

### Energy sector

- Bituminous sands, tar sands, oil sands, crude bitumen: unconventional petroleum deposit obtained from a mix of clay, sand, water and bitumen that must be physically separated in open-pit mines before further processing. Once the bitumen has been separated from the sand, it's still a low-grade fossil fuel that requires energy-intensive processing to turn it into a synthetic crude oil, similar to conventional oil.

### Mining sector

- The Kimberley Process Certification Scheme (KPCS) is a certification system designed to prevent conflict diamonds (involving human rights abuse or the financing of wars) from entering the mainstream rough diamond market.

For a country to participate, it must ensure that:

- a) Any diamond from the country does not finance a rebel group or other entity that aims to overthrow a government recognised by the United Nations.
- b) Each diamond exported comes with a certificate guaranteeing that it complies with the Kimberley Process. There are no diamonds imported or exported to a country that is not part of the scheme.

### Defence sector

- Controversial weapons

Weapons which by their very nature are likely to cause serious harm to the civilian population. These include anti-personnel mines, biological weapons, chemical weapons, white phosphorus, cluster bombs, depleted uranium munitions and nuclear weapons.

- Anti-personnel mines

Anti-personnel mines are a type of landmine. They are designed to kill or incapacitate their victims. Their most common effects are amputations, genital mutilation, injuries to muscles and internal organs, or burns.

Their definition is regulated by the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (1997).

- Biological weapons

Biological weapons – also known as bioweapons or bacteriological weapons – are pathogens (infectious agents) that are used as weapons of war. The offensive use of living organisms is generally characterised as biological warfare. Biological weapons can be intended to kill, incapacitate or seriously impair an individual or entire cities and places.

Their definition is regulated by the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction (1972).

- Chemical weapons

Chemical weapons use the toxic properties of chemical substances to kill, wound or incapacitate. Toxic substances produced by living organisms (e.g., toxins) are considered chemical weapons. According to the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993), any toxic chemical substance, regardless of its origin, is considered a chemical weapon, except when used for purposes not prohibited. Chemical weapons are classified as weapons of mass destruction by the United Nations and their production and stockpiling is prohibited by the aforementioned Convention of 1993.

- Cluster bombs

These are bombs or projectiles whose casing splinters upon exploding, sending fragments flying in all directions. These bombs are characterised by the release of many small bomblets upon exploding, which can be used for different purposes: indiscriminately causing harm or death to a large number of people, causing fires, or penetrating armoured vehicles.

Their definition is regulated by the Convention on Cluster Munitions (2008).

- Ammunition containing depleted uranium

Depleted uranium munitions are a type of munitions largely made from depleted uranium. Depleted uranium is a dense metal that comes from the enrichment of natural uranium for use as fuel in nuclear power plants. It is used in armour-piercing projectiles and bombs to increase their penetrating ability.

- Nuclear weapons

Nuclear weapons are high-powered explosives that use nuclear energy. The delivery systems that can carry them include intercontinental ballistic missiles, submarine-launched ballistic missiles, long-range bombers, subsonic and supersonic cruise missile carriers, among others.

Their definition is regulated by the Treaty on the Non-Proliferation of Nuclear Weapons (1968).

- White phosphorus

White phosphorus is a weapon that has extensive military use as an incendiary agent. It can create smoke screens and it can cause severe burns as an anti-personnel incendiary component. There's some controversy as to whether it should be considered a chemical weapon. Aside from its offensive capabilities, white phosphorus is also a highly efficient smoke-producing agent, burning quickly and producing an instant blanket of smoke. For this reason, white phosphorus munitions are common in smoke grenades for infantry, loaded in grenade launchers on tanks and other armoured vehicles, or as part of the ammunition allotment for artillery and mortar.

- Dual-use items

Dual-use items are those that can be used for both civilian and military purposes. According to Council Regulation (EU) 428/2009 of 5 May 2009, as amended by Commission Delegated Regulation (EU) 2016/1969 of 12 September 2016, dual-use items include the following:

- Nuclear materials, facilities and equipment
- Special materials and related equipment
- Materials processing
- Electronics
- Computers
- Telecommunications and information security
- Sensors and lasers
- Navigation and avionics
- Marine
- Aerospace and propulsion