

# Due Diligence Policies Statement in relation to Adverse Impacts

## 1. Introduction

VidaCaixa has put a holistic framework for sustainable investment into practice that takes environmental, social and governance (ESG) criteria into account at various stages in the investment process.

Including ESG 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.

For this, and in accordance with the mission and values of the CaixaBank Group, VidaCaixa takes criteria of socially responsible investment into consideration when managing its investments.

To this end, ESG factors will be integrated following the PRI criteria (Principles for Responsible Investment) promoted by the United Nations, to which VidaCaixa has adhered since 2009, as its main reference.

Likewise, investment management considers VidaCaixa's Human Rights Policy, in line with that of the Group, which establishes its commitment to respect international declarations:

- The United Nations International Bill of Human Rights, which includes the Universal Declaration of Human Rights
- The ILO (International Labour Organization) Declaration on the fundamental principles and rights at work
- United Nations Guiding Principles on Business and Human Rights
- The OECD Guidelines for Multinational Enterprises (hereinafter, 'MNEs')
- The United Nations Global Compact

VidaCaixa also supports meeting the objectives of the Paris Agreement through its support for the *Task Force on Climate-Related Financial Disclosures* (hereinafter, TCFD) and its adherence to *Climate Action 100+*.

### 1.1 What does ESG Integration involve?

This holistic framework includes what is known as 'ESG integration'; the explicit and systematic inclusion of environmental, social and governance (ESG) concerns in investment analysis and investment decisions. In this sense, investment managers must consider sustainability risks and the impact of adverse sustainability incidents in their investment processes.

- **Sustainability risk** is the risk of a sustainability-related event having a significant negative impact on portfolio performance should one occur.
- **The principle adverse impacts** on sustainability are negative impacts on ESG issues that may be caused by companies or organisations that form part of the investment portfolios.

ESG integration aims to reduce the effects of both the sustainability risks and the principle adverse incidents without losing sight of the need for profitability. For clients, ESG integration should result in better risk-adjusted results and controlling the impact of their investments around the world. For managers, ESG integration enables better-informed investment decisions, access to a wide range of non-financial data, and the potential to better satisfy clients by improving their market stance.

The OECD Guidelines for MNEs recommend that companies conduct risk-based due diligence to avoid and address the negative impacts associated with their activities, supply chains and other business relationships<sup>1</sup>.

Accordingly, VidaCaixa has put risk-based due diligence processes into place to identify, prevent, mitigate and explain how these actual and potential negative impacts are addressed in its own activities, its supply chain and other commercial relationships as recommended in the OECD Guidelines for MNEs.

In asset management, VidaCaixa has the opportunity to not only mitigate adverse incidents, but also facilitate change through its Investment Engagement Policy.

As part of its due diligence processes, VidaCaixa is committed to transparency and providing information on procedures, results and plans. Article 4 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (hereinafter, 'Sustainable Finance Disclosure Regulation'), establishes the obligation to report on due diligence policies in relation to said adverse impacts, with compliance being given through this declaration.

## 2. Why do due diligence?

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

In line with the CaixaBank Group, VidaCaixa considers the different due diligence areas addressed by the OECD Due Diligence Guidance for Responsible Business Conduct<sup>2</sup>.

In practice, the due diligence process is constant, iterative and not necessarily sequential, since several stages can be developed simultaneously with results feeding back into each other.

---

<sup>1</sup> <https://mneguidelines.oecd.org/global-forum/GFRBC-2014-financial-sector-document-1.pdf>

<sup>2</sup> *Developed by the OECD Due Diligence Guidance.* <http://www.oecd.org/investment/mne>

### 3. The Due Diligence Process

Considering that due diligence must be proportional to the risk and adapted to the circumstances and context of a specific company, the following axes or principles are followed in investment processes:

- Identify actual or potential negative impacts.
- Take steps to stop, prevent or mitigate them.
- Monitor implementation and results.
- Report on how the principle adverse impacts are addressed.

### 4. How are the Principle Adverse Impacts identified?

The exposure of portfolios or investments to sectors, industries and companies will be first identified.

Various materiality analyses are used in some cases to identify the most relevant sustainability factors in a given industry or sector and counting on the support of ESG analysis providers contracted for this purpose, as well as public information sources.

Pursuant to the above, an analysis will be performed and indicators of adverse impacts in terms of sustainability will be published in accordance with current regulations at all times.

Based on the information received on actual and potential negative impacts, measures will be taken, which will be prioritised when it is not possible to immediately address all impacts.

These measures may consist of non-investment, divestment, reduction of exposure or putting it under observation.

### 5. Engagement policy

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

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 shareholders in Funds, including 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 declaration on climate change. 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 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 that is represented, collaborative actions with other investors are prioritised when engaged in dialogue with companies, as they 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, questionnaires will be performed regularly to 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 clients, giving due consideration to the nature of each social agreement 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, as a result of a dialogue with a company, a favourable result is not obtained for its objective, the vote at the General Shareholders' Meeting will be used as an opposition mechanism.

In any case, the decision regarding how to vote will remain fully independent and objective from the CaixaBank Group.