

DECLARATION ON CLIMATE CHANGE

SUMMARY

The Declaration on Climate Change defines BPI's commitment to the transition to a carbon neutral economy as well as its priority lines of action.

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1 | INTRODUCTION

Climate change is one of the greatest challenges facing the Planet, with impacts on the physical environment and biodiversity, society and the economy. It is a source of physical and transitional risks as well as opportunities for countries, businesses and people.

The scientific community and organisations such as the Intergovernmental Panel on Climate Change (IPCC) consider that only substantial and sustained reductions in greenhouse gas emissions that are immediate, rapid and large-scale can limit global warming and reduce the risks and impacts of climate change.

In 2015, the Paris Agreement (COP 21) established a global action plan with the long-term goal of keeping the increase in global average temperature well below 2°C above pre-industrial levels and making efforts to limit the increase to 1.5°C. Since then, the IPCC has analysed the impacts of 1.5°C global warming and estimated the likelihood of exceeding the 1.5°C limit in the coming decades, therefore calling for increased ambition in reducing greenhouse gases to go beyond these targets. In this respect, in the European context, the European Union has defined a long-term strategy with the objective of achieving zero net emissions by 2050.

In this context, BPI considers essential to accelerate the transition to a carbon-neutral economy that promotes sustainable development and is socially inclusive. This requires urgent action and collaboration between the public and private sectors and society at large through the development of long-term climate strategies, convergent with the objectives of the Paris Agreement and the United Nations Sustainable Development Goals.

Financial entities play a key role in the implementation of these objectives, both directly, through their own operations, and indirectly, through their relations with customers, subsidiaries, commercial partners and the value chain. For this reason, CaixaBank is one of the founding members of the Net-Zero Banking Alliance (NZBA) and, including BPI in its perimeter of action, commits to being greenhouse gas neutral by 2050. This objective is one of the main pillars of the sustainability strategy and of the Sustainability Plan 2022-2024.

BPI seeks to systematically contribute to the transition to a carbon-neutral economy, by financing and investing in sustainable projects, supporting Customers' sustainable transition, minimising and offsetting the impact of its operations and engaging with Stakeholders.

This commitment to the environment, which results from the will to assume a proactive role in sustainable and socially inclusive development, is also reflected in the sustainability strategy and in the responsible policies, such as BPI's Code of Business Conduct and Ethics and the Sustainability Principles.

2 | LINES OF ACTION

2.1 Support viable projects compatible with a carbon-neutral economy and climate change solutions

BPI believes that economic growth and emission reductions are complementary objectives. In this sense, the transition to a carbon neutral economy also involves financial opportunities. To realise them, it is necessary to continue to offering viable solutions that meet the expectations and needs of Customers and other Stakeholders. As part of these solutions, BPI has for years played an active role in financing renewable energy projects and sustainable infrastructure and agriculture, among others. Thus, BPI:

- Will continue to identify and offer new sustainable solutions to help Customers tackle risks and explore opportunities arising from climate change through its products and services, with particular emphasis on sustainable mobility, construction and agriculture, as well as energy efficiency and renewable energy.
- Will work to accelerate investment and financing for climate change mitigation and adaptation, as well as for other sustainable purposes.
- Will progressively align the lending and investment portfolio with the goal of being carbon neutral by 2050, accompanying Customers to promote a responsible transition to a carbon neutral economy.
- May evaluate a bond issuance programme linked to sustainable factors, including green bonds, to support sustainable projects.
- Will develop and offer sustainable investment products to investors, including those channelling private capital to the energy transition.
- Will incorporate Customers' preferences on sustainability matters into the investment recommendations and proposals it will make.

2.2 Manage climate change risks and move towards the emissions neutrality of the loan and investment portfolio

Social and environmental risks, including risks related to climate change, may have financial impacts. In the context of CaixaBank's signing in to the Equator Principles and Sustainability Risk Management Policy, BPI applies validation procedures relating to the assessment of ESG risks (environmental, social and governance) in operations falling within its scope. Also, as part of CaixaBank's membership of the Net-Zero Banking Alliance - NZBA, it is working to achieve the neutrality of the portfolio's carbon footprint. Climate and environmental risk measurement and management practices are constantly evolving, and BPI will seek to integrate them in order to have more robust systems. In general, BPI will:

- Act to identify, measure, manage and mitigate risks related to climate change with a material impact on the business. In this regard, it will apply science-based climate scenario analysis and portfolio stress testing to understand the potential impacts on Customers from physical and transition risks, and will evaluate and use existing methodologies to measure the climate risks of Customers' activities and evaluate the decarbonisation pathways of the portfolios.
- Contribute to developing or following market best practices in measuring greenhouse gas emissions associated with the credit and investment portfolio, such as those promoted by the Partnership for Carbon Accounting Financials (PCAF).
- Measure and manage the environmental risks - including climate risks - of lending and investment operations based on internationally recognised standards. It will also regularly update the Sustainability Risk Management Policy, which includes benchmarks for carbon intensive sectors, to incorporate best practice.
- Include environmental, social and governance (ESG) aspects in investment decision making and discretionary portfolio management.
- Promote dialogue and engagement with Customers to understand their decarbonisation and climate risk management strategies and accompany them in the transition to a carbon neutral economy.
- Support the transition to more sustainable business models of the companies in which it invests.

2.3 Minimise and offset the operational carbon footprint

Environmental commitment starts by setting an example and reducing the contribution to climate change, reducing the impact of operations on the environment. To this end, BPI seeks to minimise operational emissions and compensate for those which it does not eliminate. Thus, it has an environmental management system based on the ISO 14001 standard in order to increase the entity's environmental efficiency and which includes plans for continuous improvement. BPI will:

- Establish annual targets for the reduction of the main consumptions and impacts, such as energy consumption, paper and waste, among others.
- Continue to improve energy efficiency and use certified renewable energy, minimising CO2 emissions.
- Offset the operational carbon footprint (scopes 1 and 2) that it is not able to reduce to remain Carbon Neutral.
- Consider environmental criteria in the relationship with the supply chain, both in the approval process and in the procurement criteria for products and services.
- Promote innovation and the development of technologies that are more respectful of the physical environment and biodiversity.

2.4 Promote dialogue on sustainable transition and collaborate with other organisations to move forward together

The scope of climate change requires public-private collaboration and a multisectoral approach. CaixaBank, including BPI in its perimeter, regularly participates in working groups and associations dedicated to advancing environmental issues. In this regard, it supports, amongst others, the work of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD). In this context, BPI intends to:

- Collaborate with other organisations and institutions by participating in key partnerships and responsible initiatives to share knowledge and build best practices in the analysis and management of climate risks and opportunities.
- Contribute to generating and disseminating knowledge to promote sustainable development and the decarbonisation and sustainable transition of the economy.
- Maintain a strategy of dialogue and engagement with Customers and other Stakeholders to drive the transition to a more sustainable economy.
- Encourage Suppliers and Partners, where relevant, to adhere to international environmental and climate standards and principles.

2.5 Report progress in a transparent manner

Accurate, relevant and timely information is key to driving action on climate change. Moreover, it is essential to the smooth functioning of the markets. In line with this, BPI includes key actions and metrics in public reporting, notably including the Management Report integrated in the Financial Report. This report includes data on operational greenhouse gas emissions and, progressively, will include those from

the financing and investment portfolio (scopes 1, 2 and 3 according to the GHG - Greenhouse Gas Protocol); sustainable consumption, products and services and the contribution to the transition to a carbon neutral economy; sustainable investment; social and environmental risk management, including climate risk management. This data will be externally and independently verified by third parties, whose reports will be included in public information.

It will also report on entity-level sustainability strategy and practices and sustainable investment products in accordance with the Sustainable Finance Disclosure Regulation (SFDR). In this context, BPI will:

- Measure performance and inform Stakeholders proactively, regularly, truthfully and clearly.
- Publish climate change data on an annual basis (at least once a year) in accordance with applicable Portuguese and European regulations.
- Incorporate improvements in reporting practices resulting from the development of new methodologies and non-financial reporting framework.

3 | GOVERNANCE MODEL

The Board of Directors is responsible for the approval, supervision and periodic appraisal of the definition, development and implementation of the sustainability strategy which, in turn, includes the climate change strategy.

The Risk Commission proposes to the Board BPI's risk policy, including sustainability risks.

The Board of Directors' Executive Committee is responsible for the development of the Strategic Plan approved by the Board of Directors and, for this purpose, adopts resolutions, directly or through its delegated committees, on sustainability matters. In this regard, the Executive Committee is responsible for approving, supervising and monitoring the effectiveness of this Statement and the commitments it entails.

In addition, several internal committees are responsible for the coordination and oversight of the various aspects mentioned in this Statement, including the Sustainability Committee and the Global Risk Committee.

Finally, the Sustainability Division is responsible for coordinating the definition, updating and monitoring of BPI's sustainability strategy, which also includes issues related to climate change.

This Statement will be reviewed and updated at least every two years.

Statement approved by the Board of Directors on 1 February 2023.