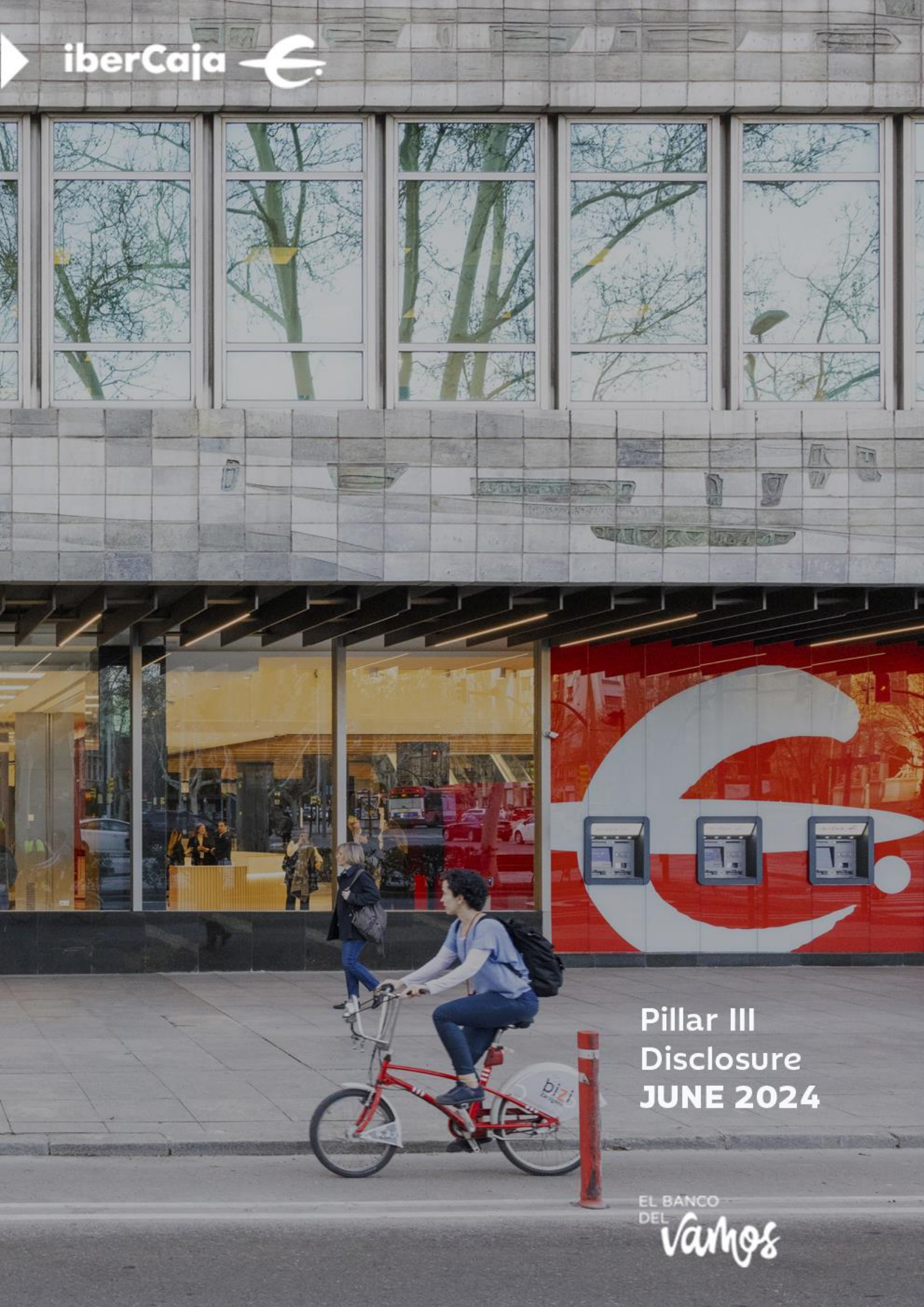


Pillar III Disclosure **JUNE 2024**

EL BANCO DEL vamos

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1

ESG RISKS

1. ESG Risks

This section covers the requirements for disclosure of information on environmental, social and governance risks (Table 1 – Qualitative information on environmental risk; Table 2 – Qualitative information on social risk and Table 3 - Qualitative information on governance risk) in accordance with Article 449 bis of the RRC.

This section serves as a summary of Ibercaja's Strategy and Business Processes, Governance, and Risk Management designed to address climate risks. For more information, please refer to the 2022 Annual Report.

SECTION I: INTRODUCTION

Ibercaja, aware of its role in the transition towards a sustainable world, contemplates in its strategy decisions the impact that its activities will have on the environment and society, and assumes the challenge that business objectives promote sustainable development preserving natural resources and promoting a more fair and inclusive society.

Ibercaja has been a signatory of the **United Nations Global Compact Principles** since 2006 and is firmly committed to conducting its activities responsibly, respecting and promoting human rights as a fundamental part of its strategy. The defence of human rights is a key principle of action included in both its Sustainability Policy and its Code of Ethics.

Ibercaja signed the United Nations **Principles for Responsible Banking (PBR)** in November 2019, becoming part of a coalition of banks worldwide aimed at promoting and supporting the sustainable development of the economy. This involves aligning its actions and business strategy with the **Paris Agreement** and the achievement of the **Sustainable Development Goals (SDGs)** of the 2030 Agenda, to which it is committed by increasing its contribution through identifying the most material goals for its business and measuring the progress and impact of its projects and actions undertaken. Additionally, in line with this objective, Ibercaja is a member of UNEP-FI, the United Nations Environment Programme Finance Initiative, which aims to mobilize private sector financing for sustainable development, promoting a financial sector that generates positive impacts for people and the planet.

By signing these Principles and through its Sustainability Policy, Ibecaja maintains its commitment to align its commercial strategy with long-term objectives, which not only allow economic growth, but also face and contribute to responding to the challenges social and environmental, identifying their greatest potential contribution.

The Sustainability Policy aims to formalize Ibercaja's commitment to sustainable development and value creation. This commitment encompasses all areas and companies within the Ibercaja Group, establishing general principles that include respect, defence, and promotion of ethics, good governance, human rights, transparency, and environmental protection. Additionally, it highlights specific commitments such as promoting employee development, managing financial and non-financial risks, and contributing to social integration. The Policy also emphasizes active listening and dialogue with stakeholders through multiple channels of two-way communication. The governance of the Sustainability Policy is the responsibility of the Board of Directors, while the Senior Management is in charge of approving the procedure manuals for the implementation of the provisions of this Policy.

Within the COP25 framework, in December 2019, the **Collective Commitment to Climate Action** was signed to measure the carbon footprint of its balance sheets and reduce the climate impact of its financial activity. Furthermore, Ibercaja has been operationally carbon neutral since 2020: 100% of its electricity consumption comes from renewable sources, and it invests in offsetting unavoidable direct emissions through certified offset projects.

In 2019, Ibercaja joined the **Task Force on Climate-Related Financial Disclosures (TCFD)** to facilitate investor decision-making based on comparable reports on the effect of an economic activity on the climate. With this commitment, Ibercaja took a step forward in disclosing, in a clear, consistent, and standardized manner, the impacts of climate change risks and opportunities on its business and their implications for Ibercaja's strategy.

In April 2021, Ibercaja signed the **Net Zero Banking Alliance (NZBA)** as a founding member, an initiative driven by the United Nations that promotes the commitment of the global banking

As a demonstration of the Group's commitment to sustainable investment, since 2021, Ibercaja Gestión has signed the **United Nations Principles for Responsible Investment (UNPRI)**, which Ibercaja Pensión had already joined in 2011, with a Responsible Investment Policy published on its website.

Additionally, to contribute to the Group's Net Zero strategy, Ibercaja Gestión and Ibercaja Pensión joined the **Net Zero Asset Managers (NZAM)** in 2021, an initiative driven by the Asia Investor Group on Climate Change (AIGCC), CDP, Ceres, Investor Group on Climate Change (IGCC), Institutional Investors Group on Climate Change (IIGCC), and Principles for Responsible Investment (PRI), with the commitment to achieve carbon neutrality for their own emissions and their portfolios by 2050 at the latest.

In 2022, the entity joined the **Partnership for Carbon Accounting Financials (PCAF)** to work on its commitment to achieve carbon neutrality for its loan and investment portfolio by 2050 or earlier. PCAF is established as the international reference pathway to facilitate the financial industry's alignment with the Paris Agreement and provide transparency in the calculation of greenhouse gas (GHG) emissions. This methodology has been consistently applied in measuring financed emissions and other related emission intensity indicators.

SECTION II: BUSINESS MODEL AND STRATEGY

Ibercaja is committed to a universal banking model, focused on retail business and based on advisory services, service quality with a personal touch, and innovation. It offers a wide range of banking and financial products and services, with a particular focus on first-home mortgages, SME financing, asset management, life savings insurance products, and risk insurance.

It serves a stable customer base of 1.7 million clients (management units), including families, businesses, and public and private institutions. It has dedicated channels and offers, in addition to basic banking services, complementary services such as insurance, investment funds, and pension plans, supported by a specialized Financial Group, of which it is the sole owner.

Ibercaja, with the aim of identifying the key financial, economic, social, and environmental issues for both its stakeholders and its business, conducted its **materiality analysis** in 2021, coinciding with the start of the latest strategic cycle. This analysis is reviewed and updated annually to integrate the progress made by the Group as well as the evolving expectations of its stakeholders.

Through this process, Ibercaja identifies a list of 90 specific topics, all aligned with sector expectations. These specific topics are grouped into 15 material issues, on which internal and external consultations were carried out through customized questionnaires for key stakeholders to determine their priority.

Issues classified as having "very high" priority are aligned with the Bank's strategic objectives, which include:

- Strategic aspects related to the generation of value for clients and shareholders, as well as an increase in transparency towards all stakeholders.
- The maintenance of the highest standards in ethics, integrity and corporate culture of the Bank and the high demand regarding regulatory compliance and risk management.
- Digital transformation, transparency, communication, and excellence in customer service, as well as the total guarantee of data privacy.
- The integration into the business and risk management of ESG aspects and, specifically, those related to climate change.

Additionally, the following are identified among the topics classified as “high” priority:

- Commitment to Society and respect for Human Rights.
- Attracting, retaining, and developing the best talent.
- Implementation of diversity, non-discrimination, and work-life balance policies.
- Creating financial products with high social and/or environmental value.

Based on this analysis, Ibercaja annually updates and enriches the assessment of the positive or negative impacts associated with these material issues. The aim of this exercise is to evaluate the potential and actual impacts generated by Ibercaja on the environment and society, as well as the impacts that the surrounding environment may have on the business and the company. This materiality study is updated with each new strategic cycle to ensure that the business focuses on the most important aspects for stakeholders.

Thus, in 2022 and 2023, various parts of this analysis were updated, highlighting the initial approach to the double materiality perspective, considering both the inside-out and outside-in perspectives. Moreover, during 2024, in line with the requirements of the new European Corporate Sustainability Reporting Directive (CSRD), Ibercaja is working on evolving the analysis with a double materiality perspective: impact and financial.

For this reason, the results of the analysis carried out in 2021, along with the updates made in 2022 and 2023, are reflected in the new 2024-2026 Strategic Plan "Ahora Ibercaja." This plan is presented with a focus on the client, the growth of commercial activity, resilience, and driving transformation, while maintaining a positive impact on the environment and preserving the social sensitivity of the entity at all times. It is structured through 13 initiatives grouped around two central programs: Client and Resilience.

Within the Resilience program, there is a specific Sustainability initiative (IN13 Sustainability and Reputation), aimed at integrating ESG aspects into the business and risk management, thereby strengthening Ibercaja's corporate reputation by emphasizing its distinctive relational banking model, its commitment to society, and its commitment to the environment.

This initiative is sponsored by the Management Committee and is implemented through multidisciplinary teams from various Areas of the Bank, addressing 6 challenges:

ESG Risk management	ESG Business Strategy	Integration of Sustainability in the Ibercaja Group	ESG Disclosure and Reporting	ESG Data Strategy	Reputation Management
Progress in the integration of ESG factors into risk management, prioritizing the roadmap according to supervisory expectations.	Implementation of a sustainable business strategy to support client decarbonization and strengthen social commitment.	Integration of ESG factors into the strategy and risk management of subsidiaries, in compliance with expectations and regulations.	Compliance with new disclosure requirements, transparently highlighting progress in ESG and the creation of social value.	Consolidation of ESG data integration into systems and their governance.	Strengthening of corporate reputation through the measurement, monitoring, and proactive identification of risks and opportunities.

One of the strategic challenges within the initiative is to continue supporting clients in the decarbonization process and to strengthen their social commitment. To achieve this, the entity continues to advance in identifying business opportunities related to sustainability, developing a catalogue of services and products that meet clients' needs for achieving a sustainable economy. In this context, the entity has begun to establish and define internal sustainable financing criteria to evaluate the status of its portfolios in line with the regulatory environment and the expectations of other stakeholders regarding green and social financing.

1. Assessment of the impact of ESG risks on the business environment and business strategy

Ibercaja considers the integration of ESG aspects into the business and risk management, particularly those related to climate change, to be of significant importance. To this end, it has advanced in assessing the qualitative materiality of climate, environmental, social, and governance risks on traditional prudential risks, evaluating their potential impact on different risk categories, and quantifying, through a quantitative materiality assessment, the impact of climate and environmental risks in those risk categories where the potential impact exceeds the entity's risk profile.[1].

Derived from this qualitative materiality analysis and in response to the commitment to align the commercial strategy with the Principles for Responsible Banking and to comply with the ECB's expectations on climate and environmental risk management, Ibercaja will advance this year in enhancing the forward-looking approach of its quantification methodologies to analyse the impact of these risks across various risk categories. This will allow the evaluation of how these risks could affect Ibercaja's activities over different time horizons, particularly focusing on portfolios where these risks are material and where the entity has significant business concentration. Nevertheless, due to the materiality of ESG risks, the entity's business model remains unchanged in the short term.

Fully aware of the connection between environmental factors and financial activity, Ibercaja undertakes an analysis of the impacts of ESG factors to identify the primary risks that could potentially affect its business model, as well as areas where Ibercaja has significant exposure, while also exploring potential business opportunities.

[1] See more details on the materiality analysis in Section IV: Risk Management.

In this context, both physical and transition climate risks are analysed, assessing the exposure of prioritized segments within Ibercaja's credit portfolio to climate-related events, and the evaluation of environmental risks has also commenced, identifying the sectors most vulnerable to changes in nature as defined by the ENCORE Alliance.

This impact analysis has been conducted on the credit portfolio segments where the entity has its main business focus and on the most prominent economic sectors. In 2023, the sustainability impact analysis was updated, expanding the analysed credit portfolios and evaluating the needs of the most significant client segments for the entity[2].

Furthermore, as part of the impact analysis, Ibercaja conducted an in-depth review of the key **areas of social impact** most relevant to it's client portfolio to minimize the financial challenges faced by the most vulnerable groups.

In response to the impact analysis related to transition climate risks, and as a founding member of the Net Zero Banking Alliance (NZBA), Ibercaja aims to achieve carbon neutrality for both its own operations and its portfolio by 2050.

In 2016, Ibercaja began calculating its operational carbon footprint, including Scope 1, Scope 2, and partially Scope 3 emissions, and currently has achieved operational carbon neutrality (Scope 1 and 2) and partial neutrality for Scope 3. Additionally, it has registered its operational carbon footprint with the Carbon Footprint, Offsetting, and Absorption Projects Registry of the Climate Change Office of MITERD, and for four consecutive years has received the "Calculo-Reduzco" seal, which certifies its work in calculating the carbon footprint and its efforts to reduce it. In 2023, it obtained the full MITERD seal, " Calculo-Reduzco-Compenso", for the first time, for partially offsetting its emissions in a project certified by the Spanish Office for Climate Change (OECC).

In 2022, Ibercaja began calculating the carbon footprint of its financed emissions and established interim decarbonization targets for 2030 for three sectors of its credit portfolio, selected based on a series of factors:

- Their relevance to decarbonization, specifically sectors with high carbon emissions intensity.
- Their weight within the credit portfolio.
- The availability, granularity, and quality of data.
- The availability of methodologies and scenarios.

These targets were defined by the Credit Risk Management, Corporate Banking, Retail Banking, and Sustainability and Reputation Area Management, and must be reviewed and, if necessary, modified at least every five years to guarantee consistency with the latest scientific, methodological, or scenario-based advancements.

[2] For more information, refer to Chapter 6.3 and Appendix E of the Consolidated Directors Report for 2023.

For this reason, in 2023, the entity improved its methodology for calculating the financed carbon footprint and revised its decarbonization targets, establishing the following[3]:

Sector	Scenario	Covered scope	Metric	Baseline (*)	2022 Intensity	2030 Objective
Electricity Generation	NZE 2050 (IEA)	1 and 2	Kg CO_2 eq / MWH	**68** (2021)	**118** (+73%)	**61** (-10%)
Iron and Steel Production	NZE 2050 (IEA)	1 and 2	Kg CO_2 eq / t iron	**966** (2021)	**900** (-7%)	**869** (-10%)
Residential Real Estate	NZE 2050 (IEA) and CRREM 1.5º	1 and 2	Kg CO_2 eq / m^2	**41** (2021)	**39** (-5%)	**35** (-16%)

To meet the interim decarbonization targets, in 2023 the entity furthered its commitment by defining a Transition Plan, in line with the guidelines and recommendations for financial institutions published by the Glasgow Financial Alliance for Net Zero (GFANZ)[4], with the following overarching objectives:

- **Residential Real Estate:** promote financing for sustainable housing in the market and encourage the renovation of those properties in the credit portfolio that are considered unsustainable.
- **Power Generation:** monitor compliance with the decarbonization plans of major companies in the portfolio, promote financing for renewable energy companies and decarbonization projects for cogeneration companies, and implement an engagement strategy with clients in the portfolio.
- **Iron and Steel Production:** define the financing of decarbonization-related projects, the financing of large companies and SMEs aligned with emission neutrality targets that are already part of Ibercaja's portfolio, and, finally, monitor the decarbonization plans of those that are significant in the portfolio due to their weight, along with an engagement strategy to gain more granular insights into the companies.

[3] The published baseline for intensity metrics may undergo changes as data, information sources, and methodologies are continuously evolving. However, Ibercaja is committed to maintaining decarbonization targets aligned with scenarios that comply with the Paris Agreement.
[4] GFANZ is a global coalition of financial institutions that has defined a framework adopted by the NZBA to guide the standardization of Net Zero plans.

The implementation of the Plan is structured around 7 pillars:



Throughout the first half of 2024, the implementation of the Plan has begun, highlighting sustainability training actions, specifically focused on decarbonization. A general training session was conducted for the entire Ibercaja team, along with a specialized session on NZBA sectors for corporate managers and risk analysts.

Additionally, four events on decarbonization were held in the first half of the year, in collaboration with chambers of commerce and business organizations, often utilizing Ibercaja's Xplora space located at the Zaragoza headquarters. This space was established to serve as a meeting point for analysing key issues that help us better understand our environment and explore new knowledge.

Furthermore, the entity is progressing with pilot projects for various commercial initiatives and partnerships aimed at improving the energy efficiency certificate profile within its mortgage portfolio and providing its clients with services that support and facilitate their decarbonization.

This decarbonization strategy is complemented by measures taken by the entity to reduce or mitigate its exposure to ESG risks, as well as the monitoring of counterparties' capacity to manage climate risks. Ibercaja collects information from its clients through ESG Questionnaires, which also allow the entity to keep the residual environmental and social risk level of each counterparty or project up to date, based on the sector in which it operates and its commitment to sustainable development. Based on this ESG risk analysis, the entity takes measures to reduce or mitigate its exposure to these risks. During 2024, Ibercaja has worked on developing decarbonization files that enable it to analyse and gather information on its clients' decarbonization plans, as well as collect data on sectors for which decarbonization targets have been set for 2030.

Additionally, it has various policies, codes of conduct, and internal regulations aimed at supporting clients in achieving sustainable development and thereby neutralizing their environmental, social, and governance (ESG) risks.

Among them, Ibercaja has **ESG Exclusions Policy**, applicable to the granting and renewal of credit risk and to investment activities within the securities portfolio, to prevent any financing or investment operation that could be considered controversial due to its high environmental, social, ethical, or reputational risk. The ESG Exclusion Policy set out a series of general and sectoral exclusions:

- **General exclusions** limit a client's access to financing or investment in a company based on cross-cutting criteria that are independent of economic sectors. These exclusions are linked to the protection of Human Rights, Labor Rights, the OECD Guidelines for Multinational Enterprises, and areas protected by UNESCO or IUCN, among others.
- **Sectoral exclusions** affect specific economic activities and are evaluated at both the client and transaction levels. Regulated sectors include Defence, Mining, Energy, and Agriculture.

Ibercaja, aware of the impacts that can arise from its banking activity and business model, has established a criminal risk prevention system in the fight against corruption and bribery to limit the risk of actions by members of the organization that could constitute offenses in this area. The entity also has an internal control system to prevent and prohibit transactions that could be related to money laundering or the financing of terrorist activities.

Additionally, with the aim of promoting the principles of good governance throughout its value chain, Ibercaja has implemented a **Supplier Code of Conduct**, in which it conveys its principles of responsible management, focusing on social aspects. Interaction and dialogue are key to fostering a stable and enriching relationship with its suppliers, based on ethics, transparency, and the fulfilment of agreed commitments. In Ibercaja's commercial contracts with suppliers, they are required to adhere to the principles of the United Nations Global Compact on Human Rights, Labor Rights, Environmental Protection, and Anti-Corruption, committing to implement measures within their organizations to support compliance with these principles and to promote compliance among third parties with whom they engage. In 2023, Ibercaja enhanced these contracts by incorporating environmental criteria into tenders and including quantitative ESG mechanisms in the evaluation of suppliers.

Ibercaja has a supplier management tool with a more advanced and comprehensive portal that allows for the improvement and systematization of supplier approval and risk management processes, facilitating relationships and active engagement with suppliers. The portal includes, within the documentation requirements, standards related to sustainability, social, and environmental aspects (ISO 14001, ISO 45001, ISO 26001, ISO 50001, EMAS), as well as those related to corporate social responsibility.

Consistent with the entity's processes and criteria, there is also progress in the inclusion of ESG criteria in the procurement and contracting processes for suppliers. During the bidding and awarding process, certifications that promote environmental protection, social responsibility, employee welfare, and good governance are evaluated positively, both qualitatively and quantitatively.

Lastly, to ensure that clients and users can submit complaints, claims, suggestions, and improvement proposals, the entity has established a Customer Service Department (SAC, by it’s acronym in Spanish), which reports directly to the Control Area Management.

During the 2023 fiscal year, the entity did not receive any communications or detect any behaviour that could constitute corruption or bribery. Furthermore, it was not subject to any penalties and was not involved in any criminal proceedings or similar incidents that could infringe on human rights. This commitment to ethics and integrity has been essential in maintaining the trust of its customers, partners, and society at large. The organization has implemented rigorous compliance policies and procedures to ensure that all its operations are conducted transparently and in accordance with current regulations, thereby reaffirming its commitment to social responsibility and respect for human rights.

2. Business opportunities in ESG matters

As a result of the **impact analysis of ESG factors, the decarbonization targets for 2030, and Ibercaja's mitigating activities,** business opportunities have been identified within the most significant segments of the credit portfolio. These opportunities enable the integration of ESG factors into the business strategy.

In this regard, the entity offers its clients a wide range of financing products[5] aimed at promoting the sustainable growth of the economy. During the first half of 2024, significant progress has been made in the launch and improvement of sustainable products and services to further drive the integration of sustainable development into business objectives, including the following highlights:

- In mortgage loans, **energy efficiency certificates** have been incorporated into the processing of transactions.
- For consumer loans, a new purpose titled **"Home renovations and improvements to increase energy efficiency"** has been defined, aimed at financing goods and services aligned with the EU Taxonomy.
- Regarding productive activities, new purposes have been added to both the "Préstamo +Sostenible" and "Leasing Sostenible," enabling the identification of projects that contribute to one of the six environmental objectives set by the EU Taxonomy Regulation, thereby improving their classification and supporting companies in their decarbonization efforts.
- A collaboration agreement has been signed between Ibercaja and the agricultural management service provider Eagronom to certify carbon capture on the farms of clients in the agri-food sector, issue the corresponding credits, and trade them on the market for subsequent payment to the farmer.

Additionally, Ibercaja offers a wide range of **sustainable investment and savings products that incorporate ESG criteria into their investment strategies,** with the goal of providing an ideal investment proposal for each client, regardless of investor profile. The growing interest from clients in the sustainable range has enabled the entity to reach €3.24 billion in sustainable assets under management by the end of the first half of 2024, representing 11.90% of the total.

It's noteworthy that, in January 2024, Ibercaja issued its first green bond, amounting to €500 million, further advancing its role as a key player in financing the climate transition and reinforcing its commitment to channelling capital flows towards sustainable projects, ensuring that institutional investor funds are directed towards this type of finance.

In the **social sphere**, reflecting Ibercaja's longstanding commitment to creating value and positively impacting society, the bank has defined a **business strategy targeting the senior segment,** along with a ten-point plan for personalized attention through various channels. To achieve this, it maintains various **collaboration agreements and alliances** with organizations such as Pensium, Depencare, and Taxdown.

Additionally, in its commitment to supporting the youth segment, Ibercaja adheres to the Code of Good Mortgage Practices to support the most vulnerable mortgage customers and offers products like the Young Loan and the Postgraduate Master's Education Loan to help young people meet their educational investment needs. Furthermore, in its new Strategic Plan, Ibercaja is developing, within the "Client Program," a strategic initiative aimed at young customers with banking needs, with the goal of providing an empathetic and comprehensive response to their financial needs, while also considering their social and environmental sensitivity.

In its strong commitment to offering **inclusive and accessible banking for everyone**, Ibercaja has implemented a voice-guided functionality on its ATMs, ensuring confidentiality of information and protection of sensitive data at all times. This feature also provides greater autonomy for individuals with visual impairments or reading difficulties, allowing them to carry out transactions using verbal instructions that guide them through each step.

[5] For more details on the ESG financing products offered by Ibercaja, please refer to Chapter 6.3: Commitment to Customers, of the Consolidated Directors Report for 2023.

In conclusion, in line with its Corporate Purpose, "Helping people build the story of their lives, because it will be our story," Ibercaja works to **adapt its product and service offerings to the needs of its clients,** promoting sustainable business models and practices, raising awareness among clients about their necessary transition toward decarbonization, identifying their preferences, and mitigating the ESG risks to which they may be exposed.

3. Commitments to employees and society

Beyond climate-related aspects, another fundamental ESG factor for the entity is its impact on society and people. In the 2024-2026 strategic cycle, Ibercaja has designed the "Liderazgo y Talento" initiative with the aim of continuing to attract new talent and retain existing talent through a cross-functional professional development model.

In 2024, Ibercaja continues to promote self-development by offering training programs that facilitate the acquisition of cross-disciplinary knowledge and empowering employees to take charge of their own development. Additionally, within the new 2024 training plan, 10 updated sustainability training modules have been included, covering its three aspects: environmental, social, and governance. These modules aim to continue educating and empowering Ibercaja employees on the most relevant sustainability topics so they can integrate them into their work activities.

Simultaneously, within the broader sustainability initiative, specific sustainability training tracks are being developed for different units and areas of the entity. In the first half of 2024, alongside the continuous training modules, a general training session was provided on the integration of ESG factors into Ibercaja's business, and a more specialized session was held on sectors with NZBA objectives (Electric Power Generation and Iron and Steel Production). This training was directed at the entire commercial network and managers working with companies in these sectors, respectively. A total of 175 employees were trained in this area.

Ibercaja’s commitment to society is reflected through its financial activity and the involvement of its shareholder foundations, which continuously work to improve the lives of those most in need, care for and protect the environment, and promote quality education and culture.

In this collaborative effort, Fundación Ibercaja has supported social projects that improve employability, social and labour inclusion, and cover the basic needs of individuals at risk of exclusion. In its 18th Social Projects Call, 333 out of 431 submitted projects were selected, benefiting 228,268 people. It collaborates with third-sector entities on programs aimed at low-income families, the elderly, young people outside the educational system, and people with disabilities.

The notable development in the first half of 2024 was the launch of the Social Innovation and Environmental Protection Call. This initiative aims to promote projects that support the conservation of nature and biodiversity, sustainable territorial development, education, and raising awareness in society through concrete actions that contribute to the fight against climate change. Additionally, the start of 2024 marked the consolidation of “Mobility City” as a reference hub for promoting and understanding the mobility of the future.

Furthermore, the entity actively encourages the participation and collaboration of employees and clients with society through its **corporate volunteering program** and the ***"Tu Dinero con Corazón"*** initiative.

In this regard, Ibercaja has designed a **volunteer** plan focusing on: the integration of people with intellectual disabilities and those at risk of exclusion; financial education for young people and seniors; and environmental initiatives, particularly in emissions reduction and combating climate change.

Throughout 2024, Ibercaja volunteers have participated in activities such as the annual fundraising drive of the Spanish Association Against Cancer, offering support to individuals with cancer and their families; the solidarity race organized by Atades; and various initiatives in collaboration with the *Fundación Princesa Girona*, such as *"Rescatadores del Talento"* and the *"Sprint de las finanzas".* Additionally, **eight tree-planting volunteer activities** were organized, in line with the “Move Without a Footprint” challenge launched in 2023, aimed at promoting sustainable mobility and healthy habits among Ibercaja Group employees. These efforts have resulted in 4,000 new trees that will nurture new forests across the country.

Regarding the "Your Money with Heart" initiative, more than €1.1 million was donated during the first half of 2024 to 21 projects from nonprofit associations and organizations, in collaboration with shareholder foundations and thanks to the Ibercaja Sustainable and Solidarity Investment Fund and Pension Plan. Since 2021, this initiative has donated over €4 million to social and environmental projects.

As of June 30, the Ibercaja Sustainable and Solidarity Investment Fund and Pension Plan had a total of €889 million in assets and 44,940 participants, who see their savings grow through sustainability-focused investments while contributing to high-impact social and environmental projects.

SECTION III: GOVERNANCE

Ibercaja has a solid sustainability governance model, reflected in an organizational structure that involves the direct engagement of the Board of Directors, as the highest-level governing body, and is supported by the Strategy Committee to drive the integration of ESG factors into the business strategy and risk management.

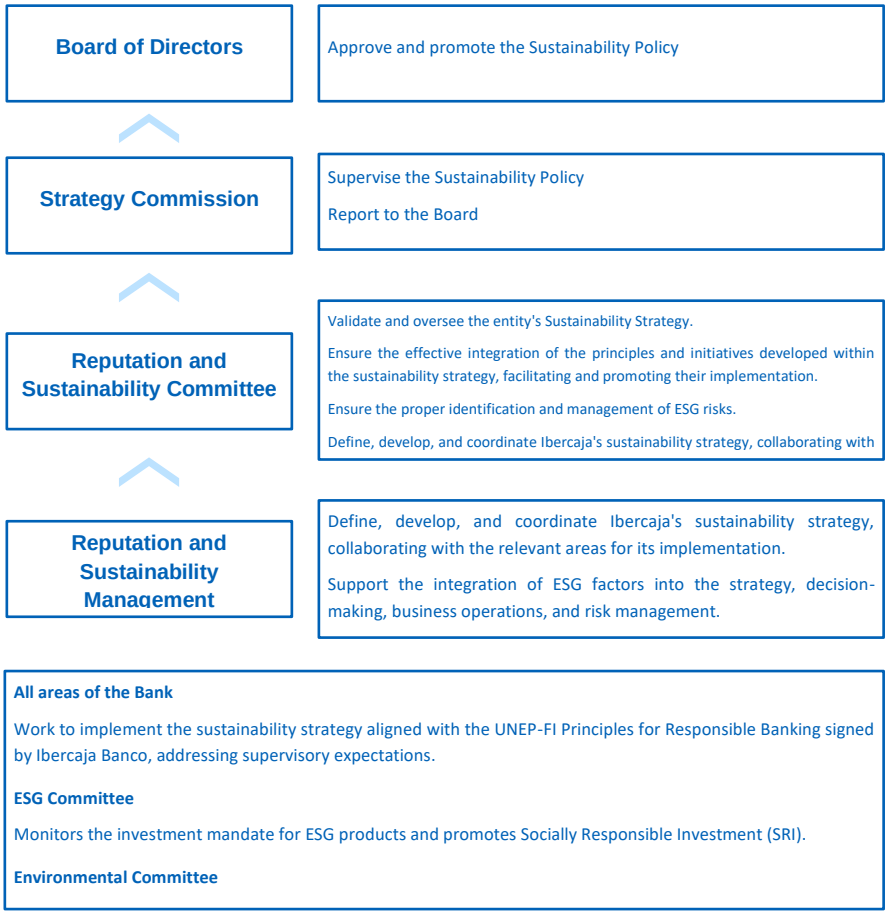
The Ibercaja Group’s commitment to sustainable growth was endorsed with the approval, in December 2020 by the Board of Directors of Ibercaja Banco, of the Sustainability Policy. This document establishes the global action framework regarding sustainability, containing the commitments voluntarily assumed by Ibercaja with its stakeholders to promote sustainable, inclusive and environmentally friendly growth, with a long-term vision.

1. Governance framework for the sustainability strategy

The sustainability governance system is structured across various governing bodies, management teams, and committees with the goal of integrating sustainability transversally, involving all business areas, and achieving efficient management of these efforts. This governance is built on the work of all the Bank's functional areas and various working groups, coordinated by the Reputation and Sustainability Area Management and the Sustainability and Reputation Committee, which holds competence in this area.

- The **Board of Directors** serves as the highest-level body within the entity's governance model, responsible for ensuring Ibercaja's progress in sustainability, reviewing, and approving the necessary elements to advance Ibercaja's sustainable and responsible approach.
- The **Strategy Committee** plays a key role in the definition and approval of the Strategic Plan, positioning sustainability as one of its cross-functional initiatives and ensuring that there is an accurate organization for its implementation. The approval of proposed strategies and roadmaps also falls under the Strategy Committee, with the Board of Directors holding ultimate responsibility for the approval and promotion of the entity's Sustainability Policy.

- The **Reputation and Sustainability Committee**, chaired by the CEO, is responsible for validating and overseeing the entity's Sustainability Strategy, as well as monitoring and approving the necessary measures to advance the effective integration of the principles and initiatives developed within the sustainability strategy. It facilitates and promotes implementation while ensuring the proper identification and management of ESG risks.
- The **Sustainability and Reputation Area Management,** reporting directly to the CEO, is responsible for driving, defining, and coordinating Ibercaja Banco's sustainability strategy, working closely with the areas involved in its implementation.
- The **ESG Committee** primarily monitors the investment mandate for products classified as ESG. Additionally, it is responsible for further promoting Socially Responsible Investment (SRI) by expanding the range of investment products offered.
- The **Environmental Committee,** at the executive level, is responsible for ensuring compliance with and overseeing the effectiveness and efficiency of the entity's environmental management system, as well as promoting environmental awareness and protection initiatives. It is also defined as the body responsible for reviewing and approving actions related to Ibercaja's Environmental Policy.



This definition of sustainability governance ensures that the sustainability strategy is a cross-functional project involving all areas and entities within the Ibercaja Group, following a unified roadmap that is part of the Strategic Plan. It is outlined in the "Sustainability and Reputation" Initiative to address supervisory expectations, regulatory and legal requirements, and voluntarily assumed commitments.

The sustainability strategy prioritizes the identification, management, and control of environmental, social, and governance (ESG) risks for their gradual incorporation into the entity's overall risk framework.

The key areas of action in sustainability are primarily guided by the following policies:

- The **Sustainability Policy** (2020) serves as the framework for the development of the sustainability strategy, as it defines the entity's sustainability principles and commitments to its key stakeholders, promoting sustainable and inclusive growth through the gradual implementation of various actions.
- The **Environmental Policy** (2021) outlines the entity's environmental commitments and promotes best practices in accordance with the principles established in the Sustainability Policy.
- The **Ethical Management Model**, consisting of the entity's Code of Ethics, the Ethical Management Manual, which provides the structure and functions necessary to implement the Code, and the Ethics Channel, an independent communication channel for reporting potential violations of the Code (approved in 2018 by the Board of Directors).
- The **Code of Conduct for Suppliers**, which aims to convey the entity's commitment to sustainability to this stakeholder group and involve them in advancing it.
- The **EFR Reconciliation Plan**, which outlines actions to promote the balance between personal, family, and professional life, in accordance with the proactive management and continuous improvement defined by the Family-Responsible Company (EFR) certification.

Due to the advancement of the sustainability strategy in the identification, management, and control of ESG risks and in its integration into the global risk framework, the Board of Directors of Ibercaja approved the ESG Risk Governance Policy in 2023. This policy establishes the framework for the identification, management, and control of ESG risks to which the Group is exposed, integrating into risk management and control procedures.

2. ESG Risk Governance and Management Framework

In relation to the **management and control of ESG risks,** it is the responsibility of the Governance Bodies and Senior Management, within the scope of their respective duties, to establish, approve, and supervise the implementation of the overall business and risk strategy, as well as an appropriate framework for control and internal governance. In this way, **ESG risks are managed as integrated risk factors within the prudential risks of the Entity:**

- The **Board of Directors** is responsible for approving all policies related to ESG risks, along with any modifications, and for approving first-level metrics and thresholds (within the entity's Risk Appetite Framework), based on reports from the Large Risks and Solvency Committee. It is also tasked with overseeing the integration of ESG risk into the entity's prudential risk management and ensuring compliance with the disclosure of non-financial information as required by current regulations.
- The **Large Risk and Solvency Committee's** main function is to advise the Board of Directors on various policies related to ESG risks and first-level metrics within the Risk Appetite Framework. Additionally, it informs the Board on how Ibercaja integrates ESG risks into its overall risk management, assessing whether the resources allocated by the entity to cover ESG risks are adequate.

- The **Global Risk Committee** is responsible for evaluating the management of ESG risks in an integrated manner within the management of material risks identified in the entity's Risk Appetite Framework. Specifically, it reviews proposals for updating risk management policies regarding the integration of climate risk management criteria or guidelines; monitors the Group's risk profile by assessing the indicators established in the RAF; and reviews risk quantification methodologies for determining internal economic capital requirements and long-term capital planning.
- The **Reputation and Sustainability Committee** is responsible for integrating ESG risk management within its broader sustainability governance functions, as outlined in Ibercaja's sustainability strategy governance.

The **ESG Risk Governance Policy** is applicable to all entities within the Ibercaja Group, involving all areas that incorporate the principles defined therein into their daily activities. This policy's mission is to explicitly **assign functions and responsibilities for the definition, assessment, management, and monitoring of ESG risks in accordance with the three lines of defence model:**

- On the **first line** are located the Areas in charge of identifying evaluating, measuring, managing, and reporting ESG risks within their scope of activity and all processes under their responsibility. Additionally, among its main functions are to ensure the consistency of the policies of each unit/branch regarding these risks, as well as the proper implementation, assessment, monitoring, and supervision of corporate methodologies for managing ESG risk. The Reputation and Sustainability Management is responsible for collaborating with the business units involved in risk management for the proper integration of ESG risk factors.
- The Risk Control Department and the Compliance Department constitute the **second line** of defence. Among their functions are monitoring and reporting, respectively, of ESG risks and reviewing the implementation of management policies and control procedures by the first lines. They also ensure the adequacy of procedures to legislation, regulation, and supervisory expectations.
- The Internal Audit Department, as the **third line** of defence, functionally and hierarchically depends on the Audit and Compliance Committee of the Board of Directors and, therefore, has complete independence from business areas, management, and risk control. Among its functions are verifying the adequacy and proper functioning of governance systems, internal control, and management of financial and non-financial risks, including ESG risks; verifying the proper functioning of the Group's financial, regulatory, and management information system; and reviewing the operation of the Group Ibercaja's compliance monitoring procedures.

In turn, the Reputation and Sustainability Management maintains direct contact with the Non-Financial Risk Control Unit and the Compliance Department. This is done in order to monitor in a cross-functional manner the progress that the Entity makes in ESG risk management aligning such progress with the tasks and planning associated with the control that must be carried out from the second line.

This year, progress will be made in the identification, measurement, management, and monitoring of ESG risks, with the aim of strengthening the role of the three lines of defence to achieve the full integration of sustainability into the governance model.

3. Reporting lines and frequency

Regarding ESG factors, the Reputation and Sustainability Directorate coordinates the information that is reported to the Reputation and Sustainability Committee. This is done in order to ensure that all progress made and improvement proposals to integrate environmental, social, and governance risks are communicated and approved.

In turn, the competent areas in each subject inform about the progress in integrating ESG factors into risk management and business strategy to the respective Internal Committees and Governing Bodies.

In this regard, the **Credit Risk Area Directorate** reports quarterly to the **Global Risk Committee and Governing Bodies** on the exposure to transition climate risk of the portfolio of productive activities and real estate promotions. Similarly, it reports on its exposure in the sustainable mortgage product for individuals. Additionally, this year progress has been made in the monitoring of the residential mortgage portfolio.

The **Financial Markets Directorate** quarterly reports to **Global Risk Committee and Governing Bodies** on the exposure to transition climate risk of its own investment portfolio due to its membership in sectors with a high emissions intensity. Additionally, in conjunction with the issuance of the entity's first green bond, the **Green Bond Working Group** was established, chaired by the Financial Markets Directorate. This group reports to the Sustainability and Reputation Committee on the progress of the green bond's eligible portfolio.

The **Control Area Directorate,** in coordination with the first and second lines of defence, presents to the **Global Risk Committee** for approval the exercises and methodologies developed for the assessment of the qualitative and quantitative materiality of ESG risks on prudential risks and the quantification of capital requirements for transitional climate risks in productive activities.

On the other hand, **Reputation and Sustainability Committee, the Retail Banking Area Management, and the Corporate Banking Area Management** presented to the **Reputation and Sustainability Committee** the progress made in the identification, measurement, management, and monitoring of climate risks during the sessions held in 2023. In 2024, they presented the progress on the Transition Plan mentioned in the Strategy and Business Model section.

Additionally, the Governing Bodies addressed the carbon footprint strategy and decarbonization objectives NZBA, the action plans of the ECB's Thematic Review on climate risks and the new Risk Integration Policies in the management processes of other prudential risks.

4. Remunerations policy

Ibercaja's **Remuneration Policy** is consistent with the Sustainability Policy and with the principles and values of the Entity in the management of environmental, social and corporate governance risks. Likewise, the policy conforms to the provisions of Regulation (EU) nº 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, setting a compensation system based on equal opportunities and non-discrimination.

In this regard, Ibercaja demonstrates its commitment to sustainability by incorporating climate-related objectives and indicators into its Remuneration Policy. The 2024 corporate objectives for variable compensation include a specific target related to the evolution of credit exposure to high-emission sectors and the integration of climate risk into prudential risks. Additionally, within the Long-Term Incentive program in place at the entity, one of the objectives is the implementation of the climate transition plan. Lastly, to encourage appropriate behaviour at various levels of the organization, the Operational Remuneration Committee approved a new 2024 incentive program linked to business performance and strategic sustainability objectives.

SECTION IV: RISK MANAGEMENT

The Group's risk management is organized through **the Risk Appetite Framework (RAF)**, a tool whose fundamental objective is to establish a set of principles, procedures, controls and systems by which risk is defined. , communicates and monitors the Group's risk appetite, understood as the level or profile of risk that the Ibercaja Group is willing to assume and maintain, both in terms of its type and amount, as well as its level of tolerance, and must be oriented towards achievement of the objectives of the strategic plan, in accordance with the lines of action established therein.

The Risk Appetite Framework establishes a consistent management framework integrated into existing risk management processes and is approved and reviewed at least annually by the Board of Directors. Ibercaja is aware of the potential impact that ESG risks can have on prudential risks through various transmission channels, as well as on the business model, strategy and activity of the Entity. For this reason, it has been working on the development of procedures that allow it to identify its most sensitive exposures to these risks, with the aim of being able to quantify and progressively monitor them to minimize their impacts.

The sustainability strategy designed by Ibercaja includes among its priorities the identification, management and control of ESG risks for their progressive incorporation into the Entity's global risk framework, committing to contribute to the decarbonization of the economy and promote sustainable activities, online with the Paris Agreement and the European Green Deal.

To advance the management of ESG risks, within the “IN13: Sustainability and Reputation” initiative of the 2024-2026 Strategic Plan “Ahora Ibercaja,” the Sustainability and Reputation Directorate coordinates the cross-functional challenge of further integrating ESG factors into risk management, addressing supervisory expectations regarding climate and environmental risks.

Thus, in its commitment to continue advancing the inclusion of ESG factors in the credit risk admission and monitoring processes, in line with the EBA Guidelines on Loan Origination and Monitoring and the EBA Guidelines on ESG Risk Management, Ibercaja has planned new challenges for 2024 to further integrate sustainability into its policies and manuals. This includes developing new and improved exercises for the identification, assessment, monitoring, and control of ESG risks, particularly in credit risk management. This effort involves identifying unethical, controversial, or unsustainable activities within the **ESG Exclusion Policy** and completing **ESG Questionnaires at client and operation** levels. All of this will be documented in the client's ESG risk report.

Following supervisory expectations, Ibercaja prioritizes the analysis of climate and environmental risks. However, it continues to work on the integration of social factors, such as promoting financial inclusion and diversity, as well as governance risks. Ibercaja is aware that the management of social and governance risks is in continuous evolution and, therefore, advances in the identification and management of these risks will be incorporated into the Entity's processes gradually, in line with regulatory, market and methodological advances.

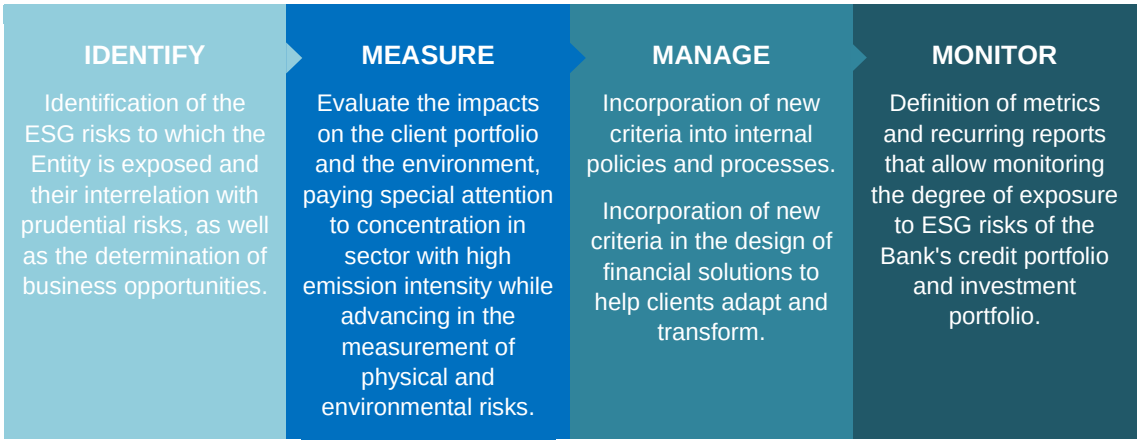
In this regard, Ibercaja works to stay updated in relation to new regulations or regulations and best practices and trends in relation to social risk management. The Entity participates in the Sustainable Finance Sector Group and the Sustainability Observatory, in which legislative advances and Supervisory Expectations regarding sustainability are analysed in order to identify the applicable requirements and adapt to the legislative proposals promoted by the Action Plan to Financing Sustainable Development of the European Commission.

1. ESG risk identification and management processes:

Ibercaja continues working to align its ESG risk management framework with regulatory references and international standards on the matter. To do this, it draws on the main guidelines issued by regulators and supervisors, such as the European Central Bank (ECB) or the European Banking Authority (EBA), which in recent years have published guides and reports in relation to the integration of ESG risks into the internal risk management processes of the entities.

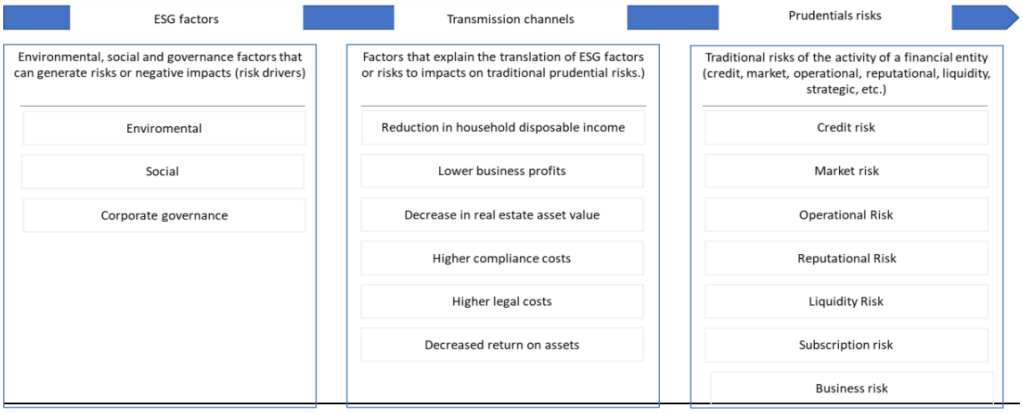
The Entity seeks to respond to its commitments and ESG regulatory demands by making an effort to integrate these aspects in a transversal manner. This is done by identifying and monitoring your activities and exposures vulnerable to ESG risks through the development of a series of action plans that you have worked on over the last few years and which will continue to be reviewed and updated periodically with the aim of evaluating how you can evolve those risks over time based on technology development, the policy framework, the business environment, stakeholder preferences, and changes in the physical environment itself.

The main phases of ESG risk management in which Ibercaja is working, as shown in the following figure, are the identification of risks, their measurement, management and monitoring or follow-up:



1.1 ESG risk identification

Ibercaja identifies ESG risks, and especially climate and environmental risks, as risk factors that are likely to impact prudential risks through their counterparties and/or assets invested through certain transmission channels considering the Entity's own business, which represent the chain of causality by which an ESG factor and/or inefficient management thereof have a negative impact on the Entity:



- **Credit risk:** the impact of potential physical climatic events, acute and chronic, on the geographical location of properties financed and/or used as collateral and the increase in the carbon price or increase in the cost of certain resources could have an impact at the PD level and LGD level.
- **Operational risk:** losses caused to buildings by natural and/or climatic catastrophes could lead to potential deterioration of assets, data or materials and cause an operational risk for the Entity.
- **Reputational risk:** the violation of the public image of the Entity due to the financing of companies or projects considered unsustainable could have an impact on the reputation, solvency and payment capacity of non-sustainable clients.
- **Liquidity risk:** the Entity could experience a sudden depreciation of collateral real estate assets due to extreme weather events, leading to a withdrawal of customer deposits to address repair costs and impacting financial liquidity. On the other hand, the lack of alignment of the institution's activities with the objectives of the Paris Agreement could have an impact on the ESG rating, causing, in turn, the exclusion of market values from the investment universe and, consequently, higher liquidity risk.
- **Underwriting risk:** climate change could lead to variations in the mortality trend in the population, leading to an increase in accidents and, consequently, an increase in the Entity's underwriting risk due to death or disability.
- **Business risk:** serious weather events can lead to an impact on the business environment derived from severe damage to the Entity's assets. On the other hand, the increase in regulation and reporting and transparency obligations regarding sustainability could entail additional costs for the institution, impacting the expense structure or brand value.

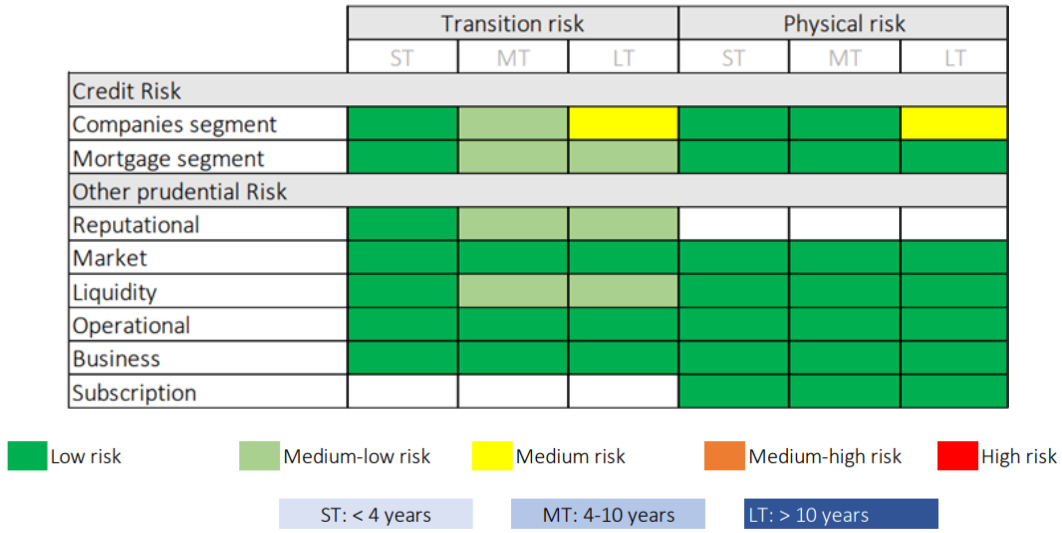
In this area, Ibercaja has made its greatest progress in identifying climate risks. An example of this is the Ibercaja **Group's Climate Risk Map,** developed for the first time in 2021, which allows evaluating the qualitative materiality of physical and transition risks on prudential risks in different time horizons (short, medium and long term)[6] and which is submitted annually to the Global Risk Committee for approval.

In last fiscal year, the climate risk map has been enriched by considering three of the specific climate scenarios proposed by the Network for Greening the Financial System (Net Zero 2050 scenario, Delayed Transition scenario and Current Policies scenario), differentiating, for the first time, the impact of climate risks on the mortgage and corporate credit risk portfolios, and evaluated the physical risks affecting the development of the banking business.

[6] Refer to Annex F of Consolidated Directors Report for 2023 for further detail on climate risks and their impact on prudential risks.

This approach will be maintained in the 2024 update, incorporating the improvements specified by the second line of defence following the comprehensive review of the 2023 exercise.

As a result, three climate risk maps have been prepared in 2023, one for each scenario analysed, having selected Net Zero 2050 as the base scenario for the evaluation of the qualitative materiality of climate risks as it is considered the scenario with the greatest potential impact in the short term:



Under these projections, the credit portfolio, and specifically the business segment, is estimated to be the most predisposed to be impacted by adverse climate events or changes in political, legal, market or societal trends. Consequently, climate risks are already being taken into consideration in all phases of credit risk management and in the calculation of capital and provisioning needs. Throughout this year, methodologies and procedures will continue to evolve to further enhance the integration of climate risks into risk management.

Aware that other non-climate ESG factors may also be crucial for maintaining an organization's value-creation capacity, Ibercaja has begun reviewing the potential positive or negative impact of environmental, social, or governance factors.

To this end, in 2023, it has developed three **ESG risk maps** that allow us to know the prudential risks most subject to environmental, social or governance factors independently and for different time horizons (short, medium and long term)[7].

The dependence on nature and natural resources in certain productive activities means that any environmental alteration could have a considerable potential impact on the development of goods and services. On the other hand, organizations can significantly affect natural capital, causing adverse effects such as biodiversity loss, water pollution, or the disruption of hydrological cycles. Additionally, poor environmental practices could affect the reputational risk of entities that support certain companies.

[7] Refer to Pillar III Disclosure 2023 for further detail on the ESG maps

For this reason, throughout this year, Ibercaja will deepen its materiality analysis of environmental risks in credit risk, aiming to understand the potential impact of environmental risks on its activities. Ecosystem services and impact drivers will be analysed to identify sectors with greater dependencies or impacts, using the ENCORE tool (developed in collaboration with UNEP FI, Global Canopy, and the World Conservation Monitoring Centre (UNEP-WCMC)).

The sectoral component is minor in relation to social or governance factors, but noncompliance with commitments in relation to different social aspects or the defence or support of unethical behaviour by counterparties or the bank itself could have potential impacts on the credit, reputational and operational risk of financial entities.

In **social matters, financial inclusion** is one of the most important challenges facing the financial society due to the increasing closure of offices, the depopulation of the most rural regions or the arrival of digital tools or channels.

Ibercaja assumes the commitment to continue developing its own and collaborative strategies together with other financial institutions and governments in matters of financial awareness and education with the aim of achieving financial inclusion for the entire society. For this reason, it strives to expand its range of products to satisfy the needs of all its clients, specifically the youngest and oldest because they are considered two of the most vulnerable groups to achieve financial capacity and stability and because they make up close to 50% of Ibercaja's customer base.

In 2023, Ibercaja has continued working on the integration, identification, management and control of reputational risk, always aligned with operational risk given the strong link between the two. In this process, the risks defined in 2022 in the reputational risk map have been analysed and it has been updated including a specific mention of the reputational risks derived from greenwashing as defined in EBA/REP/2023/16[8]. These risks have been assessed by the first lines of defence in the 2023 risk assessment campaign. Throughout this year, progress will be made in defining the governance model for greenwashing risk to ensure its proper integration into Ibercaja Group's risk management system, following a defined roadmap.

On the other hand, the entity continues to annually update its operational risk and control map. As part of this process, it analyses not only physical risks related to climate and environmental risks but also transition risks at the group level, such as greenwashing practices, incorporating these risks into the assessment tools as well.

1.2 Identification of ESG risks

The Ibercaja Group's main business is banking intermediation, representing approximately 53% of total income, with the rest generated by other Group businesses with a relevant weight in asset management and insurance.

The retail nature of Ibercaja's business is reflected in the structure of the balance sheet and in the low risk profile, thus representing 60.8% of normal credit (excluding temporary acquisition of assets) within housing credit and 81. 0% of external financing within retail deposits.

[8] EBA Progress Report on Greenwashing Monitoring and Supervision, May 31, 2023.

The Entity operates exclusively in Spain and has a leading position in its traditional area of action (the autonomous communities of Aragon and La Rioja and the provinces of Guadalajara, Burgos and Badajoz), where it concentrates, taking December 2023 as a reference date, 61% of customers and obtains 60% of the retail business volume. The market share in this territory, 29% in private sector deposits and 19% in credit, reaches 41% and 26% in Aragon, respectively. It also has an important presence in other areas of great economic relevance such as Madrid and Arco Mediterráneo (includes the autonomous communities of Catalonia and the Valencian Community), which accumulate 18% and 12% of the clients and 18% and 12% of the volume of Entity business.

For this reason, ESG risk measurement exercises focus on the credit portfolio, focusing on the geographic areas and segments that concentrate the majority of income and assets in said business. Apart from the temporary acquisition of assets and impaired assets, the composition of loans and advances to customers is based on three segments:

- Credit to households accounts for more than 70% of loans and advances to customers. The main component of this financing is due to loans for home acquisition, since consumer credit or other financing for households does not reach 6% of total financing.
- Credit linked to companies comprises close to 30% and is divided into financing for productive activities and real estate development.
- Financing to the public sector or other organizations, for its part, represents less than 5% of loans and advances to clients.

In accordance with this, the analysis carried out on the predisposition to ESG risks has been carried out on the retail segment (mortgage portfolio) and the business segment (productive activities and real estate developments) of the credit portfolio[9]:

1.2.1 Mortgage portfolio

Ibercaja analyses the exposure to transition climate risks in the mortgage portfolio through the actual Energy Efficiency Certificates (registered in the Official Records of each Autonomous Community) and estimates (proxies used to undertake the exercise) and the physical climate risks to those that would be exposed through information provided by an external provider.

The evaluation of C&E risks on the retail segment focuses on the mortgage portfolio because they represent approximately 90% of the weight of the entire segment. Due to this and the type of financing and the average maturity (mostly short-term) of consumer credit, it is not considered relevant for the purposes of exposure to climate risks.

This year, Ibercaja will make progress in applying credit risk practices to the mortgage portfolio in terms of climate and environmental risks and in the prospective quantification of the impact of transitional and physical climate risks on the mortgage portfolio for different time horizons.

1.2.2 Real estate development portfolio

In order to evaluate the predisposition of this segment to transition climate risks, the Energy Efficiency Certificate of the real estate developments in the portfolio, registered by the real estate developer in the Official Registries of each Autonomous Community, is evaluated. This analysis seeks to analyse the exposure to climate transition risks of real estate developments that in the short term will become individual loans within the mortgage portfolio.

[9] See Pillar III ESG Templates 1, 2 and 5 for more detail on the credit portfolio's climate risk exposure.

1.2.3 Portfolio of productive activities

To analyse the potential impact of climate risks on the portfolio of productive activities, on the one hand, Ibercaja assesses the concentration in sectors with high CO2 emission intensity (measured as tCO2eq./€) to measure their exposure to transition climate risks. This analysis has enabled the development of the indicator called Transition Climate Risk (Rct), which allows the classification of clients of productive activities based on their CNAE.

On the other hand, Ibercaja measures the exposure of its portfolio of productive activities to physical risks, whether acute or chronic, considering the most vulnerable sectors of activity, according to the EBA. The assessment is carried out, based on the average maturity of the operations contracted by client, from a heat map that determines the sensitivity to severe climate impacts in the short, medium and long term by CNAE economic sectors and the location of the counterparties deduced from the location of the headquarters, taking as a reference the assessment in the ThinkHazard tool.

Ibercaja is also making progress in developing and updating prospective methodologies for quantifying the impact of climate risks. Until now, this quantification focused on the most carbon-intensive counterparties and will be enriched by incorporating the analysis of physical risks over different time horizons.

In order to analyse the contribution of non-climatic environmental risks to the development of the productive activity of counterparties, Ibercaja is advancing in the analysis of the interactions between economic activities and natural capital through the ENCORE tool, in order to incorporate the dependencies and impacts of natural capital into the measurement of exposure to environmental risks.

According to the ENCORE Alliance (formed by the collaboration of Global Canopy, UNEP FI and UNEP-WCMC), the sectors attributed with the greatest material impact are those whose productive development is directly related to or depends to a greater extent on natural resources, namely: Agriculture, Oil and Gas, Mining, Hydroelectric Production and Water Distribution and Treatment. For example, the loss of biodiversity, soil degradation or the decrease in the availability and quality of water can be a risk factor for financial institutions, due to their impact on certain productive activities, so their analysis will be key to preventing potential financial impacts.

On the other hand, as a first step to integrate the impacts of climate risks into the Entity's financial planning, Ibercaja carried out an exercise to quantify the impact of climate risks on the Budget and Business Plan, through the development of an alternative adverse climate scenario that integrates the impacts of the climate risks of the Net Zero 2050 scenario developed by the NGFS as it is considered the scenario with the greatest potential impact in the short term. During this exercise, Ibercaja will evolve this exercise, analysing, based on its business environment and idiosyncratic scenarios, the impact of climate risks on its Business Plan through climatic, physical and transition events, in the short, medium and long term.

Regarding operational risk, Ibercaja carries out a recurring assessment of operational risks and controls by risk managers. It carries out an exercise called VaR (Value at Risk), which consists of an internal calculation methodology that Ibercaja uses as a support for the analysis and review of its operational results, in addition to the regulatory calculation methodology.

The Operational VaR methodology is based on the modelling of a distribution of operational losses based on the adjustment of frequency and impact distributions from the frequency and impact data obtained in said self-assessment questionnaires. Therefore, it is a qualitative approach (self-assessment questionnaires) and a quantitative approach (result and quantitative evaluation of the corresponding operational risk manager). In this sense, the VaR exercise takes into consideration the climatic, physical and transition risks, to obtain the overall result of the analysis. Additionally, the Entity obtains a specific VaR result linked to climate risks.

This calculation is the basis for the prospective quantification exercise of the impact of climate risks that will be carried out, for different time horizons and scenarios, during 2024 in line with supervisory expectations.

In addition, the Entity is working on updating the impact of physical risks on its own-use or leased properties used by Ibercaja based on the data provided by ST Analytics, with the aim of incorporating this analysis into the Entity's continuity plan. The methodology defined by the data provider for the assessment of flood risks in the Spanish provinces is based on the SNCZI definition of flood zones, to generate hazard maps, and on the evaluation of the potential adverse consequences associated with floods, with the objective of obtaining risk maps.

With regard to social risks, and following the United Nations Principles of Responsible Banking, for Ibercaja, meeting the needs of its clients is its priority, which is why, at all times and of its own volition, it seeks the best solutions. to help them in the most difficult situations.

This challenge responds to the Corporate Purpose “To help people build the story of their life” and is part of Ibercaja's commitment to sustainability, demonstrating its sensitivity to the social demands of the territory where it carries out its activity.

Ibercaja evaluates its contribution to the impact area of financial inclusion, through the periodic review of products and services focused on the two segments of individuals with the greatest relevance in its customer portfolio and potentially the most vulnerable within the financial system (young and old).

1.3 Management and monitoring of ESG risks

In the Group's ongoing commitment to sustainability and prudent risk management, different indicators are monitored in order to exhaustively follow the exposure to these risks and meet supervisory expectations. During 2024, work is being done on a review and evolution of these indicators, including all relevant prudential risks.

1.3.1 Credit risk

Regarding the corporate segment, Ibercaja is working on the inclusion of ESG factors in the credit risk admission and monitoring processes, in line with the EBA Guide for the Origination and Monitoring of Loans, which defines the mechanisms and internal governance procedures of financial entities in relation to credit operations. In this sense, Ibercaja has an ESG Exclusions Policy in Credit Risk, approved by the Board of Directors, which limits the impact of ESG factors on Ibercaja's credit risk.

In addition, Ibercaja has developed a qualitative ESG Questionnaire at the client and operation level, which is updated annually, and which has the objective of collecting and managing sustainability information on clients and operations and obtaining an associated ESG risk as part of the customer and/or operations assessment process. In this sense, a reference to the consideration of ESG risks in the evaluation of clients and operations at credit risk is included in its admission policies. During 2024, Ibercaja will make progress on its ESG Questionnaires and on improving information on the location of the production centres of its counterparties in order to be able to comprehensively assess their exposure to physical climate risks.

In this way, the Entity can evaluate the ESG risk, focusing on climate risk, clients and operations that are part of the target audience. The information is reflected, when appropriate in accordance with the Entity's internal criteria, in the Risk Report of credit operations.

Likewise, with the aim of advancing in the analysis of our clients and in the integration of climate risks in credit risk management, Ibercaja has begun to work on the preparation of decarbonization sheets to monitor the transition plans of those counterparties that carry out their activity in sectors in which decarbonization objectives have been defined for 2030, to comply with the commitments adopted after joining the NZBA, or that have a high transition climate risk due to their membership in an economic sector with a high intensity emissions according to the Rct indicator developed by Ibercaja.

On the other hand, the Entity integrates climate risks as part of the Comprehensive Monitoring Principle within the Credit Risk Monitoring Policy. This principle applies to all counterparties of productive activities of the Entity and has the objective of identifying the information necessary to carry out periodic monitoring of individually significant borrowers, including the global vision in their profiles of the climate transition risk (Rct).

In order to limit exposure to sectors with a high climate transition risk, Ibercaja defined a concentration metric of exposure to sectors with high intensity of CO2 emissions (measured as tCO2eq./€) in Credit Risk. To this end, it has defined thresholds on the sectoral concentration metric within the Risk Appetite Framework, establishing limits based on the appetite for highly carbon-emitting sectors that trigger different actions with the aim of correcting possible scenarios considering the risk appetite of the Entity:

- Appetite Threshold: percentage of exposure to high and very high risks below which the exposure to transition risks is considered to be controlled and does not require the action of additional plans or controls.
- Tolerance Threshold: percentage of high and very high-risk exposure between appetite and non-compliance situations that may lead to the execution of additional control.
- Capacity Threshold: percentage of exposure to high and very high risks above which it will be necessary to define action plans to correct and resolve said situation of noncompliance

The incorporation of this sector concentration metric in the Risk Appetite Framework means that the same governance, periodicity of reporting, monitoring and control applies to it as in the rest of the metrics, starting the review chain with the Risk Control Department. Risks in the Control Area Management, whose task is to evaluate the degree of compliance with the metrics, as well as their periodic monitoring.

Regarding the real estate development portfolio, in 2023, Ibercaja has begun to integrate information from the energy efficiency certificate of real estate development operations, with the aim of being able to track the level of energy efficiency of the promotions in progress, thus advancing in the integration and analysis of climate risks in all its portfolios.

In relation to the retail segment, the energy rating reported in the energy efficiency certificate available from the +Sustainable Mortgage has been integrated into the monitoring of the mortgage portfolio.

Additionally, the Entity, in collaboration with external data providers and using internal data sources, collects information on the evaluation of training capabilities, aspects of continuity of ownership, aspects linked to governing bodies and their commitments, etc. of your client portfolio.

1.3.2 Liquidity Risk

Regarding liquidity risk management, and as an introduction to the impact of climate risks on the Entity's liquidity, both in the Financial Markets and Ibercaja Vida portfolios, a depreciation of unsustainable bonds continues to be applied (analysing the difference in spreads between a green bond and another brown bond from the same equivalent issuer) in the liquidity self-assessment exercise, with the aim of integrating climate risks into this prudential risk.

1.3.3 Market Risk

In market risk management, Ibercaja developed, under the same methodology as in credit risk, a sector concentration metric through the indicator called Transition Climate Risk (Rct) and is incorporated into the Risk Appetite Framework of the Entity. During the first half of 2024, this metric has been monitored.

Likewise, Ibercaja has worked in the field of portfolio management activity by monitoring indicators that define ESG criteria (which include aspects related to climate and environmental risks) and certain asset selection criteria that allow characterization of portfolios. private fixed income and variable income.

The asset managers of the Ibercaja Group, Ibercaja Pensión and Ibercaja Gestión, committed to the development of society and care and protection of the environment through socially responsible investment, have incorporated an internal and progressive model for investment selection and risk management financial extras that are incorporated into traditional fundamental analysis. For this reason, it has worked to comply with Regulation (EU) nº. 2019/2088 of the European Parliament and of the Council of November 27, 2019, on the disclosure of information related to sustainability in the financial services sector, and the Delegated Regulation (EU) 2022/1288, analysing the PIAS with the aim of disclosing its Declaration of Main Adverse Incidents of investment decisions on sustainability factors. Likewise, during 2023 work has continued and progress has been made in updating the different policies already approved on ESG matters.

1.3.4 Operational risk

In relation to the management and control of operational risk, the Entity has made progress in two directions. On the one hand, the operational risk map linked to the climate risk map is kept permanently updated according to the progress achieved. This implies that the operational risk assessment is therefore kept updated in this sense. On the other hand, the Entity has created a Non-Financial Risk Control Unit, with specific functions in the field of ESG risk control. Thus, in 2023, this unit has participated with an active role in the review process of climate risk inventories qualitatively evaluated by the first lines of prudential risks. During 2024, progress will be made in this review practice in accordance with the Ibercaja ESG Risk Governance Policy.

1.3.5 Reputational Risk

For the integration, identification, management and control of reputational risk, in 2024 Ibercaja will once again update the reputational risk map, with the assessment of the first lines of defence, including a specific mention of reputational risks derived from greenwashing, as defined in EBA/REP/2023/16[10], and focusing on the identification of other possible reputational risks derived from climate risk.

1.3.6 Subscription Risk

Additionally, within the risk and solvency self-assessment process (ORSA), Ibercaja Vida incorporates climate risks in the assessment of risk events that could impact its results. As a first assessment, evaluate the potential impact of physical and transition risks on all financial risks, including underwriting risk.

1.3.7 Business Risk

Through the analysis of the impact of ESG factors, Ibercaja identifies its main areas of activity, focusing on the segments of the credit portfolio that concentrate the Entity's banking business and on the economic sectors in which it has greater exposure, which in turn allows for a deeper understanding of business opportunities in the most relevant segments for the Entity and is used as a source, among others, to define the commercial strategy.

All risk management exercises explained above are subject to the guidelines described in the ESG Risk Governance Policy (2023), which highlights and formalizes the governance, management and control of ESG risks and reinforces the Group's commitment to sustainable development.

Ibercaja is focusing most of its progress on managing its counterparties' climate risks, in line with the ECB's expectations. However, during 2024 Ibercaja is focusing on identifying and measuring environmental risks and natural capital to advance their integration into risk management.

On the other hand, the Entity is committed to continuing to work on social and governance risks in the long term, responding to supervisory requirements, as the regulatory framework evolves.

2. ESG Data

Given that Ibercaja's portfolio of productive activities is mainly made up of SMEs, the availability of ESG information from counterparties is in an initial phase that should evolve over the coming years. In this sense, Ibercaja currently has the information contained in this IRP regarding ESG risk management and continues to define action plans to collect a greater degree of detail of data, mainly social and governance, from its counterparties; including the role of the highest governing body in the presentation of non-financial information, as well as to integrate this information and results into its internal management processes, in accordance with the evolution of the regulatory framework and sectoral advances.

[10] EBA Progress Report on Monitoring and Supervision of Greenwashing, May 31, 2023.

Ibercaja is aware of the relevance of its clients' non-financial information for the correct integration of ESG factors and to advance the metrics and objectives necessary to evaluate and manage the risks and opportunities derived from them. For this reason, it has developed a specific line within the Strategic Sustainability Initiative to work on non-financial data, incorporating it as one of the informational areas in the Entity's data governance model.

The availability of said data is relevant for the integration of climatic factors in the business and in decision making, therefore, the Entity is working with external data providers for the collection of non-financial information of its clients and its subsequent incorporation into systems, evaluating its availability, transparency, quality and external verifications to which it is subjected.

As an example, some of the fields obtained are related to the environment, such as the availability of environmental policies, waste management plan and breakdown of these, polluting emissions, water and energy consumption or ISO14001 certification, among others. In the social sphere, fields such as the wage gap, work-life balance measures, job creation, training, percentage of male and female employees, etc. stand out. Finally, fields related to the governance of your clients are included, such as number of directors, independent directors, Board remuneration or number of men and women on the Board, among others.

Currently, a total of 122 data are received from our corporate clients required to publish information on ESG matters, which will increase according to regulatory requirements. Said non-financial information will be available for consultation in internal tools during the last three years for which information is available.

The lack of homogeneous standards and the volume of external and internal requirements have led Ibercaja to generate an inventory of priority ESG data, built from internal or external ESG data (depending on the source of information of each one), as part of a specific line within the Strategic Sustainability Initiative to work on non-financial data.

The data to be prioritised has been determined according to its need for implementation for the generation of external reports, the development of internal processes, the response to regulatory requirements and the implementation of supervisory expectations. Likewise, during 2023, work has been carried out on a strategic approach to integrating ESG data into the Entity's information systems, specifying its specific uses and a flexible and scalable roadmap has been defined for its implementation, taking into account that it must continue to adapt and incorporate new ESG data requirements. This roadmap has begun to be implemented as part of the new strategic cycle and is identified as one of the priority milestones, with the aim of developing a Sustainability Datamart integrated into the Bank's data architecture.

Along these lines and beginning to analyse the new CSRD or Directive on corporate information on sustainability, in 2023 work has been done on the identification of the main datapoints of said Directive, with the aim of reporting complete information in 2025. To date, the data gap analysis has been completed and the double materiality matrix has been developed for prioritization in dissemination.

Ibercaja intends to progressively integrate ESG data into its credit risk analysis, corporate governance information from counterparties (as well as other non-financial information) as a complement to traditional economic-financial analyses. In this sense, the relevant information has been integrated into the ESG risk assessment of the Entity's portfolio in the information environments, in order to exploit it in Ibercaja's processes:

- The data provided by ST Analytics on Ibercaja's real estate guarantees has been integrated.
- The Energy Efficiency Certificate has been included in systems at the level of admission and monitoring of credit risk and in real estate development operations.
- The level of transition climate risk has been integrated based on the RAF metric.
- Finally, the level of residual environmental risk provided in the ESG questionnaires has been included in the Entity's internal systems.

Currently, the Entity is collecting ESG information published in the non-financial information statements of its counterparties in its systems. In this way, the analysis of good governance, social aspects and controversies in which the counterpart has been involved continues and said information can be incorporated into the concession process for certain sectors.

Likewise, due to the relevance that environmental risks currently have for the Supervisor, Ibercaja strives to collect real information on scope 1, 2 and 3 emissions data from its counterparts and to identify all the information necessary to evaluate exposure to physical risks. or calculate the percentage of your portfolio aligned with the EU Taxonomy.

Additionally, the Entity participates in sessions and sectoral work groups that pursue the objective of combining efforts and knowledge to try to homogenize the available data and methodologies, providing the exercises with comparability with similar entities.