Sustainability Information

Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

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Grupo Cooperativo Cajamar

Content

0. Introduction.

On 27 November 2019, the EU adopted Regulation 2019/2088 of the European Parliament and of the Council, also known as SFDR, on sustainability-related disclosure in the financial services sector.

The purpose of this Regulation is to establish harmonised transparency rules to be applied by Financial Market Participants (FMPs) and Financial Advisers (FAs) in relation to the integration of sustainability risks and the analysis of adverse sustainability impacts in their investment decision-making and/or advisory processes. It also refers to the disclosure of sustainability information with respect to financial investment products.

Subsequently, the SFDR Regulation was partially amended in accordance with Regulation 2020/852 of the European Parliament and of the Council, also known as the Taxonomy Regulation, which aims to establish a framework to facilitate sustainable investments.

The SFDR Regulation is structured across 20 articles, with disclosures required at both the entity level and the product level. It is developed through two regulatory levels, the first generic and the second requiring Regulatory Technical Standards (RTS). In addition, the Regulation mandates the disclosure of sustainability information through three media: websites, pre-contractual information and periodic reports.

Currently, Grupo Cooperativo Cajamar, hereinafter GCC, is affected by the Regulations in its capacity as Financial Advisor (FA), since it is a credit institution that offers investment advisory services, and also in its capacity as a Financial Markets Participant (FMP), since it offers a discretionary portfolio management service. It should also be mentioned that Cajamar Vida, S.A. de Seguros y Reaseguros is part of Grupo Generali and therefore ascribes its policies to the governance of said Group.

The content of this publication updates the information disclosed in 2021 and relates to Articles 3, 4 and 5 of the SFDR Regulation. These articles correspond with the actions of GCC at the entity level and with the requirement for disclosure on its website. In addition, the content of this document is subject to further updates. GCC reserves the right to complete, modify and/or expand on the information contained herein.

1. Policy for Integrating Sustainability Risks in investment advice and decision-making processes. (Art. 3)

The SFDR Regulation aims to improve transparency regarding how Financial Market Participants (FMPs) and Financial Advisers (FAs) integrate sustainability risks into their investment decisions and investment advice. The Regulation defines sustainability risk as an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

Grupo Cooperativo Cajamar has historically integrated ESG (Environmental, Social and Governance) matters into its business model, which is based on cooperativism and underpins the Group's socio-economic development at the local level. The Group's Ethical Management System, based on 7 pillars (Corporate Governance, Responsible Finance, Financial Solutions, Customer Focus, Responsible People Management, Commitment to the Environment and Sustainable Development, Responsible Procurement), provides a suitable framework for the development of ethically responsible policies and initiatives.

GCC has a Sustainability Policy in place that explicitly contemplates, among other elements, the objectives of: promoting appropriate risk management that progressively incorporates social and environmental risks, especially those related to climate change; promoting the incorporation of ESG criteria into investment policies and fostering the inclusion of investment valuation criteria (positive criteria) that promote the social economy, sustainable local development and support for local production systems, as well as the inclusion of criteria that are exclusive to its strategy on undesirable links. This commitment to integrating ESG risks into our investment policy has historically been evident through our commitment to applying Social Responsible Investment (SRI) principles in our Trea Cajamar investment funds.

The SFDR Regulation affects the credit institutions that make up GCC, which provide Advisory services (as Financial Advisers - FA) and Discretionary Portfolio Management (as Financial Markets Participants - FMP). The financial products that are subject to advisory services are, to a large extent, Undertakings for Collective Investments in Transferable Securities managed by firms that do not belong to GCC. The construction of managed investment portfolios is entrusted to a Spanish management company belonging to Grupo Amundi, always operating under the model portfolios approach of Undertakings for Collective Investments in Transferable Securities, not including direct investment in shares, bonds or any financial instruments other than those.

In relation to Sustainability Risks, GCC evaluates the possible consequences that these may have on the profitability of the products and services it provides. In this context, GCC prioritises value generation and profitability as key objectives for its customers. If, as a result of the incorporation of sustainability risks in investment decisions, there is a devaluation in sustainability factors that may cause a decline in the profitability of products and services, the assets identified will be analysed and the corresponding decisions made.

With regard to the provision of investment advice (FA), the integration of ESG risks resides fundamentally in the review carried out by the fund platform through which GCC operates, normally based on the indicators defined by the platform itself and considering evolving data from external sources as new applicable information requirements are developed.

For the provision of the Quality Level Advisory Service, GCC incorporates the analysis of sustainability factors in the selection and recommendation of products subject to the Quality Advisory Service, improving the calibration of risks to which the different components of the Investment Proposals are exposed.

The products recommended in the Quality Level Advisory Service comply with the in-house responsible investment policy available from www.amundi.es and are aligned with the framework regulations on sustainability in the financial services sector and with universally adopted agreements, treaties and compacts such as the United Nations Global Compact, the OECD Principles of Corporate Governance, and the International Labour Organization (ILO), among others.

The methodology for integrating sustainability risks into the investment selection process is included in Amundi's responsible investment policy, which is available on its website: https://www.amundi.es/retail/Local-Content/Footer/Quick-Links/Informacion-Reglamentaria/Amundi

On the other hand, Clients who, according to their Sustainability Preferences, are provided with the Premium Level Advisory Service will be classed as neutral clients in terms of sustainability which will lead GCC to recommend both products with sustainable characteristics and products without them, provided that they comply with the Client's profile.

With regard to the provision of discretionary portfolio management (DPM) services, GCC has entrusted Grupo Amundi to construct model portfolios that comply with its in-house responsible investment policy available from www.amundi.es and which are aligned with framework regulations on sustainability in the financial services sector and with universally adopted agreements, treaties and compacts such as the United Nations Global Compact, the OECD Principles of Corporate Governance, and the International Labour Organization (ILO), among others.

The methodology for integrating sustainability risks into the investment selection process is included in Amundi's responsible investment policy, available on its website: https://www.amundi.es/retail/Local-Content/Footer/Quick-Links/Informacion-Reglamentaria/Amundi.

2. Principal Adverse Impacts on sustainability factors and Due Diligence Policy (Art. 4)

Adverse Impacts are defined as those impacts of investment decisions and advice that result in negative effects on sustainability factors. The Regulation defines sustainability factors as all relevant environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Article 4 requires a second level regulatory development with the publication of regulatory technical standards that provide a methodology for full compliance with its content. In this regard, the final report of the draft Regulatory Technical Standards, developed by the ESAs (European Supervisory Authorities), was published on 2 February 2021. This report specifies, among others, the obligation to report 21 indicators of adverse impacts on sustainability factors, 18 of them predetermined and 3 others eligible. These indicators distinguish according to whether the investment affects the company (14), sovereign and supranational (2) or real estate assets (2).
As a result, on 6 April 2022, Delegated Regulation (EU) 2022/1288[1] (hereinafter "*Regulation 2022/1288*) was published, setting regulatory technical standards for disclosures related to sustainability, which are mandatory for financial market participants. Regulation 2022/1288 establishes mandatory reporting models, such as presenting indicators that relate to the principal adverse impacts on sustainability and the disclosure of these indicators accompanied by narrative elements. In short, new pre-contractual information on the different investment services and financial products is added by means of annex documents.

In the provision of advisory services, since many of the products advised are managed by firms not dependent on GCC, the information referring to adverse impacts will be derived from the review carried out by the fund platform through which it operates.

For the provision of Quality Level Advisory Services, GCC considers the adverse impacts of investment decisions on sustainability factors to the extent that it considers in its investment recommendations products that can be classified as sustainable, linking management objectives to sustainable benchmarks or having a sustainability objective stated in the investment policy documentation.

For detailed information on the principal adverse impacts considered by Amundi, Grupo Amundi publishes its Responsible Investment Policy and Policy Statement regarding adverse impacts of investment decisions on sustainability factors at https://www.amundi.es/.
It should be noted that, in the provision of the Premium Level Investment Advisory Service, GCC does not currently consider the principal adverse impacts of investment decisions on sustainability factors to the extent that it does not consider in its investment recommendations products that can be classified as sustainable, so the management objectives are not linked to sustainable benchmarks nor do they have a sustainability objective stated in the investment policy documentation.

[1] Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

Looking to the near future, GCC is working to improve the quality and scope of the information used in the selection and recommendation methodology for financial instruments subject to the Investment Advisory Service to improve the calibration of risks to which the different components of investment proposals are exposed.

GCC is aware of the importance of incorporating sustainability criteria to improve knowledge of investments and understanding of the companies in which the products subject to recommendation invest, allowing for better informed decisions on the part of the Client.

To this end, GCC is working to improve the quality and scope of information used in the investment selection methodology as an advisory service provider, assessing the integrity and reliability of data provided by external sources in relation to sustainability criteria. This information will be incorporated into the analysis carried out in the different bodies that make up its model of governance for investment products and services.

As regards the provision of the discretionary portfolio management service, as a financial markets participant (FMP) with a workforce of more than 500 employees, GCC is required to disclose information in accordance with Article 4.2 of the SFDR Regulation. GCC entrusts the construction and management of the base model portfolios used in its management to a regulated management company in Spain belonging to Grupo Amundi. Grupo Amundi publishes its Responsible Investment Policy and Policy Statement regarding adverse impacts of investment decisions on sustainability factors at https://www.amundi.es/.

GCC's Ethical Management System and governance policies enable the Group to identify the principal adverse impacts on sustainability. GCC has historically promoted social and territorial cohesion and financial inclusion for those in the most disadvantaged situation. It is also particularly sensitive to climate change and to facilitating a just ecological transition. In alignment with its Corporate Culture and Socially Responsible Investment Principles, GCC prioritises adverse impacts linked to climate and environmental aspects, such as GHG emissions, and linked to social and human rights aspects, such as exposure to controversial arms or violations of the principles of the Global Compact.

For more detailed information on the principal adverse impacts considered by Amundi, Grupo Amundi publishes its Responsible Investment Policy and Policy Statement regarding adverse impacts of investment decisions on sustainability factors at https://www.amundi.es/.

With regard to the Engagement Policy, by adopting an approach of model portfolios for Undertakings for the Collective Investment of Transferable Securities, whereby GCC delegates portfolio management to a third party, in the provision of the portfolio management service, we are not shareholders or the managers of shareholders in companies that can trade on regulated markets located or operating in the EU, so we do not have an Engagement Policy. Instead, the Engagement Policy of each of the management companies of Undertakings for the Collective Investment of Transferable Securities integrated into the model portfolios operated at any given time is applicable, as is the Engagement Policy of the management firm to which the management of the model investment portfolios has been delegated. In this regard, Grupo Amundi publishes its Engagement Policy at https://www.amundi.es/.

GCC has a governance framework that revolves around an Ethical Management System grounded in the Code of Conduct, encompassing a series of policies protected by internationally recognised standards, which facilitates due diligence vis-a-vis the main ESG risks. Our main policies include an Anti-Corruption Policy, Anti-Money Laundering and Counter Terrorist Financing Policy, Conflict of Interest Policy, Sustainability Policy and a Framework Policy for Equal Rights and Opportunities and Non-Discrimination.

It is worth mentioning that GCC is a founding signatory to the Principles for Responsible Banking, the first principle of which is to align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Furthermore, our Human Rights Policy (available at https://compromisosocial.es/), which establishes the necessary mechanisms for the respect, protection and promotion of human rights, is based on the main internationally recognised standards, agreements and protocols. Fundamentally:

- The United Nations International Bill of Human Rights, formed by the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights.
- The Declaration of the International Labour Organization on Fundamental Principles and Rights Associated with Work.
- The United Nations Guiding Principles on Business and Human Rights.
- OECD Guidelines for Multinational Enterprises.
- The United Nations Principles for the Empowerment of Women .
- The ten principles of the United Nations Global Compact, to which GCC subscribes.

3. Remuneration policy in relation to the integration of sustainability risks (Art. 5).

GCC has adapted its Remuneration Policy to the SFDR regulation by referring to policy consistency with sustainability risks. In this regard, it has broadened the General Principles of the Group's General Remuneration Policy, indicating that the Policy promotes adequate and effective risk management, without incentives to take risks beyond the level tolerated by the Group, in a manner consistent with the risk appetite framework which includes, among other things, capitalisation, liquidity credit, environmental, social and governance risks ("ESG"). It also promotes internal equity through objective criteria to assess the level of remuneration fairly according to the different groups, positions and responsibilities in the organisation, ensuring non-discrimination on the basis of gender through equal pay for jobs of equal value.

In the annual targets set for Senior Management and Executive Directors, a mandatory Sustainability target has been introduced to consider the global targets reached, which includes indicators of Corporate Governance, Data Security and Privacy, Business Ethics, Integration of Environmental, Social and Corporate Governance Criteria, Product Governance and Human Capital, as well as a target to maintain the Group's carbon footprint at the Leadership Level of the Carbon Disclosure Project.