



# SECTORIAL POLICY FRAMEWORK FOR CLIMATE NEUTRALITY



DECEMBER 2021

Department of Sustainable Development

# 1 | INTRODUCTION AND OBJECTIVES



The definition of a *Sectorial Policy Framework for Climate Neutrality* is set out in *Grupo Cooperativo Cajamar's Sustainable Finance Management Plan*.

Its key task is to lay the foundations for shaping the Group's strategy for the *decarbonisation* of its credit portfolio, allowing it to minimise risks and maximise the opportunities presented by the ecological transition.

**The most direct objectives are related to climate change mitigation and adaptation, two of the EU's six environmental goals contained in the *Taxonomy Regulation*<sup>1</sup>.**

The *Sectorial Policy Framework for Climate Neutrality* is a conscious endeavour to reconcile, on the one hand, the support to sectors which are strategic to Grupo Cooperativo Cajamar, and, on the other hand, to achieve climate neutrality by the year 2050.

The framework is defined through a constructive approach insofar as it is not intended to penalise sectors of activity *per se*, but to strategically support its partners and clients as they undertake the transition towards a low-carbon economy. The result is that the Group's strategy is drawn into alignment with its decarbonisation commitments through its adherence to the Science-Based Targets (SBT) initiative, which are in turn aligned with the goals set by the Paris Agreement (COP21) of 2015.

The *Sectorial Policy Framework for Climate Neutrality* aims to complement the sectorial exclusion framework

(see, e.g.: *Undesirable Links*) through the development of policies, measures, and instruments aimed at accelerating the decarbonisation of the credit portfolio, channelling financial flows towards more sustainable projects, and laying the foundations for achieving climate neutrality by the year 2050.

In this sense, the *Sectorial Policy Framework for Climate Neutrality*, unlike the policy governing Undesirable Links, which seeks to limit the group's involvement in certain sectors of activity in a specific way for ethical-social or environmental reasons, mainly seeks to improve the competitiveness of the companies we finance in the face of the changing productive paradigm brought about by the decarbonisation of the economy and to meet the environmental targets that society as a whole has set.

1) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.



## 2 | SCOPE



### Scope

The scope of this *Sectorial Policy Framework for Climate Neutrality* will be investments associated with the credit portfolio of the financial institutions that make up Grupo Cooperativo Cajamar, which can inspire other investment policies of the consolidated Group.



### 3 | PRIORITY ENVIRONMENTAL GOALS



As laid down in the *Taxonomy Regulation* through the concept of a *fair and just ecological transition*, a project is understood to contribute to climate change mitigation and/or adaptation provided it does not significantly affect the rest of the environmental and social objectives set by the EU.

**In this regard, within the limits of its business strategy and Risk Appetite Framework (RAF), Grupo Cooperativo Cajamar will actively promote investment projects aligned with any of the environmental targets (provided they are not in conflict with the others) set out in the EU Taxonomy Regulation:**

**Climate change mitigation.** Investments must make a substantial contribution to stabilising greenhouse gas emissions by avoiding, reducing, or improving their absorption. The activity must be consistent with the long-term temperature target set out in the Paris Agreement.

**Climate change adaptation.** Investments must make a substantial contribution to reducing or preventing current or future adverse climate impacts, or the risks of such adverse impacts, either within the activity itself, on people, nature, or assets.

**Sustainable use and protection of water and marine resources.** Investments must make a substantial contribution to reducing and optimising the use of water resources, enabling appropriate ecological levels to be maintained in aquifers and water basins, and respecting EU legislation in this area.

**Transition to a circular economy.** Investments must make a substantial contribution to the extension of product life cycle, reuse and/or recovery of waste, while respecting EU legislation in this area.

**Pollution prevention and control.** Investments must make a substantial contribution to preventing and/or reducing any form of pollution that adversely affects ecosystems and/or human health.

**Protection and restoration of biodiversity and ecosystems.** Investments must make a substantial contribution to protecting, conserving, or restoring biodiversity, or achieving good ecosystem conditions, or protecting ecosystems that are already in good condition.

As regards making a substantial contribution to climate change mitigation, consideration will be given to:

- 1) **mitigating economic activities;**
- 2) **activities for which there is no technological or economically viable alternative to low emissions, but which meet the thresholds set out in the Taxonomy Regulations and the targets of the Paris Agreement;**
- 3) **and enabling activities, which are those that would allow other activities to make a substantial contribution to one or more of the six environmental goals.**

## 4 | PRIORITY SOCIAL GOALS



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**Within the limits of its business strategy and Risk Appetite Framework (RAF), Grupo Cooperativo Cajamar will actively promote investment projects that generate a positive social impact compatible with the environmental goals set out above.**

**The priority social goals of the Group shall be as follows:**

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**Generation of quality employment.**

Investments must make a substantial contribution to the generation of quality employment, with particular emphasis on the employment of women, persons with disabilities, and other vulnerable groups.

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**Promotion of local production systems.**

Investments must contribute to the promotion and development of local production systems, especially agri-food-based and rural production systems, territories affected by low economic performance, unemployment, and depopulation.

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**Promotion of the social economy.**

Investments must contribute to the promotion and development of enterprises in the social economy, supporting them to improve their competitiveness and in their ecological transition.

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**Quality of life for people.**

Investments must contribute to improving people's quality of life, including both health and well-being and access to education and culture.

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**Social and financial inclusion.**

Investments must contribute to the social and financial inclusion of vulnerable groups.



## 5 | THE MATERIALITY MATRIX OF CLIMATE CHANGE MITIGATION AND ADAPTATION (I)



The main objective of the *materiality matrix of climate change mitigation and adaptation* is to segment the business/corporate credit portfolio in order to establish commercial, concession, and control criteria relating to credit operations that are efficient in order to promote and facilitate the support of members and customers in their transition to a low-carbon economy.

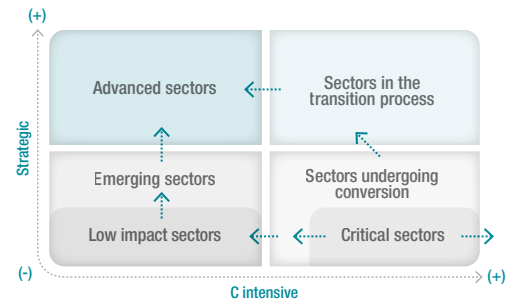
As an *indirect goal*, we should highlight the progress made by Grupo Cooperativo Cajamar towards its target of achieving climate neutrality by the year 2050, especially with regard to *scope 3* of its carbon footprint.

We should also emphasise the following **partial objectives**:

- Strengthen our business strategy bearing in mind the Group's commitments to *decarbonisation (Scope 3)* and its accredited partners.
- Strengthen the criteria for lending approval and concession, bearing in mind the Group's climate targets.
- Promote the active management of climate risks in their impact on conventional risks.
- Establish containment strategies for carbonisation indicators included in the Risk Appetite Framework (RAF).
- Promote the establishment of *intra-sectorial* criteria that allow the portfolio to be segmented in greater detail into material sectors for the entity.  
E.g.: Agricultural sector.

This matrix incorporates two variables: the strategic relevance of each sector according to its weight in the credit portfolio (y-axis) and its level of carbonisation (x-axis).

The combination of these two variables establishes four segmentation areas that require commercial, admission, sanction, and control criteria.



## 5 | THE MATERIALITY MATRIX OF CLIMATE CHANGE MITIGATION AND ADAPTATION (II)



### ADVANCED SECTORS

These would include sectors that are strategic to the entity and have low carbon intensity (*weighted average carbon intensity - WACI*).

These sectors can potentially yield great returns for the Group, having reached maturity and sufficient critical mass. Because of their strategic nature, these sectors would contribute to substantially improving the green asset ratio (*GAR*).

### TRANSITIONING SECTORS

These would include sectors that are strategic to the entity and have high carbon intensity (*weighted average carbon intensity - WACI*).

These sectors can potentially yield great returns for the Group, having reached maturity and sufficient critical mass within the entity. However, given their impact on climate change, they require intense support in the process of their ecological transition, and therefore specialised treatment with greater involvement from the Group. Because of their strategic nature, these sectors would substantially worsen the green asset ratio (*GAR*). These sectors are going to experience a great deal of selective *tension*.

### LOW IMPACT SECTORS

These would include sectors that are de facto not strategic to the entity and have low carbon intensity (*weighted average carbon intensity - WACI*).

These sectors imply little return for the Group, so their low carbon intensity, although positive, has a limited

impact on our *decarbonisation* targets. However, some (emerging) sectors have a strategic potential for the Group in the medium or long term because of the opportunities they present.

### CRITICAL SECTORS

These would include sectors that are de facto not strategic to the entity and have high carbon intensity (*weighted average carbon intensity - WACI*).

These are sectors in which to invest on the basis of very selective criteria, focusing exclusively on companies with high conversion potential. It would not be advisable to turn them into strategic sectors, so their natural evolution should be towards conversion so that companies become more efficient and less carbon dependent.



## 6 | SECTORIAL STRATEGIES FROM THE PERSPECTIVE OF DECARBONISATION



Within the limits of Grupo Cooperativo Cajamar's business strategy and *Risk Appetite Framework*, the following general strategies will be applied.

### ADVANCED SECTORS

- Supporting, promoting and/or encouraging investment in these sectors provided that it represents a substantial improvement in the achievement of priority environmental and social goals.
- Generally, promoting investment in these sectors.

### TRANSITIONING SECTORS

- Supporting, promoting and/or encouraging investment in these sectors provided that it represents a substantial improvement in the achievement of priority environmental and social goals.

- Supporting and/or encouraging investment in these sectors aimed at conversion and/or diversification provided that it represents a substantial improvement in the achievement of priority environmental and social goals.
- Generally, supporting investment in these sectors for which there is no technological or economically viable solution to improve environmental and/or social performance according to priority environmental and social goals.

### LOW IMPACT SECTORS

- Supporting and/or encouraging investment in these sectors provided that it represents a substantial improvement in the achievement of priority environmental and social goals.
- Generally, supporting investment in these sectors.

### CRITICAL SECTORS

- Supporting investment in these sectors provided that it represents a substantial improvement in the achievement of priority environmental and social goals.
- Supporting investment in these sectors aimed at conversion and/or diversification provided that it represents a substantial improvement in the achievement of priority environmental and social goals.
- Supporting investment in these sectors for which there is no technological or economically viable solution to improve environmental and/or social performance according to priority environmental and social goals.
- Generally, adopting reactive strategies for these sectors in the context of decarbonisation.



## 7 | AMENDMENT OF THE FRAMEWORK



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### **Amendment of the *Framework***

This *Framework* can be amended by BCC's Board of Directors.





**GRUPO  
COOPERATIVO  
CAJAMAR**