

## COMMITMENT TO SOCIALLY RESPONSIBLE INVESTMENT (SRI)

SRI takes account of financial and extra-financial criteria (ESG: environmental, social labour and good governance criteria) in order to obtain financial returns for the member at the same time as a positive impact on society and the environment.



**E**nvironmental



**S**ocial



**G**overnance

During 2018, we actively managed the financial risks inherent to markets and assets we invest in, as well as environmental, social labour and good governance, aiming to select companies that demonstrate the best long-term profit/risk binomial combined with our entity's social responsibility values.

We therefore make a three-monthly analysis to guarantee that the companies we invest in are not involved in some kind of controversy or incident in relation to ESG issues. We also study their fulfilment of the United Nations Global Compact principles. In the event of serious controversy or failure to meet the Principles of the Global Compact, certain companies are declared not suitable for our investments.

Furthermore, we make an annual analysis of the Pension Entities through which we invest, maintaining an active dialogue with them to guarantee their suitability.

By way of an example, social assessment of the Entity's assets has meant that certain positions in our possession declared "unsuitable" have been sold.



The following table summarises the results obtained on 31/12/2018:

ASSET TYPE	POLICY	OBJECTIVE	RESULT
PUBLIC DEBT BONDS AND GOVERNMENT BONDS	Countries with a rating of more than 70 in the Bloomberg "ESG Country Risk" ranking	Min. 95%	<b>100%</b>
CORPORATE FIXED INCOME, EQUITY AND CONVERTIBLES	Countries with a rating of more than 70 in the Bloomberg "ESG Country Risk" ranking	Min. 95%	<b>99.64%</b>
	Sustainalytics or RobecoSAM ranking: Rating of more than 70	Min. 50%	<b>80,33%</b> (of those with ranking)
	Excluded due to behaviour: Positions with companies which fail to comply with any of the principles of the Global Compact and/or those with a level 5 controversy rating	0% (unless undoing positions is prejudicial for the member)	<b>0.00%</b>
	Level 4 controversies or securities under observation	-	<b>22 Companies under observation</b>
FUNDS, ETF AND INVESTMENT THROUGH VENTURE CAPITAL COMPANIES	The Management Entities must introduce ESG criteria	Mín. 75%	<b>97.12%</b>
	Management Entities which are signatories of the UNPRI	Mín. 75%	<b>94.46%</b>
	Excluded due to behaviour	0	<b>0 Management Entities affected</b>
DEPOSITS, CURRENT ACCOUNTS, FIXED-TERM DEPOSITS, CURRENCY...	ESG qualification from Sustainalytics or RobecoSAM	Mín. 75%	<b>81.60%</b> (94.58% have a rating of more than 70)
STRUCTURED PRODUCTS AND DERIVATIVES	ESG qualification from Sustainalytics or RobecoSAM	Mín. 75%	<b>Structured: 86.22%</b> (94.40% have a rating of more than 70) <b>Futures and options: 100%</b> (100% have a rating of more than 90)



## WE ARE ACTIVE SHAREHOLDERS

In 2018 the right to vote was exercised at 16 general meetings of shareholders/bondholders. We exercise our voting rights in the companies we invest in (participation of more than 0.05%), representing the interests of our members, always with a pledge to the long-term sustainability of companies and in accordance with environmental, social and labour and good governance criteria. Furthermore, we have maintained active dialogue in terms of ESG in a company.



## INITIATIVES

At Geroa we are aware that the uncertainty affecting the field of environmental, social and governance (ESG) must be proactively managed in our investments.

With a view to collaborating in the fight against Climate Change, Geroa Pentsioak EPSV has participated in different initiatives promoted by the PRI. In collaboration with other entities, in 2017 we signed **the G7 and G20 investment charter on climate change, thereby conveying our support for the Paris Agreement and asking governments to continue to fully support and apply the agreement.** We understand that the transition towards a sustainable, low-carbon economy will boost prosperity while acting as an obvious motor for creating jobs. However, there will be transition challenges for workers, communities and countries as this change takes place. Thus, as institutional investors, in 2018 we **publicly pledged to work to achieve a fair transition for workers and communities in the fight against climate change.**



As regards specific measures, and paying attention to the challenges of marine pollution, plastic waste and the reuse of scarce resources, we understand that companies have the opportunity to lead the development of plastic supply chains with no loss of pellets, the second direct source of marine microplastic pollution, with more than 200 thousand tons entering the ocean every year. From Geroa, we have participated in the initiative: **“Addressing pellet loss in global supply chains”**, which asks companies in the sector for:

- **A commitment to the zero pellet loss initiative in their own companies and throughout their supply chain.**
- **A commitment to evaluate progress in relation to this Goal throughout their supply chain by means of the collaborative development and implementation of the appropriate industry tools.**

In this respect, the Geroa Pentsioak staff, committed to the cause, have unanimously decided to play their part to reduce plastics by giving up bottled water.

We must remember that we have been collaborating with PRI since 2016 on the initiative “PRI Statement on ESG in Credit Rating” asking the leading rating companies to incorporate environmental, social and good governance criteria to their qualifications. Said initiative remains in place this year, 2018.

### Statement on ESG in credit ratings

<https://collaborate.unpri.org/group/statement-on-esg-in-credit-ratings-2406>

### Tackling plastic pellet loss across global supply chains

<https://collaborate.unpri.org/group/tackling-plastic-pellet-loss-across-global-supply-chains-3200>

### Global investor letter to G7 and G20 governments on climate change

<https://collaborate.unpri.org/group/global-investor-letter-to-g7-and-g20-governments-on-climate-change-2776>

### Statement of investor commitment to support a just transition on climate change

<https://collaborate.unpri.org/group/statement-of-investor-commitment-to-support-a-just-transition-on-climate-change-3191>



Signatory of:



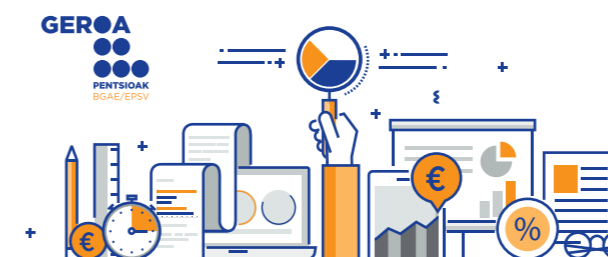
## CREATING INDUSTRIAL NETWORK IN GIPUZKOA and BASQUE COUNTRY



We understand that it is our duty as institutional investors to contribute to the development of our economy by investing in local companies. As well as the investments made in listed companies, we also make direct investment through ORZA.

Investments have materialised in innovation, biotechnology and energy efficiency companies, among others. In 2018 the investments made through Orza amounted to more than 8,384 million euros, having helped to generate 173 new jobs in its invested companies.

## ENTREPRENEURSHIP AND INNOVATION



We have directly participated in **5 local start-ups with an investment of €1,007,631.96**, having granted 3 new micro loans.

**Thanks to direct investment by GEROA, the beneficiary companies were able to create 52 jobs.**

## SO NOW WHAT?

**We started 2019 with a new cycle during which we will present the Strategic Plan for the years 2019-2021.** A plan in the reflection and design of which the members of the Board and members of the management team are participating, without losing sight of our members' needs and opinions and always taking account of the current circumstances when the debate on pensions is on everybody's lips, with weekly pensioners' demonstrations, proposals to extend the GEROA model to other territories and a continuous rise in the Social Security deficit which has European bodies with their backs against the wall and where additional pension contributions are starting to be considered as being an increasingly more necessary piece in the Welfare state puzzle.