

APPENDIX II

ANNUAL REPORT ON THE CORPORATE GOVERNMENT OF OTHER ENTITIES -OTHER THAN SAVINGS BANKS- WHICH ISSUE SHARES TRADED IN OFFICIAL MARKETS

DATA IDENTIFYING THE ISSUER

END DATE OF THE REFERENCE YEAR	31/12/2016
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C.I.F.	F75076935
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CORPORATE NAME

CAJA LABORAL POPULAR COOP. DE CREDITO

REGISTERED ADDRESS

PS. JOSE MARIA ARIZMENDIARRIETA S/N, (MONDRAGON) GIPUZKOA

**ANNUAL REPORT ON THE CORPORATE GOVERNMENT OF
OTHER ENTITIES -OTHER THAN SAVINGS BANKS- WHICH
ISSUE SHARES TRADED IN OFFICIAL MARKETS**

A OWNERSHIP STRUCTURE

A.1 Details of the most significant shareholders or participants in your entity at year-end:

Name or company name of the shareholder or participant	% of share capital
LAGUNARO EPSV	15.19%

A.2. Indicate, where appropriate, any family, commercial, contractual or company relationships that exist between the significant shareholders or participants, as far as they are known by the entity, unless they are barely relevant or only arise in the ordinary course of business:

A.3 Indicate, where appropriate, any commercial, contractual or company relationships that exist between the significant shareholders or participants and the entity, unless they are barely relevant or only arise in the ordinary course of business:

A.4 Indicate, where appropriate, any restrictions on the exercise of voting rights, as well as any restrictions on the acquisition or transfer of equity holdings:

Yes

No

Description of the restrictions

IN COMPLIANCE WITH THAT ESTABLISHED BY COORPORATIVE LEGISLATION, NO LEGAL ENTITY MEMBER MAY HAVE A CAPITAL SHARE AND/OR VOTE OF OVER 20% AND NO NATURAL PERSON MEMBER MAY HAVE A CAPITAL SHARE AND/OR VOTE OF OVER 2.5%.

B GENERAL COUNCIL OR EQUIVALENT BODY

B.1 List the constitution quorum for the general council or equivalent body established in the articles of association. Describe how it differs from the minimum member system stated in the Spanish Companies Act (LSC) or the regulations that apply to it.

IN ACCORDANCE WITH WHAT APPEARS IN COOPERATIVE LEGISLATION, THE GENERAL MEETING, REGARDLESS OF THE AGREEMENT TO BE ADOPTED, IS CONSIDERED TO BE VALIDLY CONSTITUTED, ON FIRST CALL, WHEN MORE THAN HALF OF THE SHAREHOLDERS ARE PRESENT OR REPRESENTED AND ON SECOND CALL WHEN AT LEAST 5% OF THE SHAREHOLDERS OR 100 SHAREHOLDERS ATTEND.

B.2 Explain the system for adopting company agreements. Describe how it differs from the system stated in the LSC or the regulations that apply to it.

APPLYING COOPERATIVE LEGISLATION, THE MOTIONS MUST BE ADOPTED, AS A GENERAL RULE, BY MORE THAN HALF OF THE VALIDLY CAST VOTES. IN THE EVENT OF MERGERS, DIVISIONS, ISSUES OF DEBENTURES AND OTHER SECURITIES, AND FOR AMENDMENT OF THE ARTICLES OF ASSOCIATION, A FAVOURABLE MAJORITY IS REQUIRED OF NO LESS THAN TWO THIRDS OF THE VOTES PRESENT OR REPRESENTED.

B.3 Briefly indicate the resolutions adopted at general meetings or equivalent bodies held in the year to which this report refers and the percentage of votes with which the resolutions were adopted.

DURING THE YEAR THE MOTIONS ADOPTED BY THE ANNUAL GENERAL MEETING HELD ON 23 APRIL 2016, WITH THEIR RESPECTIVE VOTING PERCENTAGES, WERE AS FOLLOWS:

- DESIGNATING THREE SHAREHOLDERS TO APPROVE THE MINUTES OF THE RESPECTIVE MEETING (UNANIMOUSLY).
- APPROVING THE ANNUAL ACCOUNTS AND THE MANAGEMENT REPORT REFERRING TO THE ENTITY AND ITS CONSOLIDATED GROUP (UNANIMOUSLY).
- PAYING INTERESTS TO SOCIAL CAPITAL (UNANIMOUSLY).
- DISTRIBUTING THE SURPLUS AVAILABLE FROM THE YEAR, ALLOCATING 10% TO THE EDUCATION AND PROMOTION FUND, 15% TO THE INTERCOOPERATIVE SOCIAL FUND, 25% TO COOPERATIVE RETURNS AND 50% TO THE MANDATORY RESERVE FUND (UNANIMOUSLY).
- DESIGNATING FROM THE EDUCATION AND PROMOTION FUND, ALLOCATING 9.83% FOR LOCAL DISTRIBUTION, 11.14% FOR GENERAL DISTRIBUTION AND 79.02% FOR FINANCING MCC'S COOPERATIVE INSTITUTIONS AND CONTRIBUTIONS TO THE INTERCOOPERATIVE EDUCATION AND PROMOTION FUND (UNANIMOUSLY).
- APPROVING INCOME QUOTAS AND CONTRIBUTIONS TO REGISTERED CAPITAL FROM NEW SHAREHOLDERS (UNANIMOUSLY).
- ESTABLISHING THAT THE 2017 GENERAL MEETING WILL SET THE INTEREST TO BE PAID ON THE CONTRIBUTIONS TO REGISTERED CAPITAL CORRESPONDING TO 2016, AND NONETHELESS AUTHORIZING THE GOVERNING BOARD TO MAKE PAYMENTS ON ACCOUNT (UNANIMOUSLY).
- APPROVING THE REMUNERATION POLICY FOR THE MEMBERS OF THE GOVERNING BOARD (UNANIMOUSLY)
- EXTENDING THE APPOINTMENT OF PRICEWATERHOUSECOOPERS AS AUDITORS OF THE ENTITY FOR THE 2016 FINANCIAL YEAR (UNANIMOUSLY).
- AUTHORIZING THE GOVERNING BOARD TO ISSUE PROMISSORY NOTES, BONDS AND OTHER FIXED INCOME SECURITIES (UNANIMOUSLY).

B.4 Indicate the address and how to access the entity's web page for the information on corporate governance.

THE CORPORATE GOVERNANCE CONTENT CAN BE ACCESSED FROM THE HOMEPAGE OF THE GENERAL WEB SITE (WWW.LABORALKUTXA.COM) OR FROM THE CORPORATE WEB SITE (<http://corporativa.laboralkutxa.com>) BY CLICKING ON "CORPORATE GOVERNANCE AND REMUNERATION POLICY".

B.5 State whether meetings have been held for the various unions, if any exist, for holders of shares issued by the entity, the purpose of the meetings held during the year referred to in this report and the main motions adopted.

THERE ARE NO SYNDICATES FOR HOLDERS OF SHARES ISSUED BY THE ENTITY.

C STRUCTURE OF THE ENTITY'S ADMINISTRATION

C.1 Administrative body or board

C.1.1 Give details of the maximum and minimum number of board members or members of the administrative body set forth in the articles of association:

Maximum number of board/body members	15
Minimum number of board/body members	12

C.1.2 Complete the following table for the members of the board/administrative body and their different statuses:

BOARD / ADMINISTRATIVE BODY MEMBERS

Name or company name of the board/ administrative body members	Representative	Date of last appointment
MR TXOMIN GARCIA HERNANDEZ		29/07/2015
MS MARÍA CARMEN IÑURRIA LANDERAS		29/07/2015
MS ELENA ZARRAGA BILBAO		29/07/2015
MR JAVIER OLEAGA MENDIARACH		29/07/2015
MR ADOLFO PLAZA IZAGUIRRE		29/07/2015
MS AINHOA GALLASTEGUI MARTÍNEZ		29/07/2015
MR JESUS IGNACIO PEÑA GÓMEZ		30/04/2013
MR IÑAKI JOSU GOÑI GABILONDO		30/06/2012
MR JOSE LUIS GARCIA GARCIA		30/06/2012
MR JOSE MARIA BALZATEGUI JULDAIN		30/06/2012
MR ROBERTO RUIZ DE INFANTE AGUIRRE		30/06/2012
MR JOSE JAVIER SAENZ DE BURUAGA GABILONDO		30/06/2012
MR LUIS MARIA UGARTE AZPIRI		30/06/2012
MR RAFAEL IDIGORAS ALBERDI		30/09/2013

C.1.3 Identify, where appropriate, the board/administrative body members who take on administrative or management roles in other entities within the entity's group:

Name or company name of the board/ administrative body members	Corporate name of the group's entity	Position
MR TXOMIN GARCIA HERNANDEZ	SEGUROS LAGUN ARO, S.A.	CHAIR
MR TXOMIN GARCIA HERNANDEZ	SEGUROS LAGUN ARO VIDA, S.A.	CHAIR

C.1.4 Complete the following table regarding the number of female members of the board of directors and its committees, as well as its evolution over the last four financial years:

	Number of members							
	Year 2016		Year 2015		Year 2014		Year 2013	
	Number	%	Number	%	Number	%	Number	%
ADMINISTRATIVE BOARD	3	21.00%	3	21.00%	3	21.00%	3	20.00%
AUDIT COMMITTEE	2	67.00%	2	67.00%	2	67.00%	2	50.00%
APPOINTMENTS COMMITTEE	0	0.00%	0	0.00%	0	0.00%	N/A	N/A
REMUNERATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	N/A	N/A
RISKS COMMITTEE	2	40.00%	2	40.00%	1	20.00%	N/A	N/A

C.1.5 Complete the following table regarding the aggregate salary of the board/administrative body members paid over the financial year:

Salary item	Thousands of Euro	
	Individual	Group
Fixed salary	131	0
Variable salary	30	0
Expenses	0	0
Other payments	0	0
Total	161	0

C.1.6 Identify the members of senior management who are not directors or members of the executive management body and indicate the accrued compensation by them during the financial year:

Name or corporate name	Position
MR JULIO GALLASTEGUI ZUBIZARRETA	MANAGING DIRECTOR
MR CARLOS OSES IRULEGUI	PRIVATE CUSTOMER COMMERCIAL AREA DIRECTOR AND DEPUTY GENERAL MANAGER
MR ALFREDO ZABALETA BARREDO	RISK AREA DIRECTOR
MR JOSU ARRAIZA MARTÍNEZ DE LAGRAN	BUSINESS AREA DIRECTOR
MR XABIER EGUIBAR GAINZA	BUSINESS DEVELOPMENT AREA DIRECTOR
MR JOSÉ ANTONIO UNANUE ETXEBERRIA	FINANCIAL AREA DIRECTOR
MR ROMAN AGUIRRE BEITIA	MEDIA AREA DIRECTOR
MS NURIA AGUIRRE UNZUETA	CORPORATE MANAGEMENT DIRECTOR
MR OSCAR EGUSKIZA SIERRASESUMAGA	RISK MANAGEMENT DIRECTOR

Total senior management remuneration (in thousands of euros)	1,286
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C.1.7 Indicate whether the articles of association or the board regulations establish a limited mandate for directors or members of the administrative body:

Yes

No

C.1.8 Indicate whether the individual and consolidated annual accounts that are presented for approval by the board or administrative body are previously certified:

Yes

No

Identify, when appropriate, the person or persons that have certified the individual and consolidated annual accounts for the entity, for their formulation by the board or administrative body:

C.1.9 Explain, if they exist, the mechanisms established by the board or administrative body to prevent the individual and consolidated accounts they have formulated being presented at the general council or equivalent body with exceptions in the audit report.

THE GOVERNING BOARD REGULATION ADMINISTERS AN AUDIT COMMITTEE WHICH IS ASSIGNED, AMONG ITS OTHER FUNCTIONS, THE SUPERVISION OF THE ELABORATION PROCESS AND PRESENTATION OF REGULATED FINANCIAL INFORMATION AND THE SUPERVISION OF THE EFFICIENCY OF THE INTERNAL CONTROL SYSTEMS.

C.1.10 Is the secretary of the board or administrative body also a member of the board?

Yes

No

C.1.11 Indicate, if they exist, the mechanisms established to maintain the independence of the external auditor, the financial analysts, the investment banks and the classification agencies.

THE GOVERNING BOARD REGULATION ADMINISTERS AN AUDIT COMMITTEE WHICH IS ASSIGNED, AMONG ITS OTHER FUNCTIONS, THE TASK OF ESTABLISHING THE SUITABLE RELATIONSHIPS WITH THE ACCOUNT AUDITORS OR AUDIT COMPANIES IN ORDER TO RECEIVE INFORMATION REGARDING MATTERS WHICH MAY PRESENT A RISK FOR THEIR INDEPENDENCE, REQUIRING ANNUAL WRITTEN CONFIRMATION OF THIS INDEPENDENCE.

C.2 Committees of the board or administrative body

C.2.1 List the committees of the board or administrative body:

Name of the committee	No. of members
AUDIT COMMITTEE	3
APPOINTMENTS COMMITTEE	5
REMUNERATION COMMITTEE	5
RISKS COMMITTEE	5

C.2.2 Describe all the committees of the board or administrative body, their members and the proportion of executive, proprietary, independent and other external directors of which they are composed (entities that do not have the legal form of capital company do not fulfil the board member category in the relevant table, and the text section will explain the category of each director in accordance with their legal regime and the manner in which they meet the conditions of composition for the audit, appointments and remuneration committees):

Audit committee

Name	Position	Category
MS MARÍA CARMEN INURRIA LANDERAS	CHAIR	
MR ADOLFO PLAZA IZAGUIRRE	MEMBER	
MS ELENA ZARRAGA BILBAO	MEMBER	

% of shareholding board members	
% of independent board members	
% of other external members	
Number of meetings	9

Explain the duties attributed to this committee, describe its procedures and organisation and operational rules and summarise its most notable actions during the financial year.

THE AUDIT COMMITTEE HAS THE SPECIFIC DUTIES DESCRIBED IN THE ARTICLES OF ASSOCIATION (ART. 36. NINE), IN OTHER WORDS:

A) INFORM THE GENERAL MEETING ABOUT THE ISSUES RAISED THERE BY SHAREHOLDERS ON MATTERS WITHIN THEIR COMPETENCE.

B) PROPOSE TO THE GOVERNING BOARD, FOR SUBMISSION TO THE GENERAL MEETING, THE APPOINTMENT, EXTENSION OR RESIGNATION OF THE EXTERNAL ACCOUNT AUDITORS.

C) SUPERVISE THE INTERNAL AUDIT SERVICES

D) BE AWARE OF THE FINANCIAL INFORMATION PROCESS AND THE COMPANY'S INTERNAL CONTROL SYSTEMS.

E) COMMUNICATE WITH THE EXTERNAL AUDITORS TO RECEIVE INFORMATION ABOUT MATTERS THAT COULD COMPROMISE THEIR INDEPENDENCE AND ANY OTHER INFORMATION RELATED TO THE ACCOUNTS AUDIT PROCESS, PLUS ANY OTHER COMMUNICATION REQUIRED BY ACCOUNT AUDITING LEGISLATION AND THE TECHNICAL AUDIT STANDARDS.

F) ISSUE AN ANNUAL REPORT, PRIOR TO THE PUBLICATION OF THE ACCOUNTS AUDIT REPORT, EXPRESSING AN OPINION ON THE INDEPENDENCE OF THE ACCOUNT AUDITORS OR AUDIT COMPANIES. THIS REPORT MUST RULE, IN ANY CASE, REGARDING THE PROVISION OF ADDITIONAL SERVICES, REFERRED TO ABOVE.

SIMILARLY, IN VIRTUE OF ARTICLE 10.3 OF THE GOVERNING BOARD REGULATION, IT IS ASSIGNED THE POSITION OF SUPERVISOR OF COMPLIANCE WITH THE CODES OF CONDUCT AND OF THE CORPORATE GOVERNANCE RULES.

THE COMPANY ARTICLES OF ASSOCIATION ESTABLISH THAT THE AUDIT COMMITTEE WILL MEET WHENEVER IT IS CONSIDERED APPROPRIATE WHEN CALLED BY ITS CHAIR OR AT THE REQUEST OF ANY OF ITS MEMBERS. EACH OF THEM HAS ONE VOTE AND MOTIONS ARE ADOPTED BY SIMPLE MAJORITY AND THE VOTE OF THE CHAIR RESOLVES TIES.

WITH REGARD TO THE CATEGORY OF THE BOARD MEMBERS WHICH MAKE UP THE COMMITTEE, MARIA CARMEN INURRIA (COMMITTEE CHAIRPERSON) AND ELENA ZAGARRA ARE "INDEPENDENT BOARD MEMBERS" (67% OF THE TOTAL) AND ADOLFO PLAZA IS A "WORKING PARTNER BOARD MEMBER" (33% OF THE TOTAL). THERE ARE NO SHAREHOLDING OR EXECUTIVE DIRECTORS ON THE COMMITTEE.

THE "WORKING PARTNER BOARD MEMBER" IS A BOARD MEMBER WHO WORKS UNDER THE FIGURE OF WORKING PARTNER IN THE ENTITY AND DOES NOT PERFORM SENIOR MANAGEMENT DUTIES.

WITH REGARD TO THE MOST SIGNIFICANT ACTIONS OF THE AUDIT COMMITTEE IN 2016, THE FOLLOWING ARE HIGHLIGHTED:

- IT HAS SUPERVISED THE PROCESS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION PUBLISHED BY CAJA LABORAL, THROUGH THE EVIDENCE FROM THE INTERNAL AUDIT DEPT., PARTICULARLY THE FOLLOWING VERIFICATIONS:
 - REVIEWING THE INDIVIDUAL AND CONSOLIDATED ANNUAL ACCOUNTS PREPARED BY THE ENTITY AND THE CORRESPONDING MANAGEMENT REPORTS
 - REVIEWING THE QUARTERLY CONSOLIDATED PUBLIC FINANCIAL STATEMENTS SENT TO THE BANK OF SPAIN
 - REVIEWING THE MARKET TRANSPARENCY INFORMATION PUBLISHED TWICE A YEAR BY THE ENTITY
 - REVIEWING THE QUARTERLY OWN RESOURCES DECLARATION SENT TO THE BANK OF SPAIN

- REVIEWING THE INFORMATION OF PRUDENTIAL RELEVANCE PUBLISHED BY THE ENTITY
- IT HAS SUPERVISED THE INTERNAL FINANCIAL INFORMATION CONTROL SYSTEM (FIICS) THROUGH THE REVIEW PROCEDURE ESTABLISHED BY THE INTERNAL AUDIT DEPT.
- IT HAS SUPERVISED THE IMPLEMENTATION OF THE CHANGES ARISING FROM CIRCULAR 4/2016 WHICH MODIFIED CIRCULAR 4/2004
- IT HAS SUPERVISED THE CAPITAL SELF-EVALUATION PROCESS CARRIED OUT BY THE ENTITY
- IT HAS SUPERVISED THE INTERNAL AUDIT DUTIES, ENSURING ITS INDEPENDENCE AND EFFECTIVENESS, RECEIVING PERIODIC INFORMATION ON THE ACTIVITIES CARRIED OUT BY THE INTERNAL AUDIT DEPT.
- IT HAS ADOPTED THE AGREEMENT TO PROPOSE TO THE GOVERNING BOARD, FOR SUBMISSION TO THE GENERAL MEETING, THE EXTENSION OF THE EXTERNAL AUDIT CONTRACT
- IT HAS MONITORED THE RESULT OF THE EXTERNAL AUDIT, HOLDING JOINT MEETINGS WITH THE EXTERNAL AUDITOR, ANALYSING AND REVIEWING THE ASPECTS CONSIDERED TO BE ESPECIALLY RELEVANT
- IT HAS EXPRESSED AN OPINION, CONFIRMING THE INDEPENDENCE OF THE EXTERNAL AUDITORS, PRIOR TO THE ACCOUNTS AUDIT REPORT BEING ISSUED

Identify the director who is a member of the audit committee who has been appointed on the basis of his or her knowledge and experience in accounting, auditing or both and state the number of years that the Chairperson of this committee has held the position.

Name of the board member with experience	MS ELENA ZARRAGA BILBAO
No. of years the chairperson has held the position	1

Appointments Committee

Name	Position	Category
MR JOSE JAVIER SAENZ DE BURUAGA GABILONDO	MEMBER	
MR JOSE LUIS GARCIA GARCIA	MEMBER	
MR TXOMIN GARCIA HERNANDEZ	MEMBER	
MR ROBERTO RUIZ DE INFANTE AGUIRRE	CHAIR	
MR IÑAKI JOSU GOÑI GABILONDO	MEMBER	

% of shareholding board members	
% of independent board members	
% of other external members	
Number of meetings	6

Explain the duties attributed to this committee, describe its procedures and organisation and operational rules and summarise its most notable actions during the financial year.

ON 29 APRIL 2016 THE GOVERNING BOARD AGREED TO FORMALLY ESTABLISH THE APPOINTMENTS COMMITTEE AND THE REMUNERATION COMMITTEE AS SEPARATE COMMITTEES, AMENDING ARTICLE 11 OF THE RULES OF PROCEDURE OF THE GOVERNING BOARD.

THE APPOINTMENTS COMMITTEE HAS THE SPECIFIC DUTIES DESCRIBED IN THE GOVERNING BOARD REGULATIONS (ART 11.b), THAT IS:

- TO IDENTIFY AND RECOMMEND CANDIDATES, WITH A VIEW TO THEIR APPROVAL BY THE GOVERNING BOARD OR BY THE GENERAL MEETING, TO FILL THE VACANT POSTS OF THE GOVERNING BOARD.
- TO EVALUATE THE BALANCE OF KNOWLEDGE, ABILITY, DIVERSITY AND EXPERIENCE OF THE GOVERNING BOARD AND PREPARE A DESCRIPTION OF THE ROLES AND CAPABILITIES REQUIRED FOR A SPECIFIC APPOINTMENT, EVALUATING THE AMOUNT OF TIME ENVISAGED FOR THE PERFORMANCE OF THE JOB.

- TO PERIODICALLY EVALUATE, AT LEAST ONCE A YEAR, THE STRUCTURE, SIZE, COMPOSITION AND ACTIVITY OF THE GOVERNING BOARD, MAKING RECOMMENDATIONS ON THIS WITH RESPECT TO POSSIBLE CHANGES.
- TO PERIODICALLY EVALUATE, AT LEAST ONCE A YEAR, THE SUITABILITY OF THE VARIOUS MEMBERS OF THE GOVERNING BOARD AND OF THE GOVERNING BOARD AS A WHOLE, AND TO REPORT BACK ON THESE FINDINGS.
- TO PERIODICALLY REVIEW THE POLICY OF THE GOVERNING BOARD ON THE SELECTION AND APPOINTMENT OF MEMBERS OF THE SENIOR MANAGEMENT AND PROPOSE RECOMMENDATIONS.
- TO PERFORM THE FUNCTIONS ASSIGNED IN THE PROCEDURES MANUAL FOR THE SELECTION AND EVALUATION OF SUITABLE DIRECTORS AND KEY PERSONNEL.
- TO ESTABLISH A TARGET FOR THE REPRESENTATION OF THE GENDER LEAST REPRESENTED ON THE GOVERNING BOARD AND PREPARE GUIDELINES ON HOW TO INCREASE THE NUMBER OF THE GENDER LEAST REPRESENTED WITH A VIEW TO ACHIEVING THAT OBJECTIVE.

THE REGULATIONS ESTABLISH THAT THE APPOINTMENTS COMMITTEE WILL MEET WHENEVER IT IS CONSIDERED APPROPRIATE, WHEN CALLED BY ITS CHAIR, ON THEIR OWN INITIATIVE OR AT THE REQUEST OF ANY OF ITS MEMBERS. EACH OF THEM HAS ONE VOTE AND MOTIONS ARE ADOPTED BY SIMPLE MAJORITY AND THE VOTE OF THE CHAIR RESOLVES TIES.

WITH REGARD TO THE CATEGORY OF THE BOARD MEMBERS WHICH MAKE UP THE COMMITTEE, ROBERTO RUIZ DE INFANTE (COMMITTEE CHAIR) AND JOSE JAVIER SAENZ DE BURUAGA ARE "INDEPENDENT BOARD MEMBERS" (40% OF THE TOTAL), JOSE LUIS GARCÍA AND IÑAKI JOSU GOÑI ARE "WORKING PARTNER BOARD MEMBER" (40% OF THE TOTAL) AND TXOMIN GARCA IS "OTHER EXTERNAL BOARD MEMBER" (20% OF THE TOTAL). THERE ARE NO SHAREHOLDING OR EXECUTIVE DIRECTORS ON THE COMMITTEE.

THE "WORKING PARTNER BOARD MEMBER" IS A BOARD MEMBER WHO WORKS UNDER THE FIGURE OF WORKING PARTNER IN THE ENTITY AND DOES NOT PERFORM SENIOR MANAGEMENT DUTIES.

THE "OTHER EXTERNAL BOARD MEMBER" IS A BOARD MEMBER WHO DOES NOT MEET THE REQUIREMENTS TO BE INCLUDED IN THE OTHER CATEGORIES.

THE FOLLOWING INCLUDE THE MOST SIGNIFICANT ACTIONS OF THE APPOINTMENTS COMMITTEE IN 2016:

- THE CONTINUED EVALUATION OF THE SUITABILITY OF THE MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGEMENT AND KEY PERSONNEL AND THE ASSESSMENT OF THE BALANCE OF KNOWLEDGE, ABILITY, DIVERSITY AND EXPERIENCE ON THE GOVERNING BOARD.
- PRESENTATION OF THE EVALUATION REPORT ON THE STRUCTURE, SIZE, COMPOSITION AND ACTIVITY OF THE GOVERNING BOARD
- REVIEW OF THE PROPOSAL FOR THE GOVERNING BOARD POLICY ON THE SELECTION, APPOINTMENT AND SUCCESSION OF THE MEMBERS OF SENIOR MANAGEMENT.
- PROPOSAL FOR THE MODIFICATION OF THE PROCEDURES MANUAL FOR THE SELECTION AND EVALUATION OF THE SUITABILITY OF DIRECTORS AND KEY PERSONNEL OF CAJA LABORAL POPULAR COOP. DE CREDITO.

Remuneration Committee

Name	Position	Category
MR JOSE JAVIER SAENZ DE BURUAGA GABILONDO	MEMBER	
MR JOSE LUIS GARCIA GARCIA	MEMBER	
MR TXOMIN GARCIA HERNANDEZ	MEMBER	
MR ROBERTO RUIZ DE INFANTE AGUIRRE	CHAIR	
MR IÑAKI JOSU GOÑI GABILONDO	MEMBER	

% of shareholding board members	
% of independent board members	
% of other external members	
Number of meetings	7

Explain the duties attributed to this committee, describe its procedures and organisation and operational rules and summarise its most notable actions during the financial year.

ON 29 APRIL 2016 THE GOVERNING BOARD AGREED TO FORMALLY ESTABLISH THE APPOINTMENTS COMMITTEE AND THE REMUNERATION COMMITTEE AS SEPARATE COMMITTEES, AMENDING ARTICLE 11 OF THE RULES OF PROCEDURE OF THE GOVERNING BOARD.

THE REMUNERATION COMMITTEE HAS THE SPECIFIC DUTIES DESCRIBED IN THE GOVERNING BOARD REGULATIONS (ART 11.c), THAT IS:

- TO PROPOSE TO THE GOVERNING BOARD THE GENERAL REMUNERATION POLICY TO BE APPLIED IN THE ENTITY AND TO PREPARE THE DECISIONS TO BE ADOPTED BY THE GOVERNING BOARD CONCERNING REMUNERATION, INCLUDING THOSE THAT HAVE REPERCUSSIONS FOR THE RISK AND THE MANAGEMENT OF RISKS OF THE ENTITY.
- TO REPORT TO THE GOVERNING BOARD ON THE REMUNERATION POLICY OF THE MANAGEMENT INCLUDED IN THE "IDENTIFIED GROUP" AS WELL AS THE GENERAL REMUNERATION OF DIRECTORS WHEN THEY HAVE REMUNERATION FOR SUCH A STATUS AND THE DIRECTOR-GENERAL AND EQUIVALENTS, AS WELL AS THE INDIVIDUAL REMUNERATION AND OTHER CONTRACTUAL CONDITIONS OF THE MEMBERS OF THE GOVERNING BOARD WHO PERFORM EXECUTIVE FUNCTIONS.
- TO ENSURE THAT AN INDEPENDENT ANNUAL EVALUATION (INTERNAL OR EXTERNAL) OF THE APPLICATION OF THE REMUNERATION POLICY IS CARRIED OUT.
- TO ENSURE COMPLIANCE WITH THE REMUNERATION POLICY ESTABLISHED IN THE ENTITY AND PERIODICALLY REVIEW THE REMUNERATION POLICY APPLIED TO MANAGEMENT INCLUDED IN THE "IDENTIFIED GROUP" AND OF DIRECTORS WHEN THEY HAVE REMUNERATION FOR SUCH A STATUS AND THE DIRECTOR GENERAL AND EQUIVALENTS.
- TO EXERCISE THE OTHER FUNCTIONS AS LAID OUT IN THE CURRENT LEGISLATION, THE ARTICLES OF ASSOCIATION, AS WELL AS THOSE WHICH WERE ASSIGNED BY THE DECISION OF THE GOVERNING BOARD.

THE REGULATIONS ESTABLISH THAT THE REMUNERATION COMMITTEE WILL MEET WHENEVER IT IS CONSIDERED APPROPRIATE, WHEN CALLED BY ITS CHAIR, ON THEIR OWN INITIATIVE OR AT THE REQUEST OF ANY OF ITS MEMBERS. EACH OF THEM HAS ONE VOTE AND MOTIONS ARE ADOPTED BY SIMPLE MAJORITY AND THE VOTE OF THE CHAIR RESOLVES TIES.

WITH REGARD TO THE CATEGORY OF THE BOARD MEMBERS WHICH MAKE UP THE COMMITTEE, ROBERTO RUIZ DE INFANTE (COMMITTEE CHAIR) AND JOSE JAVIER SAENZ DE BURUAGA ARE "INDEPENDENT BOARD MEMBERS" (40% OF THE TOTAL), JOSE LUIS GARCÍA AND IÑAKI JOSU GOÑI ARE "WORKING PARTNER BOARD MEMBER" (40% OF THE TOTAL) AND TXOMIN GARCA IS "OTHER EXTERNAL BOARD MEMBER" (20% OF THE TOTAL). THERE ARE NO SHAREHOLDING OR EXECUTIVE DIRECTORS ON THE COMMITTEE.

THE "WORKING PARTNER BOARD MEMBER" IS A BOARD MEMBER WHO WORKS UNDER THE FIGURE OF WORKING PARTNER IN THE ENTITY AND DOES NOT PERFORM SENIOR MANAGEMENT DUTIES.

THE "OTHER EXTERNAL BOARD MEMBER" IS A BOARD MEMBER WHO DOES NOT MEET THE REQUIREMENTS TO BE INCLUDED IN THE OTHER CATEGORIES.

THE FOLLOWING INCLUDE THE MOST SIGNIFICANT ACTIONS OF THE REMUNERATION COMMITTEE IN 2016:

- UPDATE OF THE "REMUNERATIONS POLICY OF CAJA LABORAL POPULAR COOP.DE CRÉDITO", PROPOSING NEW APPOINTMENTS IN THE IDENTIFIED GROUP.
- PROPOSAL OF THE REMUNERATION POLICY OF THE GOVERNING BOARD FOR THE GENERAL MEETING.
- PRESENTATION OF THE INTERNAL EVALUATION REPORT ON THE REMUNERATION POLICY OF CAJA LABORAL POPULAR.

Risks committee

Name	Position	Category
MR LUIS MARIA UGARTE AZPIRI	MEMBER	
MR TXOMIN GARCIA HERNANDEZ	MEMBER	
MR RAFAEL IDIGORAS ALBERDI	MEMBER	
MS ELENA ZARRAGA BILBAO	CHAIR	
MS AINHOA GALLASTEGUI MARTÍNEZ	MEMBER	

% of shareholding board members	
% of independent board members	
% of other external members	
Number of meetings	7

Explain the duties attributed to this committee, describe its procedures and organisation and operational rules and summarise its most notable actions during the financial year.

THE RISKS COMMITTEE HAS THE SPECIFIC DUTIES DESCRIBED IN THE GOVERNING BOARD REGULATIONS (ART 11 BIS) I.E.:

- TO ADVISE THE GOVERNING BOARD WITH REGARD TO GLOBAL RISK PROPENSITY, CURRENT AND FUTURE, OF THE ENTITY AND ITS STRATEGY ON THIS MATTER, ASSISTING IT IN THE MONITORING OF THE APPLICATION OF THIS STRATEGY AND THE SPECIFIC POLICIES OF MANAGEMENT, SUPERVISION AND REDUCTION OF RISKS TO WHICH THE ENTITY IS OR MAY BE EXPOSED.

- TO ENSURE THAT THE ASSETS AND LIABILITIES PRICING POLICY OFFERED TO CLIENTS TAKES INTO ACCOUNT THE BUSINESS MODEL AND THE RISK STRATEGY OF THE ENTITY. OTHERWISE, TO PRESENT THE GOVERNING BOARD WITH A PLAN TO RESOLVE IT.

- TO ADVISE THE GOVERNING BOARD REGARDING THE MANAGEMENT AND SUPERVISION OF ALL THE RELEVANT RISKS OF THE ENTITY.

- TO ADVISE THE GOVERNING BOARD REGARDING STRESS TESTS AND CAPITAL PLANNING IN RELATION TO RISKS.

- TO ENSURE THAT SUITABLE RESOURCES ARE ASSIGNED TO RISK MANAGEMENT AND THE EFFICIENCY OF THE INTERNAL ORGANISATION.

- TO ENSURE THAT THERE ARE EFFICIENT CHANNELS OF INFORMATION IN TERMS OF RISKS FROM THE GOVERNING BOARD TO THE ORGANISATION AND VICE VERSA, DEFINING, TOGETHER WITH THE GOVERNING BOARD, THE NATURE, QUANTITY, FORMAT AND FREQUENCY OF THE INFORMATION ON RISKS WHICH MUST BE RECEIVED BY THE COMMITTEE AND THE GOVERNING BOARD.

- TO SUPERVISE THE VALUATION OF ASSETS, THE USE OF EXTERNAL CREDIT CLASSIFICATIONS AND THE INTERNAL MODELS REGARDING RISKS.

- TO HELP ESTABLISH RATIONAL REMUNERATIONS PRACTICES AND POLICIES. TO EXAMINE WHETHER THE INCENTIVES POLICY PLANNED IN THE REMUNERATION SYSTEM TAKES INTO ACCOUNT THE RISK, CAPITAL, LIQUIDITY AND PROBABILITY AND OPPORTUNITY OF PROFIT.

THE REGULATIONS ESTABLISH THAT THE RISKS COMMITTEE WILL MEET WHENEVER IT IS CONSIDERED APPROPRIATE, WHEN CALLED BY ITS CHAIR, ON THEIR OWN INITIATIVE OR AT THE REQUEST OF ANY OF ITS MEMBERS. EACH OF THEM HAS ONE VOTE AND MOTIONS ARE ADOPTED BY SIMPLE MAJORITY AND THE VOTE OF THE CHAIR RESOLVES TIES

WITH REGARD TO THE CATEGORY OF THE BOARD MEMBERS WHICH MAKE UP THE COMMITTEE, ELENA ZARRAGA (COMMITTEE CHAIR) AND RAFAEL IDIGORAS ARE "INDEPENDENT BOARD MEMBERS" (40% OF THE TOTAL), AINHOA GALLASTEGUI ES IS "WORKING PARTNER BOARD MEMBER" (20% OF THE TOTAL), TXOMIN GARCA IS "OTHER EXTERNAL BOARD MEMBER" (20% OF THE TOTAL) AND LUIS MARIA UGARTE IS "SHAREHOLDING BOARD MEMBER" (20% OF THE TOTAL). THERE ARE NO EXECUTIVE BOARD MEMBERS ON THE COMMITTEE

THE "WORKING PARTNER BOARD MEMBER" IS A BOARD MEMBER WHO WORKS UNDER THE FIGURE OF WORKING PARTNER IN THE ENTITY AND DOES NOT PERFORM SENIOR MANAGEMENT DUTIES.

THE "OTHER EXTERNAL BOARD MEMBER" IS A BOARD MEMBER WHO DOES NOT MEET THE REQUIREMENTS TO BE INCLUDED IN THE OTHER CATEGORIES

WITH REGARD TO THE ACTIVITY CARRIED OUT IN 2016 IN THE PERFORMANCE OF ITS DUTIES, THE RISKS COMMITTEE HAS DEVELOPED THE FOLLOWING:

- MONITORING AND CONTROL OF ALL RISKS THROUGH THE QUARTERLY DEPOSITIONS OF THE COAP.
- IT HAS ANALYSED AND VALIDATED THE MODIFICATIONS OF THE VARIOUS RISKS POLICIES AND MANUALS.
- IT HAS ANALYSED AND VALIDATED THE UPDATE OF LIMITATIONS AND COMPETENCES FOR THE VARIOUS TYPES OF RISKS.
- IT HAS ANALYSED AND VALIDATED THE 2015 IAC.
- IT HAS ANALYSED AND VALIDATED THE RECOVERY PLAN.
- IT HAS ANALYSED AND VALIDATED THE RISK APPETITE FRAMEWORK (RAF), THE RISK APPETITE STATEMENT (RAS), METHODOLOGIES AND STRESS TESTING SCENARIOS AND IT HAS CARRIED OUT MONITORING OF THE CORRESPONDING MANAGEMENT PLAN.

D LINKED OPERATIONS AND INTERGROUP OPERATIONS

D.1 Give details of the operations carried out between the entity or entities of your group, and the shareholders, cooperative participants, holders of proprietary rights or any other of an equivalent nature of the entity.

D.2 Give details of the operations performed between the entity or entities in your group, and the entity's administrators or members of the administrative body or directors.

D.3 Give details of the intergroup operations.

D.4 Give details of the mechanisms established to detect, determine and resolve possible conflicts of interest between your entity or your group and your board/administrative body members or directors.

IN ADDITION TO THE LEGALLY ESTABLISHED POSSIBILITY OF CHALLENGING THE MOTIONS MADE BY THE GENERAL MEETING AND THE GOVERNING BOARD THAT HARM THE INTERESTS OF CAJA LABORAL, TO THE BENEFIT OF ONE OR MORE SHAREHOLDERS OR THIRD PARTIES, THE FOLLOWING SPECIFIC REGULATIONS CAN BE APPLIED, REFERRING TO POSSIBLE CONFLICTS OF INTEREST:

A) IN COMPLIANCE WITH ARTICLE 7 OF THE RISKS POLICY MANUAL, AND AS A GENERAL CRITERIA, ALL THE RISK OPERATIONS PROPOSED BY THE MEMBERS OF THE GOVERNING BOARD, GENERAL MANAGER, THEIR FAMILY MEMBERS UP TO SECOND DEGREE CONSANGUINITY AND RELATED COMPANIES WILL REQUIRE A CENTRALISED APPROVAL AND MUST BE SUBJECTED TO THE APPROVAL OR RATIFICATION OF THE GOVERNING BOARD, REQUESTING AUTHORISATION FROM THE BANK OF SPAIN WHEN EXCEEDING THE LIMITS AND TERMS ESTABLISHED IN STANDARD 35 OF MEMO 2/2016 OF THE BANK OF SPAIN REGARDING SUPERVISION AND SOLVENCY OR OTHERWISE BEING THE OBJECT OF IMMEDIATE NOTIFICATION.

B) THE NEED TO MEET THE REQUIREMENTS WHICH ARE LATER INDICATED FOR THE AGREEMENTS OF THE GOVERNING BOARD REGARDING RISK OPERATIONS SPECIFIED IN LETTER A) ABOVE. THE REQUIREMENTS ARE AS FOLLOWS:

- THE AGREEMENT MUST BE ADOPTED BY SECRET BALLOT, AFTER HAVING CLEARLY INCLUDED THE MATTER IN THE AGENDA WITH DUE CLARITY.

- THE MOTION SHOULD BE ADOPTED BY A MAJORITY OF NO LESS THAN TWO THIRDS OF ALL THE BOARD MEMBERS. IF THE BENEFICIARY OF THE OPERATION OR SERVICE IS A BOARD MEMBER OR A MEMBER OF THEIR FAMILY, THEY WILL BE CONSIDERED AS HAVING A CONFLICT OF INTEREST AND WILL NOT BE ABLE TO TAKE PART IN THE VOTING.

- ONCE THE SECRET BALLOT HAS BEEN HELD AND THE RESULT ANNOUNCED, IT WILL BE APPROPRIATE TO OFFICIALLY RECORD ANY RESERVATIONS OR DISCREPANCIES WITH RESPECT TO THE MOTION ADOPTED.

THESE SAME REQUIREMENTS MUST BE COVERED WHEN IT IS A MATTER OF CONSTITUTING, SUSPENDING, MODIFYING, RENEWING OR CANCELLING CAJA LABORAL'S OBLIGATIONS OR RIGHTS WITH ENTITIES IN WHICH THESE PEOPLE OR THEIR AFOREMENTIONED FAMILY MEMBERS ARE IN CHARGE, BOARD MEMBERS, ADMINISTRATORS, TOP MANAGEMENT, CONSULTANTS OR BASIC MEMBERS WITH A CAPITAL SHARE THAT IS EQUAL TO OR GREATER THAN 5%.

THE APPOINTMENT OF BOARD MEMBERS IS SUBJECT TO A SUITABILITY MANUAL WHICH REQUIRES A SIGNED DECLARATION STATING THE ABSENCE OF CONTINUED OR STRUCTURAL CONFLICTS WITH THE

INTERESTS OF CAJA LABORAL AS A REQUIREMENT TO PROVE THE SUITABILITY OF THE BOARD MEMBER. IN THE SAME WAY, ON AN ANNUAL BASIS, THIS SITUATION IS VERIFIED WITHOUT PREJUDICE TO THE FACT THAT THE BOARD MEMBER IS RESPONSIBLE BEFORE CAJA LABORAL FOR IMMEDIATELY COMMUNICATING ANY CIRCUMSTANCE WHICH MAY AFFECT THEIR SUITABILITY, AND IS RESPONSIBLE FOR ANY LOSS SUFFERED BY THE ENTITY DUE TO THE ABSENCE OR DELAY IN THIS COMMUNICATION.

E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the entity's Risk Management System.

THE RISKS MANAGEMENT SYSTEM WORKS AS A WHOLE, WITH THE RESPONSIBILITY OF ADMISSION, MONITORING AND RECOVERIES OF TRADITIONAL CREDIT RISK AND THE MEASUREMENT AND CONTROL OF RISKS REGARDING INTEREST RATES, LIQUIDITY, MARKET AND OPERATIONS BEING CENTRALISED IN THE RISKS AREA. THE MONITORING OF THE DIFFERENT RISKS ARE REPORTED MONTHLY, EXCEPT OPERATIONAL RISK, TO THE ASSETS AND LIABILITY COMMITTEE, AND THE MONITORING OF OPERATIONAL RISKS IS REPORTED QUARTERLY TO THE OPERATIONAL RISK COMMITTEE.

THE MANAGEMENT OF ALL RISKS IS CENTRALISED, WITH THE ASSETS AND LIABILITIES COMMITTEE, AND THE OPERATIONAL RISK COMMITTEE IN THE CASE OF OPERATIONAL RISK, BEING RESPONSIBLE FOR THIS TASK. EXCEPT FOR TREASURY AND CAPITALS MARKET RISKS, WHICH ARE EXPRESSLY DELEGATED TO THE TREASURY DEPARTMENT, AND CREDIT RISK FOR THAT RELATED TO ATTRIBUTIONS CORRESPONDING TO BRANCHES OR TO THE RISKS AREA.

E.2 Identify the bodies in the entity responsible for the preparation and execution of the Risk Management System.

GOVERNING BOARD: HIGHEST ADMINISTRATIVE BODY ULTIMATELY RESPONSIBLE FOR THE SURVEILLANCE AND SUPERVISION OF ALL RISKS INCURRED BY THE ENTITY. THE GENERAL MANAGEMENT IS REQUIRED TO PROVIDE THOROUGH RISK CONTROL AND SYSTEMATIC RISK DISCLAIMER. IT HAS DIRECT PRESENCE IN CERTAIN RISK COMMITTEES.

GENERAL MANAGEMENT: RESPONSIBLE FOR THE IMPLEMENTATION OF RISK POLICIES, THROUGH DELEGATION BY THE GOVERNING BOARD. IT HAS ORGANISED RISK DUTIES UNDER THE PREMISE OF SEPARATION OF ROLES BETWEEN SALES MANAGEMENT AND ASSUMPTION OF RISKS.

THE RISKS AREA REPORTS QUARTERLY ON RISKS MONITORING AND CONTROL TO THE RISKS COMMITTEE AND THE GOVERNING BOARD, SPECIFYING THE LEVEL OF COMPLIANCE WITH THE DIFFERENT LIMITS AND THE PROCEDURES ESTABLISHED.

ASSETS AND LIABILITIES COMMITTEE: BODY WHICH CONTROLS INTEREST RATE (STRUCTURAL), LIQUIDITY, MARKET AND CREDIT RISKS. THE GLOBAL RISK CONTROL DEPT. REPORTS MONTHLY ON RISKS MONITORING, AND THIS COMMITTEE MAKES THE RELEVANT MANAGEMENT DECISIONS IN RELATION TO LIQUIDITY, INTEREST RATE AND MARKET RISKS.

OPERATIONAL RISK COMMITTEE: OPERATIONAL RISK CONTROLLING BODY. THE GLOBAL RISK CONTROL DEPT. REPORTS QUARTERLY ON INFORMATION RELATED TO OPERATIONAL RISKS MONITORING, AND THIS COMMITTEE MAKES THE RELEVANT DECISIONS IN RELATION TO THIS RISK.

RISKS AREA: CENTRALISES RESPONSIBILITY FOR ADMISSION, MONITORING AND RECOVERIES FOR INDIVIDUAL AND COMPANY CREDIT RISK AND THE CONSTRUCTION AND MAINTENANCE OF INTERNAL CREDIT RISK MODELS, AS WELL AS THE MEASUREMENT AND CONTROL OF LIQUIDITY, INTEREST RATE, MARKET AND OPERATIONAL RISKS.

GLOBAL RISKS CONTROL DEPT.: DEPENDS ON THE RISKS AREA. IT PROVIDES A GLOBAL VISION OF ALL RISKS BY CENTRALISING, WITHIN A SINGLE DEPT., THE MEASUREMENT AND CONTROL OF ALL RISKS, REPORTING TO THE COAP AND THE RISKS COMMITTEE, ON WHICH IT DEPENDS FUNCTIONALLY. IT IS RESPONSIBLE FOR THE PREPARATION OF CREDIT RISK MONITORING AND INTERNAL ADMISSIONS MODELS, AS WELL AS THE MEASUREMENT AND CONTROL OF LIQUIDITY, INTEREST RATE, MARKET AND OPERATIONAL RISKS.

RISKS MANAGEMENT DEPT.: DEPENDS ON THE RISKS AREA. IT IS IN CHARGE OF MANAGING CREDIT RISK WITH PRIVATE INDIVIDUALS AND COMPANIES, IN RESPECT OF ACCEPTANCE AS WELL AS FOR THE MONITORING AND RECOVERY OF IRREGULAR SITUATIONS IN THE PREVENTATIVE PHASE. IT INTERVENES IN THE SANCTION OF DOUBTFUL LOANS OF A CERTAIN AMOUNT THROUGH ITS PARTICIPATION IN THE DOUBTFUL LOANS COMMITTEE.

DEPT. OF MONITORING AND RECOVERIES: DEPENDS ON THE RISKS AREA. RESPONSIBLE FOR MONITORING COMPANIES RISK BEFORE IT ENTERS INTO ARREARS AND FOR RECOVERING THE IRREGULAR INVESTMENT SITUATIONS ARISING FROM THE ARREARS OF CLIENTS OF THE ENTITY'S RETAIL NETWORK. IT INTERVENES IN THE SANCTION OF DOUBTFUL LOANS OF A CERTAIN AMOUNT THROUGH ITS PARTICIPATION IN THE DOUBTFUL LOANS COMMITTEE.

LEGAL ADVISORY DEPT.: DEPENDS ON THE RISKS AREA. IT PROVIDES LEGAL DOCUMENTARY COVER AND SUPPORT TO THE RISK OPERATIONS AS WELL AS TO THE MANAGEMENT OF DISPUTES WITHIN THE COMPANY NETWORK.

TREASURY DEPT.: DEPENDS ON THE FINANCIAL AREA, IT MANAGES THE CREDIT RISK WITH FINANCIAL INSTITUTIONS AND PRIVATE FIXED INCOME, MARKET RISKS, SHORT-TERM LIQUIDITY RISK AND POSITIONS ARISING FROM THE DECISIONS MADE IN THE COAP.

REGULATORY COMPLIANCE DEPT.: INTERNAL ORGANISATION OF CONTROL AND MONITORING OF THE DIFFERENT AREAS OF REGULATORY COMPLIANCE. IT COORDINATES THE ENTITY'S DIFFERENT AREAS AND DEPARTMENTS.

NETWORK OF BRANCHES: FIRST PHASE IN THE PRIVATE INDIVIDUALS AND COMPANIES CREDIT RISK ADMISSION PROCESS, UP TO THE LIMIT OF THEIR SCOPE IN WHICH THEY HAVE DELEGATED FUNCTIONS FOR THE SCORING/RATING LEVELS, ALERTS AND COMPETENCES WHICH MAKE UP THE ENTITY'S RISK POLICY. IF THE RISK ADMISSION EXCEEDS THE RETAIL NETWORK RESPONSIBILITIES, THE SANCTION IS TAKEN BEFORE THE RISKS AREA.

INTERNAL AUDIT: INDEPENDENT AND OBJECTIVE ROLE OF ASSURANCE AND QUERIES, PROVIDING A SYSTEMATIC AND DISCIPLINED APPROACH TO ASSESS AND IMPROVE THE EFFICIENCY OF RISK MANAGEMENT, CONTROL AND GOVERNANCE PROCESSES.

E.3 Indicate the main risks which may affect the attainment of the business goals.

THE CREDIT RISK OF TRADITIONAL BUSINESS WITH INDIVIDUALS AND COMPANIES (INCLUDING CONCENTRATION RISK), STRUCTURAL INTEREST RATE RISK, LIQUIDITY RISK, TREASURY AND CAPITAL MARKET RISKS (COUNTERPART, COUNTRY, CONCENTRATION AND MARKET RISKS), OPERATIONAL RISK, REPUTATIONAL RISK AND BUSINESS RISK.

E.4 Identify whether the entity has a risk tolerance level.

THE ENTITY HAS LEVELS OF RISK TOLERANCE DEFINED IN THE RISK APPETITE FRAMEWORK. THE MAIN LEVELS OF TOLERANCE REFER TO CAPITAL, LIQUIDITY AND PROFITABILITY.

E.5 Indicate which risks have materialised during the financial year.

REGARDING THE INTEREST RATE RISK, THE LIMIT SET BY THE GOVERNING BOARD CONTROLLED BY THE COAP HAS NEVER BEEN EXCEEDED.

FOR MARKET RISKS, THE EXCESSES ARE SUPERVENED, I.E., MOTIVATED BY THE REDUCTION OF LIMITS AND NOT BY INCREASES OF THE POSITION. IN THESE CASES THE CONTROL SYSTEMS HAVE WORKED PROPERLY, WITH THE COAP HAVING BEEN INFORMED OF THE MENTIONED EXCESSES AND HAVING DECIDED WHETHER OR NOT TO MAINTAIN THE POSITION.

REGARDING THE LIQUIDITY RISK, THE SYSTEMATIC MONITORING OF THE ENTITY'S LIQUIDITY AND THE ANALYSIS OF ITS DEVIATIONS FROM THE FORECASTS AND THE MONTHLY TREASURY PLANS ALLOW SUFFICIENT TIME TO ANTICIPATE POSSIBLE MID-TERM IMPACTS, GENERATING THE NECESSARY CORRECTIVE ACTIONS IN ENOUGH TIME. THE LIQUIDITY RATIOS, INCLUDING THE LCR, SHOW EXCELLENT LEVELS. IN ADDITION, THE ENTITY HAS DRAWN UP A LIQUIDITY CONTINGENCY PLAN THAT SETS STRATEGIES FOR EMERGENCY LIQUIDITY SITUATIONS.

RELATING TO THE CREDIT RISK AND REGARDING OPERATIONS WITH THE INDIVIDUALS AND COMPANY SEGMENTS, WHEN THE RISK WITH A CREDITOR EXCEEDS THE ATTRIBUTIONS IN AN ORGANISATION, THE RULING IS IMPLEMENTED IN THE ORGANISATION WITH AN IMMEDIATELY HIGHER LEVEL OF ATTRIBUTIONS. IN OPERATIONS WITH FINANCIAL INSTITUTIONS AND LARGE CORPORATIONS, THE LIMITS HAVE NOT BEEN EXCEEDED DURING THE FINANCIAL YEAR.

AS FOR OPERATIONAL RISK, THE OPERATIONAL LOSSES THAT INEVITABLY OCCUR AS A RESULT OF THE ACTIVITY OF THE ENTITY ARE REDUCED AS A RESULT OF THE CONTROLS ESTABLISHED IN THE QUALITATIVE SECTION. DURING RECENT YEARS, PROVISIONS HAVE BEEN MADE FOR FUTURE REQUIREMENTS.

WITH REGARD TO REPUTATIONAL RISK, THE SITUATIONS ARISING FROM BUSINESS WITH THE CLIENTÈLE THAT HAVE GENERATED NEGATIVE ADVERTISING ARE BEING MANAGED.

E.6 Explain the response and supervision plans for the main risks of the entity.

INTERNAL SUPERVISION OF THE RISKS OF THE ENTITY IS DETERMINED BY THE ACTION OF INTERNAL AUDIT, WHICH ATTEMPTS TO ASSES AND IMPROVE THE EFFICIENCY OF THE RISKS CONTROL AND MANAGEMENT PROCESSES.

F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS RELATED TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (FIICS)

Describe the mechanisms that make up the control and risk management systems in relation to the financial reporting process (FIICS) of your entity.

F.1 Entity control environment

Give details, highlighting the main characteristics of, at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of a suitable and effective FIICS; (ii) its implementation; and (iii) its supervision.

CAJA LABORAL HAS INTERNAL CONTROL MECHANISMS IMPLEMENTED IN ORDER TO GUARANTEE THAT THE FINANCIAL INFORMATION PUBLISHED IN THE MARKETS, CONCERNING BOTH THE ENTITY AND THE GROUP, IS COMPLETE, RELIABLE AND APPROPRIATE. THIS PROCESS HAS BEEN REINFORCED WITH THE COMPLETION DURING 2014 OF THE FINANCIAL INFORMATION INTERNAL CONTROL SYSTEM (HEREINAFTER, FIICS).

IN SECTION 3.6. "RELIABILITY OF THE INFORMATION" OF THE CODE OF ETHICS AND PROFESSIONAL CONDUCT OF CAJA LABORAL DEFINES BOTH THE GOVERNING BODIES AND THE ROLES ASSIGNED TO EACH OF THEM, IN RELATION TO FIICS:

"THE CAJA LABORAL GOVERNING BOARD IS THE PARTY ULTIMATELY RESPONSIBLE FOR ESTABLISHING, MAINTAINING AND GUARANTEEING A SUITABLE AND EFFICIENT FIICS, WHICH CONTROLS AND ENSURES THAT THE FINANCIAL INFORMATION PUBLISHED IN THE MARKETS, CONCERNING BOTH THE ENTITY ITSELF AND THE GROUP IS COMPLETE, RELIABLE AND APPROPRIATE."

"THE GOVERNING BOARD AND THE INTERNAL AUDIT DEPT. ARE RESPONSIBLE FOR DESIGNING AND IMPLEMENTING EFFECTIVE CONTROL PROCEDURES TO PERMANENTLY GUARANTEE THE RELIABILITY OF THE FINANCIAL INFORMATION SUPPLIED TO THE MARKET. TO THIS END, IT WILL SUPPLY THE ENTITY WITH SUFFICIENT HUMAN AND MATERIAL RESOURCES, PROVIDING THE PEOPLE INVOLVED IN THE PREPARATION OF THE FINANCIAL INFORMATION WITH THE NECESSARY TRAINING FOR THEM TO PERFORM THEIR TASKS."

THE AUDIT COMMITTEE IS IN CHARGE OF SUPERVISING THE CORRECT WORKING OPERATION OF THE FIICS THROUGH MONITORING OF THE PREPARATION AND PRESENTATION PROCESS OF THE REGULATED FINANCIAL INFORMATION AND, ESPECIALLY, THE LEGAL REQUIREMENTS AND CORRECT APPLICATION OF THE GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. FOR THIS TASK, IT HAS THE COLLABORATION OF THE INTERNAL AUDIT DEPT. WHICH ASSISTS THE AUDIT COMMITTEE IN REPORTING ON THE SUPERVISION OF THE CORRECT DESIGN AND IMPLEMENTATION OF THE RISK CONTROL AND MANAGEMENT SYSTEMS, INCLUDING THE FIICS, AND WHICH SUPERVISES THEIR CORRECT AND EFFICIENT WORKING ORDER.

LASTLY, THE MANAGEMENT CONTROL AND PLANNING DEPARTMENT, DEPENDENT ON THE FINANCIAL AREA MANAGEMENT, COOPERATES IN THE DESIGN AND IMPLEMENTATION OF RISK CONTROL AND MANAGEMENT SYSTEMS, ESPECIALLY THAT REGARDING THE PROCESS OF PREPARATION, PRESENTATION AND INTEGRITY OF FINANCIAL INFORMATION WHICH IS DISSEMINATED IN THE MARKETS.

F.1.2. If they exist, especially regarding the process of preparing financial information, the following elements:

- Departments and/or mechanisms responsible for: (i) the design and revision of the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring there are sufficient procedures for its proper dissemination in the entity.

THE DESIGN AND REVIEW OF THE ORGANISATIONAL STRUCTURE IS THE RESPONSIBILITY OF THE ORGANISATION DEPARTMENT, WHICH ANALYSES AND REVIEWS THE NEED FOR RESOURCES IN EACH AREA SO THAT THEY CAN BE MET. THIS REVIEW, WHICH TAKES PLACE IN THE CENTRAL SERVICES AREAS AND DEPARTMENTS WHEN THE NEED ARISES TO ADAPT THEIR ORGANISATIONAL STRUCTURE,

NOT ONLY DECIDES THE STAFF REQUIRED BUT ALSO VALIDATES THE ORGANISATIONAL STRUCTURE OF EACH UNIT.

THUS, WITHIN THE SCOPE OF THE COMMERCIAL BRANCH NETWORK, EACH MONTH, USING A COMPUTER APPLICATION DESIGNED FOR THE PURPOSE, THE WORK LOAD OF EACH OFFICE IS MEASURED. THIS INFORMATION IS TRANSFERRED TO THE GENERAL MANAGEMENT, THE SOCIAL MANAGEMENT DIVISION (HR) AND THE COMMERCIAL NETWORK MANAGEMENT TO APPLY THE ADJUSTMENTS THAT NEED TO BE MADE TO RESOURCES.

THE ORGANISATION DEPT. IS ALSO RESPONSIBLE FOR DEFINING THE LINES OF RESPONSIBILITY AND AUTHORITY IN EACH AREA OF ACTIVITY, AND FOR THE DUTIES AND TASKS CARRIED OUT THEREIN, PUBLISHING THEM IN THE DIRECTORY OF EACH AREA.

IN 2015, IT APPROVED THE ORGANISATION MANUAL, A SINGLE REPOSITORY FOR THE TASKS PERFORMED IN THE ORGANISATION, AND IN 2016 IT WAS PUBLISHED ON THE CORPORATE INTRANET ACCESSIBLE BY ALL THE STAFF, TOGETHER WITH THE ORGANISATIONAL CHART OF THE ENTITY.

- Code of conduct, approving body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions in the register of operations and preparation of financial information), body responsible for analysing non-compliance and for proposing corrective actions and disciplinary measures.

THE ENTITY HAS A CODE OF ETHICS AND PROFESSIONAL CONDUCT, THE LAST UPDATE OF WHICH WAS APPROVED BY ITS GOVERNING BOARD IN JUNE 2015.

THE CODE OF ETHICS AND PROFESSIONAL CONDUCT ESTABLISHES, IN SECTION 3.6, ASPECTS TO BE TAKEN INTO ACCOUNT REGARDING RELIABILITY OF FINANCIAL INFORMATION, OF WHICH THE FOLLOWING ARE NOTEWORTHY:

“CAJA LABORAL IS RESPONSIBLE FOR PROVIDING RELIABLE, ACCURATE, COMPLETE AND TIMELY INFORMATION ON ITS FINANCIAL STATEMENTS AND ON EVENTS WHICH MAY HAVE A SIGNIFICANT IMPACT ON THESE.

IN ADDITION TO THE PROCEDURES ESTABLISHED IN THE GROUP TO ENSURE THAT THE FINANCIAL INFORMATION IS PREPARED IN COMPLIANCE WITH THE VALUATION REGULATIONS AND PRINCIPLES IN FORCE, ALL THE WORKING MEMBERS AND EMPLOYEES HAVE THE OBLIGATION TO DILIGENTLY COMPLY WITH THEIR TASKS REGARDING THE RECORDING AND TREATMENT OF THE INFORMATION, WHICH CONSTITUTES THE BASIS OF THE GROUP'S PUBLIC FINANCIAL INFORMATION PREPARATION PROCESS.

THE APPLICATION OF THIS RESPONSIBILITY IS ESPECIALLY IMPORTANT WITH REGARD TO THE DATA AND REPORTS WHICH ARE REQUIRED FOR PREPARING THE GROUP'S FINANCIAL STATEMENTS, AS ITS ADEQUATE RECORD AND INTERPRETATION ARE ESSENTIAL IN ORDER TO ENSURE A CORRECT APPLICATION OF THE RELEVANT VALUATION CRITERIA FOR EACH ACCOUNTING BALANCE, TRANSACTION OR CONTINGENCY”.

IN JUNE 2015 A MANUAL WAS APPROVED FOR THE PREVENTION OF AND RESPONSE TO OFFENCES AND THE CORRESPONDING CRIMINAL COMPLIANCE POLICY, THEREBY RATIFYING THE FIRM STANCE OF CAJA LABORAL TO MAINTAIN A RESPECTFUL CONDUCT WITH BOTH REGULATIONS AND ETHICAL STANDARDS AND SETTING FOR THIS PURPOSE A FRAMEWORK OF COMPLIANCE PRINCIPLES WITH REGARD TO CRIMINAL MATTERS. IN VIRTUE OF THIS MANUAL, THE ETHICS COMMITTEE ASSUMES THE ROLE OF ENSURING COMPLIANCE WITH THE PRINCIPLES OF THE CODE OF ETHICS AND PROFESSIONAL CONDUCT, IN GENERAL, AND THE MONITORING OF POTENTIALLY ILLICIT CONDUCTS FROM A CRIMINAL PERSPECTIVE.

FURTHERMORE, CAJA LABORAL ALSO HAS AN INTERNAL CODE OF CONDUCT IN THE AREA OF THE SECURITIES MARKET, WHICH APPLIES TO THE MEMBERS OF THE GOVERNING BOARD OF CAJA LABORAL, MEMBERS OF THE BOARDS OF DIRECTORS OF THE GROUP'S COMPANIES AND TO ALL THOSE PEOPLE, WHETHER OR NOT THEY ARE MANAGERS WHOSE WORK IS DIRECTLY OR MAINLY RELATED TO THE ACTIVITIES AND SERVICES OF THE ENTITY IN THE SECURITIES MARKET AREA OR WHO FREQUENTLY OR USUALLY HAVE ACCESS TO RELEVANT INFORMATION ABOUT CAJA LABORAL.

- Complaints channel, which allows the Audit Committee to be notified of irregularities of a financial and accounting nature, in addition to any non-compliance with the code of conduct or irregular activities in the organisation, reporting, if applicable, if it is of a confidential nature.

DUE TO THE APPROVAL OF THE MANUAL ON PREVENTION AND RESPONSE TO OFFENCES, THE COMPLAINTS CHANNEL IS MANAGED BY THE ETHICS COMMITTEE OF WHICH THE INTERNAL AUDIT DIRECTOR IS A MEMBER.

THIS COMPLAINTS CHANNEL IS AVAILABLE TO ALL PARTNERS, EMPLOYEES AND ADMINISTRATORS OF THE DIFFERENT COMPANIES WHICH ARE PART OF THE GROUP. ITS OPERATIONAL REGIME IS PART OF THE ENTITY'S MANUAL ON PREVENTION AND RESPONSE TO OFFENCES.

THROUGH THIS CHANNEL, THE ETHICS COMMITTEE, OF WHICH THE INTERNAL AUDIT DIRECTOR IS A MEMBER, IS INFORMED OF ANY POTENTIAL NON-COMPLIANCE WITH THE CODE OF ETHICS AND PROFESSIONAL CONDUCT, OF OPERATIONS AND BEHAVIOUR CONTRARY TO THE LEGISLATION IN FORCE AND THE INTERNAL REGULATIONS AND ANY POTENTIALLY SIGNIFICANT IRREGULARITIES, ESPECIALLY FINANCIAL AND ACCOUNTING IRREGULARITIES.

THE ENTITY'S MANUAL ON PREVENTION AND RESPONSE TO OFFENCES DESCRIBES THE SCOPE, CONTENT AND USE OF THE CHANNEL, ENSURING THE CONFIDENTIALITY OF THE COMPLAINT.

IN ADDITION, THE AUDIT COMMITTEE IS REGULARLY INFORMED OF THE WORK CARRIED OUT BY THE INTERNAL AUDIT, INCLUDING THAT RELATED TO ANY IRREGULAR ACTIONS WITHIN THE ORGANISATION.

- Regular training and refresher programmes for personnel involved in the preparation and review of financial information, as well as in the evaluation of the FIICS, to cover at least accounting standards, audit, internal control and risk management.

THE ENTITY HAS A TRAINING PLAN WHICH ENSURES THAT THE PERSONNEL DIRECTLY INVOLVED IN THE DRAFTING AND PREPARATION OF THE FINANCIAL INFORMATION, AND IN ITS REVIEW, HAVE THE TRAINING AND PROFESSIONAL SKILLS NECESSARY TO CARRY OUT THEIR DUTIES. IN THIS RESPECT, THESE MEMBERS OF STAFF ARE PERMANENTLY INFORMED ABOUT THE REGULATORY REQUIREMENTS IN FORCE.

THE TRAINING PROGRAMMES AND ACTIVITIES ARE MANAGED BY THE TRAINING SECTION OF THE ENTITY, WHICH ALSO KEEPS AN UP-TO-DATE RECORD OF ALL THE COURSES CARRIED OUT AND THEIR CHARACTERISTICS. SOME OF THE ASPECTS COVERED IN THE FIELDS OF FIICS DURING 2016 ARE DESCRIBED BELOW: ANALYSIS AND RISK MANAGEMENT, REGULATORY COMPLIANCE, FINANCIAL MANAGEMENT, INVESTMENT ANALYSIS...

TRAINING SESSIONS ARE IN-PERSON AND ON-LINE THROUGH INTERNAL AND EXTERNAL EDUCATORS.

F.2 Financial information risk assessment

Give details of at least:

F.2.1. What are the main characteristics of the risk identification process, including those of error or fraud, in terms of:

- Whether the process exists and is documented.

THE FIICS HAS BEEN DEVELOPED BY THE ENTITY MANAGEMENT IN ACCORDANCE WITH THE INTERNATIONAL STANDARDS ESTABLISHED BY THE "COMMITTEE OF SPONSORING ORGANIATIONS OF THE TREADWAY COMMISSION" (HEREINAFTER, "COSO"); WHICH ESTABLISHES FIVE COMPONENTS ON WHICH TO BASE THE EFFICIENCY OF THE INTERNAL CONTROL SYSTEMS:

- TO ESTABLISH A SUITABLE CONTROL ENVIRONMENT FOR MONITORING ALL THESE ACTIVITIES.
- TO EVALUATE ALL THE RISKS WHICH AN ENTITY COULD INCUR DURING THE PREPARATION OF ITS FINANCIAL INFORMATION.
- TO DESIGN THE CONTROLS REQUIRED TO MITIGATE THE MOST CRITICAL RISKS.
- TO ESTABLISH THE APPROPRIATE INFORMATION CIRCUITS IN ORDER TO DETECT AND COMMUNICATE THE WEAKNESSES OR INEFFICIENCIES OF THE SYSTEM.
- TO MONITOR THESE CONTROLS TO ENSURE THEIR EFFECTIVENESS AND THE VALIDITY OF THEIR EFFICIENCY OVER TIME.

THUS, THE PROCESS FOR IDENTIFYING RISKS WITH A POTENTIAL IMPACT ON THE FINANCIAL STATEMENTS IS SIGNIFICANT; FOCUSING ON IDENTIFYING THE CRITICAL MANAGEMENT PROCESSES RELATED TO THE GENERATION OF FINANCIAL INFORMATION AND THE AREAS OR HEADINGS OF THE FINANCIAL STATEMENTS WHERE THE MENTIONED RISKS ARE MATERIALISED. IN THE ANALYSIS PROCESS OF PROCESSES AND AREAS, BOTH QUANTITATIVE (BALANCE AND GRANULARITY) AND QUALITATIVE FACTORS (DEGREE OF AUTOMATION OF THE PROCESSES, OPERATION STANDARDISATION, LEVEL OF ACCOUNTING COMPLEXITY, CHANGES WITH REGARD TO THE PREVIOUS FINANCIAL YEAR, IDENTIFIED WEAKNESSES IN CONTROL, ETC.) ARE CONSIDERED.

THE FINANCIAL INFORMATION INTERNAL CONTROL RISKS EVALUATION AND IDENTIFICATION PROCESS IS DYNAMIC, IT CONTINUOUSLY EVOLVES OVER TIME, REFLECTING THE REALITY OF THE BUSINESS OF THE GROUP, THE RISKS WHICH AFFECT IT AND THE CONTROLS WHICH MITIGATE IT, AT EACH MOMENT IN TIME. THE EVALUATION OF THE EFFECTIVENESS OF THE FIICS CONTROLS IS PERFORMED BASED ON THE INDICATED RISKS IDENTIFICATION PROCESS, TAKING INTO ACCOUNT THE CHANGES IN THE ORGANISATION AND BUSINESS OF THE GROUP AND CONSIDERING THE LEVEL OF MATERIALITY, PROBABILITY OF OCCURRENCE OR POSSIBLE FINANCIAL IMPACT OF THE RISK WHICH COVERS THE MENTIONED CONTROLS.

- Whether the process covers all objectives of the financial information (existence and occurrence; integrity; valuation; presentation; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

THE PROCESS HAS BEEN DESIGNED TAKING INTO ACCOUNT ALL OBJECTIVES OF THE FINANCIAL INFORMATION CONSIDERED IN THE INTERNAL CONTROL DOCUMENT ON FINANCIAL INFORMATION IN THE LISTED ENTITIES ISSUED BY THE CNMV (EXISTENCE AND OCCURRENCE; INTEGRITY; VALUATION; PRESENTATION; BREAKDOWN AND COMPARABILITY; AND RIGHTS AND OBLIGATIONS).

AS INDICATED ABOVE, THE CRITERIA TO BE FOLLOWED FOR ALL TYPES OF IDENTIFIABLE RISKS AND WHICH ARE INCLUDED IN THE DESIGN OF THE FIICS ARE BOTH QUANTITATIVE AND QUALITATIVE. AS WELL AS CONSIDERING THE IDENTIFICATION OF RISKS OF ERROR AND FRAUD RELATED TO PUBLISHED FINANCIAL INFORMATION.

THE PLANNED FREQUENCY OF THE IDENTIFICATION PROCESS OF THE RELEVANT MATERIAL AREAS AND PROCESSES IS AT LEAST ANNUALLY, USING THE MOST RECENT FINANCIAL INFORMATION. FURTHERMORE, THIS EVALUATION WILL ALSO BE PERFORMED WHENEVER CIRCUMSTANCES ARISE WHICH HAVE NOT BEEN PREVIOUSLY IDENTIFIED AND WHICH SHOW POSSIBLE ERRORS IN THE FINANCIAL INFORMATION OR WHEN SUBSTANTIAL CHANGES ARE MADE IN THE OPERATIONS WHICH MAY LEAD TO THE IDENTIFICATION OF NEW RISKS, INCLUDING SITUATIONS WHICH ENTAIL CHANGES IN THE STRUCTURE OF THE GROUP, SUCH AS: MODIFICATIONS TO THE SCOPE OF CONSOLIDATION OR IN THE BUSINESS LINES, OR OTHER RELEVANT EVENTS, AMONG OTHER ASPECTS.

- The existence of a process for identifying the scope of consolidation, taking into account, amongst other aspects, the possible existence of complex company structures, instrumental or special purpose entities.

THE ENTITY HAS A PROCEDURE FOR IDENTIFYING AND UPDATING THE SCOPE OF CONSOLIDATION, WHICH IS THE RESPONSIBILITY OF THE INTERVENTION DEPT. EVERY QUARTER, THIS DEPT. REVIEWS THE INVENTORY OF INVESTEE COMPANIES IN ORDER TO DETECT ANY VARIATION THAT MAY BE INCLUDED IN THE SYSTEMS TO OBTAIN THE CONSOLIDATED FINANCIAL INFORMATION.

- Whether the process takes account of the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

AS MENTIONED ABOVE, AND DUE TO THE CONTROL STANDARDS AND METHODOLOGY IMPLEMENTED, THE EFFECTS OF OTHER TYPES OF RISKS (MARKET, CREDIT, OPERATIONAL, TECHNOLOGICAL, FINANCIAL, LEGAL, REPUTATIONAL, OF ANY OTHER NATURE) ARE TAKEN INTO ACCOUNT INSOFAR AS THEY MAY AFFECT THE FINANCIAL STATEMENTS.

REGARDING OPERATIONAL RISK, CAJA LABORAL HAS A MODEL FOR MANAGING OPERATIONAL RISK, WHICH INCLUDES A RISK IDENTIFICATION PROCESS (MAP SHOWING THE RISKS OF INTERNAL AND EXTERNAL FRAUD, AND TECHNOLOGICAL, OPERATIVE, BUSINESS PRACTICES AND LOSS RISKS) AND THE CONTROLS THAT MITIGATE THEM, AS WELL AS A QUANTITATIVE ASSESSMENT OF THEM. THE MODEL IS DIRECTLY MONITORED BY THE OPERATIONAL RISK COMMITTEE AND CONTAINED IN A COMPUTER APPLICATION AND IN VARIOUS POLICY, PROCEDURE AND USER MANUALS. RESPONSIBILITY FOR MONITORING ASSESSMENT OF THE OPERATIONAL RISKS AND THE CONTROLS ALLOCATED WITH THEM FALLS ON THE INTERNAL AUDIT DEPARTMENT.

- Which governing body of the entity supervises the process.

THE EXECUTION OF THE PROCEDURE FOR IDENTIFYING RISK AND CONTROLS IS THE RESPONSIBILITY OF THE MANAGEMENT CONTROL AND PLANNING DEPT., DEPENDENT ON THE FINANCIAL AREA MANAGEMENT, WHEREAS ITS SUPERVISION IS DOWN TO THE AUDIT COMMITTEE, THROUGH THE INTERNAL AUDIT DEPARTMENT.

F.3 Control activities

State, highlighting the main characteristics, whether you have at least:

- F.3.1. Procedures for reviewing and authorising the financial information and the description of the FIICS, to be published on the securities markets, indicating those responsible, as well as descriptive documentation of the flows of activities and controls (including those related to the risk of fraud) of the different types of transactions that may materially affect the financial statements, including the accounting closure procedure and the specific review of relevant judgements, estimates, valuations and projections.

THE PROCEDURES FOR THE REVIEW AND AUTHORISATION OF FINANCIAL INFORMATION OF THE GROUP WHICH IS PUBLISHED IN THE MARKETS BEGINS WITH THE REVIEW BY THE FINANCIAL AREA MANAGEMENT. THE INDIVIDUAL AND CONSOLIDATED ANNUAL ACCOUNTS ARE REVIEWED BY THE INTERNAL AUDIT DEPARTMENT AS A STEP PRIOR TO THEIR FORMULATION BY THE GOVERNING BOARD. THE AUDIT COMMITTEE THEN READS THE INFORMATION AND DISCUSSES IT WITH THE MANAGERS FROM THE FINANCIAL AREA, INTERNAL AUDIT AND WITH THE EXTERNAL AUDITORS, BEFORE IT IS SENT TO THE GOVERNING BOARD.

REGARDING ACTIVITIES AND CONTROLS DIRECTLY RELATED TO TRANSACTIONS THAT COULD MATERIALLY AFFECT THE FINANCIAL STATEMENTS, THE ENTITY HAS PROCEDURE MANUALS SPECIFIC TO THE AREAS OR DEPARTMENTS AND TO THE FINANCIAL INFORMATION CONTROL AREAS. THESE MANUALS ARE DRAFTED BY THE AREAS AND APPROVED BY THE GOVERNING BOARD.

THE PROCEDURES INCLUDE THE ORGANISATION CHART AND THE FUNCTIONS INVOLVED IN THE PROCESS, THE SYSTEMS INVOLVED AND THE DESCRIPTION OF THE PROCESS. ADDITIONALLY, THE MATRIX OF RISK AND CONTROLS COVER THE FOLLOWING FIELDS, AMONG OTHERS:

- DESCRIPTION OF THE RISK.
- CONTROL ACTIVITY.
- CONTROL CLASSIFICATION: KEY/STANDARD.
- CONTROL CATEGORY: PREVENTIVE/DETECTIVE.
- METHOD: MANUAL/MIXED/AUTOMATIC.
- SYSTEM WHICH SUPPORTS THE CONTROL.
- CONTROL MANAGER AND EXECUTOR.
- CONTROL FREQUENCY.
- CONTROL EVIDENCE.

BELOW ARE THE SIGNIFICANT PROCESSES (DISTINGUISHING BETWEEN TRANSVERSAL PROCESSES AND BUSINESS PROCESSES) ASSOCIATED WITH THE FINANCIAL AREAS OF THE ENTITY FOR WHICH THE AFOREMENTIONED DOCUMENTATION IS AVAILABLE:

TRANSVERSAL PROCESSES:

- ACCOUNTING CLOSURE.
- CONSOLIDATION.
- LEGAL AND FISCAL MANAGEMENT.
- GENERAL COMPUTER CONTROLS.
- JUDGEMENTS AND ESTIMATIONS.

BUSINESS PROCESSES:

- CREDIT INVESTMENT
 - CONCESSION.
 - MONITORING AND RECOVERY.
- FINANCIAL INSTRUMENTS.
- REAL ESTATE ASSETS RECEIVED AS PAYMENT OF DEBT.

THE DESCRIPTIVE DOCUMENTATION DESCRIBED ABOVE INCLUDES:

- A DESCRIPTION OF THE AREAS AND DEPARTMENTS INVOLVED IN EACH OF THE IDENTIFIED PROCESSES.
- THE DESCRIPTION FOCUSED ON THE PREPARATION OF FINANCIAL INFORMATION OF THE PROCEDURES, CONTROLS AND VERIFICATIONS OF THE ACTIVITIES RELATED TO THE PROCESS FROM THE BEGINNING.
- THE IDENTIFICATION OF THE COMPUTER SYSTEMS INVOLVED IN EACH PROCESS.

- THE IDENTIFICATION OF RELEVANT RISKS WITH A MATERIAL IMPACT ON THE ENTITY'S FINANCIAL STATEMENTS.
- THE IDENTIFICATION OF THE CONTROLS AND THEIR DESCRIPTION, AS WELL AS THEIR ASSOCIATION WITH THE PREVIOUSLY IDENTIFIED RISKS.

THE CAJA LABORAL ACCOUNTING CLOSURE PROCEDURE IS AUTOMATED AND THE ACCOUNTING TAKES PLACE AUTOMATICALLY THROUGH THE ENTITY'S VARIOUS APPLICATIONS. AFTER THIS INITIAL PROCESS HAS TAKEN PLACE, THE INSPECTION DEPT. REVIEWS THE INFORMATION, COMPARING IT TO BOTH THE DATA FROM THE PREVIOUS MONTH AND THE FORECAST FIGURES, IN ORDER TO VALIDATE THE CLOSURE OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE MONTH.

ACCOUNTING CLOSURE OF THE SUBSIDIARIES IS CARRIED OUT BY THEIR CORRESPONDING ENTITY, EXCEPT IN THE CASE OF THE REAL ESTATE PROMOTION COMPANIES, WHICH ARE SUB-CONTRACTED TO A THIRD PARTY. ONCE THE INFORMATION HAS BEEN RECEIVED FROM THE SUBSIDIARIES, A REVIEW IS PERFORMED BY THE CAJA LABORAL INSPECTION DEPARTMENT IN ORDER TO CARRY OUT THE CONSOLIDATION PROCESS.

AS MENTIONED IN THE ANNUAL ACCOUNTS, ESTIMATIONS HAVE BEEN USED, AS APPROPRIATE, FOR THE VALUATION OF CERTAIN ASSETS, LIABILITIES, INCOME, EXPENDITURE AND COMMITMENTS PERFORMED BY THE SENIOR MANAGEMENT OF THE PARENT ENTITY AND OF THE INVESTEE ENTITIES AND RATIFIED BY THE ADMINISTRATORS. IN THESE ANNUAL ACCOUNTS THE ENTITY ANNOUNCES THE MOST RELEVANT AREAS IN WHICH THERE ARE OPINION OR ESTIMATE PARAMETERS, AND THE KEY ASSUMPTIONS USED BY THE GROUP WITH RESPECT TO THEM. IN THIS RESPECT, THE MAIN ESTIMATIONS MADE MAKE REFERENCE TO:

- THE IMPAIRMENT LOSSES OF CERTAIN ASSETS.
- THE USEFUL LIFE APPLIED TO THE ELEMENTS OF THE TANGIBLE ASSET AND THE INTANGIBLE ASSET.
- THE VALUATION OF GOODWILL.
- THE FAIR VALUE OF CERTAIN UNQUOTED ASSETS.
- THE EXPECTED COST AND EVOLUTION OF CONTINGENT LIABILITIES AND PROVISIONS.
- HYPOTHESES USED FOR CALCULATING INSURANCE LIABILITIES.
- THE ACTUARIAL HYPOTHESES USED FOR CALCULATING THE POST-EMPLOYMENT REMUNERATION LIABILITIES AND COMMITMENTS.
- THE RECOVERABILITY EVALUATION OF ACTIVATED TAX CREDITS

ALSO, WITHIN THE FIICS , CAJA LABORAL HAS ESTABLISHED A GENERAL POLICY FOR MAKING JUDGEMENTS AND ESTIMATES, WHICH INCLUDES ALL THE ASPECTS TO BE CONSIDERED SUCH AS THE RESPONSIBILITIES IN THEIR PREPARATIONS AND REVIEW.

F.3.2. Policies and procedures for internal control regarding the information systems (amongst others, secure access, monitoring of changes, their implementation, operational continuity and separation of roles) that support the relevant company processes in relation to the preparation and publication of financial information.

IN THE 2016 FINANCIAL YEAR, VARIOUS INITIATIVES WERE IMPLEMENTED IN RELATION TO THE COMPREHENSIVE SECURITY MASTER PLAN THAT EMERGED FROM THE SECURITY DIAGNOSIS WHICH WAS CONDUCTED WITH THE AIM OF CARRYING OUT A COMPREHENSIVE SECURITY ANALYSIS AND DETECTING IMPROVEMENTS IN THE AREAS OF GOVERNANCE, SURVEILLANCE, PROTECTION AND RESILIENCE.

REGARDING THE AREA OF GOVERNANCE, THE COMPREHENSIVE SECURITY POLICY WAS APPROVED, AS A REFERENCE DOCUMENT AND STARTING POINT THAT OUTLINES THE STRATEGIES FOR THE ENTITY'S SECURITY AND WHICH ALSO REFLECTS THE COMMITMENT OF THE MANAGEMENT. ITS AIM IS TO SERVE AS A GUIDELINE FOR DEVELOPING THE PROCEDURES AND IMPLEMENTING THE PROCESSES FOR MANAGING SECURITY.

LASTLY, IN RELATION TO THE AREA OF GOVERNANCE, PROGRESS WAS MADE IN THE DEVELOPMENT AND DOCUMENTATION OF SECURITY FUNCTIONS THAT WILL LEAD TO THE REDEFINITION AND IMPROVEMENT OF SECURITY PRACTICES, THE ASSIGNMENT OF RESPONSIBILITY AND THE DEFINITION OF METRICS IN THE COMING YEAR.

REGARDING THE AREAS OF PROTECTION AND SURVEILLANCE, ANOTHER INITIATIVE WAS DEVELOPED TO IMPLEMENT A FRAMEWORK OF TRAINING AND AWARENESS ON SECURITY MATTERS FOR THE STAFF OF CAJA LABORAL. FIRSTLY, THERE WILL BE ONLINE TRAINING, VIA THE GARATUZ PLATFORM, THAT WILL BE DIRECTED AT ALL STAFF AND WHICH WILL BE LAUNCHED AT THE BEGINNING OF NEXT YEAR.

REGARDING THE AREA OF RESILIENCE, AND FOCUSED ON CRISIS MANAGEMENT, THE UPDATING OF THE BUSINESS CONTINUITY PLAN WAS INITIATED. ALL THE PROCESSES OF THE ENTITY WERE ANALYSED, DETERMINING WHICH WERE THE MOST CRITICAL FROM A CONTINUITY POINT OF VIEW, AND THE CORRESPONDING ANALYSIS OF THE IMPACT OF THESE HAS BEEN STARTED. THE OBJECTIVE, BEYOND HAVING THE CORRESPONDING PLANS, IS TO IMPLEMENT A BUSINESS CONTINUITY MANAGEMENT SYSTEM.

LASTLY, THE PLANS FOR SELF-PROTECTION OF THE CENTRAL BUILDINGS WERE COMPLETED.

F.3.3. Internal control policies and procedures for supervising the management of activities subcontracted to third parties, as well as those aspects of evaluation, calculation or valuation assigned to independent experts, which may materially affect the financial statements.

IN 2016, THE ACTIVITIES ASSIGNED TO THIRD PARTIES, RELATED TO VALUATIONS AND CALCULATIONS OF INDEPENDENT EXPERTS, WERE RELATED TO THE VALUATION OF PROPERTIES FOR OWN USE. A CLASSIFICATION AND VALUATION OF ASSETS WAS ALSO CARRIED OUT IN ORDER TO EVALUATE AND ACKNOWLEDGE THE RISK TOLERANCE, TO HELP DRAW UP THE GUIDELINES AND LEVELS TO DEFINE THE SECURITY MEASURES TO BE IMPLEMENTED DEPENDING ON THE CATEGORISATION OF THE ASSETS, ALLOWING A RATIONAL AND HOMOGENEOUS INVESTMENT IN THE AREA OF SECURITY.

WITH REGARD TO THE SURVEILLANCE AREA, A DETECTION, CONTAINMENT AND RESPONSE SERVICE WAS CONTRACTED TO COMBAT CYBER THREATS. ETHICAL HACKING WAS ALSO CARRIED OUT TO ANALYSE THE VULNERABILITIES BY PERFORMING A PENETRATION TEST ON THE ELECTRONIC BANKING APPLICATION AND THE INFRASTRUCTURE THAT SUPPORTS IT

F.4 Information and communication

State, highlighting the main characteristics, whether you have at least:

F.4.1. A specific role in charge of defining and keeping accounting policies up to date (accounting policies area or department) and resolving questions or conflicts arising from their interpretation, maintaining smooth communications with those responsible for operations in the organisation, as well as maintaining an accounting policy manual, updated and notified to the units through which the entity operates.

THE INSPECTION DEPARTMENT IS RESPONSIBLE FOR IDENTIFYING, DEFINING AND COMMUNICATING THE ACCOUNTING POLICIES THAT AFFECT THE ENTITY, INCLUDING THE SUBSIDIARIES, AND FOR ANSWERING ANY ACCOUNTING QUERIES THAT MAY ARISE IN THE SUBSIDIARY COMPANIES OR BUSINESS UNITS OF THE ENTITY.

THE ENTITY HAS AN ACCOUNTING MANUAL, WHICH DETERMINES AND EXPLAINS THE REGULATIONS FOR PREPARING THE FINANCIAL INFORMATION AND HOW THESE REGULATIONS SHOULD BE APPLIED TO THE OPERATIONS SPECIFIC TO THE ENTITY, SUCH AS, FOR EXAMPLE, CONSOLIDATION PACKAGES FOR THE SUBSIDIARY COMPANIES. THESE DOCUMENTS NOT ONLY REFER EXPLICITLY TO THE STANDARDS THAT APPLY TO EACH TYPE OF TRANSACTION, BUT THEY ALSO DEVELOP AND EXPLAIN THEIR INTERPRETATION SO THAT THEY CAN BE ADAPTED PRECISELY TO EACH TYPE OF TRANSACTION.

THESE DOCUMENTS ARE REGULARLY UPDATED AND THEREFORE ANY SIGNIFICANT AMENDMENTS OR UPDATES ARE NOTIFIED TO THE COMPANIES TO WHICH THEY APPLY.

THE CONSOLIDATION PACKAGES ARE PREPARED BY EACH SUBSIDIARY COMPANY OF THE FINANCIAL GROUP AND IT IS THE INSPECTION DEPT. THAT SUPERVISES THE COMPLIANCE OF THOSE INVESTEE COMPANIES WITH THE ACCOUNTING POLICIES ESTABLISHED BY THE GROUP. THIS DEPARTMENT ANALYSES AND REVIEWS THE INFORMATION FROM THE SUBSIDIARIES AND MAKES ANY CORRECTIONS THAT MAY BE NECESSARY.

IF THERE ARE REGULATORY CHANGES CONCERNING THE FINANCIAL INFORMATION THAT HAVE AN IMPACT ON THE FINANCIAL STATEMENTS, THE INSPECTION DEPARTMENT IS RESPONSIBLE FOR REVISING, ANALYSING AND UPDATING THE ACCOUNTING STANDARDS. FURTHERMORE, THIS DEPARTMENT IS ALSO RESPONSIBLE FOR NOTIFYING ANY AMENDMENTS OR UPDATES TO BOTH THE ENTITY'S BUSINESS UNITS AND THE SUBSIDIARIES.

THE FRAMEWORK FOR FINANCIAL ACCOUNTING INFORMATION APPLIED BY THE ENTITY AND ITS GROUP INCLUDES: (I) THE INTERNATIONAL REGULATIONS ON FINANCIAL INFORMATION, ADOPTED BY THE EUROPEAN UNION AND (II) CIRCULAR 4/2004, OF 22 DECEMBER, FROM THE BANK OF SPAIN.

F.4.2. Mechanisms for capturing and preparing the financial information with standard formats

for application and use by all units of the institution or group, which support the main financial statements and the notes, as well as the information given about the FIICS.

THERE ARE CONTROL MEASURES IN PLACE TO ENSURE THAT THE BACK-UP DATA FOR THE FINANCIAL INFORMATION IS COLLECTED IN FULL, AND IN AN ACCURATE AND TIMELY MANNER, BEING ALSO NOTIFIED IN A TIMELY MANNER. THE PROCESS OF CONSOLIDATION AND PREPARATION OF THE FINANCIAL INFORMATION IS CENTRALISED AND CARRIED OUT BY THE ENTITY.

THIS PROCESS USES THE CONSOLIDATION PACKAGES FROM THE FINANCIAL STATEMENTS REPORTED BY THE SUBSIDIARIES AS INPUT, FOLLOWING THE GUIDELINES AND FORMATS IN PLACE, AS WELL AS THE REST OF THE FINANCIAL INFORMATION REQUIRED, BOTH IN THE ACCOUNT STANDARDISATION PROCESS AND TO COVER THE ESTABLISHED INFORMATION REQUIREMENTS. THE INTERVENTION DEPARTMENT IS RESPONSIBLE FOR REVIEWING THE FINANCIAL INFORMATION REPORTED BY THE SUBSIDIARY COMPANIES.

THE INSPECTION DEPARTMENT PERFORMS A SERIES OF CONTROLS TO ENSURE THE RELIABILITY AND CORRECT PROCESSING OF THE FINANCIAL INFORMATION RECEIVED FROM THE SUBSIDIARIES AND THE BUSINESS UNITS, AMONG WHICH ARE CHECKS ON THE CORRECT IMPLEMENTATION OF THE VARIOUS CONSOLIDATION ENTRIES, VARIATIONS IN THE RESULTS OBTAINED ON THE BUDGET AND THE CHECKS SPECIFIC TO THE BANK OF SPAIN, WHERE THE VARIOUS BALANCE SHEET AND PROFIT AND LOSS ACCOUNT ENTRIES ARE INTER-RELATED.

F.5 Supervising the system's operation

Give details, highlighting the main characteristics, of at least:

F.5.1. The FIICS supervision activities carried out by the Audit Committee and whether the entity has an internal audit function that includes among its responsibilities the support of the committee in its work of supervising the internal control system, including the FIICS.

Also, give details on the scope of the evaluation of the FIICS conducted in the financial year and on the procedure by which the person responsible for carrying out the evaluation communicates its results, whether the entity has an action plan detailing any corrective measures and whether its impact on financial information has been considered.

AMONG THE COMPETENCES ASSIGNED TO THE AUDIT COMMITTEE, AS WELL AS THAT OF SUPERVISING THE INTERNAL AUDIT SERVICES, ARE THOSE REGARDING THE SUPERVISION OF THE PROCESS OF DEVELOPMENT AND PRESENTATION OF FINANCIAL INFORMATION AND THE INTERNAL CONTROL SYSTEMS OF THE COMPANY, AND DELEGATES THE DEVELOPMENT OF THESE ACTIVITIES TO THE INTERNAL AUDIT DEPARTMENT.

TO EXERCISE ITS FUNCTIONS, THE INTERNAL AUDIT DEPARTMENT IS DIVIDED INTO FOUR SECTIONS: FINANCIAL UNITS AUDIT, CUSTOMER MANAGEMENT UNITS AUDIT, REMOTE AUDIT AND INFORMATION TECHNOLOGY AUDIT, AND THEIR MAIN TASK IS TO ESTABLISH THE INTERNAL CONTROL MEASURES NECESSARY TO GUARANTEE THE RELIABILITY OF THE FINANCIAL INFORMATION, OPERATIONAL EFFICIENCY (OF BOTH PROCEDURES AND MANAGEMENT), COMPLIANCE WITH THE INTERNAL AND EXTERNAL REGULATIONS THAT APPLY, AND PROTECTION OF THE ENTITY'S ASSETS.

FURTHERMORE, THE ENTITY'S CODE OF ETHICS AND PROFESSIONAL CONDUCT ESTABLISHES THAT THE GOVERNING BOARD AND THE INTERNAL AUDIT DEPT. ARE RESPONSIBLE FOR DESIGNING AND IMPLEMENTING EFFECTIVE CONTROL PROCEDURES TO PERMANENTLY GUARANTEE THE RELIABILITY OF THE FINANCIAL INFORMATION SUPPLIED TO THE MARKET.

TO ACHIEVE ITS OBJECTIVE, INTERNAL AUDIT CARRIES OUT SCHEDULED REVIEWS OF THE SYSTEMS IMPLEMENTED FOR CONTROLLING RISKS, INTERNAL OPERATING PROCEDURES AND COMPLIANCE WITH THE INTERNAL AND EXTERNAL REGULATIONS THAT APPLY AT ANY TIME.

THE INTERNAL AUDIT DEPT. INCLUDES IN ITS ANNUAL ACTION PLAN, REVIEWS OF THE PROCESSES CONSIDERED TO BE RELEVANT, WITH THE AIM OF REVIEWING THE ENTIRETY OF THE SAME OVER A THREE YEAR PERIOD, WITH THE EXCEPTION OF CERTAIN AREAS OR PROCESSES CONSIDERED TO BE ESPECIALLY RELEVANT, INCLUDING THE ACCOUNTING CLOSURE, THE REVIEW OF JUDGEMENTS AND ESTIMATIONS AND THE GENERAL CONTROLS ON INFORMATION SYSTEMS, FOR WHICH THE EVALUATION IS PERFORMED ANNUALLY.

THE SCOPE OF THE SUPERVISION AND EVALUATION OF THE FIICS PERFORMED DURING THE 2016 FINANCIAL YEAR INCLUDED THE FOLLOWING REVIEWS:

- REVIEW OF THE TRANSVERSAL PROCESSES OF ACCOUNTING CLOSURE AND CONSOLIDATION. ALSO, THE PROCESS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION PUBLISHED BY CAJA LABORAL WAS SUPERVISED.

- REVIEW OF THE JUDGEMENTS AND ESTIMATIONS USED FOR CALCULATING RELEVANT CONTINGENT LIABILITIES AND PROVISIONS
- REVIEW OF THE TRANSVERSAL PROCESS OF GENERAL COMPUTER CONTROLS
- REVIEW OF THE CREDIT INVESTMENT BUSINESS PROCESS

THE RESULT OF THE FIICS REVIEW AND EVALUATION CARRIED OUT IN 2016 WAS PERIODICALLY PRESENTED TO THE AUDIT COMMITTEE BY THE DIRECTOR OF THE INTERNAL AUDIT DEPARTMENT.

F.5.2. Whether you have a discussion procedure whereby the auditor (in accordance with that established in the Technical Auditing Standards), the internal audit function and other experts can communicate with senior management and the Audit Committee or administrators of the entity, any significant internal control weaknesses identified during the review processes of the annual accounts or any others that have been entrusted to them. Also, whether there is an action plan to correct or reduce any weaknesses observed.

THE AUDIT COMMITTEE MEETS THE EXTERNAL AUDITOR TWICE DURING THE FINANCIAL YEAR:

- THE FIRST MEETING IS HELD AT THE END OF THE PRELIMINARY WORK FOR THE INTERIM VISIT THAT FORMS PART OF THE ANNUAL AUDIT, WHERE THE EXTERNAL AUDITOR PRESENTS THE PRELIMINARY CONCLUSIONS OBTAINED FROM THE WORK CARRIED OUT TO DATE.
- THE SECOND MEETING TAKES PLACE PRIOR TO THE FORMULATION OF THE ANNUAL ACCOUNTS. AT THIS MEETING THE EXTERNAL AUDITOR PRESENTS THE FINAL CONCLUSIONS OF THE AUDIT.

MOREOVER, THE ACCOUNT AUDITOR HAS DIRECT ACCESS TO SENIOR MANAGEMENT AND TO THE INTERNAL AUDIT DIVISION, HOLDING REGULAR MEETINGS WITH THEM BOTH TO OBTAIN THE INFORMATION NECESSARY FOR THIS WORK AND ALSO TO DISCUSS ANY WEAKNESSES DETECTED.

THE INTERNAL CONTROL MEMORANDUM OF SUGGESTIONS AND RECOMMENDATIONS ISSUED BY THE EXTERNAL AUDITOR IS PRESENTED TO THE AUDIT COMMITTEE AND SUBSEQUENTLY SENT FOR APPROVAL TO THE ENTITY'S GOVERNING BOARD. THIS DOCUMENT CONTAINS COMMENTS FROM THE GENERAL MANAGEMENT FOR EACH RECOMMENDATION AND, WHERE APPLICABLE, THE ACTION PLANS OR MEASURES ADOPTED TO RESOLVE ANY WEAKNESSES.

LASTLY, DEPENDING ON THE SCALE OF THE RECOMMENDATIONS ISSUED BY THE EXTERNAL AUDITOR, THE ANNUAL INTERNAL AUDIT PLAN USUALLY INCLUDES WORK FOR MONITORING THE MEASURES THAT HAVE BEEN ADOPTED.

WITH REGARDS TO THE RESULT OF THE TASKS CARRIED OUT BY THE INTERNAL AUDIT, THE ISSUED REPORTS ARE PRESENTED BY THE DEPT. DIRECTOR TO THE MANAGERS OF THE AUDITED CENTRE AND TO THE GENERAL MANAGEMENT, AND THE DEGREE OF IMPLEMENTATION OF THE RECOMMENDATIONS PROPOSED IN THE REPORTS IS SUBSEQUENTLY MONITORED.

FURTHERMORE, THE AUDIT COMMITTEE MEETS AT LEAST QUARTERLY AT THE REQUEST OF THE DIRECTOR OF THE INTERNAL AUDIT DEPT., IN ORDER TO RECEIVE INFORMATION ON THE MAIN TASKS IT CARRIES OUT, THEREBY COMPLYING WITH ONE OF THE RESPONSIBILITIES ASSIGNED TO THE COMMITTEE.

F.6 Other relevant information

F.7 External auditor's report

Give details of:

F.7.1. Whether the FIICS information sent to the markets has been subject to review by the external auditor, in which case the entity should include the corresponding report as an Appendix. Otherwise, explain the reasons for this.

WITHIN THE FRAMEWORK OF THE FIICS IMPLEMENTATION PLAN, CERTAIN ACTION PLANS ARE CURRENTLY IN THE PROCESS OF EXECUTION, AND THEY ARE EXPECTED TO BE COMPLETED IN 2017. FOR THIS REASON, THE FIICS HAS NOT BEEN SUBMITTED FOR REVIEW BY THE EXTERNAL AUDITOR.

THE ENTITY WILL ASSESS WHETHER OR NOT IT IS APPROPRIATE TO SUBMIT THE FIICS INFORMATION SENT TO THE MARKETS FOR REVIEW BY THE EXTERNAL AUDITOR IN SUBSEQUENT YEARS.

G OTHER INFORMATION OF INTEREST

If there is anything relevant in terms of corporate governance in the entity or in the companies of the group that is not included in the other sections of this report but which should be included in order to provide more complete and reasoned information on the structure and governance practices within the entity or its group, give a brief description.

Any other information, clarification or detail relating to the previous sections of the report can also be included in this section as long as it is relevant and does not repeat what has already been stated.

Specifically, indicate whether the entity is subject to any legislation other than Spanish legislation in matters of corporate governance and, if applicable, include the information that it is obliged to provide and which is different from that required in this report.

The entity may also indicate whether it has voluntarily adhered to other international, sectoral or other codes of ethical principles or good practices. Where applicable, the entity will identify the code in question and the date of adhesion.

1.- THIS INFORMATION COMPLEMENTS SECTION A. PROPERTY STRUCTURE:

THE MAJORITY OF THE COOPERATIVES AND THEIR TRADING COMPANIES WHICH ARE PARTNERS OF CAJA LABORAL, IN TURN, FORM PART OF MONDRAGÓN CORPORACIÓN COOPERATIVA. THIS CORPORATION, WHICH CAJA LABORAL IS PART OF, IS A GROUP OF FREELY ASSOCIATED COOPERATIVES WHICH SHARE A SET OF COOPERATIVE VALUES AND WHICH SEEK TO ACHIEVE COMPETITIVE ADVANTAGES FROM THEIR JOINT COOPERATIVE ACTION.

CAJA LABORAL CONTRIBUTES, IN THE FORM OF A SUBSIDY, TO MONDRAGON INVERSIONES S.COOP. AND TO MONDRAGON FOUNDATION (ORGANISATIONS BELONGING TO OR FORMED BY COOPERATIVES ASSOCIATED WITH THE MONDRAGON CORPORATION) AN ANNUAL AMOUNT EQUIVALENT TO 15% OF THE AVAILABLE SURPLUS FROM THE PREVIOUS YEAR, (AFTER TAXES AND INTEREST ON CAPITAL) WHICH IS TAKEN FROM THE INTERCOOPERATIVE COMPANY FUND (FSI).

2.- THIS INFORMATION COMPLEMENTS SECTION C.1.5. ON THE REMUNERATION OF THE BOARD MEMBERS:

THE WORKING PARTNER BOARD MEMBERS DO NOT RECEIVE REMUNERATIONS FOR BELONGING TO THE GOVERNING BOARD, NOTWITHSTANDING THAT RECEIVED FOR THE WORK THEY PERFORM IN THE ENTITY AS WORKERS. THE REST OF THE MEMBERS OF THE GOVERNING BOARD DO NOT RECEIVE REMUNERATION FOR BELONGING TO THE BOARD EITHER.

CAJA LABORAL POPULAR COMPENSATES THE DEDICATION OF THE CHAIRPERSON AND, THROUGH THE ESTABLISHED PROCEDURES, PAYS THE CORRESPONDING REMUNERATION BY APPLYING THE REMUNERATION CRITERIA ESTABLISHED BY CAJA LABORAL POPULAR COOP. DE CRÉDITO WITHIN THE FRAMEWORK OF THE REGULATIONS ESTABLISHED FOR CREDIT INSTITUTIONS.

This annual corporate governance report has been approved by the board or administrative body of the entity, at its meeting on 28/02/2017.

Indicate any directors or members of the administrative body who have voted against or abstained in connection with the approval of this report.

This report has been approved unanimously