

**ANNUAL CORPORATE GOVERNANCE REPORT OF CAJA LABORAL POPULAR COOP. DE CREDITO**

**DATA IDENTIFYING THE ENTITY**

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End date of the reporting period: [ 31/12/2021 ]

CIF (Tax ID): [ F75076935 ]

Corporate Name:

[ **CAJA LABORAL POPULAR COOP. DE CREDITO** ]

Registered address:

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

**ANNUAL CORPORATE GOVERNANCE REPORT OF CAJA LABORAL POPULAR COOP. DE CREDITO**

**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	15.06 %

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:

Related names or company names	Type of relationship	Brief description
No data		

A.3. Indicate, when 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:

Related names or company names	Type of relationship	Brief description
No data		

A.4. Indicate whether there are any restrictions (statutory, legislative or of any kind) on the transferability of securities and/or any restrictions on voting rights. In particular, notify the existence of any type of restrictions that may make it difficult to take control of the company by means of the acquisition of its shares on the market, as well as any systems of prior authorisation or communication that may be applicable to the company's acquisitions or transfers of financial instruments due to industry regulations:

- Yes  
 No

Description of the restrictions
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In compliance with the provision of cooperative law, no legal entity member may have a capital share and/or vote of more than 20% and no natural person member may have a capital share and/or vote of more than 2.5%.

## B. GENERAL COUNCIL OR EQUIVALENT BODY

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- 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 resolutions. 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, issue 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.** Indicate briefly the motions adopted at meetings of the general council or equivalent bodies held during the year corresponding to this report and the percentage of votes with which these motions were adopted.

During the year the motions adopted by the General Meeting, held on 23 April 2021, with their respective voting percentages, were as follows:

- Appointing 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 for the 2020 financial year (unanimously).
- Approving the Non-Financial Information report for 2020 (unanimously).
- Ratifying the interest on the share capital paid on account in January 2021 (unanimously).
- Distributing the net surpluses from the year, allocating 10% to the Education and Promotion Fund, 15% to the Distributable Voluntary Reserves Fund, 25% to Cooperative Returns and 50% to the Mandatory Reserve Fund (unanimously).
- From the Education and Promotion Fund, allocating 15% for local distribution, 17% for general distribution and 68% for financing Mondragon's cooperative institutions and contributions to the Inter-cooperative Education and Promotion Fund (unanimously).
- Approving income quotas and contributions to registered capital from new shareholders (unanimously).
- Establishing that the 2022 General Meeting will set the interest to be paid on the contributions to registered capital corresponding to 2021 and, nonetheless, authorising the Governing Board to make payments on account, complying with all the limits and conditions established for this purpose by legal and other applicable regulations. (unanimously).
- Extending the appointment of Price Waterhouse Cooper as auditors of the entity for the 2021 financial year (unanimously).
- Renewal of three members of the Governing Board (unanimously)
- Renewal of the Resources Committee (unanimously).

- B.4.** Indicate whether, at the general meetings or equivalent bodies held during the year, there were any items on the agenda that were not approved by the shareholders.

There were no items on the agenda that were not approved by the shareholders.

**B.5.** Indicate the address and how to access the entity website containing information on corporate governance.

The Corporate Governance content can be accessed from the home page of the general website ([www.laboralkutxa.com](http://www.laboralkutxa.com)) or from the entity's corporate website (<http://corporativa.laboralkutxa.com>) by clicking on the section "Corporate Governance and Remuneration Policy".

**B.6.** State whether meetings have been held for the different unions that might exist for holders of shares issued by the entity, the subject of the meetings held during the year referred to in this report and the main motions adopted.

There are no unions for holders of shares issued by the entity.

## C. STRUCTURE OF THE COMPANY'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	16
Minimum number of board/body members	15
Number of directors/members of the body established by the board or	15

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

Name or company name of the board/ administrative body members	Representative	Date of last appointment
MR TXOMIN GARCIA HERNANDEZ	Chair	2019
MR LUIS MARIA UGARTE AZPIRI	Vice-Chair	2017
MR RICARDO PÉREZ AGUADO	Secretary	2019
MR PABLO LUIS BRINGAS VELEZ	Member	2017
MS NAGORE LARRABEITI LIBANO	Member	2017
MS AINHOA GALLASTEGUI MARTINEZ	Member	2019
MR XABIER SAGARNA ARRIZABALAGA	Member	2019
MS ELENA ZARRAGA BILBAO	Member	2019
MS LAURA RODRÍGUEZ GONZÁLEZ	Member	2019
MR EDORTA GIL SAGARDUY	Member	2020
MS BEATRIZ MAULEON SAINZ DE VICUÑA	Member	2020
MR AITOR SORIA ALONSO	Member	2020
MR IÑIGO LÓPEZ-CANO FERNANDEZ DE BETOÑO	Member	2021
MS ITZIAR ELGARRESTA IBARRONDO	Member	2021
MS ESTHER KORTA ERRAZKIN	Member	2021

C.1.3 Identify, when appropriate, the board/administrative body members who take on positions as directors, representatives of directors or executives in other companies that form part of the entity's group:

Name or company name of the board/administrative body member	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 with information on the number of female members of the Board of Directors and its committees, as well as trends over the last four years:

	Number of female members							
	2021 Financial year		2020 Financial year		2019 Financial year		2018 Financial year	
	Number	%	Number	%	Number	%	Number	%
Administrative board	7	46.66	6	50.00	6	50.00	6	50.00
Audit Committee	1	33.33	2	50.00	2	50.00	2	67.00
Appointments Committee	1	33.33	2	40.00	2	40.00	2	40.00
Payments Committee	3	75.00	2	40.00	2	40.00	2	40.00
Risks Committee	3	75.00	4	67.00	4	67.00	3	60.00

C.1.5 Indicate whether the company has diversity policies regarding the company's administrative, management and supervisory bodies with respect to issues such as age, gender, disability, or professional training and experience. Small and medium-sized entities, in accordance with the definition contained in the Audit Act, will have to report, as a minimum, on the policy they have in place in relation to gender diversity.

- Yes  
 No  
 Partial policies

If yes, describe this diversity policy, its objectives, the measures and manner in which it has been implemented and its results during the year. The specific measures adopted by the governing body and the Appointments and Remuneration Committee to achieve a balanced and diverse presence of directors must also be described.

If the company does not apply a diversity policy, explain the reasons why it does not do so.

In order to promote an appropriately diverse collective that brings a variety of views and experiences to promote independent opinions and sound decision making, the Entity meets the requirements regarding diversity policies in compliance with the guidelines and regulations on the assessment of the suitability of the members of the governing body and the holders of key functions, considering aspects such as academic profile, professional profile, gender and age in the Policy for the selection, appointment, renewal and diversity of the Governing Board and in the assessment and suitability processes.

It should be noted that, as at 31 December 2021, the minimum % established for the under-represented gender is exceeded for another year. In the 2020 financial year, the General Assembly approved an amendment to the Articles of Association to increase the number of members of the Governing Board to 15. With this increase, the % of the under-represented gender will be 46%.

Furthermore, in terms of selection and appointments and succession of Senior Management members, Caja Laboral has a Succession Plan for key positions, which identifies the critical positions and the professional paths and profiles of origin for their replacement, establishing professional development plans for the people identified and succession plans for each of the positions. The identification of the key positions eligible for a succession plan, as well as of the people capable of becoming the future replacements for the current occupants of such positions, takes into account variables such as training, experience and knowledge, management track record, performance history, personal skills and abilities, commitment to the Entity, potential, etc.

There were no changes in the management team in 2021

C.1.6 Complete the following table regarding the aggregate salary of the board/administrative body members paid during the financial year:

Salary item	Thousands of euros	
	Individual	Group
Fixed salary	136	
Variable salary	32	
Expen		
Other payments		
TOTAL	168	

C.1.7 Identify the top management members that are not members of the board or administrative body and indicate the total payment made to them during the financial year:

Name or corporate name	Position	
MR XABIER EGUIBAR GAINZA	General Manager	
MR OSCAR EGUSKIZA SIERRASESUMAGA	Risks Director	
MR JOSU ARRAIZA MARTÍNEZ DE LAGRAN	Media Director	
MR IBON URGOITI URIOSTE	Business Development Director	
MR ADOLFO PLAZA IZAGUIRRE	Financial Director	
MS NURIA AGUIRRE UNZUETA	Corporate Management Director	
MS SUSANA ANDRÉS GORGOJO	Director of the Mendebaldea Commercial	
MR JAVIER CORTAJARENA GOÑI	Director of the Ekia Commercial Division	
MR JAVIER GORROÑO GOITIA ITURBE	Director Treasury and Markets Division	
MR JOSEBA MIKEL MARURI HERNAEZ	Director Technology and Analytics Division	
MR PABLO MONGELOS GARCIA	Seguros Lagun Aro, S.A. Manager	
Total senior management payments (in thousands of Euros)		1,669

C.1.8 Indicate whether the board's articles of association or regulations establish a limited mandate for the members of the board/administrative body:

- Yes  
 No

Maximum number of mandate years	5
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C.1.9 Indicate whether the individual and consolidated annual accounts that are presented for preparation to the board/administrative body have been 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:

Name	Position
No data	

C.1.10 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 regulations of the Governing Board regulate an Audit Committee which is assigned, among its other functions, the supervision of the preparation and presentation of the regulated financial information and the supervision of the effectiveness of the internal control systems.

C.1.11 Is the secretary of the board or administrative body also a member of the board?

- Yes  
 No

C.1.12 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, including how legal provisions have been implemented in practice:

The regulations of the Governing Board regulate 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 to their independence, requiring annual written confirmation of this independence. In this regard, the Audit Committee has issued a report in which it expresses an opinion confirming the independence of the external auditor, prior to the accounts audit report being issued.

## 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	3
REMUNERATION COMMITTEE	4
RISKS COMMITTEE	4

C.2.2 Describe all the committees of the board or administrative body, their members and the proportion of executive, shareholding, independent and other external board members of which they are comprised (the entities which do not have the legal form of a limited company will not fill in the category of the board member in the corresponding fields and will explain the category of each board member in the text section according to its legal regime and the way in which they meet the constitution requirements of the audit committee and of the appointments and remunerations committee):

Audit Committee		
Name	Positi	Category
MS NAGORE LARRABEITI LIBANO	CHAIR	INDEPENDENT
MR RICARDO PÉREZ AGUADO	MEMBER	NON-EXECUTIVE
MR XABIER SAGARNA ARRIZABALAGA	MEMBER	INDEPENDENT

% of executive board members	0.00
% of shareholding board members	0.00
% of independent board members	67%
% of other external members	0.00
Number of meetings	11



Explain the functions, including, where appropriate, those additional to the functions stipulated by law, attributed to this committee, and describe the procedures and rules for its organisation and operation. For each of these functions, indicate the most important actions performed during the year and how each of the functions attributed to it has been exercised in practice, whether in law or in the Articles of Association or other corporate resolutions.

The specific duties of the Audit Committee are those set out in the Governing Board's regulations (art. 10.3), i.e:

- a) To inform the General Meeting about the issues raised there on matters within their competence.
- b) To propose to the Governing Board, for submission to the General Assembly, the appointment of the auditors or audit firms, in accordance with the regulations applicable to the entity.
- c) To supervise the effectiveness of the company's internal control, internal audit, which depends functionally on the Committee, and risk management systems, as well as discuss with the auditors or audit firms any significant weaknesses in the internal control system detected in the course of the audit.
- (d) To oversee the process of preparation and presentation of regulated financial information.
- e) To establish appropriate relations with the auditors or audit firms in order to receive information on those matters that may jeopardise their independence, for examination by the Committee, and any other matters related to the process of auditing the accounts, as well as any other communications provided for in legislation on auditing the accounts and in auditing standards. In any case, they must receive annually from the auditors or audit firms written confirmation of their independence from the entity or entities directly or indirectly related to it, as well as information on additional services of any kind provided to these entities by the aforementioned auditors or firms, or by persons or entities related to them in accordance with the provisions of Law 22/2015 of 20 July on the Audit of Accounts and Regulation (EU) No. 537/2014.
- f) To 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 shall, in all events, give an opinion on the provision of the additional services, referred to in the previous paragraph.
- g) To supervise compliance with codes of conduct and corporate governance rules.

The Regulations of the Governing Board establish that the Audit Committee will meet whenever it is considered appropriate when called by its Chair, by his/her own accord or at the request of any of its members. Attendance at meetings shall be in person, with no room for representation. The Committee shall be validly constituted when more than half of its members attend the meeting. Each member of the Committee has one vote and motions are adopted by simple majority of issued votes and the vote of the Chair resolves ties.

With regard to the category of directors on the Committee, Nagore Larrabeiti (Committee Chairperson), and Xabier Sagarna are independent directors (67% of the total) and Ricardo Pérez is non-executive director (33% of the total). There are no shareholding or executive directors on the Committee.

With regard to the most significant actions of the Audit Committee in 2021, the following are highlighted:

- It has supervised and assessed the internal control of the financial information system (FIICS) established in the entity, as well as the process of preparing and presenting the financial information that is published, based on the disclosures of the Internal Audit Department, with the following verifications being of particular note:
  - Review of the individual and consolidated financial accounts prepared by the entity and the corresponding management reports.
  - Review of the quarterly consolidated public financial statements submitted to the Bank of Spain
  - Review of the information on market transparency published twice a year by the entity
  - Six-monthly review of the statement of equity submitted to the Bank of Spain
  - Supervision of the Financial Information Internal Control System (FIICS) through the review procedure established by the Internal Audit Department (refer to section F.5.1).
  - Review of key financial reporting processes, including the review of the calculation of the estimate of impairment losses for credit risk (Bank of Spain Circular 6/2021).
- It has supervised the progress of the preparation of the Non-Financial Information Statement (NFIS).
- It has supervised and assessed the entity's risk control and management system, as well as the associated policies, methods and procedures, through the disclosures of the Internal Audit Department, with the following verifications being of particular note:
  - Review of the Capital and Liquidity Self-Assessment Process.

- Review of the Prudential Information published by the entity.
  - Review of the process of drafting and submitting the Recovery Plan.
  - Review procedure required by Annex 9 of the Banco de España Circular 4/2017
  - Supervision of the audit procedure *in situ* of commercial networks
  - Review of the assessment of compliance with the ICT Risk Management and Security Guidelines
- It has supervised and evaluated the internal audit function, ensuring its independence and effectiveness, receiving regular information on the activities carried out by the Internal Audit Department. It has approved and monitored the annual Internal Audit Plan. In 2021, the Audit Committee led the project to review the functions and adapt the organisational structure of the Internal Audit Function to meet supervisory requirements.
  - It has adopted the resolution to propose to the Governing Board, for submission to the General Meeting, the extension of the external audit contract, after evaluating the performance of the accounts auditor.
  - 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 issued an opinion confirming the independence of the external auditors, prior to issuing the reports on the audit of the accounts.
  - It has evaluated and approved, where appropriate, those services additional to the audit services that the group entity or entities proposed to outsource to the external auditor.

Identify the board members of the audit committee who have been appointed, taking into account their knowledge and experience in accounting and/or auditing, and provide the date on which the Chair of this committee was appointed to the post.

Name of the board members with	MR RICARDO PÉREZ AGUADO
Date the Chair was appointed to the post	04/01/2019

Appointments Committee		
Name	Positi	Category
MS ITZIAR ELGARRESTA IBARRONDO	CHAIR	INDEPENDENT
MR IÑIGO LÓPEZ-CANO FERNANDEZ DE BETOÑO	MEMBER	NON-EXECUTIVE
MR XABIER SAGARNA ARRIZABALAGA	MEMBER	INDEPENDENT

% of executive board members	0.00
% of shareholding board	0.00
% of independent board members	67%
% of other external	0.00
Number of meetings	6

Explain the functions, including, where appropriate, those additional to the functions stipulated by law, attributed to this committee, and describe the procedures and rules for its organisation and operation. For each of these functions, indicate the most important actions performed during the year and how each of the functions attributed to it has been exercised in practice, whether in law or in the Articles of Association or other corporate resolutions.

The Governing Board agreed, on 29 April 2016, to formally establish the Appointments Committee and the Remuneration Committee as separate Committees, modifying Article 11 of the Governing Board Regulations.

The specific duties of the Appointments Committee are those set out in the Governing Board's regulations (art. 11.b), i.e:

- To identify and recommend, with a view to their approval by the Governing Board or the General Meeting, candidates to fill vacancies on the Governing Board.
- To evaluate the balance of expertise, ability, diversity and experience of the Governing Board and to develop a description of the duties and aptitudes required for a specific appointment, evaluating the expected time commitment for the post.
- To regularly evaluate, at least once a year, the structure, size, composition and performance of the Governing Board, making recommendations to it regarding potential changes.
- To regularly evaluate, at least once a year, the suitability of the various members of the Governing Board and of the latter as a whole, and to report to the Governing Board accordingly.
- To regularly review the Governing Board's policy on the selection and appointment of senior management members and make recommendations.
- The functions assigned in the Selection and Suitability Assessment Procedure Manual for board members and key staff.
- To establish a target for the representation of the least represented sex in the Governing Board and develop guidance on how to increase the number of people of the least represented sex with a view to achieving this target.

The Regulations establish that the Appointments Committee shall meet as many times as it is deemed appropriate at the call of its Chair, on his/her 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.

The Appointments Committee kept, until the end of October, the same composition of members as in 2020, changing it and reducing its membership to three in November.

As regards the category of the directors on the Committee as at 31/12/2021, Itziar Elgarresta (Committee Chairperson) and Xabier Sagarna are independent directors (67% of the total), Iñigo López-Cano is non-executive director (33% of the total) There are no shareholder or executive directors on the Committee. The Chair of the Governing Board is no longer a member of the Appointments Committee.

With respect to the most important actions in 2021 of the Appointments Committee, the following are noteworthy:

- The continued evaluation of the suitability of the members of the Governing Board, General Management and Key function holders and assessment of the balance of knowledge, ability, diversity and experience on the Governing Board.
- Review of the Governing Board's policy on the selection, appointment and succession of members of senior management.
- Proposal of appointments with their respective suitability analyses.
- Update of the policy for selection, appointment, reappointment and diversity of the Governing Board.
- Coordinating the electoral process for the appointment of new board members.
- Evaluating and analysing the suitability of candidates for the Governing Board and preparing a report with recommendations for the Governing Board.
- Evaluating the performance of directors standing for re-election.
- Proposing training initiatives for the Governing Board.

Remuneration Committee		
Name	Positi	Category
MS MARIA ESTHER KORTA ERRAZKIN	CHAIR	INDEPENDENT
MR PABLO LUIS BRINGAS VELEZ	MEMBER	NON-EXECUTIVE
MS BEATRIZ MAULEON SAINZ DE VICUÑA	MEMBER	NON-EXECUTIVE
MS AINHOA GALLASTEGUI MARTÍNEZ	MEMBER	NON-EXECUTIVE

% of executive board members	0.00
% of shareholding board	0.00
% of independent board members	25%
% of other external	0.00
Number of meetings	6

Explain the functions attributed to this committee, and describe the procedures and rules for its organisation and operation. For each of these functions, indicate the most important actions performed during the year and how each of the functions attributed to it has been exercised in practice, whether in law or in the Articles of Association or other corporate resolutions.

The Governing Board agreed, on 29 April 2016, to formally establish the Appointments Committee and the Remuneration Committee as separate Committees, modifying Article 11 of the Governing Board Regulations.

The specific duties of the Remuneration Committee are those set out in the Governing Board's regulations (art. 11. c), i.e.:

- To propose to the Governing Board the general remuneration policy applicable in the entity and prepare the decisions to be taken by the Governing Board regarding remuneration, including those that have an impact on the risk and risk management of the entity.
- To report to the Governing Board on the remuneration policy for directorates included in the "identified group" as well as general remuneration of directors when they are remunerated for this position and for the General Manager and assimilated directors, as well as individual remuneration and other contractual conditions for members of the Governing Board who perform executive functions.
- To ensure that an independent, internal or external, annual evaluation of the implementation of the remuneration policy is carried out.
- To ensure compliance with the remuneration policy established in the company and to periodically review the remuneration policy applied to directorates included in the "identified group" when they are remunerated for such status and to the Managing Director and the like.
- To perform the other duties established by current legislation, the Articles of Association, as well as those assigned by the decision of the Governing Board.

The Regulations establish that the Remuneration Committee shall meet as many times as it is deemed appropriate at the call of 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.

The Remunerations Committee kept, until the end of October, the same composition of members as in 2020, changing it and reducing its membership to four in November. This month also saw a further change in its composition.

As regards the category of the directors on the Committee as at 31/12/2021, Eshter Korta (Committee Chair) is an independent director (25% of the total), Ainhoa Gallastegui, Pablo Bringas and Beatriz Mauleon are non-executive directors (75% of the total). There are no shareholding or executive directors on the Committee. The Chair of the Governing Board is no longer a member of the Remunerations Committee.

With respect to the most important actions in 2021 of the Remuneration Committee, the following are noteworthy:

- Reporting to the Governing Board on the various remuneration proposals.
- Proposed application of the Individual Variable Remuneration for the 2020 financial year for the members of the Identified Collective.
- Proposed formulation of IVR 2021 objectives for the members of the Identified Collective.
- Regulatory proposal for Individual Variable Remuneration for the 2021 financial year.
- Determining the composition of the Identified Collective and presentation of Annex VIII.
- Preparation of the annual report on the remuneration policy for approval by the Governing Board.

Risks Committee		
Name	Positi	Category
MS ELENA ZARRAGA BILBAO	CHAIR	INDEPENDENT
MS NAGORE LARRABEITI LIBANO	MEMBER	INDEPENDENT
MR EDORTA GIL SAGARDUY	MEMBER	NON-EXECUTIVE
MS MARÍA LAURA RODRÍGUEZ GONZÁLEZ	MEMBER	INDEPENDENT

% of executive board members	0.00
% of shareholding board	0.00
% of independent board members	75%
% of other external	0.00
Number of meetings	9

Explain the functions attributed to this committee, and describe the procedures and rules for its organisation and operation. For each of these functions, indicate the most important actions performed during the year and how each of the functions attributed to it has been exercised in practice, whether in law or in the Articles of Association or other corporate resolutions.

The Risks Committee has the specific duties described in the Governing Board's 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 this.
- To advise the Governing Board on 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 remuneration 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 for profit.

The Regulations establish that the Risks Committee shall meet as many times as it is deemed appropriate at the call of 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.

As for the category of directors on the committee, Elena Zárraga (Committee Chair), Nagore Larrabeiti and María Laura Rodríguez are independent directors (75% of the total) and Edorta Gil is a non-executive director (25% of the total). There are no executive board members on the committee.

The other external board member is a board member who does not meet the requirements to be included in the other categories.

In relation to the work carried out in 2021, the Risk Committee in the performance of its duties has carried out:

- The monitoring and control of all risks through quarterly ALCO releases.
- It has analysed and validated the modifications of the various risk policies and manuals.

- It has analysed and validated the update of limitations and competences for the various types of risks, including Seguros Lagun Aro.
- It has analysed and validated the 2020 IAC.
- It has analysed and validated the Recovery Plan.
- It has analysed and validated the risk appetite framework (RAF), the annual risk appetite statement (RAS) and performed its monitoring, and the stress testing methodology and scenario.
- It has analysed and validated the control of the fact that the prices of the formalised transactions exceed the cost of the transaction, in accordance with Annex IX.
- It has analysed and validated the proposed remuneration policy.
- It has analysed and validated the Strategic Plan with regard to the various risks.

## D. LINKED OPERATIONS AND INTERGROUP OPERATIONS

D.1. Give details of the operations performed between the entity or entities in your group, and the shareholders, cooperative members, holders of property rights or any other of an equivalent nature in the entity:

Name or company name of the significant shareholder/member	Name or company name of the group company or entity	Nature of the relationship	Type of transaction	Amount (000 Euros)
No data				

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.

Name or company name of the administrators or directors	Name or company name of the linked party	Link	Nature of the transaction	Amount (000 Euros)
Ms. Xabier Egibar Gainza	Caja Laboral	General Manager	Loan	200

D.3. Give details of the intergroup operations

Name or company name of the group entity	Brief description of the operation	Amount (000 Euros)
No data		

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

In addition to the legally established possibility of challenging the motions agreed 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, regarding any possible conflicts of interest:

a) In compliance with article 8 of the Risks Policy Manual, and as a general criterion, 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 centralised approval and must be submitted for 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 the Bank of Spain Circular No. 2/2016 regarding supervision and solvency or otherwise being the object of immediate notification.

b) The need to meet the requirements, which are indicated below, for agreements of the Main Operations Committee and the Governing Board regarding risk operations specified in letter a) above. The requirements are as follows:

- The agreement must be adopted by secret ballot, with prior inclusion of the matter on the agenda with due clarity.
- The motion must be adopted by a majority of at least two-thirds of the total number of board members. If the beneficiary of the operation or service is a board member or a member of their family as indicated above, 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 met when it comes to establishing, suspending, modifying, renewing or terminating obligations or rights of Caja Laboral with entities in which those persons or their aforementioned relatives are employers, directors, administrators, senior managers, advisers or basic members with a stake in the capital 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 necessary requirement to prove the suitability of the board member. Similarly, this situation is verified on an annual basis, without prejudice to the fact that the Board Member is responsible for immediately notifying Caja Laboral of any circumstances that could affect his or her suitability and is responsible for any damage that may be caused to the company as a result of the absence or delay of such notification.

## E. RISK MANAGEMENT AND CONTROL SYSTEMS

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### E.1. Explain the scope of the entity's Risk Management and Control System:

The risk management system operates comprehensively, with responsibility for the admission, monitoring and recovery of traditional credit risk and the measurement and control of interest rate, liquidity, market and operational risks being centralised in the Risk Department.

All risks are managed centrally, with the Assets and Liabilities Committee meeting monthly and, in the case of operational risk, the Operational Risk Committee meeting quarterly. Except for the treasury and capital market risks, which are expressly delegated to the Treasury Department, and the credit risk for that related to attributions corresponding to branches or the Risk Division.

At least quarterly, the ORC reports on the control of all risks to the Risk Committee and the Governing Board.

### E.2. Identify the bodies within the entity responsible for the development and execution of the Control System and Risk Management:

**Governing Board:** highest administrative body. It has the ultimate responsibility for monitoring and supervising the risks incurred by the entity. To carry out its functions, it relies on the Risk Committee, made up of members of the Board of Directors, and on its direct presence on the Main Risk Committee. It requires a rigorous risk control and systematic risk disclosure from the ORC.

**General Management:** responsible for the implementation of risk policies, through delegation by the Governing Board. It has organised the risk function on the premise of separation of roles between sales management and assumption of risks.

**The Chief Risk Officer, CRO,** reports quarterly on the monitoring and control of all risks to the Risk Committee and the Board of Directors, with emphasis on the level of compliance with the various limits and the established procedures.

**Assets And Liabilities Committee:** the body responsible for managing interest rate, liquidity, market and credit risks, within the limits established by the Governing Board. The ORC reports monthly on risk monitoring, and this committee makes the relevant management decisions in relation to liquidity, interest rate and market risks.

**Operational Risk Committee:** operational risk control body. The ORC submits a quarterly report on the monitoring of operational risk.

**Risk Division:** centralises responsibility for the admission, monitoring and recovery of individual and company credit risk and for the construction and maintenance of credit risk internal models, as well as the measurement and control of liquidity, interest rate, market and operational risks.

**Global Risk Control Department:** reports to the Risk Committee. It provides an overview of all risks by measuring and controlling all the risks. It is responsible for developing internal models for credit risk approval and monitoring, and for measuring and controlling interest rate, liquidity, market and operational risks. It reports to the ALCO, the Risk Committee and the Board of Directors.

**Risk Management Department:** answerable to the Risk Division. It is responsible for managing both domestic and commercial credit risk, both in terms of acceptance and the monitoring and recovery of irregular situations in its friendly and pre-litigation phase. It intervenes in the penalisation of defaults and has powers up to a certain level.

**Legal Advice Department:** answerable to the Risk Division. It provides legal documentary cover and support for risk operations as well as for the management of disputes within the business network.

**Treasury and MC Dept:** 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 ALCO.

**Regulatory Compliance Department:** internal control organisation and monitoring of the various areas of regulatory compliance. It coordinates the different divisions and departments of the entity.

**Branch office network:** first phase in the individuals and companies credit risk acceptance process, up to the limit of their scope in which they have delegated functions due to scoring/rating levels, alerts and competences which make up the entity's risk policy. If the risk admission exceeds the powers of the retail network, the approval is raised to the Risk Area.

**Internal Audit:** independent and objective role of assurance and advice, 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 could affect the attainment of the business goals:

The credit risk of the traditional business with individuals and companies (including concentration risk), structural interest rate risk, liquidity risk, treasury and capital market risks (sovereign, counterparty, country, concentration and market risks), operational risk, reputational risk, ESG (environmental, social and governance) risks, technological risk and business risk.

**E.4.** Identify whether the entity has risk tolerance levels:

The Risk Appetite Framework (RAF) is the main tool used by the Governing Board to establish, manage and control the types and levels of risk that it is prepared to assume in order to achieve its strategic objectives. The RAF allows the people who determine the Entity's strategy to consciously accept the risks that correspond to such a strategy.

In relation to Governance, the Global Risk Control Department is responsible for managing all issues related to the RAF, identifying needs, coordinating all the areas involved and presenting the different proposals to the ALCO/Risks Committee/Governing Board. The ALCO and the Risk Committee have a leading role in the analysis and supervision of the proposals, prior to their submission to the Governing Board for approval.

In order to establish the risk appetite, the Entity takes into account its capacity to assume risks, mainly by taking into account:

- The financial capacity (capital and liquidity) of the Entity to assume risks
- The business environment: macroeconomic situation, regulatory risks...
- The risk culture in the Entity
- The inherent risk in each type of risk
- The degree of preparation and ability to take on each type of risk

The RAF incorporates a structure of metrics relating to the profitability, solvency, liquidity and different types of risk that the Entity manages. There is a first level, with the core indicators, and a second level with indicators that develop or complement those of the first level. The profitability, solvency and liquidity are considered to be priority dimensions, being established within the first level of

CORE indicators related to these dimensions. All of the above metrics are assigned objectives and observation and tolerance thresholds, which allow us to specify the level of risk that the Entity is willing to assume, i.e. its level of risk aversion.

To achieve its strategic objectives, the Entity wishes to maintain a medium-low risk profile, which is specified in its Risk Appetite Statement (RAS). The RAS establishes observation and tolerance thresholds consistent with a prudent risk policy aimed at keeping the Entity within comfortable levels of capitalisation and liquidity, even in stress scenarios. The Entity monitors these indicators, having established an action procedure if the thresholds are exceeded.

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

Regarding the interest rate risk, the limit set by the governing body and controlled by the ALCO 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 ALCO having been informed of the mentioned excesses and having decided whether or not to maintain the position.

As regards liquidity risk, there has not been any stress situation. The systematic monitoring of the entity's liquidity and the analysis of its deviations from the forecasts and the finance plans updated monthly allow sufficient time to anticipate possible unfavourable mid-term impacts, generating the necessary corrective actions in enough time.

Relating to the credit risk and regarding operations with individuals and company segments, when the risk with a borrower exceeds the powers of a body, the decision is raised to the body with the next higher level of powers. In operations with financial institutions and large corporations, the activity has been carried out within the Entity's risk management framework, which sets limits significantly lower than the levels set by the regulations for large risks.

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. The entity identifies non-recurring losses, establishing action plans to prevent their reoccurrence and, if necessary, setting up provisions in anticipation of future needs.

As regards reputational risk, no new situations have arisen that have generated significant negative publicity.

**E.6.** Explain the response and supervision plans for the entity's main risks, as well as the procedures followed by the company to ensure that the board of directors responds to new and emerging challenges:

On a quarterly basis, the ORC reports to the Risk Committee and the Governing Board on the changes in the various risks, and in particular on the RAS indicators. If any of these indicators enters an amber or red zone, the procedure set out in the Risk Appetite Framework is activated, which includes informing the Risk Committee and the Governing Board as soon as possible, which will depend on the criticality and severity of the threshold being exceeded.

Also, internal supervision of the risks of the entity is determined by the activities of Internal Audit, which are aimed at assessing and improving the efficiency of the risk control and management processes.

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

Describe the mechanisms which form the risk control and management systems related to the process of issuing the financial information (FIICS) of the 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 implemented internal control mechanisms 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 body 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 suitable.

-The Management Board and the Internal Audit Department 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 responsible for overseeing the proper functioning of the FIICS through monitoring the preparation and presentation process of the regulated financial information and, especially, the legal requirements and the correct application of the generally accepted accounting principles. For this task, it is supported by the Internal Audit Department 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 supervises their correct and efficient working order.

Lastly, the Management Control and Planning Department, under the direction of the Finance Division, cooperates in the design and implementation of risk control and management systems, especially 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: (i) for the design and review of the organisational structure; (ii) for clearly defining the lines of responsibility and authority, with appropriate distribution of tasks and roles; and (iii) for there being sufficient procedures for their correct dissemination within the company:

Design and review of the organisational structure is the responsibility of the Organisation Department, which analyses and reviews the need for resources of each Division so that it can be met. This review, which is carried out at the divisions and departments level of central services when the need arises to adapt their organisational structure, not only decides the staffing required but also validates the organisational structure of each unit.

Thus, within the scope of the commercial branch network, using a computer application designed for the purpose, the work load of each branch is measured each month. This information is transferred to the General Management, the Social Management Division (HR) and the Commercial Management to apply the adjustments that need to be made to resources.

The Organisation Department 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 division.

In 2015, the Organisation Manual was approved, a single repository for the tasks performed in the organisation, and in 2016 it was published on the corporate Intranet to which all staff have access, together with the entity's general organisational chart.

- Code of conduct, approving body, level 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 Body in November 2019.

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 work associates 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 business partners and employees are responsible for the reliability, accuracy, completeness and timeliness, irrespective of the responsibilities specifically attributed to certain areas of the Group for the integrity and availability of information, of the data contained in the various types of records used and of the information they produce in the course of their duties.

-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 recording 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 on Prevention and Response to crime and the corresponding Policy of Criminal Compliance was approved, thereby ratifying the firm stance of Caja Laboral to maintain conduct that respects both the regulations and ethical standards and establishing its framework of principles of compliance in criminal matters. By 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 conduct from a criminal perspective.

Furthermore, Caja Laboral also has an Internal Code of Conduct in the area of the securities market, the last update being approved by the Governing Board in May 2018, and 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 procedure, which allows the Audit Committee to be notified of any financial or accounting irregularities, as well as any breaches of the code of conduct and any irregular activities in the organisation, indicating, where applicable, if it is of a confidential nature:

As a result of the approval of the Manual on Prevention and Response to Crimes, the complaints channel is managed by the Ethics Committee, which includes the Director of Internal Audit.

This complaints channel is available to all partners, employees and administrators of the different companies which are part of the group. Its operating system is part of the entity's Manual on Prevention and Response to Crimes. Through this channel, the Ethics Committee is informed of any potential non-compliance with the Code of Ethics and Professional Conduct, with the Policy of Criminal Compliance, 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 Crimes 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 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. The departments involved in the process of preparing and reviewing financial information have received training in accounting standards, auditing and financial risk management and control, and are updated on an ongoing basis in line with relevant regulatory changes.

The training sessions are in person and on-line through internal and external trainers.

## F.2. Financial information risk assessment.

Give details of at least:

F.2.1 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 Organizations 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 its effectiveness and the validity of its 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 materialise. In the process of analysing 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 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 FCIS 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 include 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), and 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 error and fraud risks related to published financial information.

The foreseen 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 Financial Department. Every quarter, the inventory of investee companies is reviewed in order to detect any variation that may be included in the systems to obtain the consolidated financial information.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax related, 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 to them falls on the internal audit department.

- Which governing body of the entity supervises the process:

The execution of the risk identification and controls procedure is the responsibility of the Planning and Management Control Department, which reports to the management of the Financial Division, while its supervision is entrusted 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 the review and authorisation of financial information and the description of the FIICS, to be published in the securities markets, listing those responsible for them and the documentation describing the flow of activities and controls (including those related to fraud risk) of the different types of transactions that could materially affect the financial statements, including the book closing procedure and the specific review of the relevant opinions, estimates, appraisals and forecasts.

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 Finance Division management. The individual and consolidated annual accounts are reviewed by the Internal Audit Department as the preceding step to their formulation by the Governing Board. The Audit Committee then reads the information and discusses it with the managers from the Finance Division, 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 divisions and departments and to the financial information control divisions. These manuals are drafted by the divisions 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 risk and control matrices include, among others, the following fields:

- Description of the risk.
- Control activities.
- 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.

The significant processes (distinguishing between transversal and business processes) associated with the entity's Finance Divisions for which the aforementioned documentation is available are listed below:

Transversal processes:

- Accounting closure.
- Consolidation.
- Legal and tax management.
- General computer controls.
- Judgements and estimations. Business processes:
- Lending
  - concession.
  - monitoring and recovery.
- Financial instruments.
- Real estate assets received as payment of debt.

The descriptive documentation described above includes:

- A description of the divisions 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 Finance Division 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 Finance Division 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 their Administrators. In these financial accounts, the entity reports on the most relevant areas in which there are judgement or estimation parameters, as well as the key assumptions included by the group with respect to them. In this respect, the main estimations made make reference to:

- Impairment losses on certain financial assets.
- The useful life applied to the elements of the tangible and intangible assets.
- Valuation of goodwill for consolidation.
- The fair value of certain financial assets not listed on regulated markets.
- 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.

In addition, Caja Laboral has, within the FIICS, a general policy for giving judgements and estimations, covering all the aspects to be considered and the responsibilities in its preparations and review.

F.3.2 Policies and procedures for internal control over 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.

Caja Laboral uses information systems to keep adequate records and control of its operations. It is therefore highly dependent on its proper functioning.

For this reason, the Entity has internal control policies and procedures over its information systems which, directly or indirectly related to the financial statements, ensure the correct preparation and publication of financial information at all times.

In particular, the following aspects of the Entity's internal control model are particularly relevant:

1. Security Committee, the body responsible for defining and supervising the Entity's security activities.
2. Crisis Management Committee, the body in charge of coordinating and supervising the implementation and actions related to Business Continuity in the event of a Crisis situation.
3. Security Standards Body (Cuerpo Normativo de Seguridad - CNS), a documentary body containing the mandatory corporate security requirements. The CNS has been approved by the Management and is applicable throughout the Entity. It is composed of policies that provide high-level details of the objective in each security domain, and of corporate standards that define the specific controls to be implemented for each of the security areas. In addition, it includes the definition of security functions, as well as the persons responsible for carrying them out. Within the CNS there are also updated procedures for the security of information systems, which define the technical and organisational guidelines necessary to prevent the alteration, loss, unavailability, unauthorised access and unauthorised processing of the Entity's resources and data. This includes, among others, requirements to ensure proper access control and segregation of duties, as developed in the following points.
4. Updated and disseminated internal policies and procedures related to systems security and access to IT applications and systems, based on roles and in accordance with the functions and authorisations assigned to each unit/position in order to ensure an appropriate segregation of duties.
5. Centrally managed corporate password and access security policy, in which security controls for access to systems are tailored to the level of risk of the activity and the level of criticality of the asset.
6. Policies and guidelines for the use of physical security perimeters to prevent unauthorised access, damage and interference relating to the organisation's information and information processing resources.
7. Policies for the use of cryptographic controls to ensure proper and effective use of information and to protect the confidentiality, authenticity and/or integrity of information.
8. Procedures implemented to ensure the security of information on networks and the protection of connected services from unauthorised access.
9. Detailed procedures relating to the steps to be followed for recording and managing the changes implemented, as well as methodologies for testing new developments and maintaining existing ones, so as to ensure that the development of new applications and the modification of existing ones go through a definition, development and testing circuit that ensures the reliable processing of financial information. New developments and improvements to the Entity's information systems must include requirements related to information security in order to procure the availability, confidentiality and integrity of the information contained therein.
10. Business continuity and disaster response and recovery plan, aimed at ensuring the safety of people and the continuity of operations. To this end, back-up systems are in place for all critical assets, including redundant communication lines and alternating suppliers, as well as specific recovery strategies for the risk scenarios defined therein. This Plan is communicated to workers and is regularly tested and monitored to ensure its correct functioning and operation and, therefore, its regular updating.
11. General IT Controls Procedure that establishes the bases of internal control over the information systems that support the Entity's processes in relation to the preparation and publication of financial information.
12. Training and awareness programmes, the aim of which is to provide the Entity with personnel who are qualified and trained in security matters in accordance with their function and need for access to information. The Annual Training Plan drawn up for the whole entity includes training actions related to security. The plan also addresses awareness-raising matters through practical and simulation activities to train workers, including senior management.
13. Controls over privileged accounts that apply to persons requiring a high level of privilege over information systems, in order to allow for the safekeeping of passwords of privileged users of the systems and maintain the level of auditing of actions performed up to the level of session recording.
14. Centralisation and centralised custody in accordance with the periods established by the applicable rules of the records of activity in the systems, guaranteeing knowledge of the authorship and traceability of operations.
15. Policies and procedures for monitoring, detecting, analysing and reporting information security events and incidents, recording incident management activities, ensuring evidence handling and preparing for incident response, including scaling-up operations, controlled recovery and communication to internal, external or third party organisations.
16. Controls over the information and the assets associated with it, by means of the relevant inventory, the definition of



protection responsibilities and the classification and assignment of owners to these.

17. Identification and ongoing monitoring of legal, regulatory, statutory or contractual obligations relating to information security or security requirements, including those in respect of which intellectual property rights may exist and on the use of proprietary software products.
18. Annual security assessment programme for the active identification of potential security breaches in information systems.

### F.3.3 Internal control policies and procedures intended for supervising the management of activities sub-contracted to third parties, as well as aspects of assessment, calculation or valuation assigned to independent experts, which could materially affect the financial statements.

Caja Laboral has a Service Delegation Policy, the latest update of which was approved by the Governing Board on 30 November 2021.

This policy establishes the methodological framework, the definition of principles and criteria for categorisation and the procedures to be followed in relation to the services or functions that are delegated to third parties, throughout the different phases of their life cycle. In this way, the risks associated with the delegation (operational, reputational, information security, etc.) can be identified, assessed, controlled and managed appropriately and appropriate measures can be adopted to avoid or mitigate exposure to such risks.

The Third Party Management section is entrusted with the efficient coordination of activities throughout the entire life cycle, ensuring the participation of the various specialist areas of Security, Continuity, Legal Advice, Personal Data Protection, etc.

The Internal Audit Department performs internal control activities, independently reviewing that the outsourcing framework is implemented correctly and effectively, in line with the policy and the applicable regulations.

The entity periodically reviews which activities performed by third parties are relevant to the financial reporting process or could indirectly affect its reliability. To date, the entity has not outsourced processes that have a significant impact on financial reporting. Nevertheless, the entity uses independent expert valuation reports for operational valuations that could potentially materially affect the financial statements.

In 2021, the activities entrusted to third parties relating to valuations and calculations by independent experts were those concerning updates of appraisals of foreclosed properties and properties used as collateral for Caja Laboral's loan portfolio operations.

The entity has controls in place to mitigate the risks associated with the activity carried out by valuation companies, which are implemented by the departments responsible for the operation, aimed at guaranteeing the independence of the valuers and the quality of the valuations. It is also supported by the Internal Audit Department for checking the effectiveness of the established procedures.

#### F.4. Information and communication.

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

F.4.1 A specific role responsible for defining and reviewing accounting policies (accounting policies area or department) and resolving any queries or conflicts derived from their interpretation, maintaining smooth communication with those responsible for the organisation's operations, as well as an accounting policy manual that is updated and sent to all units through which the company operates.

The Finance Division is responsible for identifying, defining and communicating accounting policies to the Entity, including to the subsidiaries, and for answering any accounting queries that may be presented by 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 affiliated company of the Financial Group and it is the Financial Division that supervises the compliance of these investee companies with the accounting policies established by the Group. This Financial Division analyses and reviews the information from the subsidiaries and makes any corrections that may be necessary.

If there are no regulatory changes concerning the financial information that have an impact on the financial statements, the Financial Division is responsible for revising, analysing and updating the accounting standards. This division is also responsible for communicating changes or updates to the entity's business units and subsidiaries.

The financial accounting information framework applied by the entity and its group includes: (i) the international financial reporting standards adopted by the European Union, and (ii) Bank of Spain Circular 4/2017 dated 27 November.

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 detailed 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 as input the consolidation packages from the financial statements reported by the subsidiaries, 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 information requirements in place. The Financial Division is responsible for reviewing the financial information reported by the subsidiary companies.

The Financial Division 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 Banco de España, where the various balance sheet and profit and loss account entries are interlinked.

## F.5. Supervising the operation of the system.

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

F.5.1. Activities for supervising the FIICS carried out by the Audit Committee, and whether the institution has an internal audit system whose responsibilities include supporting the committee in its task of supervising the internal control system, including the FIICS. Furthermore, information shall be provided about the scope of the evaluation of the FIICS made during the financial year and the procedure used by the person responsible for carrying out the evaluation to report their findings, whether the institution has an action plan containing details of any corrective measures and whether their impact on the financial information has been considered.

Among the competences assigned to the audit committee, as well as that of supervising the internal audit, are those regarding the supervision of the process of development and presentation of regulated financial information and the internal control systems of the company and delegating the development of these activities to the internal audit department.

The Internal Audit Function (IAF) acts independently, as the third line of defence in the entity's risk management and control framework and reports hierarchically to the Chairman of the Board of Directors of Laboral Kutxa and functionally to the Audit Committee.

The mission of the Internal Audit Function is to monitor and ensure the adequacy and effectiveness of the Entity's internal control, risk management (current and emerging) and governance processes and systems.

Furthermore, the entity's Code of Ethics and Professional Conduct establishes that the Governing Body and the Internal Audit Department 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, the Internal Audit Area 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 Department includes in its annual action plan, within the scope of FIICS, reviews of the processes considered to be important, with the aim of reviewing all of them over a period of three years, with the exception of certain areas or processes considered to be of special importance, among which are the accounting closing procedure, the review of judgements and estimates, and general controls over information systems, which are assessed on an annual basis.

The scope of the monitoring and evaluation of FIICS carried out during the 2021 financial year included the following reviews:

- Review of the transversal accounting closure process. In addition, the process of preparing and presenting the financial information published by Caja Laboral, at individual and consolidated level, has been supervised.
- Review of the judgements and estimates used in the calculation of the relevant contingent liabilities and provisions.
- Review of the transversal process of general computer controls.
- Review of the business process for Eligible Financial Instruments in the field of Treasury and Capital Markets.

In addition, compliance with the recommendations for improvement issued in the review processes carried out in previous years has been monitored.

The result of the FIICS review and evaluation conducted in 2021 has been presented periodically to the Audit Committee, as well as to the Board of Directors, by the Director of the Internal Audit Department.

F.5.2 Whether there is a procedure for discussion through which the account auditor (in accordance with what is stated in the Technical Auditing Standards), the internal audit team and other experts can report to senior management and to the Audit Committee or the entity's directors any significant control weaknesses detected during the annual account review processes or any others assigned to them. Furthermore, whether there is an action plan to correct or mitigate any weaknesses observed.

The Audit Committee meets the External Auditor at least 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 findings 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 Memorandum on internal control and administrative accounting procedures issued by the external auditor, which makes suggestions for improvements to the internal control system and associated risks, is presented to the Board of Directors and the Audit Committee, and subsequently submitted 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 importance of the recommendations issued by the External Auditor, the Annual Audit Plan usually includes work for monitoring the measures that have been adopted.

With regard to the result of the work carried out by internal audit, the reports issued are presented by the manager of the department to the Audit Committee and, depending on their relevance, to the Board of Directors, contrasted beforehand with the audited division, and the degree of implementation of the plans of action approved to respond to the recommendations issued by the IAF. Specifically, the IAF manager is responsible for following up on the status of recommendations and action plans agreed with the audited areas or units. In particular, findings of High importance requiring immediate action are continuously monitored until full implementation. Findings of medium importance will be monitored on a quarterly basis and those of low importance on a six-monthly basis.

The head of the Audit Department reports at least half-yearly to the Audit Committee on the status of the recommendations associated with findings classified as being of high and medium importance.

Furthermore, at least quarterly, the Audit Committee meets at the request of the management of the Internal Audit Department, in order to receive information on the main work carried out by it, thereby fulfilling one of the responsibilities entrusted to the committee.

#### **F.6. Other relevant information.**

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## 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.

The entity has not considered it necessary to submit the FIICS information sent to the markets for review by the external auditor.

## G. OTHER INFORMATION OF INTEREST

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If there is any relevant aspect of corporate governance in the entity or in the group companies that has not been included in the other sections of this Report, but that it is necessary to include in order to provide more complete and reasoned information on the structure and practices of governance in the entity or its group, describe it briefly.

Any other information, clarification or nuance 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 law on matters of corporate governance and, if so, include any information that you are obliged to provide that is not included in this report.

The entity may also indicate whether it has voluntarily adhered to other codes of ethics or good practices, either international, sectoral or of another scope. When applicable, the entity will identify the code in question and the date of adherence.

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.

2.- This information complements section C.1.6. on the remuneration of directors:

The working partner board members do not receive any remuneration 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 compensates the dedication of the Chairperson and, through the established procedures, pays the corresponding remuneration by applying the remuneration criteria established by Caja Laboral within the framework of the regulations established for credit institutions.

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This annual corporate governance report has been approved by the company's Board of Directors at its meeting held on:

28/02/2022

Indicate the directors or members of the administrative body who voted against or abstained in relation to the approval of this report.

This report has been approved unanimously.