



Reporting and Self-Assessment Template

Principles for Responsible Banking



LABORAL
kutxa

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

LABORAL Kutxa is a credit cooperative that offers commercial and business banking services in the north of Spain, mainly in the Basque Country and Navarre. Private individuals, the self-employed, businesses, SMEs and large companies are its main segments, which include the cooperatives, in particular those of Mondragon, which gave rise to the institution.

Of particular note is its mortgage work, as well as financing for small and medium-sized enterprises. It also offers underwriting and investment advisory services to its clients, as well as making its own investments in the Treasury area.

Throughout the Sustainability Report and Statement of Non-Financial Information 2022, which follows GRI standards and was audited by AENOR, we provide answers to these questions.

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Principle 1: Alignment

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☐ Yes

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☐ UN Global Compact

☐ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: TCFD

Principle 1: Alignment

Strategy alignment

LABORAL Kutxa is a credit cooperative. It therefore belongs to the social economy and was founded to contribute to economic and social progress wherever it operates. Therefore, sustainability has always been part of our strategy, as evidenced by the return to society of 25% of annual profits.

Given its origin, activity and history, LABORAL Kutxa has prioritised SDGs 5, 8, 9, 10 and 17.

Within LABORAL Kutxa's general strategic reflection for 20-22, the PRBs were integrated as a guide to evolve the activity towards an even more sustainable model. In 2022, this strategy was updated for the next two years (2023-24), with sustainability as one of the main elements and taking the PRBs as a guide.

In 2022, the LABORAL Kutxa Group's Sustainability Policy was approved, as well as its governance and responsibilities. The SDGs and RBBs, as well as our cooperative characteristics, were taken into account in their definition.

A second report was carried out in 2022 following the recommendations of the TCFD (Task Force On Climate-related Financial Disclosures). Following the first approximation in 2021, this report aims to show in depth the integration of sustainability and climate change risks and the progress made over the last year.

The Sustainability Management Plan for 2023 defines progress in the implementation of the Principles of Responsible Banking, as well as assessing the establishment of decarbonisation objectives for the portfolio.

As mentioned above, LABORAL Kutxa's main activity is the granting of financing. Therefore, the best way to contribute to both society and the environment, and to align our strategy with the Sustainable Development Goals (SDGs) and the Paris Agreement, is to target those funds to uses that can have a positive impact on society or the environment. In this regard, a sustainable financing framework was prepared in 2022, which, taking into account the taxonomy regulation, the ICMA criteria and the SDGs, describes what is considered to be environmental and social financing.

Based on this framework, €160 billion was allocated to environmental financing and €788 billion to social financing in the corporate sphere. Environmental financing includes concepts such as renewable energy, sustainable mobility, biodiversity, sustainable agriculture and the circular economy, all of which are aligned with the Paris Agreement. On the other hand, social financing includes items such as education, health, culture, social integration, etc... It also includes funding to SMEs, micro-enterprises and

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Principle 1: Alignment

Strategy alignment

the self-employed, which create the most jobs in Spain; to social economy organisations such as associations, foundations and cooperatives; and to sub-state public administrations, where the vast majority of their expenditure goes towards providing public services such as education and health.

On the mortgage side, LABORAL Kutxa tries to contribute through its main activity to two of the most important challenges in its environment. On the one hand, it is worth mentioning that in Spain around 40% of greenhouse gas (GHG) emissions come from the residential sector. In this regard, LABORAL Kutxa has €1,376 billion in its balance sheet corresponding to green housing, i.e. energy-efficient homes or buildings that emit low amounts of CO₂.)

On the other hand, one of the major problems in Spain is the difficulty for young people to access their first home. In this sense, LABORAL Kutxa has €900 billion granted in financing for affordable and subsidised housing.

To increase the volume of environmental and social financing, LABORAL Kutxa is preparing a range of sustainable products. During 2022, the entity developed the loan for sustainable rehabilitation of homes and buildings and the loan for self-consumption of energy and solar panels for companies. Furthermore, the business sector also collaborates with different institutions or aid programmes such as the Next Generation EU funds, the European Investment Fund (EIF) or the EU Programme for Employment and Social Innovation (EaSI), which have the same purpose.

In the area of investment advisory services, in 2022 most of the investment funds offered by LABORAL Kutxa will have sustainability criteria. Specifically, 66% of investment funds have high sustainability characteristics. In addition, in 2022 the [*Fondo Konpromiso*](#) was relaunched, in which participants decide to which Non-Governmental Organisation part of the management fees donated by the institution will be allocated.

Regarding Treasury's own investments, almost all of the investment is deposited in Spanish public debt.

Lastly, Lagun Aro, the insurance company of the LABORAL Kutxa Group, participates in the strategy, policies and governance of the financial institution. It has its own aligned sustainability management plan and is making progress in integrating sustainability risks and improving its impact by developing a catalogue of ethical and sustainable insurance.

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[*TCFD*](#)

Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1. Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

- a) **Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

A first analysis was carried out in 2022 using the tool launched by UNEP FI. The tool is an instrument designed to analyse the impact of banks' portfolios, helping to analyse the impacts associated with their retail and wholesale portfolios.

The impact analysis conducted complies with the following elements:

- It was carried out taking into account the main business areas, with the exception of the insurance business and asset management, and covers its entire geographical scope of action.
- Within LABORAL Kutxa's business, the exposure to the mortgage business is particularly noteworthy.

[Sustainability Report 2022.](#)

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¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the *Interactive Guidance on impact analysis and target setting*.

Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

After carrying out the analysis, the question arose as to how LABORAL Kutxa can help to strengthen the areas of positive impact, while at the same time reducing the negative impacts. For this purpose, the indicators selected are those proposed by the tool itself. At the same time, other indicators are selected which, although not specifically provided by the tool, are of great interest to LABORAL Kutxa.

Lastly, in 2022 a dual materiality analysis was carried out in which stakeholders were consulted on their opinion of the impact of LABORAL Kutxa's activity on social, environmental and corporate governance aspects. This dual materiality analysis has been incorporated into the 2022 Sustainability Report.

[Sustainability Report 2022.](#)
Page 8 and 32.

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

³ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Principle 2: **Impact and Target Setting**

2.1. Impact Analysis (Key Step 1)

LABORAL Kutxa works mainly in four lines of business:

1. **retail banking,**
2. **banking for enterprises (mostly SMEs)**
3. **insurance**
4. **asset management**

Even so, the tool used only allows for the analysis of the impact on the individual and corporate banking businesses, so the Impact Analysis focused on these two lines, which account for 64% and 12% of the Entity's total business, respectively.

As regards retail banking, the total number of customers was 1,059,061. In addition, the most common banking products have been specified. On the one hand, there are customers who have current accounts and means of payment, which are 100% of customers and which we would include in liability products. On the other hand, in terms of assets, 14% of LABORAL Kutxa's customers have a mortgage, while 6% have consumer loans.

With regard to corporate banking, LABORAL Kutxa has loans worth €1,671,489,000. Of the total amount, 27% goes to industry, 17% to commerce and 9% to residential construction, these being the most financed sectors.

The territory selected to identify its main needs was Spain, as LABORAL Kutxa only carries out its activity in that country. Most of the business is concentrated in the Basque Country and Navarre.

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Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

- c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

The main needs of the society in which we operate are access to decent employment and housing, which is particularly difficult for young people. Moreover, equality between women and men is still an issue where progress is needed.

In Navarre and Alava, another problem is the depopulation suffered by some of their villages, due to the lack of job opportunities, infrastructures and services.

The climate emergency also has implications for the carbon footprint. The origin of these emissions comes from businesses, mobility and households. In this last section, the impact of housing is particularly negative, as the average age is high, with low energy efficiency.

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⁴ 'Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)?

Once these LABORAL Kutxa business lines were evaluated and linked to the specific needs of Spain, the tool provided a series of areas where a significant impact could be made. Of these, the three most important have been chosen in order to focus on those where the impact is greatest.

In the case of LABORAL Kutxa, it has been determined that the Entity has:

- a positive impact, in both the area of employment and that of inclusive and healthy economies.
- a positive impact on access to housing
- a negative impact on climate.

In terms of employment, taking into account that most employment is generated by small and medium-sized enterprises (SMEs), LABORAL Kutxa provides a positive impact, as it provides them with the necessary tools through financing so that they can continue to generate jobs. In 2022, LABORAL Kutxa supported nearly 60,000 self-employed people, microenterprises and SMEs with financing.

In addition, through its Gaztenpresa Foundation, LABORAL Kutxa actively encourages the creation of new companies and businesses. Gaztenpresa is an initiative that helps entrepreneurs to create their own companies and businesses. It is a long-standing project that in 2022 helped create 314 new businesses employing 637 people, half of them women.

Gaztenpresa Report 2022.
Sustainability Report 2022.
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Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

It is also worth remembering that LABORAL Kutxa especially supports cooperative companies. This support is both in funding and through Mondragon. Mondragon receives a very important part of LABORAL Kutxa's profits, which are used to support cooperatives in difficulty, to finance Mondragon's research and educational institutions (including the university), to launch new projects and to support cooperatives in their growth.

Cooperative enterprises differ from conventional companies in that they put people before capital, results are distributed equally among workers and decisions are taken democratically. Therefore, LABORAL Kutxa not only has an impact on the generation of employment and wealth, but also helps in the creation of quality employment and the distribution of wealth.

On the other hand, if we look at the specific territories of Navarre and Alava, LABORAL Kutxa has 15 branches in municipalities in these territories where there are fewer than 5,000 inhabitants, offering financial services to all of them and where it has €136 billion in assets, which serves to activate both the environment and its economy, which means a slowdown in depopulation.

Regarding the climate emergency and the carbon footprint, taking into account that two of the main sources of CO2 emissions are businesses and households, financially supporting both elements implies a negative impact. This is why, as described in other sections, a green finance catalogue is being developed.

LABORAL Kutxa has a positive impact on economic convergence, as it contributes to the generation of decent, quality employment and supports individuals and families in the acquisition of housing. However, the environmental impact is not positive because its support to these two areas results in CO2 emissions.

With regard to the prioritisation of the two impact areas, it has been decided to prioritise the positive impact areas;

- the generation of quality employment
- support for the acquisition of housing.

The risk analysis results, together with the prioritisation of the areas of action and the proposed indicators, were submitted to the Sustainability Committee of 24 October 2022. They were approved after discussion.

[Gaztenpresa Report 2022.](#)
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Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

- d) For these (min. two prioritized impact areas): **Performance measurement:** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

The approach adopted by LABORAL Kutxa to assess impact intensity is described below:

With regard to the generation of quality employment, the positive impact generated by LABORAL Kutxa is due to 3 reasons:

1. The majority of its funding goes to SMEs, which generate most of the jobs.
2. The Gaztenpresa Foundation, which is responsible for advising, accompanying and financing entrepreneurs who have an idea.
3. LABORAL Kutxa pays special attention to cooperative enterprises, which form part of the social economy and help create decent employment, through its own financing and its support through Mondragon Corporación Cooperativa (MCC).

In terms of support for the acquisition of homes, LABORAL Kutxa's main business is the granting of mortgages. In this context, the area for improvement is to further boost access to housing for those with the greatest difficulties: young people, women and immigrants.

Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

Self-assessment summary

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁵

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input checked="" type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: access to housing

How recent is the data used for and disclosed in the impact analysis?

☒ Up to 12 months prior to publication

⁵ You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

Principle 2: Impact and Target Setting

2.2. Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

- a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with⁶ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

Based on the analysis carried out in the previous year, 3 objectives were established and included in the Sustainability Scorecard. These objectives:

- are followed up at least quarterly in the Sustainability Committee (includes the entire Management Committee).
- will be published in the EINF after it has been in force for one year.

are:

1. Number of businesses created by Gaztenpresa. As mentioned, LABORAL Kutxa has a positive impact on job creation thanks to the financing it provides to small and medium-sized enterprises. In addition, it also has a direct impact, since it has Gaztenpresa, a foundation that accompanies, helps and advises entrepreneurs in starting up their own businesses. In 2022, 314 companies were created through Gaztenpresa and, with the aim of increasing its impact this year, a target of 400 was set for 2023. This goal is aligned with the SDG Decent work and economic growth.

⁶ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

Principle 2: Impact and Target Setting

2.2. Target Setting (Key Step 2)

It has also been observed that there is another positive impact related to mortgages. Two objectives have been set that will take us beyond the direct positive impact and look at the contribution we make through mortgages to the youth and women segments.

2. Percentage (%) of the mortgage balance granted to persons under 35 years of age. By the end of 2022, this percentage was 48.8%, with a target of 50% by 2023. This affects the SDG Industry, Innovation and Infrastructure.

3. Percentage (%) of the mortgage balance granted to women. In 2022 it was 47.7% and the target for this year is also to reach 50%. It connects directly to the SDG Gender Equality.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

Indicated in paragraph 2.2. a)

c) SMART targets (incl. key performance indicators (KPIs)⁷): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target?

Indicated in paragraph 2.2. a)

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

LABORAL Kutxa has introduced the 3 indicators and their corresponding targets in its Sustainability Scorecard. This scorecard, which includes these and other indicators and objectives, undergoes a **quarterly review**, and its data is reviewed by the Sustainability Office, the Sustainability Team and the Sustainability Committee (includes the entire Management Committee of the entity).

⁷ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

Principle 2: Impact and Target Setting

2.2. Target Setting (Key Step 2)

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	Number of businesses created by Gaztenpresa	Percentage (%) of the mortgage balance granted to persons under 35 years of age	Percentage (%) of the mortgage balance granted to women
Alignment	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
Baseline	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
SMART targets	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
Action plan	<input type="checkbox"/> In progress	<input type="checkbox"/> In progress	<input type="checkbox"/> In progress

Principle 2: Impact and Target Setting

2.3. Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

The fact that the objectives were set at the end of 2022 conditions the evaluation of the selected indicators this year (the template was filled in during the second quarter of 2023).

However, its quarterly monitoring (already throughout 2023) and within the framework of the Sustainability Team and the Sustainability Committee, entails the analysis and taking of corrective measures in the event that the objectives are not achieved or significant deviations from them occur during the coming quarters, as well as in the setting of objectives for future years. Notwithstanding this:

Following the Strategic Reflection Process (known as Zentzua), the entity decided to strengthen its commitment to Gaztenpresa (to increase its impact).

In addition, following the inclusion of gender objectives in the Sustainability Scorecard, the Equality Committee is studying possible sub-indicators to improve the entity's impact in the area of gender equality.

Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1. Client engagement

Does your bank have a policy or engagement process with clients and customers⁸ in place to encourage sustainable practices?

☐ Yes

☐ In progress

☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☐ Yes

☐ In progress

☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities⁹. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

⁸ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

⁹ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Principle 3: Clients and Customers

3.1. Client engagement

As mentioned previously, a **sustainable financing framework** was configured during 2022 and a catalogue of **products with sustainable characteristics** was developed in the areas of both financing and guided **investment funds**. Developing these products is the best way to promote the sustainable activities of our customers.

As part of the work on the development of the sustainable financing framework, a questionnaire has been designed and will be launched in 2023 with ESG aspects to be completed by company managers when submitting financing transactions above a certain amount.

In addition, questions have been incorporated into the investment advice questionnaires to find out customers' preferences regarding sustainability.

A simulator was launched in 2022 to allow customers to calculate the costs and subsidies in the event that they decide to undertake an energy renovation of their home.

With regard to the selected **indicators**, within the **sustainability scorecard**, the **different environmental and social items that make up the sustainable financing framework** and the **sustainable financing products** mentioned above are monitored for their evolution.

With these financing, products and investment funds LABORAL Kutxa aims to **increase positive impacts** in relation to the **economy and society** and to **reduce negative impacts** related to the **environment**.

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3.2. Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Throughout 2022, a green product catalogue was implemented and will be expanded over the next few years to cover the entire portfolio: financing, investment and insurance.

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1. Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups)¹⁰ you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes

☐ In progress

☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

In order to produce the Sustainability Report, stakeholders have been identified with whom dialogue mechanisms are in place.

These dialogues also cover business and sustainability issues. In order to carry out the materiality analysis, the summary of the Report was sent to more than 300,000 customers, suppliers, workers and cooperative members. Almost 2,100 responses were received.

A particularly important stakeholder group is the workforce. At LABORAL Kutxa the staff are partners and owners of the bank, so there are numerous channels of communication and they participate in decisions.

In 2022, a materiality analysis was launched taking into account the dual materiality perspective, beyond the Materiality Matrix that was already carried out with the Stakeholders.

There are numerous channels of communication with customers to learn about their opinions, interests and preferences, including in the area of sustainability.

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¹⁰ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations.

Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1. Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes

☐ In progress

☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

In 2022, the Group's sustainability governance was approved and deployed with the PBR as one of its main sources.

This governance is described in the Sustainability Policy, the TCFD and the Sustainability Report and can be summarised in the following bodies:

- Governing Board: this is the entity's highest administrative body. It monitors, at least on a quarterly basis, ongoing sustainability initiatives.

**LABORAL Kutxa Group's
Sustainability Policy.**

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Principle 5: Governance & Culture

5.1. Governance Structure for Implementation of the Principles

- Sustainability Committee: consisting of the Board of Directors and the members of the Sustainability Office. The Committee is responsible for guaranteeing the execution of the Strategy and the management plans established by the Governing Body. To do so, it will monitor the operational activities and apply any measures necessary for adapting the Entity to the sustainable-finance position established in the Strategy.
- Sustainability Team: made up of the heads of the different departments responsible for implementing the actions that have been proposed.
- Sustainability Office: coordinates and promotes the different initiatives.

LABORAL Kutxa Group's
Sustainability Policy.

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5.2. Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

LABORAL Kutxa is a credit cooperative in which workers are owners of the company, and therefore take part democratically in management and decision-making. Our cooperative banking is a social economy and the culture of responsible banking forms part of how we operate.

Principle 5: Governance & Culture

5.2. Promoting a culture of responsible banking:

LABORAL Kutxa is a credit cooperative in which workers are owners of the company, and therefore take part democratically in management and decision-making. Our cooperative banking is a social economy and the culture of responsible banking forms part of how we operate.

In the last year, numerous training and communication actions were carried out to advance the implementation of a responsible banking culture, such as:
Training for:

- Governing Board: specific training on sustainability risks
- Executive Committee and Heads of Departments
- All persons: basic perspective on sustainability in the financial sector and its impact:
 - General in-house training: Sustainability Office
 - External training: MIFID (5h)
 - Specific training for CS teams: risks, company network (15h).

From a communication point of view:

- Reflection for the construction of an LK sustainability story linked to cooperative values, completed in 2023.
- Internal dissemination of progress in sustainability, including the environmental variable.
- Strengthened external communication of progress on sustainability, as well as awareness raising actions e.g. the annual calendar.
- An indicator measuring the quantity of these communications was established in the sustainability scorecard.

In 2022, sustainability objectives were set as part of the variable remuneration at the highest levels of the cooperative. In 2023 these objectives will also be extended to all LABORAL Kutxa employees.

Principle 5: Governance & Culture

5.3. Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹¹ Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Sustainability governance today has several levels that ensure the establishment of objectives to advance the implementation of sustainability objectives, including the Principles. The level of progress of these objectives is also regularly monitored and controlled.

As mentioned above, the Principles have been integrated into the Strategic Plan and the Management Plan, which is monitored.

With regard to the direct impact of its activities on the environment, LABORAL Kutxa has had UNE EN ISO 14001 environmental certification for more than 20 years, audited annually by AENOR.

In the second half of the year, an analysis was made of the risks, mainly environmental but also social, of the two main elements of the financing portfolio: mortgage and commerce. In the case of trade finance, it has been segmented by sector of activity according to different risks, both direct and transitional, obtaining a heat map that allows the identification of the sectors with the highest risk in order to be able to carry out adequate monitoring. The results of this work were presented to the Risk Committee and have been incorporated into the Capital and Liquidity Self-Assessment Report.

TCFD
LABORAL Kutxa Group's
Sustainability Risk Integration
(ESG) Policy

¹¹ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Principle 5: Governance & Culture

5.3. Policies and due diligence processes

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes

☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes

☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes

☐ In progress

☐ No

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1. Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☒ Yes

☐ Partially

☐ No

If applicable, please include the link or description of the assurance statement.

The information contained in this document has been verified by Metroeconomica <https://www.metroeconomica.com/en/home/>
Similarly, the Sustainability Report referred to on numerous occasions has been verified by AENOR.

6.2. Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

☒ GRI

☐ TCFD

LABORAL Kutxa's Sustainability Report is drawn up annually in accordance with the GRI standards. In 2022, the second report was carried out following the recommendations of the TCFD.

[Sustainability Report 2022](#)
[TCFD](#)

Principle 6: Transparency & Accountability

6.3. Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis ¹², target setting ¹³ and governance structure for implementing the PRB)? Please describe briefly.

This document has described the progress made in the implementation of the PRBs, as well as the actions underway in terms of measurement, impact, product catalogue, objective setting and monitoring.

LABORAL Kutxa will continue to monitor the 3 objectives established as a result of the impact analysis, establishing the necessary corrective actions in the event that these objectives are not achieved.

3 indicators relating to ESG risks have been established in the Risk Appetite Framework. In this area of risk integration, a new TCFD report will be produced in 2023.

Within the Management Plan and the sustainability scorecard there are KPIs that are monitored on a quarterly basis.

During the second half of 2023, work will be done to set objectives for reducing the carbon footprint of the portfolio.

With regard to strategy, a medium-term sustainability master plan will be drawn up.

Furthermore, a new impact analysis will be carried out for the next PRB monitoring report, where, depending on the results, new objectives could be modified or added.

¹² For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹³ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

Principle 6: Transparency & Accountability

6.4. Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

☐ Choosing the right performance measurement methodology/ies

☐ Data availability

☐ Data quality



Verification Statement on Responsible Banking Principles

Declaration of Verification of Metroeconomica S.L. for

CAJA LABORAL POPULAR COOP. DE CRÉDITO

Relative to the **Reporting and Self-Assessment Template 2023** of
the **Principles for Responsible Banking** in line with requirements set
out by the United Nations Environment Programme (UNEP).

In Bilbao, 3 July 2023

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