Implementation Document
Principles for Responsible Banking
• Est. 2019 •
Official

UN environment programme | finance initiative

Principles for Responsible Banking

Progress report

Principles for responsible banking

2025

LABORAL kutxa

Principle 1: **Alignment**

The main objective for the foundation back in 1959 as the Caja Laboral Popular was to provide financial support to its local social economy and cooperatives, while at the same time driving the economic and social development of its community.

LABORAL Kutxa is a credit union, and so its main function, far from seeking to maximise current values for shareholders, is to leave a positive legacy on its environment in the long-term.

For over 60 years these are the values that have guided both the strategy and commercial decisions of LABORAL Kutxa. These have been built upon since with more relevant frameworks, such as the Sustainable Development Goals (SDGs) and the Paris Agreement. In recent years the cooperative has been one of the 130 founding entity signatories of the UN's Principles for Responsible Banking, and in 2024 it signed up to the Global Alliance for Banking on Values (GABV), the main ethical banking and values association in the world and in which LABORAL Kutxa is the biggest entity.

In 2023 the cooperative started reviewing its purpose, mission and values in the current environment. During this process, dubbed Zentzua (which translates as 'sense, meaning or reason' in Basque), the cooperative's three most important pillars were identified: People (employees), Customers and Society. A purpose and legacy were also defined: "Building more prosperous, equal and sustainable communities, spreading a solidary and co-responsible corporate culture". This is the umbrella under which the strategy and decisions of LABORAL Kutxa align.

Principle 1: **Alignment**

The various policies relating to ESG are a reflection of this, including the Sustainability Policy and the Investment, Financing and ESG Assurance Policy, which contain the basis of LABORAL Kutxa's sustainability in its financial and insurance activities. Similarly, both Zentzua and the ESG values feature in the cooperative's strategic plans and management.

These values are seen to be reflected on a daily basis in the financing of the social economy, specific ESG products, investment funds where the vast majority are highly sustainable or in the application of ESG investment criteria by the treasury for own investments. The profits obtained are also shared out, 25% of which are allocated to social initiatives and supporting the MONDRAGON cooperative project.

References

Annual accounts
NEIS 2

Principle 2: **Impact and target setting**

A materiality study has been performed for the CSRD report in which the main sustainability impacts, risks and opportunities that LABORAL Kutxa faces were analysed and measured, both from an impact and financial perspective.

The cooperative allocates the majority of its resources to financing the real economy, which helps to resolve the main concerns of the environment, as much in the Basque Country as in Spain in general. LABORAL Kutxa significantly finances access to housing, freelancers, microcompanies and SMEs (mostly employers) and the social economy.

A Sustainable Financing Framework exists which identifies aspects with a positive social impact (social inclusion, financial inclusion and the social economy) and positive environmental impact (biodiversity, clean mobility, green housing and renewable energies).

With regards the negative impacts, the environment and climate change have been flagged up. By supporting local companies, as well as creating employment and wealth, the risks of pollution and CO_2 emissions arise. The cooperative is aware of this and is involved in their mitigation.

LABORAL Kutxa has selected the two KPIs that it considers most important to increase positive impacts and reduce the negative.

References

Annual accounts
NEIS 2

Principle 2: **Impact and target setting**

1. **Homeowner association renovations:**

LABORAL Kutxa has a specific product for refurbishments and renovations for homeowner associations. These renovations must be sustainable, as it is in this way that improvements can be made in energy efficiency and accessibility.

On the one hand, the product aims to help in tackling climate change through these energy efficiency improvements, and also mitigate one of the negative impacts detected in the impact analysis. Similarly it aims to create a positive impact in housing access, given that these renovations allow for more decent housing. Lastly, this business provides a boost to other economic sectors.

2. **Financial inclusion and the social economy support:**

As concluded in the impact analysis, LABORAL Kutxa's financial support for financial inclusion (including micro-companies and SMEs) and the social economy has a positive impact. For this reason the financing granted to these sectors has been selected as a KPI and are some of the entity's most significant transactions.

References

Annual accounts
NEIS 2

Principle 3: **Customers and consumers**

As mentioned in Principle 1, the purpose, mission and values were redefined in 2023. The mission states that "LABORAL Kutxa and the people that form part of the credit union undertake to offer our customers a finance and insurance service that is approachable, professional and honest, helping them to reach their goals and look out for their wellbeing".

One of the three pillars identified was customers, and among the values mentioned are that "We foster close, professional and honest long-term relationships", "We drive our people-based relationships forwards, offering a superior quality hybrid service", "We encourage responsible financing" and "We offer our customers a range of affordable products".

In terms of financing, LABORAL Kutxa has a catalogue of ESG products related to the Sustainable Financing Framework, with which it seeks to help counterparts to generate a positive impact.

Principle 3: **Customers and consumers**

Regarding investments, a policy of investments, financing and ESG assurance drives own investments and their management. The investment fund portfolio has ESG asset investments well above the average for the sector. Lastly, since 2024, together with an external company, work has been done on engaging or interacting with companies being invested in to incentivise their improvement and alignment with ESG values.

As a result, certain leading organisations have recognised this. For example, Forbes acknowledged LABORAL Kutxa as the second-best financial entity with offices in the state in terms of client satisfaction.

Lastly, LABORAL Kutxa annually consults its clients to ask their opinion on the actions to prioritise in terms of sustainability. In 2025 over two thousand evaluations were received, which will prove useful in planning the cooperative's sustainability strategy.

References

Annual accounts
NEIS S4

Principle 4: **Stakeholders**

As indicated in Principle 1, three main pillars of LABORAL Kutxa were identified during the Zentzua process. These are the most significant stakeholders: People, Cusomers and Society.

The cooperative has implemented ongoing processes to interact with all of these, to gather their opinions and incorporate them into their strategy.

In terms of people, most of the employees are partners (owners) of the capital. Four of the 14 members of the Board of Directors (Governing Board) are employees, including the Chair. Being employees and owners affects employment relations and brings about greater internal transparency and involvement of the workforce in decision-making and the profits obtained.

Regarding customers, as noted in Principle 3, there are an extensive number of communication channels open with the customers to learn about their expectations.

Lastly, with regards Society, LABORAL Kutxa participates in and supports a great amount of social, cultural and sporting initiatives. As mentioned, one of the most significant instruments for doing this is through the 25% return of the profits to society, especially through Mondragon.

References

Annual accounts
NEIS S1
NEIS S4

Principle 5: **Governance and culture**

In terms of sustainability governance, LABORAL Kutxa has clear and defined structures so that social and environmental matters are considered both in the strategy and the day-to-day running of the cooperative. As explained, the purpose is closely linked to sustainability, and especially society.

The sustainability policy defines sustainability governance. The Sustainability Office is in charge of driving, coordinating and promoting the various ESG projects running in the cooperative. The Sustainability team is made up of heads of different departments and implements the sustainability management plan. In turn, the Sustainability Committee includes all of the directors and is responsible for outlining the sustainability strategy. Lastly, the Sustainability Office regularly reports to the cooperative's administrative body, the Governing Board.

Principle 5: **Governance and culture**

With regards corporate culture, beyond its technical capacity, LABORAL Kutxa makes it a priority to transmit the key issues and values defined in Zentzua to people. For this to work, all personnel participate in workshops taking place over several days where these concepts are explained. Within the training schedule of those joining LABORAL Kutxa, special emphasis is placed on cooperative training. Similarly, various people participate in GABV working groups, where ethical banking and values principles are disseminated.

Finally, incentive-wise, all of the people at LABORAL Kutxa have indicators relating to sustainability in their variable remuneration. The Board of Directors have their own ESG objectives.

References

Annual accounts
NEIS G1

Principle 6: **Transparency and accountability**

In addition to complying with all the obligatory dissemination requirements as per guidelines, recognised frameworks and standards are also followed.

For example, the Sustainability Report has been published according to GRI indications since 2005. Similarly, customers are informed of the most relevant changes in this aspect by sending out leaflets summarising this information.

At the same time, as mentioned previously, LABORAL Kutxa has been following the various initiatives that issue sustainability values, such as the Principles of Responsible Banking (PRB), of which it is a founding signatory member and the Global Alliance for Banking on Values (GABV).

Up until the introduction of CSRD, climate and environmental reports (TCFD/ TNFD) have been published and the ESG section of the 'Prudential Relevance Report' have been voluntarily shared.

These and other publications are available on the corporate website.

References

Annual accounts
EINF

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