

CSR

SUSTAINABILITY REPORT AND NON-FINANCIAL INFORMATION STATEMENT 2019



LABORAL Kutxa declares that this Report has been prepared in accordance with the GRI standards: the exhaustive option, and complies with the requirements of Law 11/2018, dated 28 December, on non-financial information and diversity, according to the external verification carried out by AENOR.

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0.
LETTER

2019 has been brought to a close, a very special year for the people of LABORAL Kutxa as we celebrated our first 60 years of existence. It was a year in which, looking back, we were able to remember the reason and the purpose for which this cooperative project was created, as well as the path we have travelled to get here. But it has also been a year in which we have looked to the future. Taking all of this into account, we have undertaken a strategic deliberation to analyse the challenges that we will face in the coming years. These are demanding and exciting challenges that we are keen to tackle, bearing in mind, as we have done for the past 60 years, our way of doing things in which people and a commitment to our environment continue to be a major part of our mission.

During the strategic deliberation that will guide us through until 2022, we have analysed our position and the initiatives that we must promote in order to face challenges such as the acceleration of digitalisation and open banking, while maintaining the same vigour for our traditional business. We have also evaluated the technological, talent and data management skills that we need to strengthen to achieve the goals we have set. It is important to note here that, for the first time ever, one of the five major blocks in which the Plan has been structured explicitly includes sustainability as a strategic element for LABORAL Kutxa. This block is intended to be a cross-cutting element that sets out, from the perspective of governance and commitment to sustainability, how the rest of the programmes are addressed. Consistent with the strategic importance that we have given it, we have committed ourselves for this strategic period, together with the usual business and management objectives, to achieve 10 measurable sustainability objectives. These objectives cover the main social and environmental challenges we face as a company: equality, the environment, management of supplier companies and a contribution to the economic and social progress of our surroundings.

In addition to our 60th anniversary and the process of strategic deliberation, another particularly noteworthy development in 2019 was the changeover, due to retirement, of the General Management of LABORAL Kutxa. The new management team has been heading up the company for a year now, after an efficient handover process that allowed us to achieve the results we had set ourselves, while at the same time achieving industry-leading solvency, liquidity and profitability ratios.

Victor Hugo is credited with the phrase that nothing is more powerful than an idea whose time has come. Well, 2019 has been the year in which sustainability has transformed the way of thinking in the financial sector. From the banking regulators, through to industry initiatives and everything related to socially responsible investment (SRI), a turning point has been reached. The impact of the business on society, good governance and especially the contribution of finance in combating the climate crisis that we must address have become the main focus of agendas, initiatives and projects.

Within this transformation, a milestone in 2019 that we are especially proud of is that in September we became one of the 130 founding signatories to the United Nations Principles for Responsible Banking. This initiative, which is destined to become a reference within the sector, seeks to define the commitment and responsibilities of the financial system to contribute to a sustainable future, in line with the Sustainable Development Goals (SDG) and the Paris Agreements on climate change. These Principles provide the framework for the sustainable banking system of the future and help the industry to demonstrate how it contributes positively to society.

In LABORAL Kutxa, as a credit cooperative created precisely to contribute in a fair and equitable manner to the economic and social progress of our society, we want to be key players in this new way of understanding the banking system that the Principles promote. The same can be said with regard to the environmental challenges we face, both because of our responsibility towards the planet and future generations, and because we are aware that the worst consequences of the climate crisis will be suffered by the most disadvantaged. For this reason, in 2020, one aspect we want to give greater impetus to is the analysis of the potential impact on our organisation and on our surroundings of the risks, both direct and transitional, of the climate crisis.

Before concluding, I would like to reiterate our commitment to the Principles of the United Nations Global Compact in order to continue advancing with respect to Human, Employment and Environmental Rights and the Fight against Corruption. We also maintain our support for the Sustainable Development Goals (SDGs) of the 2030 Agenda.

A handwritten signature in dark ink, appearing to read 'Txomin García Hernández', written over a horizontal line.

Txomin García Hernández

Chairman of LABORAL Kutxa



1.

ABOUT US

1.1. Group presentation

LABORAL Kutxa, is presented on its corporate website as ***a solid and responsible model of cooperative and participative banking***. *“LABORAL Kutxa represents a different way of banking, based on cooperation and commitment to our society. Our main objective is the satisfaction of each client and the generation of wealth and employment in our environment. We are a Cooperative Bank, guided by values and a philosophy that lead us to prioritise the common interest over the individual, to make decisions in a participative and responsible way and to reinvest our profits in society.”*

It is a credit cooperative in which the majority of the capital is held by the cooperatives of the MONDRAGÓN group and by working or retired members (collaborative partners).

The consolidated LABORAL Kutxa Group includes banking and insurance businesses. The “Retail Banking” business offers both investment and savings products. In investment, the main areas of activity are the marketing of mortgage products, consumer credit, working capital and corporate finance. As regards savings, the main products are deposits (on demand and term deposits), bank guarantees, means of payment services (credit and debit cards), investment funds, pension funds and EPSVs. This business is mainly carried out by Caja Laboral Popular Coop. de Crédito (hereinafter LABORAL Kutxa and with headquarters in Mondragón, Paseo JM Arizmendiarieta s/n 20500 Gipuzkoa), through its network of branches, or by certain companies that are 100% dependent on it, which are considered a direct extension of the business carried out by the Parent Company. Strategic, management and operational decision-making is focused on the Governing Board of Caja Laboral Popular Coop. de Crédito.

The "Insurance Business" includes the activity carried out by the Group through Seguros Lagun-Aro Vida, S.A. and Seguros Lagun-Aro, S.A. The Group is engaged in life insurance business, marketing life insurance, life savings policies and unit-linked policies. In addition, it is active in non-life insurance, mainly in car insurance, civil liability and in multi-risk sectors, mainly for homes. Strategic, management and operational decision-making is focused on the Boards of Directors of both companies.

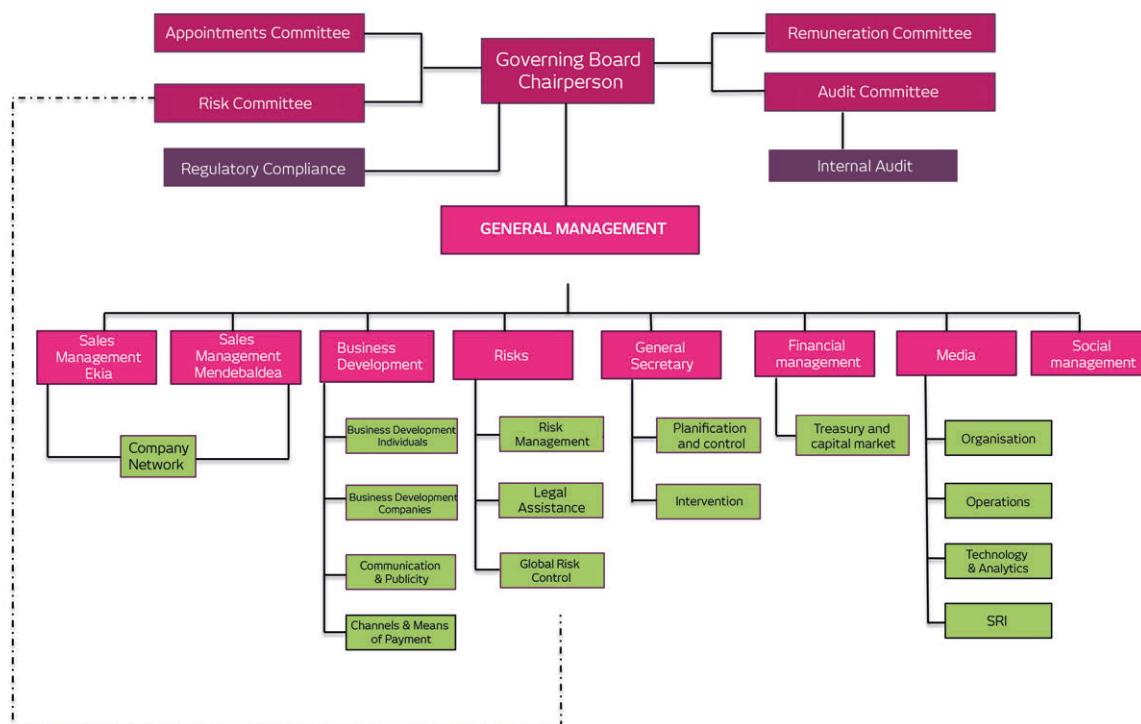
Seguros Lagun Aro Vida and Seguros Lagun Aro (hereinafter Seguros Lagun Aro) are two public companies, 100% owned by LABORAL Kutxa. Thus, even when the employees do not own the company, they participate in the management and business results.

The investee companies that make up the LABORAL Kutxa Group:

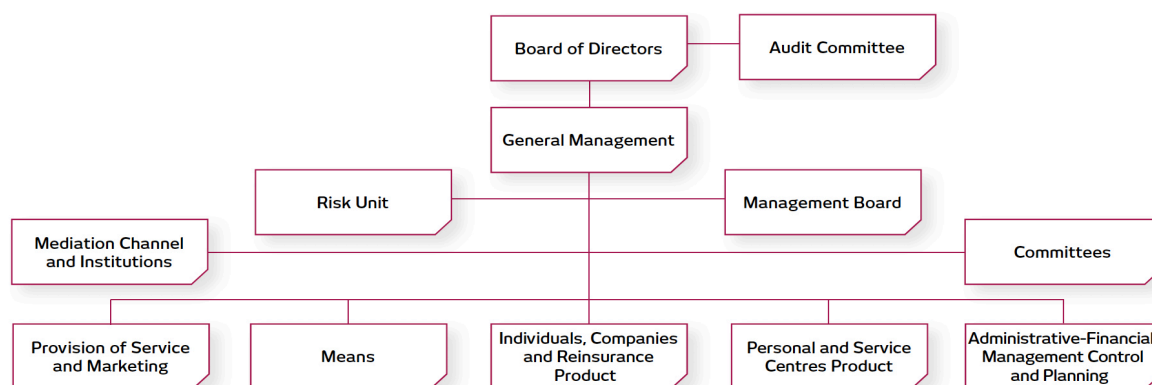
Dependent Entities	Activity	% Owned	Headquarters
Seguros Lagun Aro Vida, S.A.	Insurance	100%	Calle Capuchinos de Basurto nº 6, 2º, 48013 Bilbao (Bizkaia)
Seguros Lagun Aro, S.A.	Insurance	100%	
Seg. Lagun Aro 2003, IEA	Insurance	100%	
Caja Laboral Gestión SGIC, S.A.	Investment fund manager	100%	Paseo José María Arizmendiarieta 5, 1ª Arrasate-Mondragón 20500 Gipuzkoa
Caja Laboral Pensiones GFP, S.A.	Pension fund manager	100%	Paseo José María Arizmendiarieta SN Edificio 5 1ª Arrasate-Mondragón 20500 Gipuzkoa
ISGA Inmuebles, S.A.	Real Estate Developer	100%	Paseo José María Arizmendiarieta 4 Arrasate-Mondragón 20500 Gipuzkoa
Caja Laboral Euskadiko Kutxa Cartera, S.L.U.	Holding company	100%	
Sociedad Gestión Activos Caja Laboral, S.A.U.	Property Asset Manager.	100%	
Caja Laboral Bancaseguros (CLBS) O.B.S.V., S.L.U.	Banking Insurance Operator	100%	Calle Gran Vía Diego Lopez de Haro, 2 – PISO 1, Bilbao, 48001, Bizkaia
Associated Entities			
ATEGI GREEN POWER, S.L.	Photovoltaic installations	28.57%	Calle Goiru (ed b), 1 – Piso 3, Arrasate/Mondragón, 20500, Gipuzkoa

1.2. Operating structure

The current structure as at 31/12 is basically spread across 5 large functional areas and expanded through the various Departments, Sections, Zones and Network of offices.



Lagun Aro Insurance



1.3. Cooperativism

WHAT DIFFERENTIATES US FROM OTHER BANKS AND SAVINGS BANKS?

WE ARE A COOPERATIVE CREDIT UNION	The people who serve you at LABORAL Kutxa are members of the organisation, we are committed to the project and believe in it, so we are dedicated to giving each person the best service. Customer satisfaction is the best guarantee for our business plans.
GIVING BACK TO SOCIETY. USEFUL BANKING, COMMITTED TO OUR SOCIETY	Our dividend is what we give back to society: 25% of our distributable surpluses are used to finance projects of economic and social interest, training and job creation. The rest we reinvest in the entity to strengthen its solvency and its future development.
WE ARE WORKERS, PARTNERS AND STAKEHOLDERS	LABORAL Kutxa is not listed on the stock exchange, it is not subject to speculative pressure from the financial markets. All partners participate in the capital and in the decisions of the organisation, with responsibility, assuming the consequences of our management. The key decisions are validated at the General Meeting with the participation of all partners, guaranteeing an efficient and responsible management that allows us to obtain profits and reinvest them in our society.

MISSION

A Credit Cooperative whose purpose is to meet the financial needs of its members and customers,

particularly individuals and companies, and who considers the quality of management and service to be a competitive advantage that allows it to achieve a very strong position in Efficiency and Profitability and to provide satisfaction to its customers and members.

The entity is part of the MONDRAGON Corporation. Channelling its commitment to social progress by providing special support for the activities of corporate institutions.

It also extends its social commitment to the economic and socio-cultural development of the society in which it works, paying special attention to the Basque language and culture, in the specific case of the Basque Country. In order to grow, the company is firmly committed to the professional development of its staff and to creating a climate of trust that encourages innovation, teamwork, commitment and active participation.

VISION

The Entity is committed to being a leader in Quality and Service through local and personalised advice,

with products specific to the identified business segments, without losing sight of costs, where it aspires to maintain its current outstanding position, and to innovation which will be decisively pursued.

VALUES

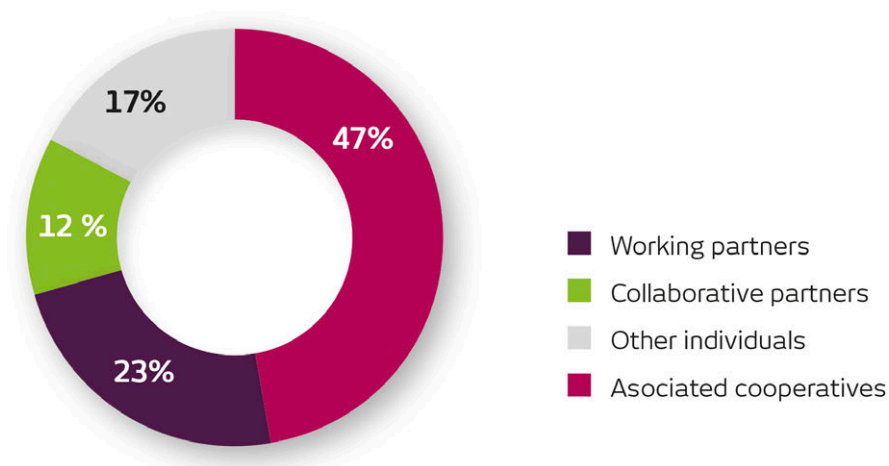
Values are how we are and how we act, and they are expressed in the behaviour of all the people who make up the Entity,

towards our stakeholders, because ethical behaviour among people is the basis for a sustainable balance in the company's decisions.



SHARE CAPITAL AS AT 31/12/2019

759.6 M EUROS

**1.4. Values, principles, standards and rules of conduct**

LABORAL Kutxa regulates individuals' activities on the basis of certain rules of conduct. In the area of the securities market, these rules or guidelines of conduct are essentially included in an "Internal Code of Conduct specific to the securities market", which applies to the people who make up the Governing Board, the Board of Directors and those involved in this area of activity. In 2018, the adaptation to Regulation 596/2014 of the aforementioned Internal Code of Conduct was approved and the CNMV was informed.

In the area of ethics and integrity, the entity's rules, which also apply to CLBS, are set out in the "Code of Ethics and Professional Conduct" and the "Guide to Good Practice and Professional Secrecy". Both documents are published on the intranet and are updated and reviewed by the Regulatory Compliance Department and the Internal Audit Department. Modifications to the Code of Ethics and Professional Conduct require the approval of the Governing Board.

As a continuation of the Code of Ethics, in the field of prevention and response to possible criminal behaviour applicable to the entity, the internal regulations are included in the "Crime Prevention and Response Manual" and in the "Criminal Compliance Policy".

There is a "Complaints Channel" that allows people to report, guaranteeing the protection of the complainant, irregularities of potential importance linked to the Code of Ethics and the Criminal Compliance Policy and the "Ethics Committee" acts as a supervisory body for these regulations, which is chaired by the Social Management Department and also includes Regulatory Compliance, Legal Advice, the Financial Department and Internal Audit. This body, in addition to monitoring, grants authorisations or exceptions and deals with the complaints received through the Complaints Channel, ensuring the appropriate action.

In 2019 and 2018 there were no queries or complaints.

The Group's insurance companies, Seguros Lagun Aro and Seguros Lagun Aro Vida, although having a legal status as a joint-stock company and not as a cooperative company, share a large part of the ways of doing business and cooperative values.

Seguros Lagun Aro is part of the *European mutual and cooperative insurance association - EURESA*, and shares the values of mutuality and cooperation that this Association defends and is, therefore, committed to:

- applying the guiding principles of the societal economy in all its activities,
- designing products and services that meet the real needs of consumers,
- ensuring that policyholders and shareholders are actively involved in the life of the company, either directly or through their representatives,
- combining the financial picture with ethical conduct, and
- ensuring that its activities are undertaken within the context of a people-centred economy geared towards sustainable and socially responsible development.

The contracts entered into by the **real estate asset management companies** with third parties in the course of their business, ensure that they comply with (and enforce their suppliers to comply with) the regulations related to occupational health and safety, respect for the environment and human rights, establishing specific obligations, their express acceptance by third parties, and serious penalties for non-compliance.

1.5. Geographic distribution of offices

LABORAL Kutxa incorporates the insurance activity within a strategy of Banking and Insurance, so that the Group companies (Seguros Lagun Aro SA in the Non-Life areas and Seguros Lagun Aro Vida) market their products for the most part through the offices and the website of LABORAL Kutxa. Seguros Lagun Aro complements these banking channels with a network of selected brokers.

The Private Individuals offices are staffed by people from LABORAL Kutxa and also people from its investee, **Caja Laboral Bancaseguros SLU, an associated Banking-insurance operator - CLBS**. CLBS incorporated all the people coming from Seguros Lagun Aro who were part of the Sales Network of the "Direct Channel" of Seguros Lagun Aro, and also some other support staff, basically in marketing activities. In 2019, 5 offices were closed.

There is also a specialised network of companies (to which must be added the Cooperatives and Large Companies office and the Public Sector office).

OFFICE DISTRIBUTION MAP



1.6. The Group's main figures

Item	2018	2019
Total assets (MII)	22,989	25,058
Own Funds (MII)	1,689	1,764
Customer deposits (MII)	19,481	21,425
Credit to customers(MII)	13,253	13,973
Offices	309	304
ATMs	535	538
Interest Margin (MII)	246.5	249.9
Gross Margin (MII)	394.7	395
Administration Costs (MII)	227.0	218.9
Profit after tax (MII)	124.2	127.4

The distribution of wealth generated by the **Group** is shown in the following table:

Item (thousands of €).	2018	2019
1. Directly generated financial value	392,642	401,806
Gross Margin (before other operating charges)	389,674	399,130
Profits on Sale of Material and Awarded Assets	2,968	2,676
2. Distributed financial value	284,212	284,975
Payment to supplier companies (Operating costs)	107,011	104,733
- other general administrative costs.	75,180	70,979
- other operating charges	31,831	33,754
Staff costs	108,506	108,406
Income tax	11,418	11,689
Interest on capital	33,565	34,316
Investment / Donations to the community	23,712	25,831
Development and Education Fund (FEP)	9,485	10,332
Intercooperative Social Fund (FSI)	14,227	15,498
3. Financial value retained (1-2)	108,430	116,831

With regard to the **real estate asset management companies**, Caja Laboral is the owner (sole shareholder) of two companies, ISGA, S.A. and Sociedad para la Gestión de Activos Inmobiliarios de Caja Laboral, S.L. (SGA). The companies have recorded a loss, included in the Group's consolidated results, of €14.3M.

Item (thousands of €). Management of real estate assets	2018	2019
Revenue (Sales)	68,320	45,286
Operating costs	6,588	4,274
Staff costs	0	0
Financial costs for interest and dividends	624	388
Gross tax	2,527	2,085

Regarding **CLBS**, the key financial figures, included in the consolidated results, are:

Item (thousands of €). CLBS	2018	2019
Turnover (commissions)	39,758	41,400
Staff Costs	10,703	10,270
Total Costs	37,459	37,911
Pre-tax profit	2,457	3,490

The objective of the **real estate asset management companies** in 2019 was to purchase assets from developers in payment of debt owed to LABORAL Kutxa and to dispose of all the assets owned, both finished products (houses, garages, premises, etc.), as well as completing the work in progress in order to sell the final product and also the sale of land or its management for transformation into housing, through self-build development or by building.

In 2019, via the ISGA company, work was carried out on 17 real estate projects involving the construction of 707 homes, of which 4 projects have been completed, bringing the total number of completed homes to 87.

None of the land, developments in progress or completed housing is adjacent to or located within protected natural areas or unprotected areas of high biodiversity.

The activity of these **real estate asset management companies**, implies a minimum participation in the Spanish real estate sector. Its indirect effect is related to the contracting out to third parties of the activities necessary for its execution.

LABORAL Kutxa performs its tax obligations in the regions in which it operates. It thus contributes to the sustainability of public services and the progress of Society. The amounts relating to 2019 are as follows:

Taxes and duties (thousands of €) LABORAL Kutxa	2018	2019
Corporate income tax	11,418	11,689
Taxes (property tax, tax on professional and commercial activities, etc.)	7,593	7,451
V.A.T.	2,198	7,620 (1)
Total	21,209	26,760
Taxes and duties (thousands of €) Lagun Aro	2018	2019
Corporate income tax	1,951	1,904
Taxes (property tax, tax on professional and commercial activities, etc.)	92	89
Total	2,043	1,993

(1) VAT for the consolidation group from 2019.

The Public Administration does not form part of the capital nor does it have any representation on the governing bodies of LABORAL Kutxa. The financial support received from the Administration is as follows:

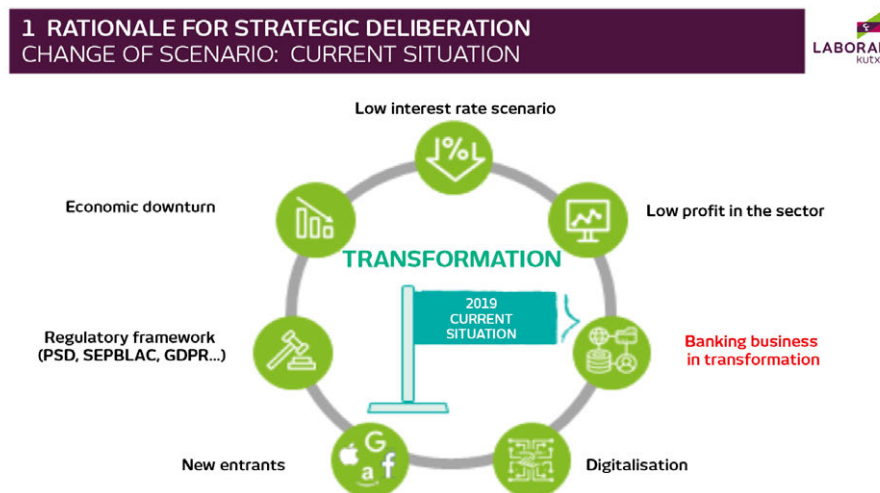
Item (thousands of euros)	2018	2019
Subsidies (aid for employment, training and energy investments)	538	308
Item (thousands of euros)	2018	2019
Subsidies Lagun Aro (Euskera)	20	11

1.7. Strategy and risk management

A strategic deliberation was carried out during 2019 which led to the preparation of a Strategic Plan for the years 2020-2022. The strategic deliberations at LABORAL Kutxa follow an annual cycle, as part of a management process that systematises competitive surveillance in the various markets and the review of business models and strategic commitments, which are then developed in each Management Plan.

The 2020-2022 Strategic Plan has been prepared after a period of deliberation that began with an assessment of the degree of compliance with the 2016-2019 Strategic Plan and a diagnosis of the internal and external situation. This was the first strategic deliberation to be carried out with a cross-group perspective which also included the insurance companies. It was a process led by the Board of Directors in which different levels of the cooperative participated, from department heads to section heads and staff from the sales network. The project was supported by Deloitte and was approved by the Governing Board.

The following ambition was defined:

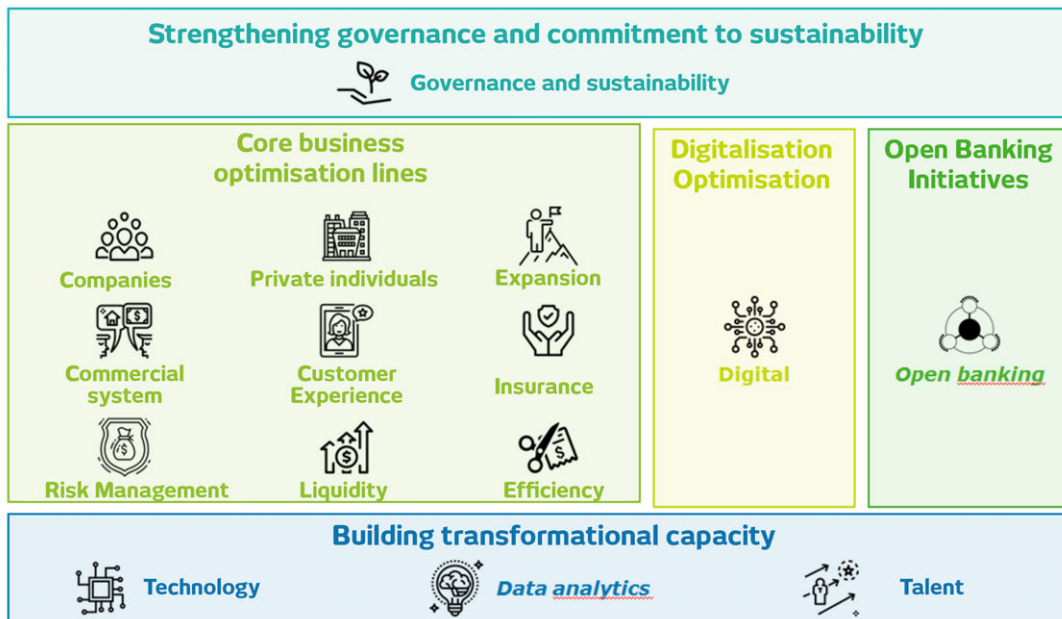


Transformation of the entity in order to ensure its competitiveness and future sustainability in a complex market environment by means of a differentiating approach.

The main action points that have emerged from the strategic deliberation are

- **Profitability - income statement.** In an environment of extremely low interest rates, sustaining the current levels of profit will be the main objective for the year. This will require an increase in business volumes.
- **Solvency.** Solvency management will be another of the fundamental management tools, being the main parameter that guarantees the future and independence of the entity.
- **Business strategy.** The commercial strategy will be aimed at increasing market shares to a greater or lesser extent depending on the different regions, segments and priority businesses, thereby increasing the dynamics of the commercial activity.
- **The insurance business.** Opportunities and competitive differentials should be harnessed to drive growth by promoting higher levels of integration of organisational strategies, policies and culture.
- **Risk Policy.** The strategic deliberation will lead to a review of the current risk appetite framework, and risk policies will also be reviewed and, where appropriate, redefined. The changes in the business strategy, and the projections and decisions in the area of treasury and capital markets will be aligned with this framework.
- **Treasury and capital markets.** In a scenario like the current one, marked by the continuous generation of liquidity and an unstable environment with major difficulties in obtaining an acceptable risk-return ratio, the investment strategy for the surplus liquidity will be implemented with a criterion of prudence.

The implementation of the Strategic Plan for the years 2020 - 2022 will be based on five major blocks covering 15 programmes.



Risk management is considered to be a key element in this strategic plan. For this reason, the risk appetite framework desired by the entity has been reviewed and the fit of the objectives set out in all programmes has been subsequently adjusted. In addition, measures are proposed to extend the risk culture in the network and the first steps are taken to improve the internal models.

Sustainability and corporate governance appear for the first time in this Strategic Plan as a transversal element that covers all the programmes that shape it. In the area of sustainability, the company will continue to contribute to the economic and social progress of its surroundings and to reduce the impact of its activities on the environment. These projects align with the *Sustainable Development Goals (SDGs)* and with the 2030 Agenda.

Sustainability Plan

For the first time, Laboral Kutxa is going to set sustainability objectives to accompany the commercial and business initiatives of the Strategic Plan

<p>Strategy</p> <ol style="list-style-type: none"> 1. Incorporate sustainability objectives in the entity's strategy 	<p>Environment</p> <ol style="list-style-type: none"> 2. Reduce paper consumption, the main resource used in our activity, by 30% 3. Reduce CO2 emissions from LABORAL Kutxa as a whole by 75%, thereby minimising our Carbon Footprint 	<p>Product</p> <ol style="list-style-type: none"> 4. Apply Socially Responsible Investment (SRI) criteria in 100% of our managed assets, insurance companies, Treasury and risk allocation 5. Establish special products or lines for financing sustainable or efficient consumption and economy (green financing)
<p>Equality</p> <ol style="list-style-type: none"> 6. By the end of the period, women will occupy at least a third of the management positions at LABORAL Kutxa. 7. The difference between the average work index of men and that of women, including seniority, will be less than 10% 	<p>Society</p> <ol style="list-style-type: none"> 8. Allocate €75 million (accumulated) of our profits to society. 9. Promote the self-employment of 2,000 people by supporting the realisation of 1,200 business ideas, from start-up, financing and business plan through to consolidation, through the Gaztenpresa Foundation. 	<p>Suppliers</p> <ol style="list-style-type: none"> 10. 40% of the total volume of purchases from supplier companies will be with local companies

In addition, each year **Seguros Lagun Aro** draws up its Management Plan, which establishes objectives and action plans, in accordance with the balance of quantitative indicators in its management *scorecard* as well as the qualitative conclusions.

1.8. Principles and governance

Corporate governance

LABORAL Kutxa has not established any formal policy for hiring senior managers native to the geographical areas where it carries out its work, as the business is carried out at a national level and the criteria followed are those based on appropriate professional skills. All of the executive staff (the 8 members of the Board of Directors) are from the areas where the Entity operates.

With regard to **Corporate Governance**, we can cite as progress made in 2019 that:

- As a result of changes in the Governing Board, the composition of the Audit Committee and the Risk Committee were changed, and performance reports were prepared for those directors who stood for re-election.
- The manual governing the procedure for selecting and assessing the suitability of directors and key office-holders was adapted to the EBA guidelines.
- The "CNMV Technical Guide 1/2019 on Appointments and Remuneration Committees" was incorporated into the internal procedures.
- The policy for the selection, appointment, reappointment and diversity of candidates for governing directors was updated. The balance of knowledge, skills, diversity and experience of the Governing Board has also been assessed.
- The annual assessment of the suitability of both the members of the Governing Board and the key office-holders has been carried out.
- The application of the procedures followed for the selection and appointment of senior management members appointed in 2019 has been analysed.

At the **Lagun Aro** Board of Directors meeting in January 2019, in accordance with Article 18 of Royal Decree 1060/2015, 20 November, on the organisation, supervision and solvency of insurance and reinsurance companies ("RDOSSEAR"), the minutes recorded that each and every one of the members of the Company's Board of Directors had fulfilled the requirements of suitability and good repute.

Governing Body	Between 30 and 50				Over 50			
	2018		2019		2018		2019	
	M	W	M	W	M	W	M	W
Governing Board (1)	2	3	1	4	4	3	5	2
Auditors	1	0	1	0	1	1	1	1
Resources Committee (2)	9	3	9	3	-	-	-	-
Operations Committee	0	2	0	3	3	0	2	0
Audit Committee	1	0	0	1	0	2	2	1
Appointments Committee	1	1	1	1	2	1	2	1
Social Council	10	7	10	10	2	1	2	1
Board of Directors	1	0	3	1	6	1	3	1
Risks Committee	0	2	0	3	2	1	2	1
Remuneration Committee	0	1	1	1	2	1	2	1

(1) 4 of which are working partners.

(2) Age data not available.

All information regarding corporate governance is available on the LABORAL Kutxa corporate website. <https://corporativa.laboralkutxa.com/informes/>

The supervisory bodies of LABORAL Kutxa are:

Committee/Organisation	Duties	Year of est.
Structure of the administrative body		
Governing Board	Senior management, supervision of Management, representation of the Company. Analyses annually the aspects related to CSR and the impacts, risks and economic and social opportunities on a continuous basis.	1960
Resources Committee	Statutory body responsible for resolving appeals against certain decisions of the Governing Board. Elected at the General Meeting	1993
Audit Committee	Supervises internal audit services, knows the financial reporting process and internal control systems, supervises compliance with codes of conduct and corporate governance rules	2004
Appointments Committee	Identifies candidates for the Governing Board, evaluates the suitability of its members and the balance of knowledge, skills, diversity and experience of the group. Pursues an objective of representation of the underrepresented sex.	2012
Risks Committee	Advises the Governing Board on the management and supervision of all significant risks and on the monitoring of the application of the global propensity for risk appropriate to the Company's strategy.	2015
Remuneration Committee	Proposes to the GB the general remuneration policy, ensuring an independent annual evaluation of its application and informing it of the remuneration policy of the executives included in the "identified group".	2016
Supervisory and advisory bodies		
Social Council	Employment system, advice to the Governing Board and General Management	1960
Customer Service	Management of customer queries, complaints and claims.	1994
Health and Safety Committee	Consultative body on Occupational Risk Prevention.	1996
Hizkuntza Batzordea	Committee for linguistic standardisation.	2000
Environment Committee	Environmental System Management.	2001
Money Laundering Prevention Committee	Control and communication body for the Prevention of Money Laundering.	2003
CSR Committee	Delegated body of the Board of Directors in matters of CSR and with the participation of members from the various Departments and Insurance. Approves the CSR Report. It is chaired by the Head of Quality, who gives an annual statement to the Gov. Board.	2008
Global Risk Control and ALCO	Control of liquidity, interest rate, credit, market and operational risk. The ALCO is the Assets and Liabilities Committee.	2008
Equality Committee - Berdintasuna	Promotes and guarantees equality between women and men and monitors the current Equality Plan.	2009
Operational Risk Committee	Global control of operational risk	2010
Ethics Committee	Ensure the application of the principles and values that govern the business, primarily those included in its <i>Code of Ethics and Professional Conduct</i>	2015
Products Committee	In applying MiFID, it evaluates and approves the risks of each product offered to the clients.	2015
Integrated Security Committee	Ensures a comprehensive security strategy for the Entity, both physical and logistical.	2015
Projects Committee	Orders and prioritises the priority interdepartmental projects to ensure their success	2017
Data Protection Committee	Supervises and promotes policies and procedures regarding data protection.	2019

In order to avoid conflicts of interest between the Company and the members of the Governing Board, in addition to the rules on incapacities and incompatibilities established in the Articles of Association and the Internal Code of Conduct for the Securities Market, there is a specific provision in the Governing Board's Regulations concerning the voting system for adopting resolutions in which such conflicts may arise.

These procedures, which have been included in previous Reports, consider:

- Incapacities and incompatibilities of the members of the Governing Board.
- Code of Conduct for the Securities Market.
- Regulation of the Governing Board's Regulations to avoid conflicts of interest.

The **Ethics Committee's** mission is to promote the ethical behaviour of LABORAL Kutxa in all its activities. It is an autonomous body reporting to the General Manager that is established as a channel for the *Complaints Management System* regarding breaches of the Code of Ethics and professional conduct, as well as in criminal matters and as a manager in disciplinary proceedings. Every year it submits an *Evaluation Report* to the Board of Directors in the event of any problematic situation. The Committee is made up of 5 people, currently 3 men and 2 women.

Each year the **Appointments Committee** performs a continuous assessment of the individual suitability of the members of the Governing Board (their integrity, knowledge, experience and willingness to exercise good governance) and of the balance of knowledge, ability, diversity and experience of the Board as a whole. Also, the evaluation report on the structure, size, composition and performance of the Governing Board is presented in the same Committee on an annual basis.

With respect to the **Risk Committee**, the Company conducts an annual review, based on its strategy and the level of health of its financial situation, of risk tolerance levels in what is known as the *Risk Appetite Framework*, tolerance levels that refer to capital, liquidity and profitability, and the monitoring of which is carried out with a series of indicators that are reported to the banking regulator. In addition, the Governing Board annually approves the *Credit Risk Policy Manual*, which includes risk policies, procedures and criteria.

In 2017, the Board of Directors approved a new **Projects Committee**, whose purpose, supported by a *Project Office*, is to improve the management of those projects that are defined as priorities within the annual Management Plan.

As regards risk management, a detailed description of the different basic risks can be found in the annual **Information of Prudential Relevance**, which details the trends and impact on the business of the most important risks: credit, market, operational, interest rate as well as the risk profile and management mechanisms applied.

At **Seguros Lagun Aro** the final responsibility for the management, control and mitigation of risks lies with the Board of Directors and Senior Management. There is a "Policy of suitability for key positions" that aims to ensure that all the people who run Seguros Lagun Aro meet the requirements of suitability and integrity. Both bodies are responsible for:

- The communication of general principles and documented management policies, including the design and updating of the risk management framework.
- The definition, understanding and periodic review of the exposure profile that the Company wishes to assume at any given time depending on the defined business strategy.

- Ensuring the suitability and periodic review of the limit structure of the different risks, taking into account the desired exposure profile.
- Ensuring an adequate organisational structure of the risk management: assigning responsibilities, ensuring that there are no conflicts of interest through the appropriate segregation of duties.
- Approving risk management policies, ensuring that they include the functions assumed by each body in relation to risk management and control, the hierarchical link between functions and the reporting lines.
- Ensuring the independent review of the risk management framework and the incorporation of recommendations made by Internal Audit.

Independently of the members of the administrative and management bodies, Seguros Lagun Aro has defined the following fundamental functions of the governance system:

Risk management function

- ✓ Defining the methodologies and indicators to be used for the measurement and evaluation of risks and assisting in their implementation.
- ✓ Working with the technical divisions in the identification and categorisation of risks and preparing the Company's risk matrix.
- ✓ Carrying out periodic evaluations on the impact that future scenarios and stress situations would have on the level and solvency of the Company.
- ✓ Assisting the technical departments in applying the methodology and the underwriting risk measurement and evaluation models.
- ✓ Evaluating the structural mismatch between assets and liabilities
- ✓ Evaluating the adequacy and integrity of the information used to quantify risk
- ✓ Actively participating in the new product approval process
- ✓ Leading the process of internal evaluation of risks and solvency of the Company, being responsible for preparing the appropriate report.

Regulatory compliance function

- ✓ Determining and assessing the risk of regulatory non-compliance and keeping the regulatory risk map up to date.
- ✓ Advising on new products, services and markets from a regulatory point of view.
- ✓ Verifying the preparation, coordination and execution of the Compliance Plan.
- ✓ Continuous staff training on regulatory compliance.

Internal Audit Function: Check the adequacy and effectiveness of the internal control system and the various elements of the Governance System.

Actuarial function

- ✓ Coordinating and reviewing the calculation of Technical Provisions.
- ✓ Expressing an opinion on the underwriting strategy of each Company.
- ✓ Expressing an opinion on reinsurance agreements and retention strategy.
- ✓ Contributing to the effective implementation of the risk management system.

For each of the above-mentioned functions, there are written policies approved by the management and governing body of the Company which define, among other things, the tasks and responsibilities with a suitable distribution and a clear separation of functions in accordance with the current Solvency II regulations on independence.

1.9. Development of the governing bodies

In 2018, the third training programme directed at the members of the Governing Board and members of Management was completed. This 136-hour training programme, provided by AFI School of Applied Finance, began in 2017 and covered aspects of economics, financial markets and investment management (regulation, risks, etc.), banking company management, company finance and insurance company management. The fourth programme was designed during 2019 and will commence in February 2020.

Training on corruption issues is referred to in the 2014 Report. In 2016, the members of the Governing Board received the same training as everyone else on the Crime Prevention and Response Manual and the Criminal Compliance Policy.

1.10. Remuneration of the governing bodies

The people who form part of the Governing Board of LABORAL Kutxa and the Board of Directors of Lagun Aro do not receive remuneration for their governing functions and, therefore, there is no link between their remuneration and the performance of the Company. The following table shows the remuneration of the members of the Board of Directors, the Chairman of the Governing Board and the Directors who, as working partners, have formed part of the Governing Board in the years indicated.

LK Item (thousands of euros)	2018	2019
Total pay for their work	1,390	1,534
Capitalised cooperative returns + Contribution interest	284	243
Total	1,678	1,777
Average pay per person	139.9	126.9

With regard to the remuneration of the Board of Directors of Lagun Aro

Lagun Aro Item (thousands of euros)	2018	2019
Total pay for their work	484	458
Capitalised cooperative returns + Contribution interest	3	3.9
Total	487	461.9
Average pay per person *	97.4	92.38

* 3 men and 2 women in 2019 and 4 men and one woman in 2018.

1.11. Corruption and bribery

Laboral Kutxa has a *Criminal Compliance Policy*, with several Regulations and Codes of Conduct including, among others:

- Code of Ethics and Professional Conduct,
- Guide of Good Practices and Professional Secrecy,
- Internal Rules of Conduct specific to the stock market.

Organisationally, it has also set up an *Ethics Committee*, an *Internal Audit* department and a *Regulatory Compliance* department to prevent irregularities and monitor compliance with rules and procedures.

Business units analysed

Below are the business units of LABORAL Kutxa that have been analysed with respect to risks related to corruption:

	2018		2019	
	Actual	Target	Actual	Target
Total no. of offices analysed	83	83	93	88
% Offices analysed	27%	27%	31%	29%

It should be noted that the controls and remote audit analyses implemented have an effect on 100% of the branches of the Organisation.

In the 2 **real estate asset management companies, ISGA and SGA**, the necessary preparations have been made to adapt to the new regulations in the area of Prevention of Money Laundering, and these have been examined by independent experts.

With respect to measures taken in response to **incidents involving corruption**, there have not been any such cases in 2018 or 2019.

During 2019, the internal control and communications procedures and organisations were subject to an annual review by an external expert, PB Consultores S.L., which assessed the operational effectiveness of the procedures and organisations in the prevention of money laundering as **“Very Good”** with a higher score than that of the previous year. Below are the actions that were carried out during the past year:

Actions taken in 2019
The Manual on the Prevention of Money Laundering and Financing of Terrorism has been amended, introducing several improvements.
The six-monthly reports, Summary of Special Examination Transactions and a Self-assessment Risk Report on Money Laundering have been produced.
The transaction relating to the "Statement of Movement of Means of Payment" has been improved, adding a notice on the consequences of transferring means of payment without the S1 document.
Internally, the existence of a Complaints Channel in the Entity to report illegal actions has been reiterated through an Informative Note
The Remediation Plan has been updated to address deficiencies in the Formal Identification of customers.
Analysts and the person in charge of the PBC Unit have received specific practical training in the Prevention of Money Laundering

The Money Laundering Prevention Unit has sent 10 reports of transactions suspected of money laundering to the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences.

In **Seguros Lagun Aro**, the planning of *internal audits* to supervise the inherent risks of subscription and compliance with regulations and/or administrative procedures, as well as the document management, are carried out in 100% of the branches, both in the **CLBS** channel and in the Brokerage channel, based on the alerts and analysis of the risk groups established for the various audits, both annual and daily.

Regulations and codes of conduct

LABORAL Kutxa regulates individuals' activities on the basis of certain rules of conduct. In the area of the securities market, these rules or guidelines of conduct are essentially included in an "Internal Code of Conduct specific to the securities market", which applies to the people who make up the Governing Board, the Board of Directors and those involved in this area of activity.

In the area of ethics and integrity, the Entity's rules are set out in the "Code of Ethics and Professional Conduct" and in the "Guide to Good Practices and Professional Secrecy". Both documents are published on the intranet and are updated and reviewed by the Regulatory Compliance Department and the Internal Audit Department, respectively.

As a continuation of the Code of Ethics, in the field of prevention and response to possible criminal behaviour applicable to the Entity, the internal regulations are included in the "Crime Prevention and Response Manual" and in the "Criminal Compliance Policy". In 2019, a criminal risk reassessment process was initiated, as well as the above-mentioned update of the Manual and the Policy, that will be completed next year.

There is a "Complaints Channel" that allows people to report irregularities of potential importance linked to the Code of Ethics and the Criminal Compliance Policy. There is also an "Ethics Committee" as a body for criminal prevention, with the mission of promoting ethical behavior in the Entity, resolving queries on the subject and dealing with complaints received in the Complaints Channel.

1.12. Money laundering

The management policies of **LABORAL Kutxa** identify the greatest risks in the areas of corruption and bribery with *the fight against money laundering and the financing of terrorism*. In this regard, it undertakes to establish the necessary bodies and procedures in accordance with current regulations and international standards. For this reason,

- The *Committee for the Prevention of Money Laundering and the Financing of Terrorism* and a *Prevention Unit* have been created within the organisational structure of the Entity, with specific functions in the area of prevention.
- Precise rules and procedures have also been established, which are contained in a "*Money Laundering and Financing of Terrorism Prevention Manual*", the latest version of which was approved on 30/01/2019.

This policy applies to the entire LABORAL Kutxa Group, including the subsidiaries.

The objectives of these rules and procedures, which must be complied with, are:

- To strictly comply with the regulations in force at all times, as well as the recommendations issued by national and international bodies and authorities.
- To introduce rules for action and appropriate control and communication systems to prevent funds of a criminal origin from being channelled through the LABORAL Kutxa Group and to impede access to certain persons.
- To establish customer admission policies.
- To ensure that working partners and other employees adhere to the "know your customer" procedures.

These policies and procedures are primarily preventive in nature. In addition, internal control procedures are subject to an annual review by an external expert so that a rationale for continuous improvement in reducing exposure to these money laundering and financing of terrorism risks can be applied.

The **real estate asset management companies** maintain a policy and have implemented a money laundering prevention system that establishes the bodies, procedures, internal controls

and appropriate tools to comply with the regulations applicable in this field. The quality of this system and its practical application are examined annually by an independent expert and, in the examination relating to the 2019 financial year, it was rated positively without any incidents.

1.13. 22 Regulatory Compliance

The Regulatory Compliance Department includes, within its management scope, the detection of transactions suspected of market abuse. In 2019 the computer application registered 474 alarms which, once analysed, were not classified as transactions suspected of market abuse and, therefore, no case was reported to the CNMV in 2019.

With regard to Lagun Aro:

➤ **VOLUNTARY ADHERENCE TO SELF-REGULATORY INDUSTRY GUIDELINES:** committed to business excellence and best corporate practices, we comply with the following guidelines promoted by UNESPA, whose recommendations we follow:

- guide to good corporate governance practices
- guide to good internal control practices
- guide to good commercialisation practice
- guide to good complaint handling practices

The company also adheres to the Code of Good Practice for Claims Management initiated by ADECOSE.



2.

RESPONSIBLE MANAGEMENT

2.1. Management approach

The relationship with our main stakeholders is based on the following basic lines:

As the banking activity is basically aimed at the service of and relationship with **customers**, *the responsible management of customers is a priority*, especially with regard to the sale of complex savings products, and *excellence in service quality* as well as *contact with the customer* are aspects identified as being of the highest importance in our outward-looking matrix. In all of the above, our objective is for these to be areas in which LABORAL Kutxa maintains sustainable advantages over our competitors.

Specifically, the comparative data with competing entities show positive differentiations in general, but they are particularly significant in important aspects such as the *transparency and clarity* of information, the *trust* we generate among our customers and, in general, the *commitment* that our Entity takes on with society as a whole.

In point **3.1 Our relationship with customers**, we describe in detail our achievements in these areas, also including our efforts at transparency with regard to the solution of problematic situations with a significant social impact such as *over-indebtedness* of customers for the purchase of homes or claims of lack of validity, due specifically to a lack of transparency, or to *floor clauses* applied to interest on mortgage loans.

In relation to **people**, LABORAL Kutxa is a Cooperative Credit Union in which working people are members and owners of the company with full rights and responsibilities, both in carrying out their professional duties and in the right to participate in management through the relevant bodies and in the profits from the business. This difference compared to other companies defines the approach to the relationships within the company, meaning that workers are involved in all three of the possible areas: ownership, results and also management methods, because our aim is to make our management democratic and responsible. Specifically, the key decisions are validated at the General Meeting with the participation of all partners, guaranteeing an efficient and responsible management that allows us to obtain profits and reinvest them in our society.

The *Cooperative Education* training programmes reinforce the cooperative identity of the members, and encourage the integration and socio-entrepreneurial involvement of new members.

In point **3.2 Our relationship with the workforce** these and other initiatives are developed further.

Another significant distinguishing feature of LABORAL Kutxa is its commitment to **society** due to its legal status as a Credit Cooperative. As a result, by law, 10% of the distributable annual profit of credit cooperatives is directly allocated to society. In the case of our Company, this percentage is substantially higher, 25% to be precise.

LABORAL Kutxa was founded in the Basque Country as part of a Business Group with a strong commitment to serve society, whose mission includes the creation of associated and participatory cooperative work as an essential way to create wealth and well-being, both among its direct social partners and in the society in which it is immersed.

Due to its legal nature and its cooperative vocation, LABORAL Kutxa directs a significant part of its charitable contributions to the promotion of the cooperative world, but it also reserves specific provisions for local initiatives in the areas where its offices are located, and particularly for specific activities such as the promotion of *self-employment and entrepreneurship* (in this case through a specific Foundation, *Gaztenpresa*) and support for **the Basque language** and the promotion of Basque culture.

These mechanisms are described in point **3.3 Our relationship with society**.

In order to optimise its relationship with the **environment**, since 2001, LABORAL Kutxa has been using an *Environmental Management System*, in accordance with the ISO 14001 standard for all the activities it carries out in the three buildings at its Central Headquarters. Although it is not part of the certified system, LABORAL Kutxa transfers the majority of its environmental activities from central services to the other work centres. This certification was renewed in 2019.

The Environmental Management System is the responsibility of an Environmental Committee made up of members of the Legal Department, Internal Audit, Risks, Fixed Assets, Security and General Services and Management Planning and Control, with the latter acting as the Coordinator. In accordance with the precautionary principle of the *Rio Declaration*, it addresses the possible impacts of the activity with a view to preventing any environmental damage.

A very significant new development in 2019 was the signing by LABORAL Kutxa of the United Nations Principles for Responsible Banking. Although these Principles refer to the entire area of sustainability, given the emergency situation of the climate crisis, they place special emphasis on the impact of our activity (credit and investment) on the environment.

Point **3.4 Our relationship with the environment**, describes these mechanisms.

With respect to the management of **suppliers**, it is important to remember the value of adequate management of the *supply chain* in order to achieve the objectives of responsible activity.

Without a doubt, the financial activity that we carry out, as well as the local presence in a very specific geographical area, means that the management risks of these companies are not excessively important. Nevertheless, as will be seen later on, LABORAL Kutxa has several initiatives under way with regard to suppliers.

A special mention within the suppliers is that of Lagun Aro's brokers, which reaches the level of significant stakeholder within the insurance activity. At the Group level, it is considered a supplier with differentiated characteristics.

Point **3.4 Our relationship with supplier companies**, describes these mechanisms.

2.2. Commitments and achievements

Below are the main CSR actions carried out during 2019, in accordance with the commitments made by LABORAL Kutxa in its previous CSR reports, as well as with the objectives for 2020. These actions are segmented according to the **Interest groups (in addition to the environment)** defined by the Entity: **People-Workforce (P)**, **Customers (C)**, **Society (S)** and **Supplier Companies (Sup)**.

Actions in the field of CSR	Status of the action/objective	Governance mechanisms in place and execution time	Materiality and stakeholders affected
Basic projects and actions in 2019 and pending from previous years			
Strengthen solvency and liquidity	Ongoing	Strategic priority	High P and C
MiFID II. Plans to improve customer information and advisory systems and tools	Completed	2017 Prioritised project	High C
Development of procedures and systems for contracting suppliers. Development of application and recruitment table.	Completed	2017 Supplier project working group	Medium Sup
Implementation of the III Berdintasuna Plan - Equality. Preparation of the IV.	Completed	Committee Berdintasuna 16-19	High P
Using digitalisation to reduce paper consumption and boost the multi-channel relationship	Partially Completed.	Digitalisation strategic focus	Medium S
Carry out the merger of offices to increase efficiency while avoiding the financial exclusion of small communities.	Completed	Commercial Division 2016	Medium S
Linguistic standardisation: Implementation of the Strategic Plan for the Basque Country 2016-2019	Completed	Hizkuntza Batzordea 16-19	Low C and P
Development of digital skills for Staff	Ongoing	Strategic focus 2018 digital skills	High P
Maintain positions of excellence in the management of customer relations	Ongoing	Integrated Quality Process	High C
Continue to expand the coverage of Socially Responsible Investment	Partially Completed	Specific team	Medium C and S
Green MiFID	Delayed until 2020	2019 Management Plan	Medium C and M
Implement BIDEAN and ensure its sustainability	Completed	Culture and values strategic focus 19	High P
Ren. EIF InnovFin and EaSI Social agreement	Completed	EIF 2019 agreements	Medium-high S and C
Development of management systems that promote a constructive and collaborative culture, with self-reliance and continuous learning	Ongoing	Culture and values strategic focus 2019	High P
Review of market abuse control procedures	Partially Completed. Awaiting IT development	2019 Management Plan	High S
Formation of the Data Protection Committee	Completed	PDSI 2019	High S and C
Implement a Recognition System for people.	Designed, implementation in 2020	Culture and values strategic focus 19	High P
Development of multi-channel customer relations, payment methods and direct marketing	Ongoing	Strategic focus Omni-channelling, Onenak 4.0 2019	Medium C and P
Implement the Zainduz Health Plan	Completed	Working team 2019	High P

Support for creating and consolidating companies through MONDRAGON	Ongoing	Funds through FSI and FEP 2019	Medium-low S and C
Financial education plan.	Completed	Financial Education Committee 2019	Medium-low S and C
Actions in the field of CSR. Basic projects and actions for 2020			
Coaching 400 entrepreneurs to launch their micro-enterprise	Strategic objective	Gaztenpresa Foundation	Medium-high S and C
Reduce paper consumption by 8%	Strategic objective	Environment Committee	Medium M
Replace the electricity supply with one based solely on renewable sources.	Strategic objective	Environment Committee	Medium M
Development of a green financing product	Strategic objective	Business development	Medium M and C
Move ahead with the application of Socially Responsible Investment (SRI) criteria in the assets managed by the Manager, Treasury and in the concession of risks	Strategic objective	Business development Treasury Manager Risks	Medium-high C, S and M
Conduct an impact analysis of the direct and transitional risks of climate change.	Commitment undertaken with the Principles of Responsible Banking	CSR Committee	Medium-high S and M
Implement sustainable mobility measures for the workforce.	Sustainable mobility	Environment Committee	Medium M and P

2.3. CSR Roadmap

As a result of the deliberation and consultation process carried out with the stakeholders (see Materiality Analysis), the CSR Roadmap has been defined, which addresses the risks and opportunities that were identified as being the most important, and is the benchmark that LABORAL Kutxa uses to prioritise its activities relating to Social Responsibility.

	Prioritisation of areas for action	G. interest / scope
1	Excellence in quality of service: transparency, friendliness, avoidance of errors, speed and simplicity of the operation	Customers
2	Protection of privacy and the security of data and operations.	Customers
3	Reinforce the Entity's solvency and liquidity	Economic
4	Responsible management towards customers: explanation and sale of complex savings products, avoiding over-indebtedness of customers...	Customers
5	People management: gender equality, work-life balance, salary levels and intervals, etc.	People
6	CSR measures: against money laundering, arms financing control, gambling, pornography...	Customers / Society
7	Development in the digitalisation of channels (electronic banking, telephone banking, mobile banking)	Customers
8	Promoting equality between women and men	Society / people
9	Review and improvement of internal control mechanisms (management decisions, code of ethics, corruption, cost control).	Corporate Governance
10	Contribution to the economic and financial development of the business fabric: Financing agreements for companies, support for entrepreneurs, University...	Company
11	Socially responsible products and services	Customers / Society
12	Supplier management. Responsible purchasing criteria: purchase locally and take social and environmental criteria into account in addition to price.	Suppliers
13	Improve the communication with customers and other stakeholders	Customers
14	Control of the responsible activity of our suppliers: working conditions, occupational risks, payments to the Tax Authorities...	Suppliers / People
15	Fair balance between costs charged and interest paid. Mutual benefit.	Customers
16	Reduction in greenhouse gas emissions and carbon footprint	Environment
17	Environmental management: recycling, reduction in consumption and waste, selective collection...	Environment

2.4. LABORAL Kutxa's CSR Scorecard

The LABORAL Kutxa scorecard provides a global vision of the key indicators in the organisation with respect to the three aspects: economic, social and environmental.

Economic performance indicators (consolidated data):

Indicators	2018	2019
Profit after tax (€M)	124,173	127,364
Efficiency Index (%) (1)	61.93	61.00
Customer deposits (€M)	19,481	21,425
Customer credit (€M)	13,278	13,973
Solvency (%) (2)	18.76	20.17
Special Funds (€M)	1,059	954
% Doubtful Risks / Investment	4.46	3.54

(1) Efficiency Index: Administration Costs + Amortisation / Gross Margin.

(2) Total capital ratio (CET1) is used.

Social performance indicators:

Aspect / Indicator	2018	Year 2019
People		
Number of people active (LK + CLBS)	2,105	2,074
Training		
Training hours / total workforce	41.71	81.38
Training evaluation (1-10)	7.96	7.91
Health and Safety		
Absenteeism in %	3.85	3.80
Professional development		
Average employment index	2.4	2.36
Promotion: Increase in Structural Index	5.5	7.09

Aspect / Indicator	2018			Year 2019		
	Women	Men	%	Women	Men	%
Employment dynamics						
Rate of departures / turnover	7.5%	7.3%	8.4%	6.70%	6.76%	7.09%
Equality						
% Women members	48.7%			49.54%		
% Women managers / total managers	30.6%			31.97%		

No objectives are established regarding employment dynamics and equality. Nor is it broken down by region due to the reduced geographical scope.

Aspect / Indicator	2018	2019
Contribution. Funds (FEP and FSI) (thousand €)	21,037	23,437
Taxes paid (thousand €)	21,209	26,760
Gaztenpresa companies created	415	405

Environmental performance indicators:

Consumption of:	2018	2019
Advertising paper: Kg / Client	0.093	0.116
Internal paper (Kg / Client)	0.238	0.251
Water in m ³	7,447	10,898
Electricity (Kwh)	13,277,248	12,915,786
Toner cartridge: Units consumed	3,317	3,502
Diesel in litres	1,505	581
Kg waste managed (1)	158,950	162,283

(1) The objective is to manage 100% of the waste. Its volume depends each year on different circumstances.

2.5 Materiality Analysis

The 2014 Report describes in greater detail the process followed by the Entity for the construction of the first materiality matrix that made it possible to identify the information needs of the main stakeholders and to prioritise their demands.

In subsequent years, the information collected has been expanded, improving the interpretation of the needs and expectations of the different stakeholders with which the Entity interacts. In 2017 and in 2019, the methodology and the questionnaire were reviewed, comparing the results with those obtained by other competitors and adjusting them to the demands of the stakeholders.

The revised questionnaires have been used for the materiality analysis of this Report, having obtained information from:

- Customers (annual consultation): 43 companies, 417 self-employed workers and micro-enterprises, 45 customers and clients of personal banking and 163 KIDE clients (linked), in total **668**. They are clients of both LABORAL Kutxa and Lagun Aro.
- 14 supplier companies (biannual consultation),
- 109 workers (members, casual workers and CLBS; annual consultation),
- The biannual consultation with the members of the CSR Committee, whose opinions are representative of those of the Management, given the people involved.

The evolution over time of the materiality analyses reveals this:

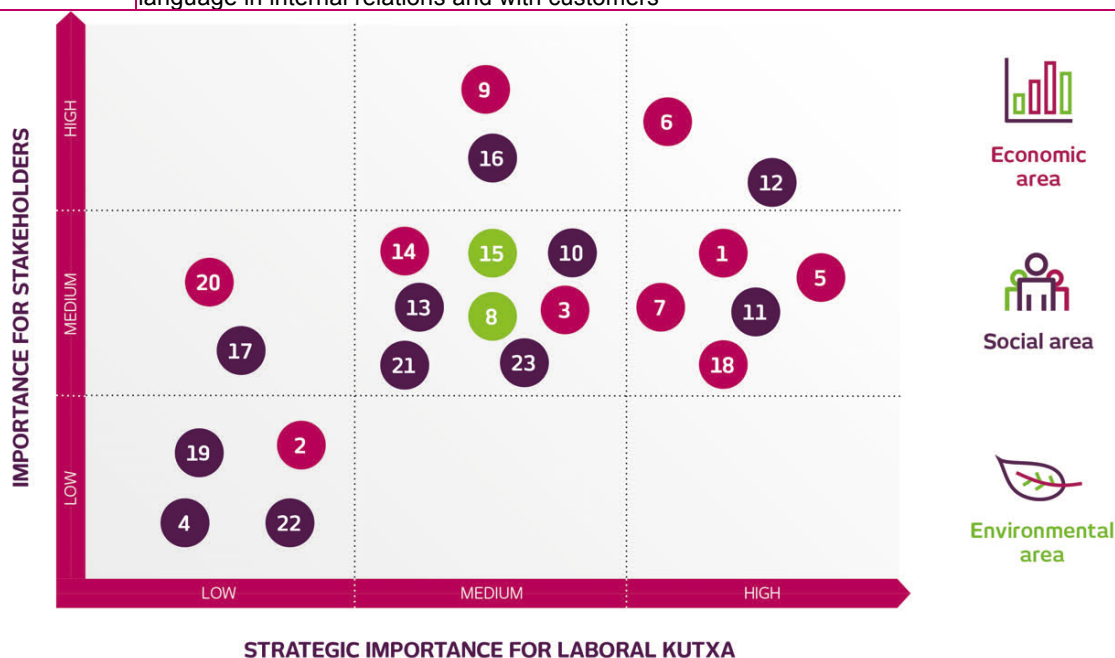
- It highlights the alignment between the prioritisation of the stakeholders and that of LABORAL Kutxa. 61% of the assessed aspects are in the same quadrant of importance and there are no aspects in the high-low / low-high quadrants.
- The results are very consistent, with the prioritised aspects and those considered less material varying very little over time.
- Awareness is progressively increasing in aspects such as environmental care and supplier management, although in both cases their materiality is still considered to be medium.

In the materiality analysis there are two elements of which the internal and external relevance is classified as minor, but which are considered to be at the core of our mission and therefore cannot be overlooked as areas of preferential attention. These are the support to the cooperatives of MONDRAGON and the contribution to the promotion of the Basque language. We understand that one reason for the low demand expressed for both elements is that their expectations are already well covered, so there is no need for additional initiatives.

Materiality Matrix 2019

Mater.	Aspect
HIGH	6 -Excellence in service quality: reduce errors and improve operations
	12 -Protection of privacy and operational and data security
MEDIUM-HIGH	1 -Strengthen the solvency and liquidity of the Entity
	16 -Promotion of equality between women and men
	9 - CSR measures: against money laundering, control of financing to arms, gambling, pornography,...
	11 - People management: gender equality, conciliation, salary levels and intervals, etc.
	5 - Responsible management with clients: explanation and sale of complex savings products, avoid over-indebtedness of clients...
	7 -Development in the digitalisation of the channels (electronic, telephone, mobile banking)
MEDIUM	18 -Review and improve the internal control mechanisms (administrative decisions, money laundering, ethical code, corruption, cost control).
	15 - Environmental management: recycling, reduction of consumption and waste, selective collection...
	3 - Contribution to the economic and financial development of the business fabric: Business financing agreements, support for entrepreneurs, University...
	10 -Socially responsible products and services
	13 -Improve communication with our clients and other stakeholders

	<p>21- Control of the responsible performance of our suppliers: working conditions, occupational hazards, payments to the Tax Office...</p> <p>23- Supplier Management. Responsible purchasing criteria: local purchasing and taking into account social and environmental criteria as well as the price.</p> <p>8-Reduction of the emission of greenhouse gases and carbon footprint</p> <p>14- Fair balance in costs charged and interest paid. Mutual benefit.</p>
MEDIUM-LOW	<p>17- Social action: sponsorship, contributions to NGOs, social activities, development cooperation...</p> <p>20-Flexibility in the recovery and refinancing of unpaid debts</p>
LOW	<p>22-Contribution to the Sustainable Development Goals (SDGs) of the 2030 Agenda of the United Nations.</p> <p>2-Support the cooperatives of Mondragon</p> <p>4-Contribute to the financial education of clients and society</p> <p>19-Promotion of the Basque language and culture, as well as promoting the use of the Basque language in internal relations and with customers</p>



2.6. United Nations Global Compact and Sustainable Development Goals (SDGs)

Each year LABORAL Kutxa has carried out, within its acquired commitment, a statement of the annual progress on the [Principles of the Global Compact](#) . Since 2018, the progress achieved on the [Sustainable Development Goals \(SDGs\)](#) and, this year, on the [UN Principles of Responsible Banking](#) has been added to this statement.

The main aspects that LABORAL Kutxa has worked on in 2019, as well as the degree of progress made, are set out in the Commitments and Achievements section in the second part of this Report. Therefore, the following table analyses which of these aspects are in line with the Principles of the Global Compact, the Sustainable Development Goals and the Principles of Responsible Banking:

CSR objectives and challenges assumed in the 2019 CSR Report	Global Compact	SDG	Responsible Banking Principles
Carry out the merger of offices to increase efficiency while avoiding the financial exclusion of small communities.	Principle 1	Objectives 1, 3 and 8	Principles 1, 2, 3 and 4
Deployment of the III Berdintasuna Plan - Equality and development of the IV.	Principles 1 and 6	Objective 5	Principles 1 and 4
Use of digitalisation to reduce paper consumption and to create a personalised distance relationship	Principle 9	Objectives 13 and 15	Principles 1, 2 and 3
Linguistic standardisation: Implementation of the Strategic Plan for the Basque Country 2016-2019	No principle applies	Objective 11	Principles 1 and 4
Implementation of contracting procedures and systems with supplier companies	Principles 1 to 5	Objectives 1, 3, 5, 6, 8, 10, 12 and 16	Principles 1, 4, 5 and 6
Development of the digital competences of the workforce	Principle 9	Objectives 8, 9 and 12	Principle 4
Implement the health plan - Zainduz for all people.	Principles 1 and 8	Objectives 3, 8, 11, 12 and 17	Principles 1 and 4
Maintain positions of excellence in the management of customer relations	Principle 1	Goal 8	Principles 3 and 6
Development of management systems that promote a constructive and collaborative culture, with self-responsibility and continuous learning	Principles 1, 6 and 10	Objectives 5, 8 and 17	Principles 1, 5 and 6
Renewal of EIF guarantee agreements for microcredits and innovative companies	Principle 1	Objectives 1, 5, 8, 9 and 10	Principles 1 and 3
Accompaniment to 425 entrepreneurs to launch their microenterprise	Principle 1	Objectives 1, 5, 8, 9 and 10	Principles 1, 2 and 3
Implement Green MIFID	Principles 1 to 10	All objectives	Principles 3 and 6
Development of multi-channel customer relations, payment methods and direct marketing	Principle 9	Objectives 8, 9 and 12	Principle 3
Continue to expand the coverage of Socially Responsible Investment	All the principles	All objectives	All the Beginning
Support for the creation of companies and consolidation of existing ones through MONDRAGÓN	Principles 1, 3 and 6	Objectives 5, 8, 9, 10 and 16	Principles 1 and 4
Implement BIDEAN and ensure its sustainability	Principles 7, 8 and 9	Objectives 8, 9 and 12	Principles 4 and 5
Review of market abuse procedures	Principle 10	Goal 16	Principles 5 and 6
Financial education plan.	Principle 1	Objectives 4, 12 and 17	Principles 1, 3 and 4
Formation of the Data Protection Committee	Principle 1	Objectives 8, 9, 12 and 16	All the Beginning

Sustainable Development Goals (SDGs): Ongoing activities

The main actions that LABORAL Kutxa is developing and which are explained in this Report linked to the aspects considered as priorities of the Sustainable Development Goals (SDGs) and the United Nations 2030 Agenda are summarised below:

- **Obj. 5 Gender equality** : Prepared the IV LK Equality Plan; Equality objectives of the Strategic Plan.
- **Obj. 8 Decent work and economic growth** : Gaztenpresa; Recruitment table and supplier management application; Zainduz Health Plan, Financial Education; Sustainable mobility.
- **Obj. 9 Industry, innovation and infrastructure** : Different improvements in digitalisation; PDSI-2; Data protection committee.
- **Obj. 10 Reduction of inequalities**: Green MiFID; Review of market abuse control procedures; Socially Responsible Investment.
- **Obj. 17 Alliances to achieve the Objectives**: Brand positioning; Renewal of the EIF InnovFin and EaSI Social agreements; UN Responsible Banking Principles.

3.

MANAGEMENT OF STAKEHOLDERS



3.1. Our relationship with clients

3.1.1. Management approach

The policy of the LABORAL Kutxa Group in its relationship with customers and responsibility for products has been included in previous reports and in the responsible management approach. The importance given to this area is reflected in the existence of a Department whose basic function is the application of this approach. The clientele is segmented between Private clients, Self-employed clients, Business clients and Company clients. There is a specific management process for each of these segments and a commercial offer tailored to their needs and expectations.

3.1.2. Main customer figures

The following table shows the evolution of the Group's clientele. The database is updated annually, which means that inactive customers are removed from the database

Geographic Area	Number of clients		%
	2018	2019	
Araba	141,839	136,658	12.17
Aragon, Catalonia and La Rioja	72,149	72,176	6.43
Asturias and Cantabria	32,623	33,041	2.94
Bizkaia	350,029	348,540	31.05
Castille and Leon	125,232	125,397	11.17
Gipuzkoa	280,056	260,435	23.20
Madrid	18,319	18,968	1.69
Navarra	119,990	119,848	10.68
Headquarters	7,568	7,585	0.68
Total Kutxa LABOR	1,147,805	1,122,648	100%
Private Customers (%)	87.47%	87.14%	
Autonomous Customers (%)	8.3%	8.5%	
Business Customers (%)	3.27%	3.41%	
Business Customers (%)	0.87%	0.95%	

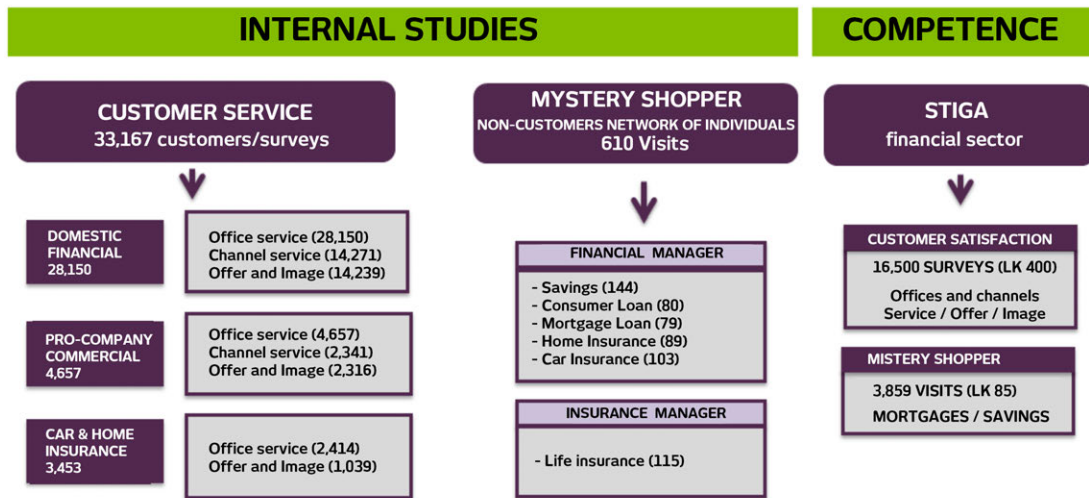
3.1.3. Dialogue with the clientele

As in previous years, in 2019 an effort has been made to maintain a dialogue with the customers in order to meet expectations and demands regarding financial and insurance products in order to undertake new improvement actions. In addition, these mechanisms are integrated into a *comprehensive quality process*, the permanent objective of which is that the quality of customer service and care, in the various relationship channels, be maintained as a differential advantage over competitors.

The following diagram describes the numerous communication mechanisms in place:

CHANGES 2019

- ✓ Customers: focus on assigned and in portfolio
- ✓ Development +-2%



The results compared to other banking and insurance competitors are favourable. Some of the most representative are included in the following tables.

Satisfaction of banking customers (score 1 to 10)	2018	2019
Satisfaction among preferential customers	7.24	7.21
Recommendation level	6.97	7.01

Source: Tracking study of the image and brand of LABORAL Kutxa. The area is the Basque Country and Navarre. Ikerfel

Comparative benchmarking with the banking sector. Potential customers (score 1 to 10)	2018	Differential with sector. 2018	2019	Differential with sector. 2019
Sectoral Objective Quality Study (EQUOS-Stiga)	7.59	+0.39	7.75	+ 0.39
Satisfaction of banking customers (BMKS FIN–Stiga)	7.83	+0.38	7.73	+ 0.25

Lagun Aro. Benchmarking in the insurance sector	2018	2019
Satisfaction of insurance brokers (score 1 to 10)		
Overall satisfaction with the company	8.1	7.4
Insurance Market	8.1	7.3

Source: ICEA continuous satisfaction study.

Lagun Aro is the second entity in the study in net recommendations in reports with an NPS of 26.5.

Based on these dialogue mechanisms and the expectations detected in the customers, improvement actions are carried out to increase their satisfaction with the service received. LABORAL Kutxa **Customer Service** has responded since 1994 to the queries, complaints and claims that clients make. The activity in the Service has decreased by 28.05% with respect to the previous year, mainly due to the lower number of complaints and claims related to mortgage loan formalisation expenses and also to the decrease in the cases related to banking activity.

The results of this Service are:

Customer Service	2018	2019
Number of cases opened	9,121	6,563
Written: brochure / letter	7,456	5,228
Internet/Telephone	1,240	972
Public bodies: OMIC / Regional Governments	336	341
Others	89	22

Following preparation of the 2018 CSR Report, as has become customary in recent years, a communication campaign was launched in which the Report's Executive Summary was sent to the most closely linked customers. Along with this information, a questionnaire was attached, by means of which those who wanted could contribute their opinion on Corporate Social Responsibility. Four different mailings were sent: to company customers (6,755 customers), self-employed and micro-business customers (82,409), private individual customers from Personal Banking (14,684) and to KIDE private customers (156,437). In total **260,285** customers of which 30% read the mail.

In total there were 668 responses. The main **results and conclusions** of this **dialogue** process are detailed below:

When asked if their company prepares a CSR report, 23% currently prepare a CSR report, 27% plan to do so and 50% say it is not among their priorities.

Questionnaire	No. of mailings	No. of replies	Assessment	
	2019	2019	2018	2019
Company customers	6,755	43	7.4	7.8
Self-employed and micro-businesses	82,409	417	7.6	7.6
Private individuals from Personal Banking	14,684	45	8.7	8.7
KIDE private customers	156,437	163	7.9	8.2
Total	260,285	668	7.9	8,075

When company clients were asked if they produced a CSR report, 23% currently did so, 27% planned to do so and 50% said it was not among their priorities.

3.1.4. Responsible management with customers and excellence in quality of service

Responsible management with the LABORAL Kutxa customers focuses mainly on the sale of complex savings products. Excellence in the quality of service and contact with the customer are aspects identified as being of highest importance in our materiality matrix.

- ✓ In 2019, financing has been an area of intense work. Specifically, in May 2019 we started the accreditation process in the Law on Real Estate Credit Contracts (LCCI) and 1,589 people have obtained the APT category required by the Bank of Spain (94% of those affected).
- ✓ In the same line of responsible management towards clients, in order to facilitate business financing, a particularly relevant line of action is the collaboration with the **European Investment Fund (EIF)** of the European Investment Bank (EIB). During 2019, three agreements have been in force whereby the EIF guarantees a part of the risk assumed by LABORAL Kutxa, so that the financing can be carried out under more favourable price conditions and guarantees for those companies included in the agreements:

- European Union Program for Employment and Social Innovation-EaSI, for job creation via microcredits up to €25,000, aimed at entrepreneurs. Signed in 2015 for an amount of €75M and renewed in March 2018.
- InnovFin SME Guarantee Facility to facilitate innovation in SMEs and small and medium capitalisation companies. Signed in 2016 for an amount of €100M and renewed in July 2018.
- Specific EaSI programme for the promotion of social economy companies. Renewed in October 2019 for another 2 and a half years, and an amount of €50M, with the amount of the operations being able to reach up to €500,000.
- ✓ Covering the areas of customer relations management (transparency, kindness, inquiry of the needs and active listening, clarity in the explanations, ...) and that related to customer service in aspects of quality, personal service, absence of errors, etc., the most important initiative is the “**Integrated Quality Management Process**”. A process that seeks excellence in compliance with the measurement parameters of the external (towards customers) and internal (from the Central Services to its internal customers, the Branches) service.
- ✓ A key element in the quality of advice and relations is the speed of adaptation to the unstoppable digital transformation. An adequate user experience in a digital banking world requires a personalised, but omni-channel relationship between manager and client, an objective that LABORAL Kutxa seeks with the deployment of the *Onenak 4.0* project in its offices.

In relation to transparency and clarity of information

- ✓ LABORAL Kutxa has been a member of Autocontrol since 29 July 2008, an association with the objective of contributing to advertising being a particularly useful instrument in the economic process, ensuring respect for advertising ethics and the rights of consumers, with the exclusion of the defence of personal interests. In 2019 LABORAL Kutxa made the following enquiries to Autocontrol:

Preliminary advice	2018	2019
Positive	319	370
With modifications	52	126
Negative	1	0
TOTAL	372	496
Professional ethics consultations	69	65

- ✓ All the information on main products/services (Savings, cards, Mortgages, Loans, Plans, Funds, Insurance, Services, Online banking) , as well as social networks (Blog, Facebook, Twitter, YouTube, etc.) is available from the home page of our website Laboralkutxa.com, as well as on the Lagun Aro website.

Another area related to responsible management with customers is the problem of **over-indebtedness**. Its importance according to the materiality matrix has been reduced, in parallel with the improvement of the economic situation and the greater normalisation of unemployment rates. Given its high impact on the people affected, but also in order to ensure transparency in an area that has generated a significant social and media impact, our actions in

relation to customers with payment difficulties, especially on their mortgages, are described below.

Within the policy of personalised negotiation in cases where customers have difficulties in paying for their homes, the first step is to offer the customer (if they meet the requirements) the *Code of Good Practices* which LABORAL Kutxa joined in 2012, providing a second chance mechanism, a reduction in the financial burden and other measures.

Code of good practice	2018	2019
Applications	56	67
Denied	44	53
Approved	12	14

The conditions set out in this Decree have been applied to the 14 approved operations, which also include tax benefits. Of these, 12 have been signed.

There are also 31 homes assigned, out of the 35 available, to the Social Housing Fund.

The operations to which this Code does not apply, because they do not meet any of the requirements laid down by law, have followed the procedures and protocols of LABORAL Kutxa. These, in addition to restructuring of the debts, also include dation in payment as an alternative for sharing the loss of value of the mortgaged property, as well as agreements for the former owner's right to remain, despite the judicial awarding of the property to LABORAL Kutxa.

Notwithstanding this high level of agreements, the Bank has been awarded 39 homes (26 of them non-habitual), in some cases applying dation in payment agreements and in others as a result of judicial enforcement. Even after the court ruling in the latter cases, it may be possible to apply for a stay of execution on the disposal of the former home. In 1 case, the right to remain in the property was recognised in the case of a person who ceased to be the owner after the enforcement.

Floor clauses

In January 2017, an extrajudicial procedure was regulated to resolve claims related to floor clauses in mortgage contracts for home purchases. Based on consumer protection, these clauses were declared abusive, and therefore void, not in themselves, but because of the lack of transparency in their inclusion in contracts. Thus, channels were established, regulated by RDL 1/2017, to make it easier for customers to reach out-of-court settlements in order to eliminate the effect of these clauses.

LABORAL Kutxa informed its customers of a voluntary claim system prior to instituting legal proceedings. Customers who have not wanted to use this additional system have been able to go to the SAC, although the number has been small.

The cumulative volumes of claims received are the following:

Extrajudicial claims for floor clauses. RDL 1/2017	As at Dec 2018	As at Dec 2019
- Rejected (RDL not applicable)	1,008	1,089
- Accepted	449	465
- Denied	3,337	3,427
- Being handled	25	24
TOTAL incoming	4,819	5,005

The most frequent reason for denying the claim is that the Entity considers it to be proven that in this particular case the transparency requirements were met. As can be seen, in 2019 the number of claims received was much lower than the previous two years.

LABORAL Kutxa also has a regular practice of consulting its customers on the different aspects of its activity. Within the usual questionnaire there are two questions directly related to their perception of LABORAL Kutxa as a socially responsible financial institution. In 2019, 2,400 surveys were conducted asking: which organisations do you think stand out in the field of...? (Multiple and spontaneous answers). The result was:

- With honest and responsible management, which can be trusted: 20% of respondents name LABORAL Kutxa.
- National entity, committed to society and local development: 35%.

Customer Service	2018	2019
Total cases	9,121	6,563
Nature of the cases		
Complaints	7,506	5,073
Claims	1,286	1,319
Consultations	5	13
Suggestions	9	12
Letters of congratulations / gratitude	-	2
Sundry petitions, others	315	144

3.1.5. Protection of privacy and the security of data and operations.

Personal data.

In compliance with Regulation 2016/679, dated 27 April 2016, regarding the protection of natural persons in relation to the processing of personal data and with Organic Law 3/2018, dated 5 December, on the Protection of Personal Data, LABOR Kutxa must apply appropriate technical and organisational measures in order to guarantee and be able to demonstrate that the processing is in accordance with such regulations.

To this end, LABORAL Kutxa has approved a "Personal Data Protection Manual" and has appointed a Data Protection Officer in order to comply with the following data protection principles, by virtue of which personal data must be:

- a) treated in a lawful, honest and transparent manner in relation to the data subject (*"lawfulness, honesty and transparency"*)
- b) collected for specific, explicit and legitimate purposes, and not subsequently processed in a manner incompatible with such purposes (*"limitation of purpose"*)
- c) appropriate, relevant and limited to what is necessary in relation to the purposes for which they are processed (*"data minimisation"*)
- d) accurate and, where necessary, updated (*"accuracy"*)
- e) held in a form that permits identification of the data subjects for no longer than is necessary for the purposes of processing the personal data (*"limitation of the storage period"*)
- f) processed in a way that ensures adequate security of personal data, including protection against unauthorised or unlawful processing and accidental loss, destruction or damage, through the use of appropriate technical or organisational measures (*"integrity and confidentiality"*)

For the implementation and continuous improvement of the obligations described above, LABORAL Kutxa must carry out a biannual external audit.

Comprehensive Security Master Plan (PDSI)

In 2019, we continued and addressed new security initiatives, included in the plan that was approved in 2016. During the year, the Entity increased its security capabilities in the area of Governance (dissemination of the Security Standards Body, continuous training activities in cyber security, ongoing developments in regulatory compliance, etc.), Protection (developing its third party management model, improving the management of privileged user identities, updating guides to improve the secure development of *software*, etc.), surveillance (SOC/SIEM service, cyber-intelligence, hacking exercises, etc.) and Resilience (updating incident response procedures, implementing a Business Continuity Management System, etc.)

In addition, at the end of the year, LABORAL Kutxa carried out a new security assessment in order to evaluate its level of maturity based on a reference framework, with the aim of identifying its strengths and weaknesses, comparing it with other similar entities and having sufficient information to make decisions, so as to be able to define a new comprehensive security plan for the next 3 years, in line with the entity's strategy.

3.1.6. Responsible products and services

Social or sustainability criteria in credit policy are present in the following products:

- *Micro-loans*: See the information regarding Gaztenpresa. In 2019 the agreement with EIF (the European Investment Fund, an agency of the EIB - European Investment Bank) was renewed with the EaSI programme - European Programme for Employment and Social Innovation. With the support of this European programme, the conditions required for both entrepreneurs and micro-enterprises are further enhanced by increasing their access to micro-credits.
- Loans for social economy companies: Through the EASI line, providing loans and credit accounts of up to €500,000 to companies with a turnover of less than €30 million. In total, LABORAL Kutxa will allocate 50 million.
- Secured Cards: Cards that have favourable conditions such as Accident Insurance with Lagun Aro Insurance. For the Gold card, Travel assistance with Caser.
- Personal loans: There are 0% APR loans for special situations and salary advances. There are also loans aimed at young people to finance studies (material, tuition, etc.), for example, in 2019, agreements with: AEK, University of Navarra, Public University of Navarra, MONDRAGON Unib. and MONDRAGON Lingua.
- Agreements and Arrangements: with *Erkide (financial advantages for its associate cooperative members)*, with *FCTC (Catalan Federation of Workers' Cooperatives)*, with *CEPES for the financing of capital contributions and financial advantages for cooperative members*.
- *Agreements and arrangements with different companies such as SEA Empresas Alavesas, ELKARGI Mutual Guarantee Society, LUZARO Financial Credit Establishment and SENDOTU.*

Agreements and partnerships with Public Authorities

As has been explained throughout this Report, LABORAL Kutxa actively works with the various Public Authorities to open up lines of financing under preferential conditions for entrepreneurs, self-employed people and companies, or for the refurbishment of homes, or by providing finance to SMEs under better conditions through agreements or lines of credit with various Mutual Guarantee Societies (MGS). Some of them can be seen on our website:

- For companies: <https://www.laboralkutxa.com/es/empresas/financiacion/convenios>
- Business and professionals: <https://www.laboralkutxa.com/es/pro-negocios-y-profesionales/financiacion/convenios>
- Social economy companies: <https://www.laboralkutxa.com/es/empresas/financiacion/convenios/easi-economia-social>
- Subsidies: <https://www.laboralkutxa.com/es/pro-negocios-y-profesionales/apoyos-para-tu-negocio/convenios>

Affinity cards

LABORAL Kutxa assigns a portion of the income obtained from the use made by customers of **Affinity cards** for their purchases, to: Medicus Mundi, Caritas and the Confederation of Ikastolas. The amount of the yearly assignment is:

- For each card holder at the end of the year: 2.5 euro / year
- 1 euro / year per card beneficiary.
- For purchase invoices: 20% of the profits obtained.

Amount donated for AFINITY Cards	2018	2019
Total invoices (euros)	45,908,906	46,256,939
Channelled social benefit (euros)	53,117	52,670
• Medicus Mundi	23,743	23,494
• Caritas	3,324	3,311
• Ikastolak	26,050	25,864

Donations for international cooperation projects

The LABORAL Kutxa Super 55 Passbook has a points* programme, for income and balances, that customers can exchange for gifts or donations for projects in developing countries. The projects and amounts assigned are the following:

Amount donated by customers (euros) per project	2018	2019
Zaporeak. Project: "Help in the field of nutrition". Cooking and hospitality school in the Ethiopian town of Wukro and the feeding of refugees on the Greek island of Chios.	2,606	3,572
Mundukide Fundazioa. Project: "Open the tap. Mozambique needs motorised pumps for irrigation."	2,530	4,436
Mundubat. "Support for the right to health of the Saharawi people."	3,619	-
Save the children. Project: "Invest in education to fight child poverty"	5,564	-
Alboan. Project: "Against discrimination and exclusion in India". Implementation of projects that promote the defence of rights and access to education for the Dalit people.	-	3,283
Medicus Mundi. Project: "Promoting sexual and reproductive rights." Support programmes, in Peru and the D.R. of the Congo, that promote genuine equality between men and women, sex education and the commitment of public institutions to these rights.	-	2,543
Total amount (with VAT included) donated	14,319	13,834

NGO insurance

LABORAL Kutxa has an Insurance aimed exclusively at NGOs that provides cover and special conditions to these organisations via two policies:

- Accident policy. It covers volunteers for accidents occurring during the exercise of the NGO's own activities, including the risk "in itinere" (necessary travel).
- Civil liability policy. It covers claims for damages to third parties or to property that does not belong to the organisation, resulting from the usual activities carried out by the volunteers. In 2019, the insurance covered 46 associations, with 725 insured parties.

Support for the creation of a company companies. Mondragon Group

Apart from financing through credit investment, LABORAL Kutxa supports the development of Mondragon cooperatives through the contribution of funds from their profits, with the aim of creating new jobs and consolidating existing ones. These contributions are made to:

- *MONDRAGÓN Inversiones*, which is in charge of partially financing Cooperative development projects, both in Spain and abroad.
- *MONDRAGON S. COOP., Corporate Group Centre*.
- *MONDRAGON Foundation*, in order to, among other destinations, finance the development of the 15 research centres promoted by the Cooperatives.

Mondragon Group Contributions Thousands of Euros	2018	2019
Contribution to MONDRAGON Investments	6,014	6,639
Contribution to MONDRAGON S. Coop.	4,338	4,429
Contribution to MONDRAGON Foundation	9,708	10,718
Total contributions	20,060	21,786
Investment in MONDRAGON Companies (1)	702,020	608,000

(1) The investment included is: Current, Structural and Firm.

Socially responsible investment

Socially responsible investment (SRI) is one that applies Environmental, Social and corporate Governance criteria (ESG criteria) when selecting investment or financing projects. 2019 was a year in which SRI gained great strength within the financial sector, with numerous initiatives and proposals for making progress, both from the industry and from regulators.

LABORAL Kutxa has been working in this field for a number of years, with exclusion criteria in place to prevent investment or funding of activities that are contrary to our principles. These exclusion criteria affect aspects such as gambling, pornography, tobacco, weapons, coal...

As part of the Strategic Plan developed in 2019 for 2020-2022, an objective has been established to apply SRI criteria to 100% of the assets managed by the Fund/Plan Manager, Treasury and in the concession of risks. In the same way, the aim is to advance and deepen the criteria applied, moving from the current exclusion criteria to other more advanced concepts.

In 2019, the responsible Investment Fund, *LABORAL Kutxa Konpromiso, FI*, was maintained, with an ethical and charitable approach, since its investments apply controls by measuring the application of environmental, social and good corporate governance criteria. It is charitable because LABORAL Kutxa channels a significant part of the management fee it charges its customers to three NGOs from among which the customer can choose.

Contributions	2018	2019
MEDICOS MUNDI	€11,866.33	18,533.45
MUNDUKIDE	€8,883.89	14,490.74
CARITAS	€8,566.60	€11,130.57
TOTAL	€29,316.82	€44,154.77

Meanwhile, in the area of corporate investment, both in that managed by the Treasury and Capital Markets Department and in that administered by Pension and Investment Fund Managers, we are incorporating non-financial information into the processes of selecting asset issuers in which to invest.

Thirdly, in relation to credit investment in companies, since 2017 there has been a procedure for requiring additional non-financial information from companies identified as having social risks, thus extending the system previously applied to potentially problematic companies from an environmental point of view. In 2018 it was decided to reduce the financing to 1 client company that works in the field of online gambling.

Environmentally responsible products and services

LABORAL Kutxa, as a financial entity focused on a specific geographical area, does not foresee significant impacts for the organisation, either risks or opportunities, in the short term due to climate change. Also, in accordance with its strategy of contributing to a better environment, it has products and services to help slow down climate change.

Electronic customer delivery service

The LABORAL Kutxa **Posta-mail** for sending statements and receipts to customers by e-mail continues to grow significantly, helping to reduce paper consumption. The annual objective is always to increase the number of users from the previous year and, to this end, the Network constantly explains this service. The section on **Our relationship with the environment** in this Report shows the trend in the number and % of users.

Credits for renewable energies

LABORAL Kutxa is a financial entity and its activity has no direct or significant relationship with climate change. Company financing or granting of credits in the field of renewable energies or similar has evolved as follows:

	2018	2019
Loans provided (thousands of €)	18,412	20,616

Accessibility to financial services

Small towns

During the rationalisation process of the commercial network that has been carried out in recent years in response to the new challenges of the financial sector, an effort is being made to not financially exclude places with relatively small populations. The aim is to not cease serving those rural or sparsely populated areas where we have been present for many years. Therefore, the closure of offices is avoided, despite their reduced profitability, by implementing measures such as opening on certain days of the week.

Architectural barriers

In all the intervention projects undertaken in offices, the objective is to improve accessibility, in terms of both access and interior layout. This eliminates existing architectural barriers and complies with the Accessibility Standard. As these actions have been taking place for many years, there are currently very few workplaces that have accessibility problems. In 2019, the renovation work started at the Hondarribia office.

Access via internet and mobile phone. Multi-channel banking

Developments in 2019:

- Improvement/expansion of POS information in online banking.
- New online portal for the self-employed: Portal with exclusive services for self-employed workers, grouped under a single section.
- Insurance:
 - Pre-priced home insurance: The client receives the price of the home insurance, by providing the postal address and the square meters registered.
 - Lagun Aro Postanet: Communications from Lagun Aro Insurance are listed in the correspondence section of the Online Banking platform.
 - Insurance Postamail: We started sending insurance communications by email.
 - Home, business and car insurance claims portal: option to manage and track progress through SMS messages. Push and online banking.
- Contracting of retirement/pension plans in online banking.
- New option to temporarily activate and deactivate the cards.
- LKpay. Complete change of design and biometric access with fingerprint and facial recognition.
- Multi-channel signature: Possibility of initiating the contracting of a current account at a branch and deferring the signature of the participants to other branches or to the Online Banking platform.
- Contact the manager: This operation allows you to contact the manager from the new Online Banking platform, send documents to be signed, make video calls or write.

- Change of signature system for private individuals and self-employed workers: The the method for signing and accessing online banking has been changed due to PSD2. Signatures are completed by means of an SMS sent to the customer's mobile phone. Also, in order to gain access, every 90 days the customer is asked to enter the codes sent by SMS.
- Alerts. Notice of a regular contribution to a plan not made due to lack of balance.

Financial culture

LABORAL Kutxa has continued to use social networks to create financial culture and boost knowledge regarding cooperativism. For example, 67 articles of general interest have been included in the Entity's blog (blog.LABORALkutxa.com), 21 of which have focused on helping to improve the culture and knowledge of current financial affairs. In this way, with a simple and accessible format, contents of financial culture are alternated with others more related to social responsibility, such as: ethical finances, insurance obligations, tax news, how to set up a company, etc.

During 2019, a **Pro Newsletter** has been sent four times (March, May, October and November). This is an information bulletin in electronic format for Pro and micro-business clients in the Basque Autonomous Community and Navarre (more than 60,000). This action is part of the **Consulting Pro** free guidance service to assist clients in the management of their business, offering information of special interest (grants and subsidies, tax and legal news, sales techniques, etc.) for the self-employed and other professionals.

This Newsletter highlights some of the most relevant and recent content of the Consulting Pro [website](#), which offers content such as news, articles of interest, management tools, and information on events, grants and subsidies...

952 queries have been answered by the Consulting Pro service in 2019, made either in person, by telephone (free hotline 900 100 240), or through the [form](#) available on the website.

Pro Seminars are training actions aimed at owners of SMEs and the self-employed. 16 seminars were held in 2019. The main ones were held in the capitals of the Basque Country and Navarre. The topics covered were:

- **April: What does it mean to be part of the Self-Employed Social Security Regime? practical matters** (239 attendees / 4 sessions)
- **June: Grants and subsidies for the self-employed and small businesses** (150 attendees / 4 sessions).
- **October: Enhance your company's communication with LinkedIn** (138 attendees / 4 sessions).
- **December: Understand the taxes you pay and plan for the latest income tax rulings** (126 attendees / 4 sessions).

Another four seminars were held in Pamplona and the surrounding area with Navarre trade associations, attended by 50 people, bringing the total number of people attending seminars in 2019 to 853.

- Sakana Merchants Association - Etxarri Town Council: "How to ensure your online presence without dying in the process"
- Association of Commerce, Hotel & Catering and Service Businesses from the Pamplona area - Design Thinking Workshop
- Ansoain Merchants Association - Window dressing for retailers

A video is prepared on a monthly basis (in collaboration with AFI, International Financial Analysts) on the economic climate and the situation of the financial markets. This video is emailed to the Personal and Premium Banking customers and uploaded to CLNet.

Support for internationalisation

Throughout 2018, as part of LABORAL Kutxa's strategy of providing a global service to its corporate customers and supporting them in their search for new markets, the international agreements signed in recent years have been continued with a view to providing a service to customers. The agreements were mainly signed with cooperative organisations that share the philosophy of LABORAL Kutxa:

- National Cooperative Bank (USA).
- Crédit Coopératif (France).
- Raiffeisen Bank International (Austria).
- Banorte (Mexico).
- BMCE Banque Marocaine de Commerce extérieur

3.2. Our relationship with the workforce

3.2.1. Management approach

In relation to the direct activity of LABORAL Kutxa with respect to its own workers, the legal status of co-operative is an ambitious development of the inspiring principles of the *Universal Declaration of Human Rights*, namely that all human beings are equal in dignity and in rights.

Indeed, the co-operative method implies that the people who work in the company are partners with equal rights and obligations, regardless of their knowledge or status in the hierarchy. Requiring all people to share rights and obligations, as they all share in the risks and rewards of the business.

The concept of cooperation also extends to a commitment to our society. We are a *Cooperative Bank, guided by values and a philosophy that lead us to prioritise the common interest over the individual, to make decisions in a participative and responsible way and to reinvest our profits in society.*

In the area of people, the most significant risks linked to non-compliance with human rights are related to corruption and harassment at work.

- With respect to corruption, see Corporate Governance in Section 1.
- With regard to harassment in the workplace, it should be noted that this is a problem with a low quantitative incidence, but a potentially serious effect on the people who might be involved in a situation of this kind. In the procedures, there is a *Protocol for action in cases of harassment at work*, updated on 31/01/2015. The organisation incorporates an *Investigation Committee*, which has a *specific complaints channel*. This protocol includes situations of *sexual and gender harassment (known as mobbing)*. There have been no complaints or enquiries in 2019 and 2018 concerning the aforementioned complaints channel.

The financial activity we carry out, the geographical scope of our activities and the ownership structure make it impossible for threats of violation of the provisions of the fundamental conventions of the International Labour Organisation to occur.

Lagun Aro also has a procedure for managing conflict, harassment and violence at work. There have been no complaints under this Procedure. The Protocol against sexual harassment and harassment based on sex in the workplace has been defined and approved within the framework of the 2nd Equality Plan.

3.2.2. Main magnitudes of the workforce

Indicators concerning the people in the Group, both overall and according to different categories (gender, age, etc.) are available in section 4. Other magnitudes.

3.2.3. Dialogue with the workforce

As a credit cooperative, there are many channels for dialogue with people:

- ✓ The Internal Customer Satisfaction Survey (ESCI) was carried out so that the business network could assess the quality of the services provided by Central Services, make suggestions for improvement and provide any comments it deemed appropriate. The questionnaire was sent to 516 people and there was a response rate of 61.8%. As a result of the quantitative and qualitative assessments obtained from the survey, numerous improvement measures have been implemented.
- ✓ Internal Suggestions System. From 2017 to the end of 2019, 1,038 employee contributions were received, of which 126 (12.14%) were implemented.
- ✓ Participation and decision-making capacity in the basic governing bodies: Ordinary and Extraordinary Meetings and Governing Board, and in the preparation of Strategic and Management Plans.
- ✓ Activity of the Social Council, with extensive negotiation and decision-making capacities.
- ✓ An appearance by the Chairperson and the Director-General before everyone in geographical groups, in order to share the assessment of the situation and the measures being taken. Here, everybody can intervene by making comments or requesting the clarifications they consider appropriate.
- ✓ Staff meeting system: "Giltza-Collaborators Meeting" between managers and their teams.

Collective negotiation

The Cooperative Credit Union Collective Bargaining Agreement is the general framework of reference, although, in 1996 LABORAL Kutxa adopted a standard for Company Collective Bargaining, through which a specific Collective Bargaining model was established.

Collective bargaining is the process by which the employment and working conditions of all the people in LABORAL Kutxa (partners and employees) and the company guarantees that ensure its application are established. The result of this process is the set of rules and procedures that regulate the general conditions of work of 100% of the people at LABORAL Kutxa and bind the parties (the Board of Directors and the Social Council) and all persons.

In addition to the usual matters concerning compensation for expenses, schedules, etc., which are negotiated each year, agreements have been reached in 2019 on the following matters:

- Paid and unpaid leave.
- Social benefits

Like every year, at the end of the annual negotiation process, both parties exchanged the list of points to be negotiated in 2020.

Seguros Lagun Aro maintains a close relationship with the Legal Representation of Workers (R.L.T.) with whom the Company Statutory Agreement is negotiated. In 2018, a new agreement was signed for the four-year period 2018-2021 that covers 100% of the workforce.

With regard to the staff of Caja Laboral **Bancaseguros** S.L.U (CLBS, a company which is wholly owned and operated by LABORAL Kutxa), all of whom are employees, the working conditions are set out in its own collective agreement, which was renewed in 2016, and in general labour legislation. This agreement, which governs the professional and labour aspects that directly affect the group of workers, has a significant level of convergence with the labour regulations and procedures of LABORAL Kutxa.

3.2.4. Staff Development

Throughout this financial year, we at LABORAL Kutxa have implemented the following fundamental actions in relation to people:

- In May 2019 we began the accreditation process in accordance with the Real Estate Credit Contract Law (LCCI) and 1,589 people obtained the APT required by the Bank of Spain (94% of the affected staff), once again proving the commitment and know-how of the people at LABORAL Kutxa.
- Launch of BIDEAN, the new system for personal development, which seeks continuous improvement through the review of a series of professional, business and digital skills, a culture of continuous *feedback* and the definition of quality Individual Development Plans. BIDEAN has initiated a process of cultural change at LABORAL Kutxa that is transforming the way people develop. Bearing in mind that this is the first implementation, the assessment is very favourable in relation to the development interviews held and the agreed Individual Development Plans, as well as with regard to their monitoring.
- Between April and November, the first edition of the **LK Business Data Analytics** programme was developed with the end purpose of providing participants with new knowledge and skills in relation to data-based management.
 - We have worked on the "What", based on the Data Life Cycle, the "Hows", using techniques and tools such as Microstrategy and SAS, but with a clear framework of the "What for", strongly focused on generating business opportunities with and from the data and for which we have brought in high-level external speakers.

In parallel to the sessions on "discovery", concepts and tools, the knowledge acquired through the group completion of three real projects has been put into practice.

The programme has been very positively rated. The academic direction of the programme and the hybrid approach of external and internal speakers, as well as its applicability. Nevertheless, the edition we will launch in 2020 will include some improvements.

- We have incorporated a significant part of the staff of Caja Laboral Bancaseguros-CLBS into the company, and have implemented the corresponding corporate integration plan.
- Definition and launch of the ZAINDUZ programme, a Health Management Plan with a preventive approach, which seeks to raise awareness throughout the organisation and promote a cultural change, providing management tools and action protocols.
- Within the framework of Financial Education aimed at promoting a financial culture in society, we have launched various initiatives to improve the understanding of financial products and to develop decision-making skills. Special mention should be made of the design of the Financial Education skills for first-year baccalaureate students and the "inclusive finance" course for the most disadvantaged groups.
- Lastly, within the definition framework of the Entity's Strategic Plan for 2020-22, in which the transformative role also encompasses the area of people management, we have developed the "Culture and Talent" programme, which introduces new perspectives beyond the management of the processes traditionally assigned to the role. The goal is to provide a differential positioning for customers and society through committed people and leaders with the skills required in today's transformational environment.

In all the companies in the group, the organisation of work is limited to normal office hours.

Continuous Education Programmes

Training activity at LABORAL Kutxa in 2019 consisted of 456 courses and 168,298 hours (81.38 per person). Of these, 88,185 hours (52%) were for women and 80,113 hours (48 %) were for men, compared to 54/46% in 2018. The average score for the training courses in 2019 was 7.94, while in 2018 it was 7.96.

Following the publication in March of Law 5/2019, governing real estate credit contracts, and subsequently in April of the Royal Decree and Ministerial Order specifying the knowledge and skills required by the regulatory authorities, in July the process began for the accreditation of people who design, inform and commercialise real estate credit products. This is a 50-hour training process that concludes with an assessment test (exam).

The accreditation of the people affected by this regulation has been carried out on 4 occasions: July, October, November and December. At the end of the year, we reached our goal and 99.6% of the people who applied for the accreditation obtained it.

Furthermore, the general lines followed by training management during 2019 have been:

- MiFID II: Continuous training required by regulators consisting of 30 hours of training per person.
- Insurance, including the training provided for in the Management Plan and that included in the Insurance Txoko which counts towards meeting the triennial training hours required by the Insurance Mediation Act.
- The training included in BIDEAN-Performance Management.
- Digitalisation, with a specific programme developed with Mondragon Unibertsitatea aimed at all ADN staff and consisting of 3 modules. The first module is the one carried out in 2019. The rest will take place during 2020.

New commercial model-Onenak 4.0

In 2019, the new model of commercial excellence was deployed throughout the entire commercial network. Onenak 4.0 aims to expand commercial capacity on the network, evolving the roles and skills of individuals and commercial teams, and empowering them in their activity. In addition, it seeks to guide the priorities of the commercial network towards management and operations of greater added value and to adapt our relational banking model to the digital world and the new competitive environment. The objectives of Onenak 4.0 can be outlined in five main goals:

1. To take advantage of the opportunities that digitalisation offers to better understand the customers' needs.
2. To redefine the roles of people and channels in customer relations.
3. To gear the commercial strategy more towards customer loyalty.
4. To adapt our relational banking model to digitalisation and increase the efficiency of the planning aspect.
5. To optimise management systems in order to drive transformation and prepare people in the organisation by developing their skills and competences so they can respond to new challenges.

Performance management-Bidean

In 2019, a new system, called BIDEAN, was launched to manage personal development. It consists of a system focused on people and their development, encouraging them to be adaptable, with initiative and capable of constant learning, as well as a culture of self-demand, co-responsibility and collaborative work. It is the evolution of the old Performance Management System (SGD), aligned with business strategy, organisational culture and transformation.

This system has been designed based on the following pillars:

- It is a system geared towards people and their development,
- It focuses on ongoing conversations between management and employees, encouraging continuous feedback,
- It pivots on strengths and is future-oriented,
- It embodies a continuous learning and self-learning dynamic,
- It is agile, simple and flexible, geared towards self-management and co-responsibility, which means that we are the main actors and responsible for our own development.

A system that will make it possible to identify organisational potential, creating a context of empowerment and development that contributes to the fulfilment of LABORAL Kutxa's strategy and to people's satisfaction and commitment.

The implementation of this new system entails the development of new knowledge and skills, and for this purpose, we have designed a specific training plan, which has been deployed across the organisation throughout the year.

67% of people at LABORAL Kutxa and CLBS have had a development interview with their manager in 2019. The system will be implemented in Lagun Aro in 2020.

Training in anti-corruption procedures.

All manuals and procedures relating to anti-corruption issues and the code of conduct are posted on the intranet and available to 100% of staff.

Similarly, in 2016, the training course "Systems and policies for the prevention of criminal behaviour" was launched and it has been completed by 80.9% of the staff.

Basque

The process of preparing the Basque Strategic Plan, approved by the Board of Directors in January 2020, consisted of the following stages:

- ✓ Listening stage.
- ✓ Creation stage.
- ✓ Sharing stage.
- ✓ Communication stage.

The people who make up the Language Commission, the Basque Language Technical Commission and the process Coordination Group have all participated throughout the different stages. In addition, 110 members and 910 clients have given their help and opinion through two surveys. Therefore, it has been a highly participatory and collaborative process.

The approved document contains 2 areas of work and 5 main challenges:

- SERVICE LANGUAGE
 - 1. To guarantee and encourage the use of the Basque language in the service to customers.
 - 2. To show that the Entity is committed to the Basque language.
- WORK LANGUAGE
 - 3. To integrate Basque into the dynamics of the organisation.
 - 4. To increase the workers' knowledge of the Basque language.
 - 5. To increase the internal use of Basque.

In addition, with a view to the coming years, the following VISION has been established with regard to developing the Basque language in our Entity: "May LABORAL Kutxa be a Basque-speaking entity of reference in the Basque Country".

3.2.5. Diversity and equal opportunities

LABORAL Kutxa has been and continues to be a pioneering organisation and a point of reference in the design and implementation of active policies in favour of equality between women and men; an example of its commitment to cooperative values and the promotion of equal opportunities for all.

We have been committed to equality for more than two decades. In 1997 we obtained the distinction of **Emakunde Collaborating Entity**, the Basque Institute for Women, thus becoming the first financial entity to achieve such recognition.

Over all these years, in addition to creating a stable structure for the promotion of equality policies and activating various work groups to address specific issues, we have managed **to incorporate equality into the entity's strategy**, making it a topic that is included in the Management's agenda, and we have the necessary economic resources to be able to develop the policies and activities that have been defined in the Equality Plans that we have designed and implemented continually in recent years.

Thanks to the work carried out, an equal representation in both the Governing Board and the Social Council is now a reality. As for private individuals office managers, 53% in the Nafarroa network and 50% in the Gipuzkoa network are women.

However, we still have work to do and there are still **great challenges to be faced**. Our ambition is to achieve a greater presence of women in leadership positions and decision-making areas, and to move towards a shared leadership model that includes the gender perspective. A model in which the traits and behaviours most associated with femininity acquire greater relevance, whether they are exercised by women or not. In short, we want to take advantage of all the existing talent in the Entity, without gender being an obstacle.

In order to achieve this goal, we have developed various initiatives throughout 2019.

- Firstly, when the term of the III Equality Plan came to an end last year, we worked on the design of the **IV Plan for the Equality of Women and Men**. For this, we started by assessing the level of compliance and effectiveness of the III Equality Plan and then we carried out the diagnostic work. In our approach, we considered both the quantitative information available in the organisation and the qualitative information obtained through the questionnaire distributed to all employees, in which we surveyed the perception that people in the organisation had of the situation of equality at LABORAL Kutxa. This questionnaire also contributed to raising people's awareness regarding equality issues. Based on the results of the diagnostic work carried out and the contributions received, we proceeded to design the IV Plan for Equality (2020-2022).
- Secondly, within the framework of the project **Towards shared leadership**, we organised three new editions of the **School of Empowerment** aimed at the women of the Organisation. This workshop seeks to contribute to the personal transformation of the participants and is designed to improve women's perception of their leadership abilities and to generate critical awareness of gender roles and stereotypes. The sessions were led by Maru Sarasola, a leadership expert and *coach*. In total 40 women took part and the level of satisfaction was very high, so in 2020 we plan to organise more editions.
- In addition, we launched the **awareness workshop for men**. In spring we carried out the pilot test of the workshop, with the involvement of Lehendakari Juan José Ibarretxe, and with what we learned, in autumn we organised the first edition of the workshop, also directed by Maru Sarasola. Through the workshop we aimed to show the connections that exist between the new style of leadership that we are promoting and gender equality; to stress the value of "soft" skills and give them meaning (active listening, empathy, capacity to build relationships and connections, etc.); and to raise awareness of the difference in opportunities that exist between women and men to access management positions in the entity. A total of 31 men took part in the workshops and rated the initiative very favourably, so we will continue with these awareness-raising sessions in 2020.
- With regard to **external dissemination and communication**, we developed various initiatives to publicise the work we are doing in the field of equality. For example, we took part in the conference organised by the Labour Inspectorate of the Basque Autonomous Community on *Public control of gender-based wage discrimination*; we explained the project *Towards shared leadership* in the magazine *TULankide*; and we took part in Emakunde's *BaiSarea* network, together with other organisations identified as *Collaborating Entities*, sharing good practices in equality and learning together.

In addition, we have continued to **sponsor various initiatives to** encourage the participation and empowerment of women, such as the *Euskadi Foundation*, *Emakume Master Cup*, *Lilatón*, etc.

We must also highlight the fact that the **Provincial Council of Gipuzkoa** organised an award aimed at local companies called *Experiencias para la Igualdad de Mujeres y Hombres (Experiences for the Equality of Women and Men)* for the first time, and that the work presented by LABORAL Kutxa was awarded the first prize at the end of 2018. The main purpose of the award is to recognise the actions carried out in favour of equality and co-responsible work-life balance.

We are aware of the influence that the Entity's ways have on the region and we are convinced that we can be a driving force for social transformation. Therefore, in the coming years we will continue to promote initiatives in favour of equality and diversity.

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 of Candidates for the Governing Board and in the assessment and suitability processes.

In addition, as at 31 December 2019, we exceeded the minimum percentage required for the least represented gender, since the gender parity achieved in 2017 in the members of the Governing Board, the highest governing body of the cooperative, was maintained.

Furthermore, in terms of selection and appointments and renewal 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.

With regard to the employment of disabled staff, LABORAL Kutxa has 17 people under these conditions and **CLBS** has two, while in Seguros Lagun Aro there are none. Also, compliance with the LISMI is achieved through a monetary donation to GUREAK INKLUSIO FUNDAZIOA for the implementation of labour insertion activities and the creation of employment for people with disabilities.

With regard to anti-discrimination policies that do not refer to gender, the CSR policy expressly refers to discrimination on the basis of sexual orientation and those arising from maternity and the assumption of family obligations. In the same way, the Criminal Compliance Policy contemplates discrimination on grounds contrary to constitutional rights and freedoms.

3.2.6. Conciliation

Conciliation measures

The Internal Regulations contemplate measures for the Conciliation of personal and working life, as a way to ease the difficulties of attending to the staff's peremptory needs of a family nature by means of specific permits and/or leaves of absence. They refer to aspects of working hours, non-presential work, paid leave and unpaid leave.

In 2019 these advantages were extended by making the timetable at Central Services more flexible during the summer (continuous working day) and by expanding the possibilities of taking paid and unpaid leave.

Flexible working hours

All those who regularly work in the Central Services, both at Headquarters and in the Territorial Directorates, can take advantage of the flexible schedule system in terms of arriving and leaving. In 2019, to simplify the work-life balance and to encourage parents to take joint responsibility, the flexibility of this staff has been increased in terms of timetables. The company has now switched to a monthly calculation of hours, with a daily minimum of 5:15 hours of work and flexible entry and exit times. At the same time, members with children under 12 years of age and/or people dependent on them due to age or illness may, upon request and approval, extend the entry time until 9.30 a.m.

Also, there are currently no policies in place regarding work disconnection.

3.2.7. Remuneration Management

At LABORAL Kutxa, remuneration is received according to professional category. All positions are assigned a category and a remuneration (same job title, same salary, regardless of whether male or female), with salary increases being the same for all staff. There are also no differences according to age, except for the effect of the five years of seniority.

At **Lagun Aro**, even when the workers do not own the company, they still participate in the management and the business results. They do so:

- through a universal Individual Variable Remuneration, and
- a Collective Variable Remuneration applicable to people with an indefinite contract (close to 100% of the workforce) voluntarily joining a company formed precisely to enable the participation of workers in the results of the company.

In terms of **pay levels**, the salary range is substantially narrower than in the rest of the banking sector.

LK starting salary

	2018	2019
Minimum salary upon entry for partners in € / no. hours worked	15.00	15.18
Minimum salary upon entry for partners in € / Minimum inter-professional salary *	2.43%	2.01%

(*) The minimum inter-professional salary corresponds to that approved by the Spanish Government for each year. There is no difference by sex in the range of ratios between the standard starting salary and the local minimum wage, therefore, this data is not broken down by sex.

For **CLBS** the ratios for both sets of figures is the same as for LK.

Lagun Aro starting salary	2018	2019
Minimum salary upon entry in € / no. hours worked	11.19	11.30
Minimum salary upon entry in € / Minimum inter-professional salary	1.48	1.49

As regards **salary dispersion**, there is a very narrow range of salaries, consistent with the value of solidarity inherent in cooperatives, as shown below:

	2018	2019
Total pay for best paid person LK / average total pay	3.61	3.6
Increase in annual pay of the best paid person LK / average annual pay inc.	1.34	0.82
Total pay for best paid person CLBS / average total pay	Nd	2.02
Increase in annual pay of the best paid person CLBS / average annual pay inc.	Nd	0.59
Total pay for best paid person / average total pay Lagun Aro	2.3	2.1
Increase in annual pay of the best paid person Lagun Aro / average annual pay inc.	Nd	3.33

*In LABORAL Kutxa, remuneration is received according to professional category (same job title, same salary, regardless of whether it is male or female), with salary increases being the same for all staff.

At the end of the financial year, the achievement attained, linked to the Individual Variable Remuneration (IVR), is reviewed, evaluating the financial year already concluded with regard to qualitative or quantitative objectives, as the case may be. This evaluation affects all members, with 523 of them having individual objectives in 2019 (513 in 2018) and the rest having objectives associated with their work team.

The evolution of what variable remuneration (individual + collective) means for staff in relation to total remuneration is as follows:

	2018	2019
Variable Remuneration / Total Remuneration (in %)	8.33%	Nd (1)

(1) Data not available at the close of this Report

Remuneration to share capital

Members' contributions to the Share Capital have been remunerated in 2019 at the annual rate of 4.5% gross for compulsory and voluntary contributions.

Remuneration to Share Capital (thousands of euros)	2018	2019
Total payment of interest to Capital (to associated companies, to working partners, etc.)	33,565	34,316
Share received by working and collaborating members (1)	11,766	12,189

(1) Collaborating members are retired working members who maintain their share in LABORAL Kutxa.

3.2.8. Occupational Health & Safety

LABORAL Kutxa has an Occupational Health and Safety Management System (hereinafter OHS) in accordance with OHSAS 18001:2007, certified by Ondoan AIC since 2009. LABORAL Kutxa is a member of the Osarten Joint Prevention Service.

In 2018 LABORAL Kutxa and CLBS passed the regulatory audit and renewed their OHSAS certification. In 2019, the first follow-up audit was passed. To achieve the objectives defined in the Occupational Health and Safety Policy (OHS), the activities are planned annually in the OHS Management Plan:

Management programme: Proposed actions for 2019 and their situation.	
1.	Perform 500 medical check-ups (LK and CLBS). Not met: 369
2.	Perform risk assessments that affect 500 workers. Completed (537)
3.	Implementation of a plan for managing conflict between workers. Discontinued due to overlapping with other initiatives underway from Social M. (Bidean and Onenak.4).
4.	Reach 85% of staff who comply with emergency training: postponed to the first quarter of 2020.
5.	Adapt the counters of 30 offices and replace 150 old model chairs: Completed (52 desks and 675 chairs).
Management Program: 2020 Commitments	
1.	Implement a new system for office management to inspect office locations.
2.	Adapt the management system to ISO 45001.
3.	Perform 500 medical check-ups (LK and CLBS).
4.	Reach 85% of staff who comply with emergency training
5.	Link the business activity coordination software to access control in Central Services (CS).

The Health and Safety Committee is a Joint Committee with equal representation, which is also attended by the Director of the Social Management Area and the Company Physician. The Chairman of this Committee is one of the workers' representatives (Prevention Delegate). This Committee meets at least once a quarter, and everything discussed in its meetings is recorded in minutes, which are made available to everyone on Giltzanet (intranet). All people are covered by this Committee.

The most relevant indicators regarding occupational health and safety management are presented in detail below.

Accident rate	2018	2019
Employee accident rate.	1.04	1.07
No. employee accidents.	38	46
No. of fatalities among employees.	0	0
No. of robberies	2	6

The accident rate is established based on the frequency of accidents, excluding those that have taken place "in itinere" (on the way to or from work) and those that have not resulted in medical leave, in order to calculate only the most serious accidents that take place in the workplace. This index is determined based on the number of accidents per million hours worked. There are no recognised occupational illnesses.

The OHS System views the risk of robbery as one of the specific risks arising from the activity of LABORAL Kutxa, for which a series of instructions have been issued, provided to all staff and

published on the Intranet, establishing both preventive measures and measures to be taken in the event of such situations.

In 2018, a protocol was developed and approved for situations of external violence that includes action in the event of aggression, threats or insults to our staff. These situations have come to be treated as occupational accidents.

Emergency drills are conducted every year in the Headquarters buildings. Also, all the work centres have emergency plans, which are available on the intranet so that each person can refer to the one that is applicable to them. No objectives are set, but rather forecasts are made regarding the absenteeism variables, if they are made regarding the overall rate.

A novelty in 2019 was the launch, in collaboration with Osarten-Psia, of a psychological support service. It consists of referring any situations that may require psychological intervention to an external service, which guarantees anonymity. Social Management and the Medical Service will be responsible for detecting these needs. In addition, in 2019 the occupational risk prevention management system was adapted to the new ISO 45001 standard.

Lagun Aro also has a Health and Safety Joint Committee with staff representation covering the entire workforce.

Health Plan-Zainduz

In 2018, a health plan was designed for LABORAL Kutxa staff. Zainduz is a program designed to take care of your health and promote healthy lifestyle habits. It covers aspects such as improvements in diet, physical activity and health at work, so as to improve the health and physical and emotional well-being of the people who belong to the LABORAL Kutxa Group. The actions were implemented in 2019. The main actions carried out were:

- Creation of a multidisciplinary and transversal work team, and an identifying logo and a specific space on the intranet.
- Organisation of a conference on healthy eating.
- Distribution of a glass water bottle with the Zainduz logo to everyone as a measure to raise awareness of the importance of hydration during the workday.
- Publication of videos promoting health improvements: managing emotions, for better sleep, back care, prevention of cardiovascular disease,...
- Nutritional care by removing unhealthy products from vending machines, as well as sugar, by default, in coffees.
- Nutrition information packs, raffle of fruit baskets, intervention in the cafeteria,...

In 2019, **Seguros Lagun Aron** has given continuity to the Health Promotion Project "At Seguros Lagun Aro we take care of our own".

By way of summary:



Social Benefits Package

LABORAL Kutxa has developed the following initiatives focused on improving the social benefits received by its people:

Social benefits
<p>Annual celebration of a day of gathering and socialising (everyone), Elkarte Eguna, and participation through Club Lankide (financed by the Entity itself) in cultural and sporting activities as a vehicle for personal interaction outside working hours.</p>
<p>Advantages in financial products (members):</p> <p>Assets: Subsidised loan for primary residence, primary supplementary loan, loan for other domestic use, salary advance.</p> <p>Liabilities: salary account.</p> <p>Banking services: fee waivers, card fees waivers, discounts.</p> <p>Accident insurance.</p>
<p>Other benefits (partners):</p> <p>Financing of private and Basque language studies</p> <p>Funding for extraordinary personal requirements</p> <p>Subsidised company dining room (everyone).</p> <p>Vehicle damage cover.</p> <p>Extraordinary expenses due to the death of members.</p> <p>Financial advantages for those retired from LABORAL Kutxa who maintain their status as a collaborating partner and their widows / widowers who are also collaborating partners. These advantages include: salary account, exemption from some fees and loans with preferential conditions.</p>

Specifically, the Entity's working partners have the following social benefits:

Lankide Club

LABORAL Kutxa believes that joint cultural, sporting and tourist activities, etc. are an ideal vehicle for encouraging contact between colleagues outside working hours. Accordingly, it has agreed to set up Lankide clubs at Headquarters and in each of the regions, with the primary aim of promoting interpersonal relations through the enjoyment and implementation of leisure activities.

In addition to holding the annual fellowship events (Elkarte Eguna) in 2019, cultural, sports, and leisure activities have also been held, such as: season tickets for theatre and music,

mountain and cycling association grants, football tournaments, football and basketball season tickets or excursions. The total budget for 2018 was €30,532.

Capitalised cooperative returns (individual pension plan)

Each year, LABORAL Kutxa distributes 12.5% of its available profits among its members, as a cooperative return or share in the profits, which is capitalised and added to the share in the capital of each of the members.

This share of the capital stock is not available until the working partner ceases to work at the Entity, and is practically an individual pension plan after growing throughout the person's working life at the Entity. This share receives an annual remuneration (4.5% in 2018 and 2019) in the form of interest on capital. The individual annual allocation of the cooperative return is based on their total gross salary.

Cooperative return allocated to working partners (thousands of euros)	2018	2019
Annual overall amount	11,856	12,915
Average amount per partner	5.91	Nd (1)

(1) Data not available until the General Meeting.

Meeting the financing requirements of a supplementary health care system

LABORAL Kutxa covers, for the benefit of its members and working partners, co-payment of the fees required for the annual financing of a comprehensive health care system, complementary to that of the public social security system, which the MONDRAGON Corporation provides for its participating members. In 2019, this co-payment was 1.85% on the advance of gross consumption.

3.3. Our relationship with society

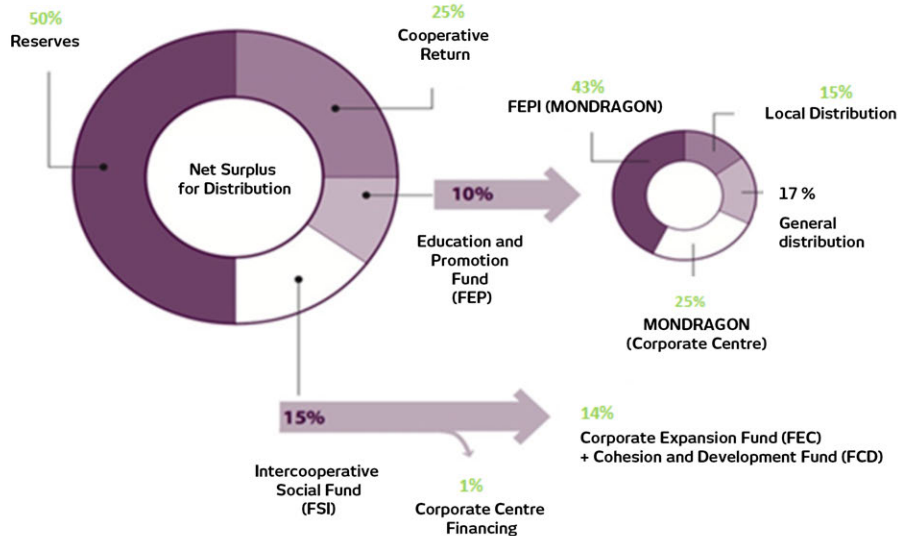
3.3.1. Management approach

LABORAL Kutxa was founded in the Basque Country as part of a business group with a strong commitment to serving society, whose mission includes the creation of associated and participative work of a cooperative nature, as an essential way of creating wealth and well-being, both among its direct members and in the Society in which it is immersed.

The criteria and mechanisms for the allocation of social assistance are unique:

- Due to its legal nature and its cooperative vocation, LABORAL Kutxa directs a significant part of its humanitarian aid contributions to the promotion of the cooperative world.
- In the distribution of subsidies under one of the headings of the Education and Promotion Fund, the distribution of which corresponds to the institutional bodies of the cooperative, the section known as "General Distribution", one of the organisations that takes part is the Social Council, which is the representative body of the entity's working members.

How are LABORAL Kutxa profits distributed?



- In addition, it also reserves a specific section of the social projects for local assistance (Local Distribution), by means of allocations through the 304 branches of LABORAL Kutxa, which steer the aid towards their own areas (neighbourhood associations, nearby educational centres, parochial social action groups, immigrant social assistance centres, etc.).

The purpose of the Education and Promotion Fund (FEP) is:

- Training and education of the workforce in cooperative principles and values.
- The dissemination of cooperativism, as well as the promotion of inter-cooperative relations.
- The cultural, professional and assistential promotion of the community in general, as well as improving the quality of life and the community development and environmental protection activities.

The Inter-Cooperative Social Fund - FSF aims to:

- Promote business projects and the expansion of cooperatives through Mondragon Investments and the FEC (Corporate Expansion Fund).
- Among other uses, support for MONDRAGON co-operatives in difficulty, R&D&I projects and training through the Mondragon Foundation and the FCD (Cohesion and Development Fund).

During 2019, LABORAL Kutxa has continued to strengthen its commitment to the environment, biodiversity and sustainable development, thanks to the signing of various agreements with the main agents in the agri-food sector, and the support given to initiatives linked to the rural environment.

Gaztenpresa Foundation

The Gaztenpresa Foundation is a private, non-profit organisation. It is part of the welfare programme of LABORAL Kutxa and its aim is to support initiatives and develop actions that facilitate the creation and preservation of employment, through programmes and services that add value to the business and professional development of its users, and also to its allies and society as a whole. The Foundation's target group includes:

- Entrepreneurs, mainly young people.
- Collectives with difficulties in their social and labour insertion.
- Young micro-enterprises with development projects.
- Training institutions that want to encourage the entrepreneurial spirit among their students.

The business creation activity of the **Gaztenpresa Foundation**, financed by LABORAL Kutxa and Corporación Mondragón, as well as by the Basque Government (Dept. of Employment and Social Policies) through Lanbide and the European Social Fund, was again substantial in 2019. The projects supported and which went beyond the feasibility phase **generated 405 companies**, creating **787 jobs**. Its scope of activity is the Basque Country and Navarre.

The general objective is to promote the creation, development and maintenance of small businesses and micro-SMEs, identifying employment opportunities through self-employment for people who are unemployed or at risk of becoming unemployed.

The process involves identifying and developing the person who wishes to become an entrepreneur and assessing their suitability to the reality of the market, in order to determine and suggest the self-employment opportunities best suited to their situation. It offers all-round support, providing a response to the general demand for guidance, training and technical assistance, both for start-up and for the consolidation and survival of the companies created.

The intention is that people who decide to start their own business can develop their personal initiative and get to know the business framework they are hoping to enter, and for this they will have qualified people to guide them on the path to follow, thereby developing their own professional plans.

Gaztenpresa Projects	2018	2019
Viable and open the business	415	405
Not viable/ Viable but do not open the business	144	195
Consolidation	120	50
Derivatives	108	96
Consultations	298	295
Total	1,085	1,041

Among the viable ones that open the business, the regional distribution is as follows.

Gaztenpresa projects in 2018	Araba	Bizkaia	Gipuzkoa	Navarra	Total
Viable and open the business	65	182	97	61	405

These are small businesses, with services and retail being the most common sectors of activity:

- the average *investment* in 2019 was €81,000,
- The average *finance* provided by the Bank was €42,100, 49%
- employed 2 people at the outset,
- the average age of the entrepreneur was 39 years old and,
- by gender, the percentage of women entrepreneurs was 47%.

Once the company is up and running, the entrepreneur faces many practical difficulties and a sense of isolation that often prevents him or her from dealing with them properly. Gaztenpresa runs *workshops* that provides further support to these entrepreneurs, also answering *queries* on new investments, closure decisions, change of market or applications for new subsidies.

Business consolidation	2018	2019
No. workshops	75	50
Companies in consolidation	120	175
Queries handled in PRO service	432	372
Mentoring programme	27	20

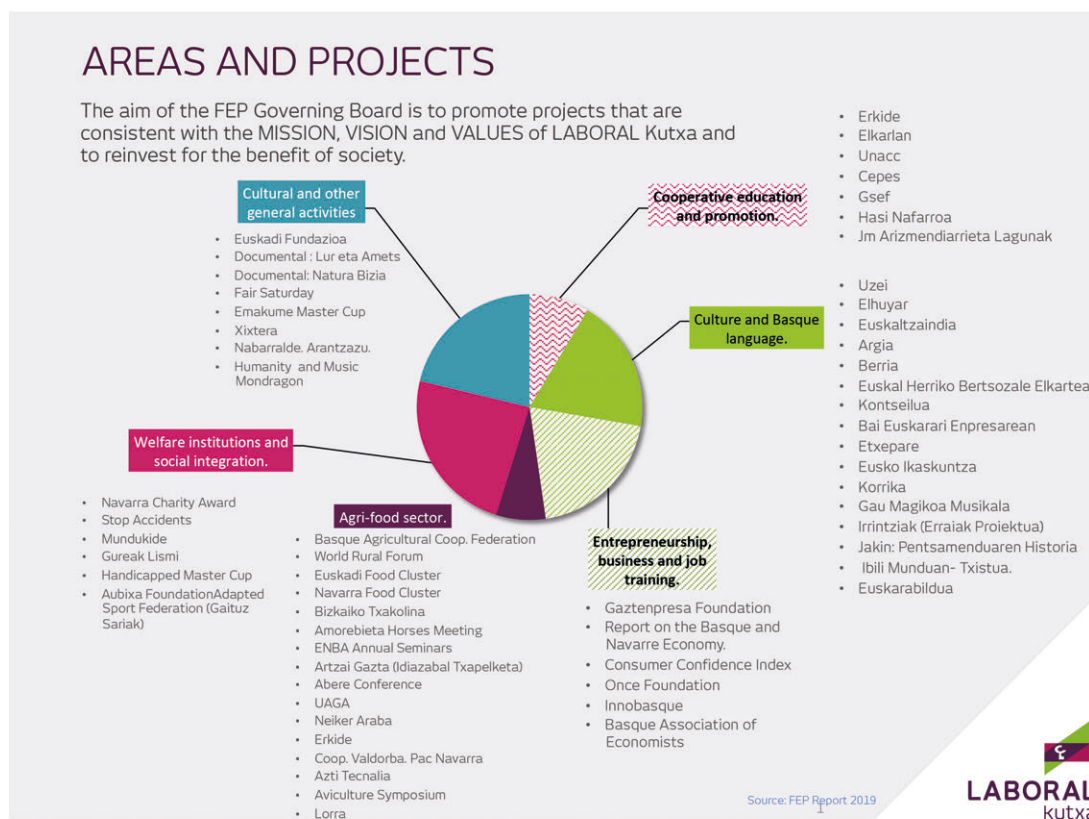
Also, the **mentoring** programme offers one-to-one coaching for a year. A volunteer with entrepreneurial experience helps an entrepreneur who is starting his or her first business venture to improve their skills and competence, enhancing both their personal and professional development as well as the consolidation of their business. The Gaztenpresa mentoring programme is a structured process designed based on the experience of other members of the *Youth Business International* Network and with the support of *Accenture*.

Indirect contributions to society

The most significant indirect economic effect is the generation and distribution of wealth and employment, preferably in a cooperative manner, which is achieved through the contribution of resources from LABORAL Kutxa to the MONDRAGÓN group. We also have an influence on society through hundreds of sponsorship and promotional activities to which we allocate economic resources.

More than 200 initiatives were supported in 2019: conferences, awards, cultural activities or the promotion of the Basque language, sports or charitable work.

These include:



<https://blog.laboralkutxa.com/todos-los-patrocinios-de-laboral-kutxa-en-2019/>

Also, the staff at Central Services are given the opportunity, twice a year, to donate blood for the benefit of the Gipuzkoa Association of Blood Donors. In 2019, 116 donations were made (121 in 2018).

Basque Cycling Foundation

A particularly important initiative in 2019 was LABORAL Kutxa's support for the creation of the Basque Cycling Foundation. The project goes beyond sports and aims to relaunch the training work in order to create a regional structure that guarantees the practice of basic cycling in the best possible conditions.

It is a cross-cutting project because values such as equality, healthy lifestyle and building a more sustainable future for the environment are promoted through the practice of cycling among young people.

Relations with Government Agencies and political parties

LABORAL Kutxa defines the management of government agencies in the Public Sector Management Manual as a distinct, integrated, coordinated and dynamic management by the Public Sector Office within the network of Companies. This document defines the responsibility and functions of each Division of LABORAL Kutxa in the management of this segment, in everything that affects the segmentation, management systems, information systems, commercial strategies and risk management.

In the same way, the LABORAL Kutxa Risk Manual "Credit Risk Policy, Methods and Criteria", considers in Chapter 5 the "Risk Policy to be applied to the Public Sector", establishing a differentiated policy within the scope of Companies due to their accounting particularities. LABORAL Kutxa does not provide finance to any political association or national or international entity, except for the loans and guarantees to political parties listed in the following table:

	2018	2019
Eusko Alkartasuna	118	104
EAJ - PNV	793	670
Loans (thousands of euros)	911	774

3.3.2. Main figures: Profit sharing in society

As explained in the management approach, the main contribution of the LABORAL Kutxa Group to society is through the distribution of 25% of its distributable annual profit. In 2019 it was almost **23.5 million euros**. The distribution among headings was as follows:

Item (thousands of euros)	Years of application	
	2018	2019
Charitable contribution to the launch and consolidation of cooperative companies (through MONDRAGON)	12,887	14,227
Inter-cooperative Social Fund - FSI (15% of Distributable profit)	12,887	14,227
Cooperative Promotion through MONDRAGON (68% FEP) and other destinations (UNACC, etc.)	5,841	6,593
FRES, Fund for Restructuring and Company Employment	698	0
Entrepreneurship and Business and vocational training (<i>Fundación Gaztenpresa</i>)	311	331
Cultural activities in general and others	543	845
Promotion of the Basque-language and Basque Culture	321	703
Welfare institutions and developing countries	373	630
Agri-food sector	63	105
Education and Promotion Fund - FEP (10% of Distrib. profit).	8,150	9,210
Sum FSI+FEP	21,037	23,437

3.3.3. Dialogue with society

These are the most relevant mechanisms for dialogue with society.

Group of Interest: Society
Dialogue mechanisms implemented in 2019:
<ul style="list-style-type: none"> ▪ Membership of Izaite, Association of Basque companies for sustainability, which focuses on social and environmental issues. ▪ Social network with entrepreneurs to share concerns and propose collaborative actions through the Gaztenpresa Foundation. And adhesion, as a founding member, to YBI- YBS Youth Business International in Spain, an international network of Good Practices and support to young entrepreneurs. ▪ Participation and dynamisation of virtual communities with a presence in blogs and social networks on the Internet to reinforce contact and the pooling of ideas and initiatives: <ul style="list-style-type: none"> ❖ Instagram: 5,301 followers ❖ Facebook: 17,545 fans ❖ Twitter: 5,926 followers ❖ Blog: 185,160 readers ❖ WhatsApp: More than 1,000 users attended to per month. ▪ Specific analysis of the opinions and expectations of the users of OnLine Banking through the use of internet tools to monitor opinions, forums, social networks and expert reviews. ▪ Acknowledgments, in collaboration with various institutions, such as: Navarra Prize for solidarity which went to "Emaus", Humanities Prize (with Eusko Ikaskuntza) which went to Juan Ignacio Pérez Iglesias, Etxepare Translation Prize which went to Ainara Munt. ▪ Survey of customers from companies, personal banking, Kide and Pro-microcompanies on their assessment of CSR activities at LABORAL Kutxa, while sending out the Executive Report on the 2018 Report. ▪ Public Presences. Representatives of LABORAL Kutxa attended forums (universities, interviews, talks) to which they were invited to explain their way of doing things and their commitment to society. These forums also enable dialogue with stakeholders. Among the public appearances, the presence in September of our Chairman at the signing of the United Nations Principles for Responsible Banking is particularly relevant. The signing took place in New York and marked the launch of this initiative to generate transformation within the financial sector.

In 2019 LABORAL Kutxa continued its line of dissemination of Social Responsibility among different groups of interest. In this respect, LABORAL Kutxa:

- Has made the Report available to the public on the websites of GRI, Izaite and the Entity.
- It has distributed the CSR Report to its staff via the intranet (Giltzanet).
- It has sent an email to more than 250,000 clients with the Executive Report with the general lines of the annual Report, also making the full version available. We have also made use of this contact to ask for the customers' opinion on the establishment of CSR at LABORAL Kutxa.

3.3.4. Initiatives endorsed by LABORAL Kutxa

The following table shows the current initiatives carried out by LABORAL Kutxa:

Name	Purpose	When
Agreement with FIARE, renewed with Banca Popolare Etica	Commitment to collaborate with ethical banking. In 2017 it was renewed once Fiare became a Spanish branch of Banca Popolare Etica	2005
Adherence to the United Nations Global Compact.	Commitment and progress in the 10 Principles of the Compact.	2006
Affiliation to Izaite, Association of Basque Companies for Sustainability.	To share experiences in business sustainability and promote training and dissemination in the field of sustainable development.	2006
Joined Autocontrol.	Association for the Self-Regulation of Commercial Communication.	2007
World Rural Forum	To promote rural development as an integral part of overall economic development.	2007
Emekin Programme, with the Provincial Council of Gipuzkoa and the Association of Women Entrepreneurs	Full coaching for women with a view to promoting a business. Additional agreements with the associations of Women Entrepreneurs and Directors of Bizkaia, Gipuzkoa, Alava and Navarre: AED, ASPEGI, AMPEA, AMEDNA	2007
EFMA European forums: SME Council, Operational Excellence Council, Spanish Retail Banking Decision Makers Club	Exchange of good commercial and management practices between leading European banks and savings banks through EFMA - European Financial Management Association.	2010
Agreements with various town councils to promote the use of the Basque language in their reciprocal relationships	Initially with Andoain, Astigarraga, Hernani, Lasarte-Oria and Urnieta. Expanded in 2016 to include 38 towns grouped in UEMA.	2011
Agreements to support the social economy	Annual agreements with associations linked to the social economy in the Basque Country and Navarre: Erkide, Asle and Anel Annual agreements with Cepas at a national level.	2012
Agreements with the European Investment Fund (EIF).	Agreements to support the creation and reinforcement of micro-enterprises and related jobs. Progress programme. In 2015 it was continued through the EaSI Programme. In 2016 there was Innovfin to support innovative companies. In 2017 EaSI social economy	2013
LABORAL Kutxa financial management programme - Cebek	Training seminars and workshops for entrepreneurs and SME managers in Bizkaia. There are similar partnerships with SEA - Empresarios Alaveses, and with the Chambers of Commerce and Industry in Alava and Gipuzkoa	2013
Local founding partner of YBS - Youth Business Spain	Participation in Youth Business International, International Network to Help Young Entrepreneurs.	2014
Agreement with the Basque Government to safeguard linguistic rights	Allowing customers to carry out all their operations in either of the two official languages.	2015
Code of Good Practice for Financial Education initiatives	Educational programmes on financial matters. Developed in conjunction with the CNMV and the Bank of Spain, and separated from the business activity	2016
United Nations Principles for Responsible Banking	Framework for the sustainable banking system of the future. Commitment to the 6 Principles.	2019

Lagun Aro Insurance:

CONTRIBUTION IN THE SOCIAL ARENA

- Collaboration with **STOP ACCIDENTES**, a non-profit, citizen organisation committed to road safety and the right to life. Throughout 2018 we can highlight the IV Photographic Competition and its subsequent touring exhibition "Peatón, ciclista. Que no atraviesen tu vida" (Pedestrian, cyclist. Don't let them ruin your life) which aims to make society aware of the risk factors and road problems associated with mobility in urban areas.
- **GAZTENPRESA**: collaboration in the mentoring programme of this foundation, a LABORAL Kutxa initiative, the aim of which is to promote employment and support entrepreneurs in the creation of companies in the Basque Country and Navarre.
- **ZEHARO FOUNDATION**: financial collaboration with this foundation which aims to integrate people at risk of social exclusion into the workplace.
- **Biscay Blood Donors**: they visit our premises 4 times a year and we have a regular group of people from the company who are frequent donors.

COLLABORATION AGREEMENTS



We collaborate with the Basque Center for Applied Mathematics (BCAM), with the aim of creating prediction models for customer churn and incidents in car insurance, using advanced mathematical techniques to optimise policy renewal and profitability ratios.

Financial education

The main activities carried out during 2019 in the field of financial education were:

- Finantzeta Murgilduz Erronka. Agreement with Ikastolen Elkartea to create resources for the development of Financial Educ. in educational centres. Programme aimed at A level and 3rd-4th year secondary students.
- School visits to LK.
- Finantzargi (University). Basic finance training for university students. Launch of the project in Mondragon Unibertsitatea. Irun and Oñate Campus 6 groups (March-April-May) and 6 groups in November-December in Bilbao and Irun.
- 3 workshops on inclusive finance for disadvantaged groups. 40 people in conjunction with Lantegi Batuak in Erandio and Derio.
- Creation of a section on Financial Education within the corporate website.

Awards received

The following awards have been received over the past three years:

- 1st Prize for Experiences of Equality between Women and Men in companies in Gipuzkoa 2018, awarded by the Provincial Council of Gipuzkoa
- In 2017, the award for the event to support entrepreneurship and innovation in the Basque Country, *EUSTART Up*, as the company having contributed most to supporting entrepreneurship.

As for Lagun Aro, it received recognition in 2018:

ETHICAL AND
SOLIDARITY-BASED
MANAGEMENT



The Ethical Finance Observatory has certified Seguros Lagun Aro with the EthSI (Ethical and Solidarity Based Insurance) seal, in recognition of its ethical and solidarity-based management.

This seal acknowledges the adoption of a set of criteria aimed at providing transparency in the insurance sector and promoting the development of ethical insurance.

The Observatory, via an independent evaluation committee, assesses aspects grouped into the following categories: responsibility towards the community and the region, financial responsibility, ethical investment and the use of ethical banking, equality and transparency, environmental responsibility, employment responsibility, corporate structure, governance and democratic operation.

3.4. Our relationship with the environment

3.4.1. Management approach

Since 2001, **LABORAL Kutxa** has been implementing an **Environmental Management System - EMS** in accordance with ISO 14001, for all its activities in the three Headquarters buildings. Although it is not part of the certified system, **LABORAL Kutxa** transfers the majority of its environmental activities from central services to the other work centres. In 2019 the certification was renewed for three years.

The Environmental Management System is the responsibility of an Environmental Committee made up of members of the Legal Department, Internal Audit, Risks, Fixed Assets, Security and General Services and Management Planning and Control, with the latter acting as the Coordinator. In accordance with the precautionary principle of the Rio Declaration, it addresses the possible impacts of the activity with a view to preventing environmental damage. Although the direct effects of the financial and insurance activity on the environment are very limited, there are indirect effects.

Seguros Lagun Aro shares the environmental management policy of **LABORAL Kutxa**, the aim of which is the continuous improvement of environmental behaviour, the prevention of pollution and the protection of the environment. As with **LABORAL Kutxa's** network of offices, it is not integrated into its Environmental Management System.

Due to the very nature of its activity, the environmental impact caused by the insurance company is minimal.

However, its management focuses on the issues related to paper consumption. In 2019, 2,605 more printouts were made at Central Services as a result of the internalisation of the management of registered letters, which had previously been carried out off-site. The huge effort made in this area since the end of 2017 has led to a reduction of more than 1 million printouts and photocopies per year for the business.

From an environmental point of view, a particularly significant initiative in 2019 was the participation of **LABORAL Kutxa** in the **EKIAN solar plant**. With a surface area of 55 hectares, an operating power of 24MW and an estimated production of 40,000MWh per year, it is the largest photovoltaic plant in the Basque Autonomous Community. The Entity's participation shows its willingness to contribute to the transition to a more sustainable energy model.

A distinguishing feature of **LABORAL Kutxa's** Social Responsibility policy is the implementation of an extensive concept of **Socially Responsible Investment - SRI**, whereby environmental, social and good governance criteria are taken into account when deciding on the companies in

which corporate funds or those from customers are invested through investment or pension funds, but also in relation to credit investment.

The EMS is audited annually by AENOR. In the certification renewal audit report, dated 17/10/2019, the strengths of the EMS were listed as:

- The Entity's initiatives related to Socially Responsible Investment.
- Participation in the 'Ekian' project, the Arasur Photovoltaic Plant.
- The completion of the work on the LK1 building for the central services, with the use of energy from the geothermal heating system and the use of the biomass plant.

It also mentions two non-conformities in the system related to emergency preparedness and response and compliance assessment.

As stated in the ISO standard followed by the EMS, the success of an environmental management system depends on the commitment of all the functions and levels of the organisation, under the leadership of senior management. Thus:

- LABORAL Kutxa has an Environment Policy, approved by senior management, with access for all its partners and customers, through its publication on the corporate website.
- Every year, it carries out planning to determine the risks and opportunities related to its environmental issues.
- On the basis of this, it establishes objectives that are monitored and communicated, both internally and externally.
- It also plans the appropriate actions to achieve these environmental objectives, determining what is to be done, with what resources, who will be responsible, and with what indicators its achievement and compliance with deadlines will be evaluated.

3.4.2. Main figures and initiatives developed

In terms of resources dedicated to the prevention of environmental risks:

Direct expenses charged to the EMS	2018	2019
Maintenance of the EMS (1)	4,106	6,763
Waste management (2)	5,220	4,830
Environmental promotion	3,763	168
Measurements (discharge)	1,118	565
Total in €	14,206	12,326

(1) IZAITE, AENOR, Hora Planeta, advice and legal requirements.

(2) Removal of Paper, oil and Safety Advisor.

These expenses are those directly managed by the Environmental Committee and do not include costs managed by specific departments or any investments made. **Lagun Aro Insurance** does not have specific headings for this purpose.

With regard to the principle of precaution, as explained above, LABORAL Kutxa has an environmental management system in which environmental risks and opportunities are taken into account and analysed. Within this analysis, no products or technologies have been detected that are being implemented and are suspected of posing a risk to public health or to the environment.

Nor is it considered necessary to make provisions or guarantees for environmental risks.

Environmental risk assessment

As part of its Environmental Management System, LABORAL Kutxa has a “Review Control and Risk Management” procedure that sets out the steps to be followed in order to evaluate and control the environmental risks in all operations involving commercial credit investment and company risks, assigning each activity a High, Medium or Low level of risk, excluding the areas of treasury, securities portfolio and monetary assets. When the assigned risk level is High, this factor is taken into account as another evaluation factor for deciding whether or not to authorise the transaction.

2018

Segment	Operation No.	Thousands of €	High	Medium	Low
Companies	561	723,472	22	80	459
Individuals	14	47,480	1	1	12
Self-employed	0	0	0	0	0
Businesses	10	10,465	0	3	7
Developers	121	296,651	0	0	121
Institutional	150	415,131	4	30	116
Public	32	435,029	0	0	32
Fin. Loan	6	10,975	0	0	6
Total	894	1,939,203	27	114	753

Year 2019

Segment	Operation No.	Thousands of €	High	Medium	Low
Companies	562	878,324	27	87	448
Individuals	12	29,699	-	-	12
Self-employed	1	1,400	-	-	1
Businesses	12	9,084	-	-	12
Developers	85	294,990	-	-	85
Institutional	127	471,016	5	3.4	84
Public	27	392,869	-	-	27
Fin. Loan	9	7,662	-	-	9
Total	835	2,085,043	32	121	682

If the company in question has several production centres, the risk assessment is carried out for each of them, with the risk assigned to the company being equivalent to the highest of the risks obtained. In the last three years, no operation has been rejected on the grounds of environmental risk.

Elsewhere, in section 4.2 Socially Responsible Investment, reference is made to other environmental controls carried out from an environmental point of view in both credit investment and investment management.

Transparency in exposure to fossil fuels

A Communication from the European Commission in March 2018 includes an Action Plan, entitled *Financing sustainable development*, the objectives of which include

- redirecting capital flows towards sustainable investments, and
- managing financial risks arising, in particular, from climate change.

In the same line of emphasis on the importance of managing the risks of climate change, the *Task Force on Climate-related Financial Disclosure - TCFD* of the *Financial Stability Board - FSB* published, in June 2017, some recommendations on climate-related reporting which, in

relation to banking, stresses the importance of measuring and managing the concentration of risk exposure to carbon-related assets, including those relating to the industry producing and supplying energy from fossil fuels, excluding renewable energy sources. It therefore includes companies involved in the production and supply of conventional electricity, oil, gas and coal mining.

Exposure to fossil fuels as at 31/12 thousands €	2018	2019
Exposure to Credit Risk		
Circulating risk	16,714.3	46,332.2
Structural risk balances and guarantees	6,513.2	7,170
Shares in wholesale risk	10,839.5	0
Total exposure	34,067	53,502.2

It was confirmed that LABORAL Kutxa's exposure to the incidence of climate risk in these industries is very limited.

Pollution

During recent years, LABORAL Kutxa has made a significant investment effort that has resulted in the complete renovation of two of the three buildings of Mondragon's Central Services. These actions have involved the introduction of the latest technologies in lighting, air conditioning and insulation, which has led to achieving the highest environmental rating (A). The introduction of renewable technologies such as geothermal and biomass for the air-conditioning of the buildings is of particular importance. In addition, when renovating the branch offices of the business network, these technologies are applied with the aim of reducing the impact of the activity and minimising emissions. Lastly, a continuous effort is being made to digitalise the business. This is true both for the relationship with our customers and for the internal activity.

Noise is not considered to be a significant issue in the annual assessment of environmental matters within the environmental programme. With respect to light pollution, it is not taken into account due to the small impact of financial business on this matter. Moreover, there are mechanisms to turn off the lighting of the luminous signs of the offices after a certain time at night.

Circular economy and waste prevention and management

With respect to **environmental safety**, the Central Services buildings and facilities have emergency plans that consider possible effects on the environment in the event of an incident, as well as how to act to minimise this impact. There are also emergency plans for all the workplaces, although, in the network of offices, the potential environmental effects of emergencies are much lower.

For **waste** management, waste is managed correctly within the framework of the environmental certification. In addition, the most important waste, paper and toner, are managed centrally for all work centres. The most significant waste related to our activity are indicated below:

Indicator	Unit	LABORAL K.		Seguros LA	
		2018	2019	2018	2019
Cardboard and paper waste	Kg	105,994	106,927	132,463(1)	5,652
Recycled toner cartridges	No.	3,821	6,321	(two)	
Used vegetable oil	Litres	1,520	2,295		

(1) A warehouse was cleaned in 2018 from which over 120 tons were removed.

(2) This waste is not generated for Lagun Aro.

At the end of 2019, a new waste management system was implemented in the office network. The individual waste bins that existed until now in all the workplaces have been removed and replaced by shared bins that differentiate between three types of waste: paper, packaging/plastics and other waste. This thereby improves the selective collection of waste, makes both staff and customers aware of the importance of caring for the environment and ensures better management of the paper to be destroyed and recycled.

Given the activity carried out, no measures are taken to combat food waste.

The water used drains into the municipal sewage network. The wastewater is analysed externally each year to verify that it is within the authorised limits.

Sustainable use of resources

Although water consumption is not significant in a financial institution, within our environmental system the consumption by central services is managed, not that of the branches or Lagun Aro. As part of the refurbishment of the Headquarters buildings, the pipelines have been renewed with the aim of reducing leaks and water losses. The water consumption of Lagun Aro and the business network is limited to the toilet facilities, so it is not considered significant or manageable, unlike the Headquarters, where it is also used in the kitchen and for irrigation.

Water consumption (m3) at Headquarters	2018	2019
Water consumption	7,447	10,898

Each year, the environmental programme identifies, records and evaluates environmental factors in order to determine their associated environmental impacts and establish their level of significance from a life-cycle perspective. To this end, the scale and degree of danger are determined, obtaining a significance level. Below are the main indicators of the Environmental Management Programme of LABORAL Kutxa and Lagun Aro based on the results of this evaluation.

Paper consumption kg	LABORAL K.		Seguros LA
	2018	2019 (1)	2018
Promotional paper	106,578	130,785	64,425
Office paper	272,922	282,081	1,052
Total paper consumption	379,500	412,866	65,477

(1) 2019 shows the joint data of LABORAL Kutxa and Lagun Aro.

All the paper consumed was environmentally friendly, chlorine-free paper.

In order to reduce the amount of paper used in customer communications, a significant drive has been made in recent years towards the use of new technologies and e-mail communications (Postamail)

Lagun Aro keeps track of the number of printouts made by employees in order to reduce their number and, therefore, the amount of paper used.

That is why the total weight of the toner has been added, which shows the savings that are being produced.

Toner consumption in units	LABORAL K.		Seguros LA
	2018	2019 (1)	2018
Total toner cartridge consumption	3,317	3,502	50
Cartridge consumption per person	1.51	1.57	0.30
Weight of toner used kg	2,438	2,602	

(1) LABORAL Kutxa and Lagun Aro

The impacts of the LABORAL Kutxa activity are limited. One of the most important is electricity consumption. Mondragón's central services are within the scope of ISO 14001 environmental certification and are actively managed:

Year/Unit	LABORAL K.		Seguros LA	
	2018	2019	2018	2019
Electricity consumption in Kwh / year Central Services	3,454,918	3,380,870	360,210	348,851
Electricity consumption in Kwh / year TOTAL LK	13,277,248	12,915,786		

Internal energy consumption A improved significantly with respect to the previous year, except for electricity consumption as a result of works.

External energy consumption B, the petrol used for travelling, entailed a consumption of 20,215 GJ (19,728 GJ in 2018). For Lagun Aro it was 1,426GJ in 2019 and 1,593GJ in 2018.

Energy intensity, measured as total energy consumption (including internal A and external B) among the total number of employees (LABORAL Kutxa and CLBS) was 32.37 in 2019 compared to 32.82 in 2018.

As noted above, significant efforts have been made in recent years to improve energy efficiency. The following is worth mentioning:

- The introduction of a geothermal system to air-condition the central services buildings.
- The construction of a biomass plant to meet the heating needs of the biomass. Both systems have made it possible to eliminate climate control using fossil fuels.
- Refurbishment of the insulation (low emission glass), equipment (LED) and machinery to increase the efficiency of air conditioning and lighting.

Climate change

LABORAL Kutxa's concern about the climate crisis is reflected in its adherence to initiatives such as the Global Compact, the SDGs, its commitment to the Paris agreements and, more recently, to the United Nations Principles for Responsible Banking. All of them commit us to carry out an analysis of the risks and opportunities of climate change, force us to introduce sustainability into the Entity's strategy and encourage us to make efforts to reduce the impact of our activity.

An aspect of particular relevance is the calculation of our business's **carbon footprint**.

Breakdown of emissions by source. Carbon Footprint	LABORAL K.		Seguros LA	
	2018	2019	2018	2019
Scope 1: Direct emissions	356	160	0	0
Scope 2: Indirect emissions	3,717	3,616	101	98
Scope 3: Other indirect emissions	963	1,069	81	70
Total emissions Tonnes of CO2	5,036	4,849	182	168

The Basque Government's Klima 2050 calculator was used to obtain this data in 2019, so the 2018 data has been reformulated from that shown in the previous Report.

The following were taken into account:

- For scope 1, consumption of diesel, propane and emissions of refrigeration gases.
- For scope 2, the total electricity consumption (CS, the office network and regional management buildings) was taken into account.
- For scope 3, we have taken into account emissions due to travel during work time, kilometres travelled by taxi, the emission resulting from paper consumption, electricity consumption of customers when using our website, waste management and water supply.

As previously stated, **LABORAL Kutxa** has made a continuous effort in recent years to combat and adapt to the consequences of climate change: investments, digitalisation, actions to improve energy efficiency... In addition, the following areas of action are planned for the coming years:

- During the strategic deliberation that took place in 2019, sustainability was introduced as an across-the-board strategic variable. Multi-year objectives have been set to reduce Co2 emissions and paper consumption, as well as the creation of green products and the further implementation of Socially Responsible Investment.
- Secondly and in parallel, since the beginning of 2019 work has been started on the concept of sustainable mobility. To this end, a staff mobility survey has been carried out. As a result, some areas for action have been proposed to move towards sustainable mobility and to reduce CO2 emissions.
- As a result of the adoption of the United Nations Principles for Responsible Banking, an analysis of the impact of the climate crisis on LABORAL Kutxa's business will be carried out in 2020. It will analyse the impact of the direct and indirect risks to which it is exposed in its investment and credit portfolios. To this end, information is already being collected on the energy rating of homes and the fuel used by the vehicles being financed.
- Lastly, as mentioned above, in 2020 the Ekian project will be launched, the largest solar plant in the Basque Country, a project in which LABORAL Kutxa is one of the participating entities.

Protection of biodiversity

LABORAL Kutxa's financial activity does not affect biodiversity or impact on protected areas.

3.5. Our relationship with supplier companies

3.5.1. Management approach

The financial activity that we carry out, as well as the local presence in a very specific geographical area, means that the management risks of subcontractors and suppliers are not excessively important.

Nevertheless, LABORAL Kutxa, aware of the importance of supply chain management in the area of sustainability, has developed the following areas of action regarding suppliers during 2019:

1. With regard to **occupational risk prevention**, progress has been made in coordinating business activities. There are more than 300 work centres in LABORAL Kutxa where many people belonging to other companies come to perform professional tasks: subcontractors, works, maintenance... In 2018, a computer system was acquired and implemented that allows us to establish the controls and exchanges of information and documentation necessary to ensure that the people who come to our premises to carry out these activities meet all the established requirements. In 2019, progress was made in its implementation with the objective of covering all supplier companies.
2. The first phase of **the supplier company management project** to organise the purchase management of the different departments has been completed. As part of this project, the Corporate Social Responsibility Committee approved the following documentation that fully demonstrates LABORAL Kutxa's desire to work with its supplier companies in an ethical and sustainable manner:
 - 1) Responsible purchasing policy of LABORAL Kutxa.
 - 2) Supplier code of ethics.
 - 3) Code of conduct for responsible purchasing.

Given the characteristics of our supplier companies, it is not considered necessary to carry out audits on them on aspects not related to the characteristics of the product or service they provide. For this reason, supplier companies are currently not evaluated for environmental or social aspects, however, the impacts of their activity are considered to be low. In compliance with the precautionary principle, there are other factors that influence the selection of supplier companies, in addition to the origin, such as technical requirements, the characteristics of the product or service they provide and the price. At the same time, LABORAL Kutxa ensures compliance with social and employment legislation through a clause that it has in place:

- Compliance with employment, Social Security and occupational health and safety regulations.
- The certified Management, Environmental and Occupational Health and Safety Systems also have procedures established for managing purchases and subcontracting, taking into account the requirements outlined for these systems.

In our area of activity, we only identify significant risks linked to non-compliance with human rights in relation to corruption risks and with our indirect actions to ensure compliance by companies that supply us. The activities related to these two aspects are described in the respective sections.

3.5.2. Main figures

	2018	2019
Purchase volume (thousands of euros)	173,369	166,229
% of goods and services purchased from local companies (2)	94.2%	96.4%
% of local suppliers of total	93.3%	93.4%
% of domestic purchases, not imported (1)	98.9%	99.5%

- (1) In 2019 LABORAL Kutxa had 17 supplier companies (1.08% of the total and representing 0.51% of the goods and services acquired), from outside Spain. These were all from European Union countries except 4 from the USA. 43.7% of the amount comes from what is known as the Traditional Network (CAV and Navarra).
- (2) Local are the ones whose address is in a province where we have a presence through our network of offices.

3.5.3. Dialogue with suppliers

Regarding the **dialogue** with supplier companies concerning CSR, a questionnaire was sent to 98 supplier companies for the purposes of this Report. Companies were specifically chosen because their workers perform work within our premises. This included subcontractors and outsourcing companies. A response was received from 15 of them, who rated the importance of this Report as 8.5.

With regard to whether they produce a CSR report, 57% said that they do and another 29% said that they do not but that they plan to do so.

Also, as part of the supplier management project, an e-mail channel has been set up for our supplier companies to communicate with us to resolve any doubts they may have or to pass on any complaints or concerns.

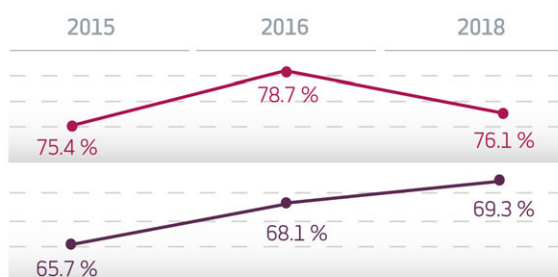
In the area of suppliers, special attention should be paid to the **mediation channel** of **Lagun Aro**. From the perspective of insurance companies, brokers and agents are stakeholders in their own right, given their importance to the business. At Group level they are not considered as such, but even so they are suppliers with whom a specific relationship has been established:

- Their satisfaction and the degree to which their expectations are met is analysed:

In 2018 we continue to have a high level of satisfaction from our brokers, above the market average, as can be seen below*:

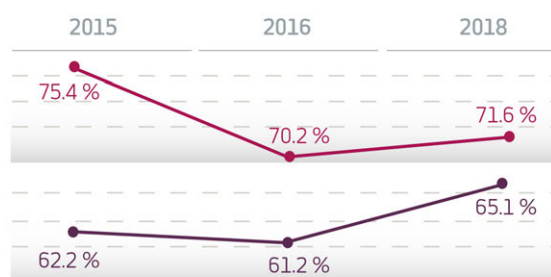
Satisfaction Index Evolution

% satisfied Brokers (scores from 7 to 10)



Recommendation Index Evolution

% Brokers (scores from 7 to 10)



■ Seguro Lagun Aro
■ Market average

- Regular channels of communication are maintained with them:

RECOGNITION AND TRAINING FOR OUR BROKERS

On March 7 we held the BROKERS' CONVENTION at the AIC (Automotive Intelligence Centre) in Boroa. Our best brokers enjoyed a day of recognition in an environment where we could witness the changes taking place in the automotive sector.

*The members of the **SPECIAL CLUB** received two training days in July and October. On the 10th and 11th the consultant, Julio Eloy Paez, offered a very dynamic presentation on Planning and Optimising Time. On 29 October, Javier Sierra, a specialist consultant in the insurance sector, gave a training course on how to bring commercial value to all the jobs in the brokerage firm, all of which was very much appreciated by our brokers.*

3.5.4. Initiatives developed during the year for responsible supplier management

During 2019, LABORAL Kutxa has developed the following action plans with regard to suppliers:

- With respect to **occupational risk prevention**, as mentioned above, progress has been made in implementing the computerised management system. In order to analyse their degree of compliance, all external personnel who come to Central Services are periodically checked for compliance with the controls and the necessary exchange of information and documentation. For 2020, the objective is to link the system to the access control so that no subcontractor can enter our premises without having the up-to-date documentation. In the same way, we intend to improve the control of the subcontractors that have access to our branch offices.
- Within the **supplier companies management project**, development of the computer application that will now serve as the basis for contracting suppliers for the entire Bank has been completed. After a trial and adjustment period during the latter part of the year, it has been compulsory to use it for purchasing goods and services since January 2020.

The purchasing procedure requires supplier companies to adopt the Supplier code of ethics. By signing the Code, they are committing themselves to environmental, human rights and equality, anti-money laundering and anti-corruption and data protection principles and obligations.

In addition, the new application distinguishes three types of supplier companies according to their geographical origin:

- Close companies: those that are based in the Basque Autonomous Community.
- Local Companies: those that are not close but whose headquarters are in a province where LABORAL Kutxa has a physical presence (branch office).
- Others.

During 2020 the objectives of this project are:

- To ensure the full implementation of the procedure.
- To evaluate this implementation by detecting possible areas for improvement.
- To consider a second phase of the procedure. Among other possible steps forward, evaluate the possibility of implementing sustainability criteria when selecting suppliers: local purchase, environmental certifications, equality, etc...



4.

OTHER FIGURES

4.1. Customers

Based on the key business areas (Credit and Insurance), each portfolio is detailed below. The profile of credit customers is as follows:

Loans by sector (M of euros)	2018	2019
Public sector	201.4	773.2
Other Resident Sectors	13,344.2	13,444.8
National Economies	10,433.2	10,470.0
- Mortgages	9,837.7	9,818.3
- Consumer financing	362.1	410.6
- Others	233.4	241.2
Companies	2,422	2,379
Other Loans	488.9	595.8
Non-Resident Credit	41.8	30.6
Total Credit to Gross Customers	13,587.4	14,248.7
Value adjustments due to asset impairment	-352.8	-289.6
Total Credit to Net Customers	13,234.6	13,959.1

The geographical distribution of LK customers is as follows:

Geographical area	Credit investment		Deposits	
	2018	2019	2018	2019
Bizkaia	30.90%	25.06%	34.31%	33.02%
Gipuzkoa	18.35%	15.43%	29.27%	27.98%
Araba	11.46%	8.03%	14.41%	11.31%
Nafarroa	12.22%	9.75%	10.19%	9.63%
Burgos	2.68%	2.49%	1.08%	1.66%
Madrid	3.53%	3.30%	1.01%	1.01%
Valladolid	4.15%	3.91%	2.21%	2.11%
Zaragoza	6.71%	5.05%	1.76%	1.65%
Others	5.43%	26.98%	5.77%	11.63%
TOTAL	100%	100%	100%	100%

The CLBS Customer profile as at 31/12/2019 is as follows:

Category	Insured men			Insured women		
	No. Policies	Average capital	Average Age	No. Policies	Average capital	Average Age
Life Risk	44,794	46,567	46	40,592	45,536	45
Early Partial Redemption	30,768	4,528	45	15,158	4,279	47
Early Partial Redemption	5,302	62,164	40	5,010	59,218	40
Home owner	62,302	-	54	46,469	-	54
Landlord/Landlady	6,672	-	56	5,486	-	56
Tenant	3,064	-	48	3,259	-	47

Customer Service

Customer Service - Amounts claimed (thousands of euros)	2018	2019
Amounts for cases resolved in favour of the Company	1,627	1,150
Amounts for cases resolved in favour of the customer	44	69
Indemnities paid by the Company	44	68
Amounts returned to Customers by the Company, no payment due	0	1
Amounts compensated or refunded by third parties	0	0
Total	1,671	1,218

Meanwhile, during 2019, the large-scale legal actions against the Entity were received for the following three main reasons:

- Those due to the trading of Eroski and Fagor's Subordinated Financial Contributions, which between 2014 and 2016 were the largest number, continued to fall, settling at 13 in 2019 (0 in the last three months), which represents 56% of the few that entered in 2018, 11% for 2017 and 1% for 2016.
- Those due to the floor clauses in mortgage loans have fallen to 177, being 19% of those that entered in 2018 and 39% for 2017.
- And those arising from the costs incurred in the formalisation of mortgage loans, which amounted to 2,252 in 2019, a reduction of 10% compared to 2018.
- Lastly, 68 other claims have been received for other causes.

Reason for opening cases (SAC)	2018	2019
Centralised customer services	3%	3%
Commissions and expenses	71%	73%
Economic terms	16%	14%
Missing or inaccurate information	one%	0%
Coverage of needs	0%	one%
Information missing or incorrect	two%	3%
Aspects of customer relations	one%	two%
Campaigns in general	0%	0%
ATMs	one%	two%
Amount of the claims	2018	2019
≤ €100	28.03%	24.43%
> €100 ≤ €250	4.95%	3.62%
> €250 ≤ €1,000	32.91%	54.76%
> €1,000	34.11%	17.19%

The claims presented through the various available channels have been:

	2018	2019
No. of claims submitted to the Claims Service of the Bank of Spain in relation to product safety (1)	2	0
No. of claims in which BoS has pronounced in favour of LABORAL Kutxa	1	0

Claims related to the fraudulent use of means of payment and phishing.

	2018	2019
No. of claims submitted to the Claims Service of the Bank of Spain, DGS, CNMV and UNACC regarding information on products and services (1)	12 (2)	23
No. of claims in which BoS and CNMV have pronounced in favour of LK	9	10

(1) Claims related to incorrect information or bad advice, mainly information about all types of fees and costs (account maintenance, overdraft, etc.).

(2) 290 claims referring to formalisation costs and/or archived floors in favour of LABORAL Kutxa must be added to this figure.

	2018	2019
No. of claims submitted to the Claims Service of the Bank of Spain and the CNMV in relation to the advertising of products and services and privacy.	3	0
No. of claims in which BoS and CNMV have pronounced in favour of LABORAL Kutxa	3	0
Cost of fines for non-compliance with regulations on the provision and use of services.	0	0

	2018	2019
Penalties imposed on the Group (euros) for non-compliance with laws and regulations	14,400	40.001

Both amounts correspond to penalties from the Data Protection Agency (DPA).

Lagun Aro	2018	2019
Open cases (claims and complaints)	721	695
No. of claims submitted to the Insurance and Pension Funds D.G. Claims Service	23	30
% of closed cases estimated or partially estimated	46.2%	49.9%
Average response time (days)	9.86	10.35
Amount of payments in favour of the customer €	123,100	115,758
% final reports received from supervisor (total or partial) in favour of the claimant	18.4%	3.2%
CLBS	2018	2019
Open cases (claims and complaints)	16	10 (1)
% of closed cases estimated or partially estimated	15.8%	0%
Average response time (days)	2.47	0.44
Amount of payments in favour of the customer €	0	0

(1) The 10 claims submitted were addressed to other Entities, so they were inadmissible.

Main figures for responsible products and services

	2018		2019	
	No.	Thousand €	No.	Thousand €
Micro-credits	1,447	22,709	1,127	17,795
Personal Loan	356	1,765	283	1,032
Mortgage Loan	0	0	0	0
Insured Cards	291,794	-	273,147	-
Erkide Loan	0	0	1	1.3
FCTC Loan	0	0	0	0
CEPES / ASLE Loan	1	5	0	0
Social Econ. EaSI Loans	103	9,563	282	25,297

The volume of these agreements in 2018 and 2019 was as follows:

Public Organisation (thousands of euros)	No. of operations formalised		Amount formalised		Balance available as at 31/12	
	2018	2019	2018	2019	2018	2019
ICO	0	0	0	0	9,999	7,559
Basque Government	11	11	1,797	4,635	101,234	90,409
Government of Navarra	0	0	0	0	105,080	94,981
Government of Castille and Leon	0	0	0	0	7,291	6,572
Central Government	0	0	0	0	53,341	48,082
Araba Provincial Council	0	0	0	0	359	235
Gipuzkoa Provincial Council	0	0	0	0	547	465
SPRI-AFI	0	0	0	0	18,233	13,959
Other Agreements	314	267	1,348	981	3,230	2,817
Sum	325	278	3,145	5,616	299,313	265,080
MGS	270	570	38,893	41,643	149,809	153,073

Customers using new channels	2018	2019
No. of CLNet contracts	650,120	677,920
Customers active on CLNet	395,930	430,504
% active customers based on contracts	60.9%	63.5%
Mobile Banking (users who have accessed via mobile)	299,334	342,528
Alerts (active contracts)	360,980	377,360
Bizum	94,308	160,014

4.2. People

Partner workforce of LK by sex and professional category*	2018				2019			
	Men		Women		Men		Women	
	No.	%	No.	%	No.	%	No.	%
Directors	22	1.3%	5	0.3%	17	1.0%	6	0.4%
Managers	246	14%	121	6.9%	236	14%	120	7.1%
Technicians	316	17.9%	359	20.4%	307	18.1%	356	21.0%
Clerical staff	144	8.2%	280	15.9%	122	7.2%	248	14.6%
Others	161	9.1%	108	6.1%	167	9.8%	116	6.8%
Total	889	50%	873	50%	849	50%	846	50%
Active partners	1,762				1,695			

*The categories included in the different Professional Groups are the following:

- Directors: Dir. General, Area Dir., Regional Dir. and Dept. Directors.
- Managers: Section Managers, Area Managers and Branch Managers.
- Technicians: CS Techs., Office Managers and Technicians (Sales Managers).
- Clerical staff: 1st Officers, 2nd Officers, Administrative Assistants and Operators.
- Others: D.D.O.P.V.

LK workforce by age	2018		2019					
	Partner	Remainder	Partner			Remainder		
			Men	Women	Total	Men	Women	Total
Up to 30	14	89	1	3	4	43	73	116
Between 31 and 40	410	49	122	218	340	17	43	60
Between 41 and 50	853	8	430	428	858	8	4	12
Between 51 and 60	453	3	273	189	462	2	1	3
Over 60	32	0	23	8	31	0	0	0
Total workforce	1,762	149	849	846	1,695	70	121	191

CLBS workforce by sex, prof. category and business area	2018				2019			
	Men		Women		Men		Women	
	No.	%	No.	%	No.	%	No.	%
Directors	1	0.6%	0	0%	1	0.6%	0	0%
Managers	8	4.5%	2	1.1%	8	4.7%	2	1.2%
Technicians	0	0%	6	3.4%	0	0%	6	3.5%
Sales managers	29	16.4%	131	74%	30	17.5%	124	72.5%
Total workforce	38	21.5%	139	78.5%	39	22.8%	132	77.2%
Central Serv.	2	1.1%	7	4%	2	1.2%	6	3.5%
Commercial Network	36.	20.3%	132	74.6%	37	21.6%	126	73.7%
Total workforce	38	21.5%	139	78.5%	39	22.8%	132	77.2%
Total workforce	177				171			

CLBS workforce by age	2018	2019		
		Men	Women	Total
Up to 30	0	1	0	1
Between 31 and 40	3. 4	3	21	24
Between 41 and 50	96	21	76	97
Between 51 and 60	47	14	35	49
Over 60	-	0	0	-
Total workforce	177	39	132	171

Lagun Aro staff by sex and prof. category	2018				2019			
	Men		Women		Men		Women	
	No.	%	No.	%	No.	%	No.	%
Directors	5	3%	1	one%	4	8%	2	4%
Managers	14	8%	11	7%	14	26%	12	2. 3%
Technicians	3. 4	twenty%	53	32%	31	58%	50	94%

Clerical staff	4	two%	44	27%	4	8%	46	87%
Total workforce	57	33%	109	67%	53	33%	110	67%
Staff of Lagun Aro by age				2018		2019		
				M	W	M	W	
Up to 30	0	1	0	1				
Between 31 and 40	7	14	5	11				
Between 41 and 50	21	59	18	59				
Between 51 and 60	29	3.4	29	38				
Over 60	0	1	1	1				
Sum	57	109	53	110				
Total workforce	166		163					

All of Lagun Aro's workers are indefinite.

The entire **CLBS** workforce, except one, has a permanent contract, being distributed between the LABORAL Kutxa Head Office and the business network. There is a temporary man, under 30, who is a business manager. The entire workforce in **Lagun Aro** is permanent.

Contractual relationship LK (situation as at 31/12)	2018			2019		
	Total	Men	Women	Total	Men	Women
Active partners	1,762	889	873	1,695	849	846
Leave of absence	28	8	20	27	2	25
Secondment	15	6	9	15	5	10
Early retirees	161	120	41	161	110	51
Company contracts	1,967	1,023	943	1,898	966	932
Temps. Full-time	142	44	98	182	63	119
Temps. Part-time	1	0	1	3	1	2
Temporary Contracts	143	44	99	185	64	121
Indefinite Contracts	6	6	0	6	6	0
Total workforce as at 31/12	2,116	1,073	1,042	2,089	1,036	1,053
Lagun Aro contractual relationship	166	57	109	163	53	110

LK contracts by age as at 12/31	2018						2019					
	Total	Up to 30	31-40	41-50	51-60	> 60	Total	Up to 30	31-40	41-50	51-60	> 60
Active partners	1,762	14	410	853	453	32	1,695	4	340	858	462	31
Leave of absence	29	1	16	8	2	2	27	1	20	5	1	-
Secondment	15	-	5	7	3	-	15	1	6	4	4	-
Early retirees	161	-	-	-	143	18	161	-	-	-	121	40
Company contracts	1,967	15	431	868	601	52	1,898	6	366	867	588	71
Temps. Full-time	142	88	49	4	1	-	182	113	50	10	8	1
Temps. Part-time	1	1	-	-	-	-	3	3	-	-	-	-
Temporary Contracts	143	89	49	4	1	-	185	116	50	10	8	1
Indefinite Contracts	6	-	-	4	2	-	6	-	-	1	3	2
Total workforce	2,116	104	480	876	604	52	2,089	122	416	878	599	74

Workforce by location (LK and CLBS)	2018				2019			
	Partners	Employee	Women	Men	Partners	Employee	Women	Men
Central Services	398	37	219	216	401	42	227	216
Individuals	30	0	13	17	27	0	12	15
Insurance	30	0	9	21	28	0	10	18
Company	90	1	24	67	91	1	24	68
Reg. Network 1	578	69	384	263	546	95	383	258
Reg. Network 2	636	42	323	355	602	53	311	344
Total 31/12	1,762	149	972	939	1,695	191	967	919

The entire workforce of **Lagun Aro** works in central services.

Terminations/leave and annual turnover of working partners in LK	2018	2019
Terminations/leave in the year:	124	117
Voluntary and Public Office Leave	6	2
Leave Caring for children/family	37	43
Retirement	8	6
Death or Disability	4	4
Voluntary Resignation	2	5
On secondment	0	2
Early retirees	67	55
Terminations of Women in the year	63	45
Terminations of Men in the year	61	72
Total departure rate (*)	6.70%	6.64%
Directors departure rate	16.7%	18.52%
Managers departure rate	5.7%	5.18%
Technicians departure rate	6.2%	7.56%
Clerical staff departure rate	7.5%	6.06%
Women departure rate	6.76%	8.13%
Women < 30 departure rate	0%	0.23%
Women > 30 departure rate	6.76%	7.90%
Men's departure rate	7.09%	5.06%
Men < 30 departure rate	0%	0.00%
Men > 30 departure rate	7.09%	5.06%

(*) The departure rate is calculated based on the number of people leaving during the year and the total number of active members at the end of the previous year. Neither departures or turnover of members by area are considered, instead they are dealt with in an aggregate manner.

In 2018 and 2019 there were no involuntary departures.

Terminations and annual turnover in CLBS	2018	2019
Terminations/leave in the year:	22	8
Leave Caring for children/family	5	1
Retirement	1	0
Disability	0	1
Agreed end of contract	11	0
Voluntary Resignation	3	5
End of contract	0	0
Dismissals	2	1
Terminations of Women in the year	15	6
Terminations of Men in the year	7	2
Total departure rate	12.02	4.68%
Women departure rate	10.48	4.32%
Men's departure rate	17.5	5.13%

* All departures, both men and women, are over 30 years.

Terminations and annual rotation of Working Partners in Lagun Aro	2018	2019
Terminations/leave in the year:	8	5
Voluntary Resignation	0	0
Others	8	5
Terminations of Women in the year	4	2
Terminations of Men in the year	4	3
Total departure rate *	4.82	3.07%
Women departure rate	3.67	1.82%
Men's departure rate	7.01	5.66%

**Total departures, for both men and women, are people over 30.

In LABORAL Kutxa there have been no dismissals in the last two years.

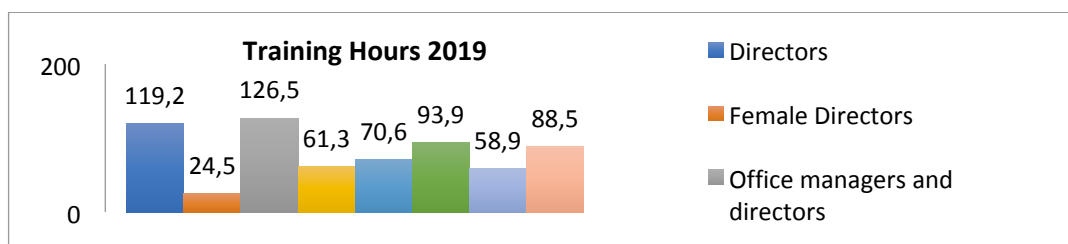
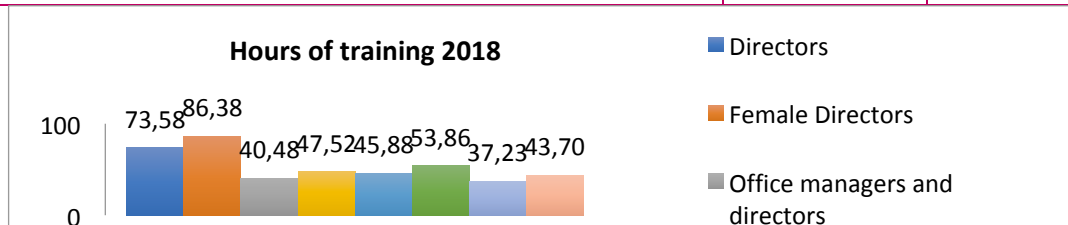
Dismissals in CLBS:

2018			2019		
Sex	Age	Category	Sex	Age	Category
M	59	GES	W	58	GES
M	61	GES	-	-	-

Dismissals at Seguros Lagun Aro:

2018			2019		
Sex	Age	Category	Sex	Age	Category
W	47	Administrative staff	M	58	Director
M	59	Director	M	58	Manager
M	62	Director	W	60	Specialist
M	60	Specialist	W	60	Administrative staff
-	-	-	M	46	Administrative staff

Training in LABORAL Kutxa and CLBS	2018	2019
Number of courses	415	456
Hours of training	87,333	168,298
Hours of training/person	41.71	81.38
Partner	41.85	83.27
Temporary	40.26	62.15
Average training in hours by category (individually)		
Directors	71.12	71.83
Office Managers and Directors	39.13	93.90
Technicians	44.35	82.26
Clerical staff	35.99	73.70



Training in Seguros Lagun Aro	2018	2019
Hours of training	4,752.4	3,737.3
Women	2,608.5	2,567.8
Men	2,143.9	1,169.5
Hours of training/person	28.6	20.31
Directors	964.3	620
Office Managers and Directors	1,385	643
Technicians	2,378.6	2,311.3
Clerical staff	24.5	163

The proportion between participants on courses by sex (women / men) in 2019 was 1.1 compared to 1.61 in 2018.

The percentage of different people trained was 99% in 2019 and 2018.

Regarding the promotion index, understood as an improvement in the structural wage index, in 2019 it was 7.09%. Including other non-structural concepts such as seniority, this rises to 28.21% (5.45% and 36.61% in 2018).

LK average employment index	2018	2019
Women	2.19	2.21
Men	2.51	2.50
Difference M/W	14.5%	13.2%

*The average employment index was 2.36, which was equivalent as at 31/12/19 to €2,937.47 gross per month.

LK average employment index	2018		2019	
	M	W	M	W
Direct.	4.83	3.95	4.80	3.95
Manager	2.84	2.70	2.84	2.72
Specialist	2.37	2.20	2.36	2.20
Admin.	2.07	1.93	2.10	1.95

LK pay by age	2018		2019	
	Man	Woman	Man	Woman
Up to 30	42,711	33,420	- (1)	36,147
Between 31 and 40	40,792	34,251	41,218	35,604
Between 41 and 50	47,327	40,240	47,171	40,378
Between 51 and 60	52,991	43,495	50,664	44,691
Over 60	56,217	41,640	51,581	43,149

(1) There are no men under 30.

Average employment index CLBS	2018	2019
Women	2.07	2.12
Men	2.70	2.68
Difference M/W	30.4	26.4%

Average employment index CLBS	2018		2019	
	M	W	M	W
Direct.	3.33	-	3.34	- (1)
Manager	3.18	3.37	3.46	3.39
Specialist	2.83	2.60	0.00	2.66
Mngr.	2.51	2.03	2.45	2.07

(1) There are no female directors.

Remuneration at CLBS by age	2018		2019	
	Man	Woman	Man	Woman
Up to 30	-*	-*	1.27	-*
Between 31 and 40	2.12	1.99	1.95	2.08
Between 41 and 50	2.51	2.06	2.47	2.12
Between 51 and 60	3.24	2.09	3.25	2.14
Over 60	-*	2.15	-*	-*

*There are no people in this range.

Lagun Aro average salary	2018	2019
Women	47,141	47,294
Men	65,554	64,517
Difference M/W	39.06%	36.42%

Salary by sex and professional cat. (€ thou.)	2018		2019	
	Men	Women	Men	Women
Directors	100.6	81.3	99.5	79.63
Managers	74.1	67.3	74.5	68.66
Technicians	60.6	51.51	59.27	50.13
Clerical staff	37.42	36.25	45.3	37.5

Remuneration at LABORAL ARO by age	2018		2019	
	Man	Woman	Man	Woman
Up to 30	0	37,448	0	38,106
Between 31 and 40	50,693	38,926	48,012	34,465
Between 41 and 50	62,569	47,350	64,954	47,200
Between 51 and 60	71,302	50,723	67,467	50,977
Over 60	0	61,913	91,874	63,216

The data relating to absenteeism in the Group are presented below.

Hours and absenteeism rate	2018	Men	Women	2019	Men	Women
Accident and Illness	117,184	42,384	74,800	111,443	41,856	69,587
Maternity	22,918	-	-	20,653	-	-
Paternity	3,998	-	-	4,858	-	-
Other*	5,669	-	-	2,874	-	-
Total Hours AbsenteeismLK	149,769	-	-	139,828	-	-
Absenteeism RateLK	3.85	2.76	4.96	3.80	2.83	4.79
Absenteeism Rate Lagun Aro	4.57	4.03	0.55	3.89	0.36	4.01
Total hours absenteeism Lagun Aro	nd	-	-	1,607	-	-
Absenteeism rateCLBS	5.65	3.68	6.19	4.99	3.40	8.24
Total hours absenteeism CLBS	nd	-	-	16,281	-	-

* Care of sick children

The following is information regarding accidents in the Group.

LK and CLBS work accidents	2018	2019
Accidents	38	46
Accident frequency(1)	4.49	3.22
Accident severity(2)	0.23	0.05
Accidents Lagun Aro	0	0

(1) Accumulated no. of accidents with sick leave *1,000,000 / h. worked

(2) hours lost due to accident *100/h. theoretical to be worked

Out of the accidents in 2018, 17 are women and of those in 2019, 18. Most of the accidents take place travelling to or from work. There is no data on frequency and severity disaggregated by sex.

There are no occupational illnesses in our activity for the Group.

4.3. Environment

Postamail Users	2018	2019
Number of users.	543,231	568,282
% Users from total customer base	47.33%	50.62%

Paper consumption kg	LABORAL K.		Seguros LA
	2018	2019 (1)	2018
Promotional paper/customer	0.093	0.116	0.18
Office paper/customer	0.238	0.251	0.003
Total consumption/customer	0.331	0.368	0.18
Total paper consumption/person	181.75	184.56	394.44

The 2019 data includes LABORAL Kutxa and Lagun Aro

Energy (Gj)	2018	2019	Seguros LA 2018	Seguros LA 2019
Electricity	47,798	46,497	1,297	1,256
Diesel	54.2	20.9	0	0
Propane	0.49	0.47	0	0
Energy consumption A	47,853	46,518	1,297	1,256
Energy consumption/pers.	22.92	22.43	7.8	7.7

The data presented corresponds to all LABORAL Kutxa, as well as all the staff.

The **intensity** of the greenhouse gas emissions, measured as the total CO2 emissions among the LK workforce would be 2.55 in this case, compared to 2.69 in 2018.



5.

INFORMATION ON THE REPORT

Report Profile

The 2019 Report is the sixth CSR Report presented by the entity resulting from the integration in 2012 of Caja Laboral and Ipar Kutxa and refers to a full year. Since 2005, the former Caja Laboral published annual CSR reports.

LABORAL Kutxa wishes to continue publishing its CSR Report on an annual basis, in accordance with the guidelines laid down by the GRI. The LABORAL Kutxa CSR Report for 2019 was prepared following the "comprehensive" option of the GRI Standards and the Financial Sector Supplement, both from the GRI. When choosing the comprehensive option, all the indicators related to the material aspects identified should be answered.

This report also complies with the provisions of Law 11/2018 of 28 December on non-financial information and diversity, also taking into account the Communication from the European Commission 2017/C 215/01 on Guidelines for the presentation of non-financial reports.

It concerns the consolidated Group and includes both banking and insurance activities. Information regarding the two insurance companies will be given jointly. For the rest of the companies, due to their organisation and activity, the information is included with that of LABORAL Kutxa, unless there is a specific aspect that requires separate reporting.

In addition, LABORAL Kutxa maintained significant information in terms of sustainability relating to:

- **Real estate asset management companies**, which are companies through which LABORAL Kutxa manages the real estate business. They are instrumental companies, so their data and impacts are integrated into those of LABORAL Kutxa.
- **Caja Laboral BancaSeguros (CLBS)** is an independent broker, 100% owned by LABORAL Kutxa, the underlying purpose of which is to integrate the insurance activity into the business and commercial strategy of LABORAL Kutxa. Its workers are hired employees.

The service that LABORAL Kutxa provides to **CLBS** is the cession of the distribution network for the mediation of insurance products. As it is integrated in LABORAL Kutxa, many of the indicators of its activity are integrated. Those aspects for which there are independent indicators are listed throughout the Report.

LABORAL Kutxa is a member of MONDRAGON. MONDRAGON is made up of 266 autonomous and independent companies and co-operatives that use their own reporting systems.

Scope of GRI indicators and aspects

In accordance with the established cover, there are no limitations in LABORAL Kutxa's 2019 CSR Report to the scope established by GRI, except for:

- For indicators that could not be covered due to the lack of a measurement system, in which case they have been identified in the Report and in the GRI Indicator Table, and an effort will be made to measure them in future Reports.
- For the indicators that do not apply due to their scarce or even null relevance or materiality in the activity of a financial entity and the economic, political and social context of the Entity and the limitations of which are specified in each of the indicators.

All indicators for which it has not been possible to provide detailed information for the above-mentioned reasons will be indicated in the Report.

Starting with the 2014 Report, a materiality analysis is included in order to determine the most relevant issues in the field of Social Responsibility. This analysis has been carried out with the advice of Cegos Deployment, a company with which LABORAL Kutxa cooperates regularly to guarantee the correct understanding of the Global Reporting Initiative - GRI guidelines. The results of this analysis are described in the [Materiality Analysis section of part 2](#).

Policy regarding the verification of the Report

AENOR has been carrying out the verification of CSR Reports prepared by the former Caja Laboral since 2005. Given the knowledge that the verifying organisation has acquired over all these years of relations, LABORAL Kutxa, through the Financial Area, plans to continue with this verification system in the future.

Contact

Access the LABORAL Kutxa website www.LABORALkutxa.com on the corporate website, in its Reports and relevant facts section, the following are available:

- Financial Report
- Individual and Consolidated Annual Statements
- Corporate Governance Report
- Transparency Information
- CSR Reports
- Non-Financial Information Statement

In the Contact section, you can send any type of suggestion, complaint, claim, opinion, etc. To access additional information or topics related to this Report, please send an e-mail to the following address: RSE@LABORALkutxa.com

A large green moss puzzle piece is placed on a grey puzzle board. The puzzle board is set against a background of light brown recycled paper. The text '6.' is overlaid on the puzzle piece.

6.

ANNEXES

6.1. Table of equivalencies

Non-financial information to be reported:	Chapters/section of the Annual Report Page	Correspondence/GRI Indicators
Brief description of the group's business model (including its business environment, organisation and structure, the markets in which it operates, its objectives and strategies, and the main factors and trends that may affect its future development).	About us_Presentation of the Group About us_Business model	GRI 102-1 GRI 102-2 GRI 102-3 GRI 102-4 GRI 102-6 GRI 102-7 GRI 102-14 GRI 102-15
A description of the policies applied by the group that will include: the due diligence procedures applied for the identification, evaluation, prevention and mitigation of significant risks and impacts, and verification and control procedures, including the measures in which they have been adopted.	About us_Principles and government	GRI 103-2 GRI 103-3
The results of these policies, which should include relevant non-financial key performance indicators that allow progress to be monitored and evaluated and that allow comparisons to be made between companies and sectors, in accordance with the national, European or international reference frameworks used for each area.	Responsible Management_Scorecard Customer Management_Main Figures Our relationship with staff_Main figures Our relationship with society_Main figures Responsible environmental management_Main figures Responsible management of suppliers_Main figures	GRI 103-2 GRI 103-3
The main risks related to issues linked to group activities (business relationships, products or services) that may have an adverse effect on these areas, and how the group manages these risks, explaining the procedures used to detect and evaluate them in accordance with the national, European or international reference frameworks for each area. Information should be included on the impacts that have been identified, broken down, and especially on the main risks in the short, medium and long term.	About us_Risk Management and Strategy Responsible Management_Materiality Analysis Responsible Management_Commitment to Sustainability Responsible Management_Scorecard	GRI 102-15 GRI 102-30
Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety, the evaluation procedures or environmental certification; the resources dedicated to the prevention of environmental risks; the application of the precautionary principle, the amount of provisions and guarantees for environmental risks.	About us_Risk Management and Strategy About us_Principles and Government Responsible environmental management_Management approach	GRI 102-29 GRI 102-31 GRI 201-2 GRI 103-2 (GRI of the environmental dimension) GRI 102-11 GRI 102-29 GRI 102-11
Pollution:		
Measures to prevent, reduce or remedy carbon emissions that seriously affect the environment, taking into account any activity-specific form of pollution of the atmosphere, including noise and light pollution.	Responsible environmental management_Pollution Responsible environmental management_Use of resources	GRI 103-2 (GRI 302 and 305)
Circular economy and waste prevention and management:		
Measures for prevention, recycling, reuse, other forms of waste recovery and disposal; actions to combat food waste.	Responsible environmental management_Circular economy and waste prevention and management	GRI 103-2 (GRI 306) GRI 301-2 GRI 306-1
Sustainable use of resources:		
Water consumption and supply in accordance with local limitations	Responsible environmental management_Use of resources	GRI 303-1 GRI 103-2 (GRI 301) GRI 301-1 GRI 301-2
Consumption of raw materials and the measures adopted to improve the efficiency of their use.		GRI 103-2 (GRI 302) GRI 302-1 GRI 302-3
Energy: Consumption, direct and indirect; Measures adopted to improve energy efficiency, use of renewable energy.		
Climate change:		
Important elements of the greenhouse gas emissions generated as part of business activity (including goods and services produced)	Responsible environmental management_Climate change	GRI 103-2 (GRI 305) GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4
Measures adopted to adjust to the consequences of climate change.		GRI 103-2 (GRI 305) GRI 201-2
Reduction targets set voluntarily for the medium and long term to reduce GHG emissions and the means implemented to this end.		GRI 103-2 (GRI 305)
Protection of biodiversity:		
Measures adopted to preserve or restore biodiversity	The impacts caused by the direct activities of the LABORAL Kutxa consolidated Group on biodiversity are not material due to the financial and insurance activities performed by the Group.	GRI 304-2 GRI 306-5
Impacts caused by protected area activities or operations		
Employment:		
Total number and distribution of employees by gender, age, country and professional category	Our relationship with staff_Main workforce figures Other figures_workforce.	GRI 103-2 (GRI 401) GRI 102-8 GRI 405-1
Total number and distribution of contract modalities and annual average of indefinite contracts, temporary contracts, and part-time contracts by: gender, age and professional category	Our relationship with Members_Main workforce figures Other figures_workforce.	GRI 102-8 GRI 405-1
Number of dismissals by: gender, age and professional category.	Our relationship with staff_Main workforce figures. Other figures_Members	GRI 401-1
Average remuneration and its evolution disaggregated by: sex, age and professional classification.	Our relationship with Sla template_Main magnitudes of Partners Other figures_workforce.	GRI 405-2
Salary gap and compensation for equal or average jobs in society	Our relationship with staff_Main workforce figures. Other figures_workforce.	GRI 103-2 (GRI 405) GRI 405-2
Average remuneration of directors and executives (including variable remuneration, allowances, compensation, payment to long-term savings forecasting systems and any other payment broken down by gender	About us_Principles and Government	GRI 102-35 GRI 102-36 GRI 103-2 (GRI 405)
Implementation of work disconnection policies	Our relationship with staff_Main workforce figures.	GRI 103-2 (GRI 401)
Employees with disabilities	Our relationship with staff_Main workforce figures	GRI 405-1
Work organisation:		
Organisation of working time	Our relationship with staff_Personal development	GRI 103-2 (GRI 401)
Number of hours of absenteeism	Our relationship with staff_Main workforce	GRI 403-2

	figures Other figures_workforce	
Measures to facilitate the enjoyment of work-life balance and to encourage parents to practice joint responsibility	Our relationship with staff_Work-life balance	GRI 103-2 (GRI 401)
Health and safety:		
Occupational health and safety conditions	Our relationship with staff_Occupational Health and Safety	GRI 102-41
Work accidents, particularly their frequency and severity, as well as occupational illnesses. Divided by gender.	Our relationship with staff_Main workforce figures Other figures_workforce	GRI 403-2 GRI 403-3
Social relations:		
Organisation of social dialogue (including procedures for informing, consulting and negotiating with staff)	Our relationship with staff_Dialogue with workers	GRI 103-2 (GRI 402)
Percentage of employees covered by collective agreement by country	Our relationship with staff_Main workforce figures	GRI 102-41
Balance of collective agreements (particularly in the field of occupational health and safety)	Our relationship with staff_Occupational Health and Safety	GRI 403-1 GRI 403-4
Training:		
The policies implemented in the field of training	Our relationship with staff_Development Our relationship with staff_Main workforce figures Other figures_workforce	GRI 103-2 (GRI 404) GRI 404-2
Accessibility:		
Universal accessibility for people	Our relationship with staff_Diversity and equal opportunities	GRI 103-2 (GRI 405)
Equality:		
Measures adopted to promote equal treatment and opportunities between women and men; equality plans (Chapter III of Organic Law 3/2007, of 22 March, for the effective equality of women and men), measures adopted to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility of people with disabilities, a policy against all types of discrimination and, where appropriate, diversity management.	Our relationship with staff_Diversity and equal opportunities	GRI 103-2 (GRI 405 and 406)
Application of due diligence procedures in the field of Human Rights	Our relationship with staff_Workforce management approach	GRI 102-16 GRI 102-17 GRI 103-2 (GRI 412) GRI 410-1 GRI 412-1 GRI 412-3 GRI 406-1
Prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and remedy possible misconduct		GRI 103-2 (406, 407, 408 and 409)
Complaints related to the violation of human rights		
Promotion of and compliance with the provisions of the International Labour Organisation's fundamental treaties relating to respect for freedom of association and the right to collective negotiation.		
Measures adopted to prevent corruption and bribery	1. About us_Principles and Government	GRI 102-16 GRI 102-17 GRI 103-2 (GRI 205) GRI 205-1 GRI 205-2 GRI 205-3 GRI 413-1
Measures to counter money laundering		
Contributions to non-profit organisations and foundations		
The company's commitment to sustainable development		
The impact of the company's activity on local development and employment	Our relationship with society_Management Approach	
The impact of the company's activity on territorial and local populations	Our relationship with society_Management Approach	
The relations maintained with the actors of the local communities and the methods of dialogue established therewith	Our relationship with society_Dialogue with society	
Association or sponsorship actions	Our relationship with society_Dialogue with society	
Subcontracting and suppliers:		
Inclusion of the purchasing policy regarding social, gender equality and environmental issues	Responsible management of suppliers_Management approach	GRI 103-2 (GRI 204, 308 and 414)
Consideration in the relations with suppliers and subcontractors of their obligations	Responsible management of suppliers_Management approach	GRI 102-9 Supply Chain GRI 103-2 (GRI 204, 308 and 414) GRI 204-1 GRI 308-1 GRI 414-1
Supervisory and audit systems and resolution thereof	Responsible management of suppliers_Management approach	GRI 103-2 (GRI 204)
Consumers:		
Measures for the health and safety of consumers	Customer management_Responsible customer management	GRI 103-2 (GRI 416, 417 and 418) GRI 416-1 GRI 417-1 G4-FS15
Claims systems and complaints received and resolution thereof	Customer Management_Main customer figures Customer management_Dialogue with customers Other figures_Customers	GRI 102-17 GRI 103-2 (GRI 416, 417 and 418) GRI 416-2 GRI 417-2 GRI 418-1
Tax information:		
Profits obtained country by country	1. About us_Main Group Figures	GRI 103-2 (GRI 201)
Taxes obtained on benefits paid		GRI 201-4
Public grants received		
Any other relevant information:		

6.2. Table of GRI indicators

Any indicators that directly affect those areas that according to the materiality matrix are considered to be of high or medium-high relevance are displayed with a blue background.

ORGANISATION PROFILE		
102-1	Name of the organisation.	Caja LABORAL Popular Coop. de Crédito
102-2	Activities, brands, products and services.	8-9 Presentation of the Group 38-39 Responsible products and services Refer to Website www.LABORALkutxa.com
102-3	Location of the organisation's main offices.	José M ^º Arizmendiarieta s / n. 20500 Arrasate - Mondragón (Gipuzkoa)
102-4	State the number of countries in which the organisation operates.	LABORAL Kutxa operates exclusively in the Spanish State
102-5	Property regime and legal form.	Caja Laboral Popular Coop. de Crédito
102-6	Specify which markets are served (with a geographical breakdown, by sector and type of customers and recipients).	12 Geographic distribution 36 management approach and Main customer figures 80-81-82 Other customer figures
102-7	Determine the scale of the organisation, indicating: Number of people employed Number of operations Net sales or net income Capitalisation, broken down in terms of debt and equity Quantity of products or services offered	13-14 Main Figures of the Group
102-8	Determine: Number of people employed by contract type and gender. Number of permanent employees by contract type and region Staff size by employed persons, contracted workers and gender. Indicate whether a substantial part of the organisation's work is carried out by legally recognised self-employed persons or by persons who are neither employees nor contract workers, such as persons employed and sub-employed hired by contractors.	83-89 Other figures-People
102-9	Describe the organisation's supply chain.	76 Our relationship with supplier companies
102-10	Report any significant changes during the period under review in the size, structure, shareholding or supply chain of the organisation.	5-6 Letter 9-10 Operating structure 14-17 Risk management and strategy 9 Investee Companies 76 Our relationship with supplier companies
102-11	Describe how the organisation addresses, if applicable, the precautionary principle.	14-17 Risk management and strategy 17-20 Principles and Government 26-27 Management Approach Risks are generally managed by the Governing Board's Risk Committee and the Risk Appetite Framework, and are reported annually in the Information with Prudential Relevance. Environmental risks are managed within a system certified with ISO 14001: 2015. Risks for customers of new products come under the scope of the Products Committee
102-12	Prepare a list of letters, principles or other external initiatives of an economic, environmental and social nature that the organisation endorses or has adopted.	67-69 Initiatives endorsed by LABORAL Kutxa
102-13	Prepare a list of national and international associations and organisations to which the company belongs.	
STRATEGY		
102-14	Statement from the organisation's chief decision-maker.	5-6 Letter
102-15	Main impacts, risks and opportunities.	14-17 Risk management and strategy 31-33 Materiality 28-29 Commitments and Achievements 30-31 CSR Scorecard
ETHICS AND INTEGRITY		
102-16	Describe the values, principles, standards and regulations of the organisation.	11-12 Values, principles, standards and codes of conduct
102-17	Describe the internal and external advisory mechanisms for ethical and lawful conduct, and for consulting on matters related to the integrity of the organisation. Describe the internal and external mechanisms for reporting unethical or illegal conduct and matters related to the integrity of the organisation.	21-22-23 Corruption and bribery 38 Customer Service
GOVERNANCE		
102-18	Describe the organisation's governance structure, including the committees of the highest governing body. Identify the committees responsible for making decisions on economic, environmental and social issues	9-10 Operating Structure 17-20 Corporate Governance 36-37 Dialogue with customers 31-32 Materiality analysis Refer to Corporate Governance Report
102-19	Describe the process by which the highest governing body delegates its authority to senior management and certain employees on economic, environmental and social matters.	
102-20	Process for submitting accounts to the Board	
102-21	Processes for consulting with stakeholders	
102-22	Describe the composition of the highest governing body and its committees.	
102-23	Executive or non-executive nature of the highest governing body.	Refer to Corporate Governance Report
102-24	Describe the appointment and selection processes for the highest governing body and its committees, as well as the criteria on which the appointment of the members of the former is based.	
102-25	Describe the processes the highest governing body follows to prevent and manage potential conflicts of interest. Indicate whether the stakeholders are informed in this regard.	15-18 Corporate Governance Refer to Corporate Governance Report
	Role of the highest governing body in the selection of objectives, values and strategy	
102-26	Describe the roles of the highest governing body and senior management in the development, approval,	17-20 Corporate Governance

	and updating of the organisation's purpose, values or mission statements, strategies, policies, and objectives with respect to economic, environmental, and social impacts.	11-12 Values, principles, standards and codes of conduct Refer to Corporate Governance Report
	Collective knowledge of the highest governing body	
102-27	Specify the measures adopted to develop and improve the collective knowledge of the highest governing body in relation to economic, environmental and social matters.	21 Development of the governing bodies
102-28	Describe the processes for evaluating the performance of the highest governing body in relation to the governance of economic, environmental and social affairs. State whether the evaluation is independent and how often it is carried out. Specify whether it is a self-evaluation. Describe the measures adopted as a result of the performance assessment of the highest governing body in relation to the management of economic, environmental and social affairs; among other aspects, specify at least whether there have been changes in members or in organisational practices.	17-20 Corporate governance Refer to Corporate Governance Report .
102-29	Describe the role of the highest body in identifying and managing economic, environmental and social impacts, risks and opportunities. Also outline the role of the highest governing body in implementing the due diligence processes. Indicate whether the stakeholders are approached for input in the work of the highest governing body in the identification and management of economic, environmental and social impacts, risks and opportunities.	
102-30	Describe the role of the highest governing body in analysing the effectiveness of the organisation's risk management processes with respect to economic, environmental and social issues.	
102-31	Indicate the frequency with which the highest governing body analyses economic, environmental and social impacts, risks and opportunities.	
	ROLE OF THE HIGHEST GOVERNING BODY IN THE PREPARATION OF THE SUSTAINABILITY REPORT	
102-32	Identify the most important committee or position that reviews and approves the Sustainability Report and ensures that all significant aspects are addressed.	17-20 Corporate governance
	ROLE OF THE SENIOR BODY IN THE EVALUATION OF ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE	
102-33	Describe the process for bringing important concerns to the attention of the highest governing body.	17-20 Corporate Governance
102-34	State the nature and number of significant concerns that were transmitted to the highest body, including a description of the mechanisms that were used to address and assess them.	49 Dialogue with staff In the annual report to the Governing Board regarding CSR activities, the relevant activities were identified
	REMUNERATION AND INCENTIVES	
102-35	Describe the remuneration policies for the highest governing body and senior management. List the performance criteria that affect the remuneration policy with the economic, environmental and social objectives of the highest governing body and senior management.	21 Remuneration of the Governing Bodies Refer to Consolidated Annual Statement p.33
102-36	Describe the processes used to calculate remuneration. Specify whether consultants are used to determine remuneration and whether they are independent with respect to the management. Indicate any other type of relationship that such compensation consultants may have with the organisation.	56-57 Remuneration management 21 Remuneration of the Governing Bodies See prudential relevance report
102-37	Explain how stakeholders' views on remuneration are sought and taken into account, including, where appropriate, the results of votes on policies and proposals	17-20 Corporate governance 56-57 Remuneration management
102-38	Calculate the correlation between the total annual remuneration of the highest paid person in the organisation and the average total annual remuneration of the entire workforce (not including the highest paid individual).	56-57 Remuneration management
102-39	Calculate the correlation between the percentual increase of the total annual remuneration of the highest paid person and the percentual increase of the average total annual remuneration of the entire workforce (not including the highest paid individual).	
PARTICIPATION OF STAKEHOLDERS		
102-40	Create a list of stakeholders related to the organisation.	28-29 Commitments and achievements The stakeholders are examined annually in the materiality study. 31-33 Materiality 36-37 Dialogue with customers 49 Dialogue with People 49 Joint Negotiation 66 Dialogue with Society
102-41	Percentage of employed persons covered by collective agreements.	
102-42	Indicate the grounds for the choice of stakeholders with which the organisation works.	
102-43	Describe the organisation's approach to stakeholder engagement, including the frequency of collaboration with different types of stakeholders, or whether a group was specifically involved in the reporting process.	
102-44	Identify key issues and problems that have arisen from stakeholder engagement and describe the organisation's assessment, including through its Report. Specify which stakeholders were involved in each of the key issues and problems.	
MATERIAL ASPECTS AND COVERAGE		
102-45	Prepare a list of the entities appearing in the organisation's consolidated financial statements and other equivalent documents Indicate whether any of the entities listed in the organisation's consolidated financial statements and other equivalent documents are not included in the Report.	9 Investee Companies
102-46	Describe the process followed to determine the content of the Report and the scope of each Aspect. Explain how the Reporting Principles have been applied to determine the Content of the Report.	91 Report Profile 31-33 Materiality
102-47	Prepare a list of material Aspects that were identified while defining the contents of the Report.	31-33 Materiality
102-48	Describe the consequences of the reformulations of the information provided in previous Reports and their causes.	The changes that have taken place are described throughout the Report
102-49	Mention any significant change in the scope and coverage of each aspect with respect to previous Reports.	91 Report Profile
102-50	Period covered by the Report.	Year 2019
102-51	Date of the last Report (if applicable).	Report for 2018 published in May 2019
102-52	Reporting cycle (annual, biennial).	91 Report Profile
102-53	Provide a point of contact to resolve any doubts that may arise regarding the contents of the Report.	On the Web page: www.LABORALKutxa.com or mail: rse@LABORALKutxa.com
	GRI INDEX	
102-54	Indicate which option you have chosen "in accordance" with the Guide.	1 Cover
102-55	Provide the GRI index of the chosen option. Give reference to the External Verification report if this has been performed.	94-101 GRI Indicators Last page. AENOR Verification and reporting level
	VERIFICATION	

102-56	Describe the organisation's policy and current practices with regard to external verification of the Report. If not mentioned in the verification report attached to the Sustainability Report, please indicate the scope and basis of the external verification. Describe the relationship between the organisation and the companies providing the verification. Indicate whether the highest governing body or senior management have been involved in the request for external verification of the organisation's sustainability Report.	91 Report Profile The Director of the Financial Area approved the request for verification of the Report.
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MANAGEMENT APPROACH

103-1	Specify the coverage of the organisation for each significant aspect.	31-33 Materiality 14-17 Risk management and strategy
103-2 103-3	Management approach and its components Evaluation of the management approach.	13-14 Main figures 26-27/36/48-49/61-62/69-70 Management approach 31-33 Materiality 14-17 Risk management and strategy

CATEGORY: ECONOMY

Aspect: economic performance

201-1	Direct economic value generated and distributed.	14-15 Main Figures
201-2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	38-41 Environmentally Responsible Products and Services. 71-72 Transparency in fossil fuel exposure 74-75 Climate change
201-3	Scope of obligations arising from the benefits plan.	56-57 Remuneration management 61 Coop. Returns Capitalised
201-4	Financial aid granted by government entities.	14 Grants

Aspect: market presence

202-1	Correlation between the initial salary broken down by gender and the local minimum wage.	56-57 Remuneration management
202-2	Percentage of senior managers from the local community	17-20 Corporate governance

Aspect: indirect economic impacts

203-1	Development and impact of investment in infrastructure and types of services	69-70 Our relationship with the Environment 62-64 Gaztenpresa 14 Taxes and duties
203-2	Significant indirect financial impacts and their scope.	64-65 Indirect Contributions to Society

Aspect: Acquisition practices

204-1	Percentage of the expenditure in places with significant operations that corresponds to local suppliers.	77 Main figures-suppliers
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Aspect: the fight against corruption

205-1	Number and percentage of centres where Risks related to corruption have been assessed and risks identified.	21-23 Corruption and bribery
205-2	Anti-corruption communication and training policies and procedures	53 Training in Anti-Corruption Procedures 21 Development of the governing bodies 21-23 Corruption and bribery
205-3	Confirmed cases and measures taken	21-23 Corruption and bribery 24 Regulatory compliance

Aspect: unfair competition practices

206-1	Number of claims of unfair competition, monopoly or anti-competitive practices and their outcome	There were no claims or legal actions in the years covered by the Report
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CATEGORY: ENVIRONMENT

Aspect: materials

301-1	Materials USED by weight or volume.	73-74 Sustainable use of resources
301-2	Percentage of the materials used that are recycled materials.	73-74 Sustainable use of resources
301-3	Percentage of products sold and their packaging materials that are recovered at the end of their useful life, by product category.	The physical component of financial products is not significant.

Aspect: energy

302-1	Internal energy consumption.	73-74 Sustainable use of resources
302-2	External energy consumption	73-74 Sustainable use of resources 74-75 Climate change
302-3	Energy intensity	73-74 Sustainable use of resources
302-4	Reduction in energy consumption.	73-74 Sustainable use of resources
302-5	Reductions in the energy requirements of products and services.	38-41 Environmentally Responsible Products and Services.

..... Aspect: water

303-1	Total water harvesting according to the source.	73-74 Sustainable use of resources
303-2	Water sources that have been significantly affected by water harvesting.	There were no affected water sources detected
303-3	Percentage and total volume of recycled and reused water.	Water is not recycled or reused

..... Aspect: biodiversity

304-1	Own, leased or managed business units that are adjacent to, contain or are located in protected (or unprotected) areas of high biodiversity value.	LABORAL Kutxa's financial activity does not affect biodiversity or impact on protected areas.
304-2	Description of the most significant impacts on the biodiversity in protected areas or in unprotected high biodiversity areas, derived from the activities, products and services.	LABORAL Kutxa's financial activity does not affect biodiversity or impact on protected areas.
304-3	Protected or restored habitats.	
304-4	Number of species included in the IUCN Red List and in national conservation lists whose habitats are in areas affected by the business, according to the level of danger of extinction of the species.	

Aspect: emissions

305-1 305-2	Total direct and indirect greenhouse gas emissions by weight	74-75 Climate change
305-3	Other indirect greenhouse gas emissions, by weight.	74-75 Climate change
305-4	Intensity of greenhouse gas emissions	89 Other figures-Environment
305-5	Reduction in greenhouse gas emissions.	69-70 Our Relationship with the Environment 74-75 Climate change

305-6	Emissions of ozone-depleting substances	No ozone-depleting substances are produced, imported or exported.
305-7	NO, SO and other significant atmospheric emissions.	Emissions of this type are the result of air conditioning systems and are not considered to be significant.
Aspect: effluents and waste		
306-1	Total wastewater discharge, according to its nature and destination.	72-73 Circular economy and waste prevention and management
306-2	Total weight of managed waste, according to type and method of treatment.	72-73 Circular economy and waste prevention and management
306-3	Number and total volume of significant accidental spills	No significant accidental spills were detected
306-4	Weight of transported, imported, exported or treated waste deemed hazardous under Annexes I, II, III and VIII of the Basel Convention and percentage of the waste transported internationally	We do not work with the type of waste defined in the indicator
306-5	Identification, size, protection status and biodiversity value of water bodies and related habitats significantly affected by discharges and runoff from the organisation.	No effect on biodiversity from water discharges or runoff waters has been detected
Aspect: regulatory compliance		
307-1	Cost of significant fines and number of non-monetary sanctions for non-compliance with environmental regulations.	The cost of fines and penalties in the years covered by the Report was 0.
Aspect: environmental assessment of supplier companies		
308-1	Percentage of new supplier companies that were examined based on environmental criteria	76 Our relationship with supplier companies
308-2	Significant actual and potential negative environmental impacts in the supply chain and measures taken	
CATEGORY: EMPLOYMENT		
Aspect: employment		
401-1	Number and rate of recruitment and average turnover of people employed, broken down by age group, sex and region.	83-89 Other figures - Workforce
401-2	Social benefits for full-time employees which are not offered to temporary or part-time employees, broken down by key activity locations.	60 Social Benefits
401-3	Return to work and retention rates after maternity or paternity leave, broken down by sex.	83-89 Other figures - Workforce
.....Aspect: management-employee relations		
402-1	Minimum notice period for operational changes and possible inclusion of these in collective agreements.	There is no collective agreement in the cooperative. Although neither the Internal Regulations nor the internal employment regulations expressly establish a minimum period of notice for informing working partners of job or workplace changes, major organisational or operational changes must be submitted to the Social Council.
Aspect: occupational health and safety		
403-1	Percentage of the workforce that is represented on formal joint health and safety committees for management and staff, established to help monitor and advise on H&S programmes	58-59 Occupational Health and Safety
403-2	Type and rate of injuries, occupational illnesses, days lost, absenteeism and number of work-related fatalities by region and by sex	58-59 Occupational Health and Safety
403-3	Personnel whose profession has a high incidence or risk of illness.	Given the financial nature of the business, there are no occupational illnesses or high risks of illness.
403-4	Health and safety issues covered in formal agreements with trade unions.	58-59 Occupational Health and Safety
Aspect: training and education		
404-1	Average hours of training per year per employee, broken down by sex and by professional category	83-89 Other figures - Workforce
404-2	Skills management and continuing education programmes that promote employability and help manage the end of their professional careers.	51-52 Continuing education programmes
404-3	Percentage of people who receive regular performance and career development reviews, broken down by sex and by professional category	52-53 Performance Management-Bidean
Aspect: diversity and equal opportunities		
405-1	Composition of the governing bodies and breakdown of the workforce by professional category and sex, age, membership of minority groups and other diversity indicators.	83-89 Other figures - Workforce 17-20 Corporate Governance
405-2	Ratio of basic salary of men to women, broken down by professional category and key business locations.	56-57 Remuneration management 83-89 Other figures - Workforce Equal pay for equal work, regardless of whether male or female
Aspect: non-discrimination		
406-1	Number of cases of discrimination and corrective measures taken.	No incidents of discrimination occurred during the period covered by the Report
Aspect: freedom of association and collective bargaining		
407-1	Identification of significant centres or supplier companies where freedom of association and the right to enter into collective agreements may be violated or under threat, and measures taken to defend these rights.	Both LABORAL Kutxa and practically all its supplier companies are based in Spain. This means that, by law, human rights must be respected, including the freedom of association and collective bargaining.
Aspect: child labour		
408-1	Identification of centres and supplier companies that entail a potential risk of incidences of child exploitation, and the measures adopted to contribute to the abolition of such exploitation.	Both LABORAL Kutxa and practically all its supplier companies operate solely in Spain. This means that, by law, human rights must be respected, including the non-exploitation of children.
Aspect: forced labour		
409-1	Centres and Supplier Companies with a significant risk of being the source of incidences of forced labour, and the measures adopted to contribute to the elimination of all forms of forced labour.	Both LABORAL Kutxa and practically all its supplier companies operate solely in Spain. This means that, by law, human rights must be respected, including forced labour
Aspect: security measures		
410-1	Percentage of security staff who have received training on the organisation's human rights policies or procedures as they apply to the business.	LABORAL Kutxa hires its security staff through authorised external companies, who guarantee that 100% of the people employed for the job are properly trained.
Aspect: rights of the indigenous population		
411-1	Number of cases of violation of the rights of indigenous people and the measures taken	This indicator is not applicable, as the geographical area of LABORAL Kutxa is Spain
Aspect: assessment		

412-1	Number and percentage of centres that have undergone human rights impact assessments or reviews Aspect: local communities	There have been no reviews of activities in aspects related to human rights, since the risk of their violation is very low or non-existent.
413-1	Percentage of centres where programmes for development, impact assessment and local community participation have been implemented	65-66 Profit sharing 31-33 Materiality
413-2	Business centres with significant actual or potential negative effects on local communities Aspect: assessment of supplier companies in relation to human rights	No activities with a negative or potential impact on local communities have been identified.
414-1	Percentage of new supplier companies that were examined based on social criteria	There were no human rights assessments of the various suppliers and subcontractors because, a priori, no supplier companies were identified that, due to the volume of purchases in question, the type of business they were engaged in or their location, might pose a significant human rights risk. Nevertheless, as already stated, LABORAL Kutxa aims to make progress in defining a system for evaluating suppliers from a social and environmental point of view, in line with the principles of the Global Compact
414-2	Significant actual and potential negative social impacts in the supply chain and the measures taken.	
415-1	Value of political contributions, by country and recipient Aspect: health and safety of customers	65 Relations with Government Agencies and Political Parties
416-1	Percentage of significant product and service categories for which health and safety impacts have been assessed to promote improvements	36-48 Our relationship with customers 42-43 Responsible products and services
416-2	Number of incidents arising from non-compliance with regulations or voluntary codes concerning health and safety impacts of products and services during their life cycle, broken down by type of outcomeAspect: labelling of products and services	81 Sanctions 80-82 Customer Service
417-1	Type of information required by the organisation's procedures relating to the information and labelling of its products and services, and percentage of significant product and service categories that are subject to such requirements	All the products and services of LABORAL Kutxa are subject to the regulations of the Bank of Spain and the Spanish National Securities Market Commission (CNMV) with regard to information about them and their form of marketing, which guarantees transparency in these procedures. Furthermore, the MIFID regulations are applied to protect the customer (classification, test, information, etc.). 36-48 Our Relationship with Customers
417-2	Number of failures to comply with regulations and voluntary codes concerning product and service information and labelling, broken down by type of result.	81 Sanctions 80-82 Customer Service
417-3	Number of cases of non-compliance with regulations or voluntary codes in relation to marketing communications, such as advertising, promotion and sponsorship, broken down by type of result	81 Sanctions 80-82 Customer Service
418-1	Number of substantiated complaints about violation of privacy and leaking of customer data Aspect: customer privacy	81 Sanctions 80-82 Customer Service
419-1	Cost of significant fines due to non-compliance with regulations and legislation concerning the supply and use of products and services Aspect: regulatory compliance	81 Sanctions 80-82 Customer Service 24 Regulatory Compliance
PRODUCT PORTFOLIO		
FS1	Description of the policies with specific environmental and social content applied to the business areas	28-29 Commitments and achievements 62-64 Gaztenpresa Foundation 44-45 Socially Responsible Investment 69-75 Our relationship with the environment
FS2	Description of the procedures for evaluating and selecting the social and environmental risks in each of the policies described above and applied to the business areas.	53-56 Diversity and Equal Opportunities 44-45 Socially Responsible Investment 69-75 Our relationship with the environment
FS3	Description of the procedures for ensuring and controlling compliance with the social and environmental requirements by the customers included in the contracts or transactions	There is no system for monitoring and controlling our customers after the event, due to the location of our activities and the projects we finance
FS4	Description of the process(es) to improve the skills of employees for implementing environmental and social policies and procedures as they apply to business areas	63-56 Our relationship with the Environment
FS5	Description of the interactions with customers and other stakeholders in terms of risk management and environmental and social opportunities	36-37 Dialogue with Customers 49 Dialogue with People 66 Dialogue with Society
FS6	Percentage of the portfolio for each of the business areas broken down by region, size and business sector	12 Geographic distribution of offices 36 Main customer figures 80-82 Other figures - Customers
FS7	Monetary value of products and services designed to provide a specific social benefit in each of the business areas and broken down by social objectives	42-48 Socially Responsible Products and Services
FS8	Monetary value of products and services designed to provide a specific environmental benefit in each of the business areas and broken down by environmental objectives	46 Loans for Renewable Energies
FS9	Audit coverage and frequency for assessing the degree of implementation of policies and procedures for social and environmental risk management.	91 Report Profile 53-56 Our relationship with the environment
FS10	Percentage and number of companies within the Organisation's portfolio with which the Organisation has interacted on social and environmental matters.	36-37 Dialogue with customers 76 Our relationship with supplier companies
FS11	Percentage of assets subject to positive and / or negative environmental and social screening	71 Environmental risk assessment 44-45 Socially Responsible Investment
FS12	Voting policies applied to social or environmental issues where the reporting organisation holds the right to voting actions or voting recommendations	Not applicable due to the type and legal form of the Organisation
FS13	Access to financial services in depopulated/disadvantaged areas by type of access.	46 Accessibility to Financial Services
FS14	Initiatives to improve access to people with disabilities	46 Architectural barriers and access via Internet and mobile phone.
FS15	Policies regarding the fair design and marketing of financial products and services	LABORAL Kutxa follows strict regulations when designing and marketing products. It also has a Code of Conduct. 36-37 Our Relationship with Customers 38-41 Responsible management with customers
FS16	Initiatives to expand financial culture, broken down by types of beneficiaries	47-48 Financial Culture 68 Financial education 62-64 Gaztenpresa Foundation 64-65 Indirect contributions to society

6.3. Reporting level of the Report

LABORAL Kutxa declares this Report to be comprehensive in terms of the application of GRI Standards, according to the table above, given that this is confirmed by the results of the external verification by AENOR. The location of each of the basic contents of the GRI Standards Guide is detailed below.

6.4. AENOR verification



6.5. PRINCIPLES FOR RESPONSIBLE BANKING

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/ relevant information
<p>Principle 1: Alignment Align the 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.</p>		
<p>1.1. Describe (high-level) the bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank operates or provides products and services.</p>	<p>We provide answers to these questions throughout the 2019 Sustainability Report and Non-Financial Information Statement, which follows GRI standards and has been audited by AENOR.</p>	<p>1.1 Group Presentation (P.7) 1.3. Cooperativism (P. 10) 1.5. Geographical Branch Distribution (P. 12) 1.6 Group's Main Figures (P.13) 3.1.2. Main Customer Figures (P. 36) 3.1.6. Responsible Products and Services (P. 42-48) 4.1 Customers (P. 80) Main figures of Responsible Products and Services (P. 82)</p>
<p>1.2. Describe how the bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>In LABORAL Kutxa's strategic reflection for the period 2020-2022 we have integrated the Principles for Responsible Banking.</p>	<p>1.7. Strategy and Risk Management (P. 14-17) 2.6. United Nations Global Compact and Sustainable Development Goals (P. 33-34)</p>
<p>Principle 2: Impact and Target Setting Continuously increase positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from activities, products and services. To this end, set and publish targets where we can have the most significant impacts.</p>		
<p>2.1 Impact Analysis: Show that the bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements:</p> <p>a) Scope: 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 scope of the analysis.</p> <p>b) Scale of Exposure: Where its core business/its major activities lie in terms of industries, technologies and geographies.</p> <p>c) Context & Relevance: most relevant challenges and priorities related to sustainable development.</p> <p>d) Scale and intensity/salience of impact: social, economic and environmental impacts resulting from the bank's activities and provision of products and services.</p> <p>Show that building on this analysis, the bank</p> <ul style="list-style-type: none"> Identified and disclosed its areas of most significant (potential) positive and negative impact. 	<p>To prepare the Sustainability Report, we carried out an analysis of impacts, risks and opportunities, as well as a materiality study.</p> <p>For 2020 we will carry out a specific analysis, using the tool launched by UNEP FI, for which we participated in the development. The tool is designed to analyse the impact of banks' portfolios, helping to analyse the impacts associated with their retail and wholesale portfolios. The analysis will enable us to set targets where it is important to boost contribution to society's goals, as required by the Principles for Responsible</p>	<p>1.7. Strategy and Risk Management (P. 14-17) 1.8. Principles and Governance (P. 17-20) 2.5. Materiality Analysis (P.31-33) 3.16. Responsible Products and Services (P. 42-48) 3.4. Our Relationship with the Environment (P. 69-75)</p>

<ul style="list-style-type: none"> Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts. 	Banking.	
Please provide the bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.		
This year we have conducted the analysis in the same way as in recent years, but in greater depth after signing up to the Principles for Responsible Banking. We will soon conduct a more in-depth analysis using the tool proposed by UNEP FI. This analysis will be incorporated in next year's report.		
<p>2.2. Target Setting</p> <p>Show that the bank has set and published a minimum of 2 specific, measurable (qualitative or quantitative), achievable, relevant and time-bound targets, which address at least 2 of the identified "areas of most significant impact".</p> <p>Show that the targets are linked to and drive alignment with and greater contribution to appropriate SDGs, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. Identify and set targets against this baseline (assessed against a particular year).</p> <p>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the targets and that it has set out relevant actions to mitigate them as far as feasible to maximize the net positive impact.</p>	In 2019, LABORAL Kutxa made a strategic reflection, in which it set 10 measurable targets that contribute to society's goals. To set these targets, the Principles of Responsible Banking have been taken into account, aligning them with the bank's targets.	1.7. Strategy and Risk Management (P. 14-17) 2.6. United Nations Global Compact and Sustainable Development Goals (P. 33-34)
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.		
As a result of signing up to the Principles for Responsible Banking, we have set 10 measurable targets in our 2020-2022 strategic period.		
<p>2.3. Plans for Target Implementation and Monitoring</p> <p>Show that the bank has defined actions and milestones to meet the set targets.</p> <p>Show that the bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	In addition to the Strategic Plan, the targets have been integrated into the Annual Management Plan, with partial targets, managers and lines of action. For example, one action for 2020 is to change the electricity consumed to electricity exclusively from renewable sources. Throughout 2019 we performed actions for the implementation of the Principles. They are all mentioned in the Sustainability Report. To this end, LABORAL Kutxa has established a series of initiatives and action plans. Examples of these are the Equality Plan and Gaztenpresa.	2.6. United Nations Global Compact and Sustainable Development Goals (P. 33-34) 3.2.5. Diversity and Equal Opportunities (P. 53-56) Gaztenpresa Foundation (P. 62-63)
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.		
In the Management Plan we have put in place plans and lines of action to meet the targets. These are constantly monitored and evaluated at the end of each period.		

<p>2.4. Progress on Implementing Targets For each target separately: Show that you have implemented the actions previously defined. Explain why actions could not be implemented/needed to be changed and how the bank is adapting its plan to meet its set target. Report on the bank's progress over the last 12 months towards achieving each of the set targets and the impact its progress resulted in (Where feasible and appropriate, include quantitative disclosures)</p>	<p>In 2019, the Principles for Responsible Banking were signed and targets were set as part of the strategic reflection made. Actions have also been set out to achieve these objectives. The progress made will be explained in the 2020 report.</p>	<p>1.7. Strategy and Risk Management (P. 14-17) 2.6. United Nations Global Compact and Sustainable Development Goals (P. 33-34)</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets</p>		
<p>In the 2019 financial year, plans were made to implement the targets set for the 2020-22 strategic reflection. The 2020 report will explain the progress made.</p>		
<p>Principle 3: Clients and Customers Work responsibly with clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>		
<p>3.1. Provide an overview of the policies and practices the bank has in place and/or is planning to put in place to promote responsible relationships with its customers. Include high-level information on any programmes and actions implemented (and/or planned), their scale and the results thereof.</p>	<p>We describe the practices implemented by LABORAL Kutxa to promote responsible relations with customers. We are convinced that, as a credit cooperative, this way of acting responsibly has been a constant from the beginning.</p>	<p>3.1. Our relationship with Customers (P. 36-48)</p>
<p>3.2. Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable economic activities. Include information on actions planned/implemented, products and services developed, and the impacts achieved.</p>	<p>This section describes the actions carried out to implement responsible customer relations.</p>	<p>3.1. Our relationship with Customers (P. 36-48) 3.1.3. Dialogue with Customers (P. 36-38)</p>
<p>Principle 4: Stakeholders Proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>		
<p>4.1. Describe which stakeholders you have consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving the bank's impacts. Describe how the bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>To prepare the CSR Report, we have identified the stakeholders and established mechanisms for dialogue with them.</p>	<p>2.5. Materiality Analysis (P.31-33)</p>
<p>Principle 5: Governance & Culture Implement the commitment to these Principles through effective governance and a culture of responsible banking</p>		
<p>5.1. Describe the relevant governance structures, policies and procedures the bank has in place/is planning to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>LABORAL Kutxa has mechanisms for managing impacts and risks, as well as a CSR Committee. The CSR Committee is responsible for and leads the initiatives related to sustainability, including the Principles.</p>	<p>1.8. Principles and governance (P. 17-20)</p>
<p>5.2. Describe the initiatives and measures the bank has implemented or plans to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance</p>	<p>LABORAL Kutxa is a credit cooperative in which the workers are the owners of the company, and therefore they take part democratically in</p>	<p>1.3. Cooperativism (P. 10-11) 1.10. Remuneration of the Governing Bodies (P.21) 3.2.4. Staff Development (P. 50) 3.2.7. Compensation Management (P. 56-57)</p>

<p>management and leadership communication, amongst others.</p>	<p>management and decision-making. Our cooperative banking is a social economy and the culture of responsible banking is part of our operation.</p>	
<p>5.3. Governance Structure for Implementation of the Principles Show that the bank has a governance structure including</p> <ul style="list-style-type: none"> a) target-setting and actions to achieve targets. b) remedial action in the event they are not achieved or unexpected negative impacts are detected. 	<p>As mentioned above, the Principles have been integrated into the Strategic Plan and the Management Plan. The CSR committee leads, promotes and monitors everything related to sustainability.</p>	<p>In the specific case of the environmental targets, we hold environmental certification UNE EN ISO 14001 3.4.1. Management Approach - Environment (P. 69-70)</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p>		
<p>LABORAL Kutxa maintains a suitable structure for sustainability management, including the Principles for Responsible Banking. This structure stems both from our configuration as a credit cooperative and from the continuous effort to improve and adapt our organisation.</p>		
<p>Principle 6: Transparency & Accountability Periodically review the individual and collective implementation of these Principles and be transparent about and accountable for positive and negative impacts and contribution to society's goals.</p>		
<p>6.1. Progress on Implementing the Principles for Responsible Banking Show that the bank has progressed on implementing the Principles over the last 12 months and has set and implemented the targets in minimum two areas (see 2.1-2.4). Show that the bank has considered existing and emerging international/regional good practices relevant for the implementation of the Principles and has defined priorities and ambitions to align with good practices. Show that the bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>For the first 6 months since the signing of the Principles, LABORAL Kutxa has incorporated sustainability into the strategic reflection for the next three years, establishing 10 sustainability targets in addition to the business targets.</p>	<p>Since the signing of the Principles, we have participated in the initiatives carried out by UNEP FI to advance their implementation. This allows us to be at the forefront of the good practices that are being carried out at international level.</p>
<p>Provide the bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking</p>		
<p>Since the signing of the Principles, we have worked intensively to develop initiatives to implement the objectives and to introduce them into our strategy and objectives.</p>		