

# CSR

## SUSTAINABILITY REPORT AND NON-FINANCIAL INFORMATION STATEMENT 2020



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.



**LABORAL**  
kutxa

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0. Letter

A year ago now, when writing this foreword to the previous Sustainability Report, little could we have imagined that 2020 would unfold as it has. Despite news from Asia about COVID 19, a few weeks later we found ourselves facing a completely unexpected scenario unlike anything we had experienced before. A health crisis with major social and economic consequences.

Indeed, the pandemic has posed a huge challenge to us as a society and as a cooperative. In just a few days we had to take measures to protect the health of our workforce, our customers and our suppliers, while ensuring business continuity and maintaining basic financial service. All of this has involved a very important personal, organisational and adaptation effort for all the people who make up the LABORAL Kutxa Group. From the outset, the objective of the committee set up for this purpose, the Coronavirus Committee, has been to govern the management of this crisis putting people's health first and guaranteeing the continuity of the activity. The entire organisation has been committed to continuing to serve customers and to provide financial solutions to businesses and families to enable them to cope with this unprecedented situation.

The health crisis has also resulted in an economic crisis that is affecting many sectors of activity. As a result, we have reviewed and adjusted our projected profit targets for the coming years, following a prudent approach to ensure our financial strength. At the same time, we have made a special effort to make allocations and provisions in order to be prepared for the foreseeable negative consequences for the business fabric of the abrupt economic slowdown.

We commented in these same lines last year that the financial sector is currently facing many challenges for the future. Challenges such as digitalisation or the historically low interest rate environment have been forcefully joined by the need to transform the economic system towards a more sustainable model. Both society and regulators are demanding that financial institutions resolutely include ESG criteria, i.e., environmental, social and corporate governance criteria, in their operations. The future is not only being built on innovation, screens and algorithms, but also on a business model that is aware of its impacts and committed to society and the environment. This trend has not only not slowed down, but has been reinforced as an effect of the COVID crisis<sup>19</sup>.

LABORAL Kutxa is no stranger to this need. As a credit cooperative born to contribute to the progress of our society and to fight inequality, we understand wealth and development as aspects that are not exclusively measurable in economic or GDP terms. Since our origins more than 60 years ago, we have been aware that an important part of our social legitimacy as a company is based on being aware of how our decisions affect the present and future of our towns and cities, from an economic, social and environmental point of view.

That is why in 2020 we have embarked on a reflection to develop a sustainable finance strategy. With this reflection, we seek to organise all the initiatives we have been carrying out in the past, to give them renewed impetus and to launch new transformative projects. In 2021, the design of this strategy will be completed and the first actions derived from it will be implemented, such as the analysis of the impact of climate change on our credit portfolio or the development of a line of green finance products.

From an environmental point of view, in 2020 LABORAL Kutxa has made a significant leap forward in its contribution as a company to achieving the Paris Agreements to reduce greenhouse gas emissions. All the electricity we consume now comes from renewable sources,

which has resulted in an 83% reduction compared to the previous year in our carbon footprint, the cause of global warming.

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 shown 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.



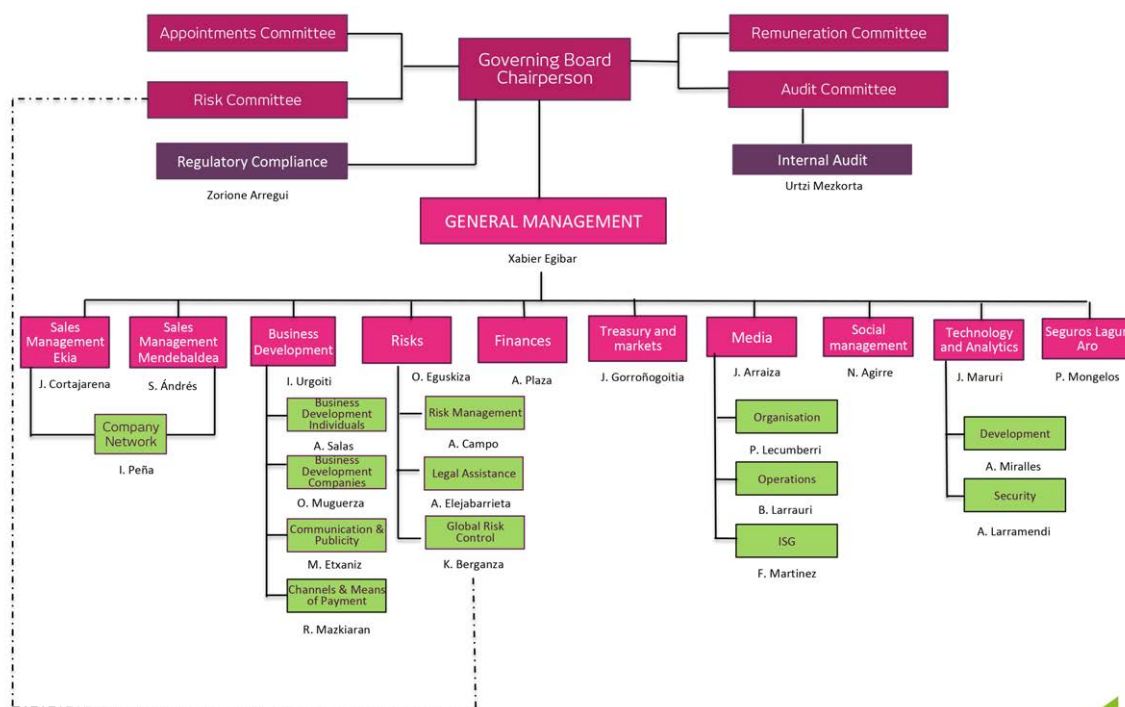
The investee companies that make up the LABORAL Kutxa Group:

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 SGIIC, 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

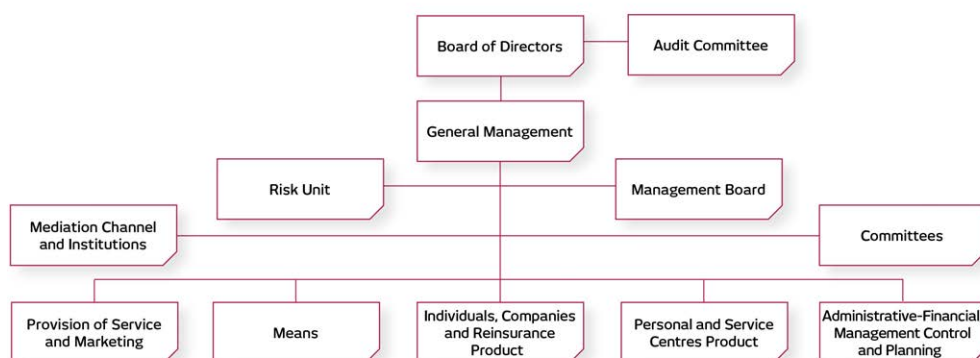
The structure as at 31/12/2018 is organised into functional Divisions, which in turn are divided into the various Departments, Sections, Areas and Network of offices.

2020 Laboral Kutxa - Organisational chart



**Ekia:** Gipuzkoa-Ekia, Debagoiena-Goierri, Donostia-Kosta, Nafarroa Bat, Nafarroa Bi, Erdigunea, Aragoi,  
**Mendebaldea:** Bibo Enea, Bizkaia Eskubialdea, Ezkerraldea Kantabria, Hegoaldea, Durangaldea Kosta, Araba, Canal Plata, Pisuerga

## Lagun Aro Insurance



### 1.3. Cooperativism

#### WHAT DIFFERENTIATES US FROM OTHER BANKS AND SAVINGS BANKS?

<b>WE ARE A COOPERATIVE CREDIT UNION</b>	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.
<b>GIVING BACK TO SOCIETY. USEFUL BANKING, COMMITTED TO OUR SOCIETY</b>	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.
<b>WE ARE WORKERS, PARTNERS AND STAKEHOLDERS</b>	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.

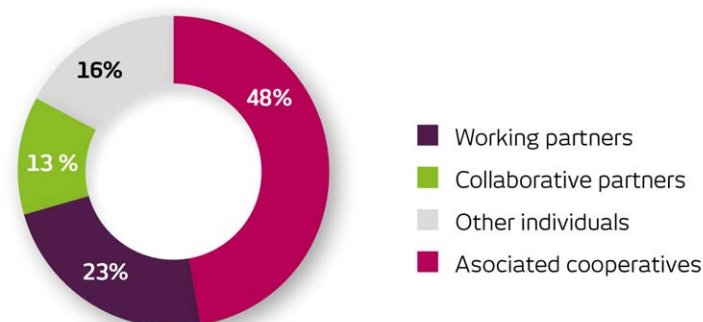
## VALUES

**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 AT 31/12/2020

777.9 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 of the aforementioned Internal Code of Conduct to Regulation 596/2014 was approved, and the CNMV was informed accordingly.

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 2020 and 2019, there have been no enquiries or complaints.

The Group's insurance companies, Seguros Lagun Aro and Seguros Lagun Aro Vida, although for legal reasons having a legal status as a joint-stock company and not as a cooperative company, share the cooperative values and the various management practices and policies.

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:

- putting its guiding principles into practice at all levels of its activities,
- designing products and services that meet the real needs of consumers,



- ensuring that policyholders and groups of interest are actively involved in the life of the company, either directly or through their representatives,
- combining the balance between financial aspects 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 2020, 15 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			
Provinces	Individuals	Companies	Mediation
Bizkaia	80	2	1
Gipuzkoa	64	1	1
Navarra	37	1	1
Araba	29	1	1
Zaragoza	16	1	1
Valladolid	12	1	1
Madrid	9	-	-
Asturias	8	-	1
Burgos	8	-	-
Salamanca	6	-	-
La Rioja	5	-	1
Cantabria	4	-	-
Leon	3	-	-
Palencia	2	-	-
Barcelona	1	-	1
Huesca	1	-	-
Zamora	1	-	-
Valencia	-	-	1
<b>Total no. of offices</b>	<b>286</b>	<b>8</b>	<b>9</b>

## 1.6. Key figures of the Group

Item	2019	2020
Total assets (MII)	25,058	27,904
Own Funds (MII)	1,764	1,835
Customer deposits (MII)	21,425	22,984
Credit to customers (MII)	13,973	14,459
Offices	304	301
ATMs	538	538
Interest Margin (MII)	249.9	254.6
Gross Margin (MII)	395	402.6
Administration Costs (MII)	218.9	210
Profit after tax (MII)	127.4	79.7

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

Item (thousands of €).	2019	2020
<b>1. Directly generated financial value</b>	<b>401,806</b>	<b>420,094</b>
Gross Margin (before other operating charges)	399,130	417,729
Profits on Sale of Material and Awarded Assets	2,676	2,365
<b>2. Distributed financial value</b>	<b>284,975</b>	<b>258,559</b>
Payment to supplier companies (Operating costs)	104,733	108,842
- other general administrative costs.	70,979	63,646
- other operating charges	33,754	45,196
Staff costs	108,406	109,621
Income tax	11,689	10,934
Interest on capital	34,316	9,783
Investment / Donations to the community	25,831	19,379
Development and Education Fund (FEP)	10,332	7,751
Intercooperative Social Fund (FSI)	15,498	11,627
<b>3. Financial value retained (1-2)</b>	<b>116,831</b>	<b>161,535</b>

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 recorded a profit, included in the Group's consolidated profit and loss account, of € 2.7 million.

Item (thousands of €). Management of real estate assets	2019	2020
Revenue (Sales)	45,286	46,102
Operating costs	4,274	3,270
Staff costs	0	0
Financial costs for interest and dividends	388	78
Gross tax	2,085	1,607

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

Item (thousands of €). CLBS	2019	2020
Turnover (commissions)	41,400	42,449
Staff Costs	10,270	8,122
Total Costs	37,911	38,579
Pre-tax profit	3,490	3,865

The objective of the **real estate asset management companies** in 2019 has been the purchase or award of real estate assets from third party developers in payment of debt to LABORAL Kutxa and the divestment of all the assets owned, both finished product (homes, garages, premises, etc.) and through the completion of the works in progress for the sale of the final product and the sale of the land or its management for its transformation into housing, through the undertaking of self-development and building.

In 2020, through the company ISGA, work has been carried out on 14 real estate projects involving the construction of 713 homes, of which 6 projects have been completed, meaning the completion of 165 homes.

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.

### Taxation

LABORAL Kutxa exercises its tax obligations in the territories in which it carries out its activity, specifically in the four foral territories and in common territory, thus contributing to the support of public services and the progress of Society.

The company's tax strategy is consistent with the long-standing principle of prudence applied in all areas of management.

As part of its Financial Information Internal Control System, Laboral Kutxa has a Tax and Legal Management Procedure. This internal document, approved by the Governing Board, defines the areas of the organisation responsible for the management of the different taxes, the different actions to be undertaken by each of them in this respect, as well as the controls defined to ensure the correct execution of the procedure. This procedure is periodically reviewed by Internal Audit.

The tax information is reported in the annual accounts in an explanatory note containing the reconciliation between the accounting result and the tax base for corporate income tax purposes. This information, together with the other financial information, is subject to an annual external audit.

<b>Taxes and duties (thousands of €) LABORAL Kutxa</b>	<b>2019</b>	<b>2020</b>
Corporate income tax	11,689	10,934
Taxes (Property Tax, Self-employed income tax, etc.)	7,451	10,108 (1)
V.A.T.	7.6201	12,564
<b>Total</b>	<b>26,760</b>	<b>33,606</b>
<b>Taxes and duties (thousands of €) Lagun Aro</b>	<b>2019</b>	<b>2020</b>
Corporate income tax	1,904	1,782
Taxes (Property Tax, Self-employed income tax, etc.)	89	92
<b>Total</b>	<b>1,993</b>	<b>1,874</b>

(1) In 2020, the deposit tax and the DTAs capital allowance have been included.



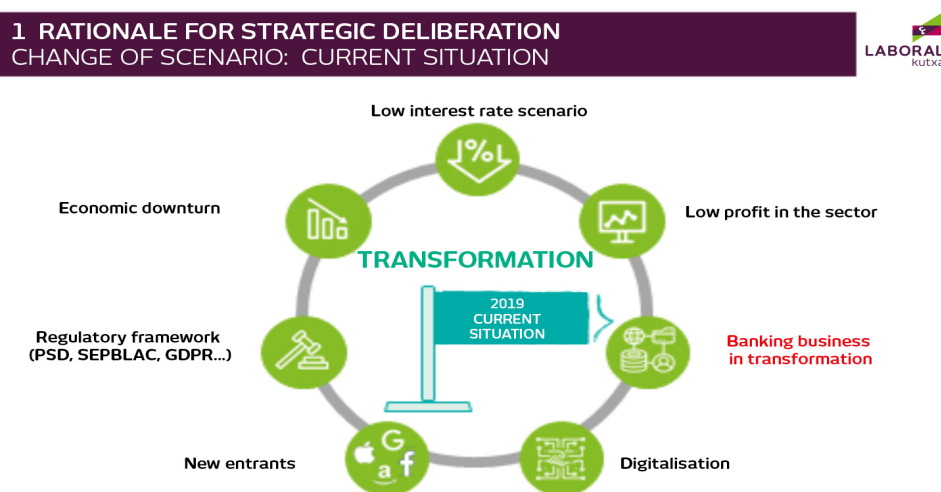
The Public Administration does not form part of the capital nor does it have any representation on the governing bodies of LABORAL Kutxa. The financial support received from the Administration is as follows:

Item (thousands of euros)	2019	2020
Subsidies (aid for employment, training and energy investments)	308	226
Item (thousands of euros)	2019	2020
Subsidies Lagun Aro (Euskera)	11	22

## 1.7. Strategy and risk management

During 2019, it carried out the strategic reflection that has led to the drafting 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.

This was the first strategic reflection carried out from a cross-Group perspective, including the insurance companies. It was a process led by the Board of Directors, with the participation of different levels of the cooperative, from departmental managers to section heads and staff from the commercial network. It was carried out with the support of Deloitte and, once completed, was approved by the Governing Board.



The following ambition was defined:

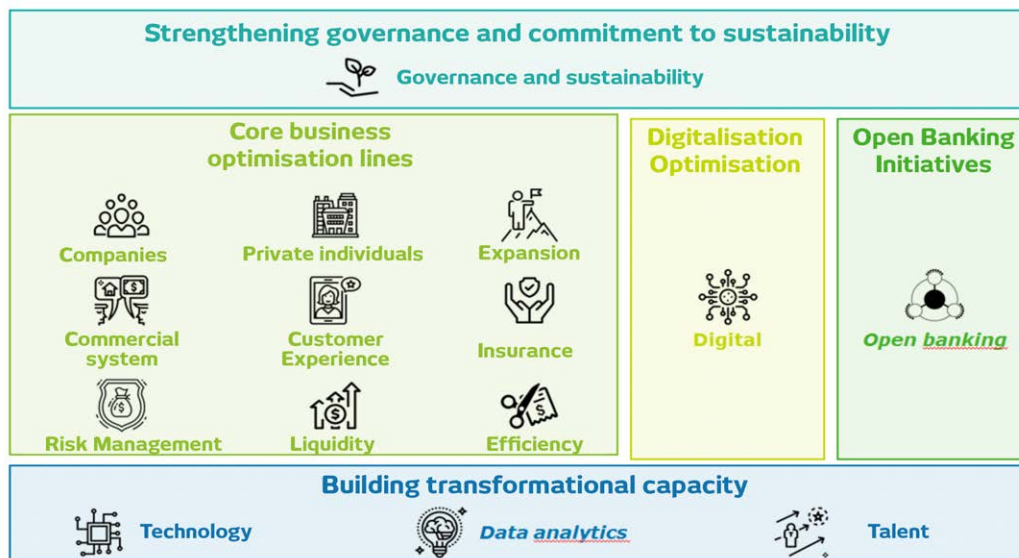
*Transformation of the entity in order to ensure its competitiveness and future sustainability in a complex market environment by means of a differentiating approach.*

The main lines of action that emerged from the strategic reflection were:

- **Profitability - income statement.** Sustaining current levels of profit generation will be the main objective. 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 geared towards increasing market shares by increasing the dynamics of commercial activity.

- **The insurance business.** Opportunities and competitive differentials should be exploited to drive growth.
- **Risk Policy.** Review of the current risk appetite framework and risk policies.
- **Treasury and capital markets.** The strategy for investing surplus liquidity will be deployed with a prudent approach.

The development of the Strategic Plan for the financial years 2020 - 2022 is based on five major blocks comprising 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 were materialised for the first time in this Strategic Plan as a cross-cutting element covering all the programmes it comprises. 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 are aligned with the *Sustainable Development Goals (SDG)* and 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

### Strategy

1. Incorporate sustainability objectives in the entity's strategy

### Environment

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

### Product

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)

### Equality

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%

### Society

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.

### Suppliers

10. 40% of the total volume of purchases from supplier companies will be with local companies

Section 2.2 Commitments and achievements provides an overview of the status of these objectives at the end of 2020.

In 2020, the annual review of the Plan was carried out in accordance with the following process:

Review of the validity of the Strategic Plan by the Board of Directors:

- Analysis of the environmental situation, with special attention to the macroeconomic impact of the crisis caused by the pandemic.
- Analysis of the qualitative impacts and period of confinement, focusing on new customer behaviour.
- Review of the entity's competitive position: market shares, brand image and quality of service.

The main conclusions ratified by the Governing Council were:

1. Confirmation of the business priorities identified in the Strategic Plan, adjusting the ambition in volumes and specifying the types of companies on which to focus efforts.
2. Review of the business model: Office typologies, new physical design and right sizing.
3. In-depth review of administrative expenses: reduction to compensate for the foreseeable drop in profits.
4. Review of the profit and loss path over the horizon of the Strategic Plan based on the necessary coverage derived from the estimates of non-payment.
5. Confirmation of the need and timeliness of continuing to address the transformation programmes set out in the Strategic Plan.

It should be noted that within this review, the "Sustainable Finance in LK" project has been established as a priority transformation project. The objective of this project is to propose a strategy with respect to sustainability and the new regulatory requirements in this area, as well as an analysis of its impacts, risks and opportunities for the business.



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 management staff (members of the Board of Directors) are natives of the areas where the Entity operates.

In terms of **corporate Governance**, the progress made in 2020 was as follows:

- As every year, a report was drawn up on the evaluation of the structure, size, composition and performance of the Governing Board in the last year.
- On the occasion of the renewal of the Governing Board, reports have been prepared on the profiles needed to fill the vacant positions on the Governing Board.
- The manual regulating the procedure for the selection and evaluation of the suitability of board members and function holders has been updated, establishing a specific protocol for the management of personal data.
- 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.
- As a result of the implementation of the 2020-2022 Strategic Plan, the Security organisational unit has been configured as a new Department with three priority areas of action: physical security, fraud and cybersecurity.

In March 2020, all members of the Governing Board obtained certification in Good Corporate Governance, issued by the IC-A (Institute of Directors and Administrators).

At the end of the year, some of the members of the Governing Board undertook extensive training in Sustainable Finance.

In July 2020, the General Assembly approved a series of changes to the Articles of Association, among which the composition of the Governing Board was increased from 12 to 15 members and the term of office was increased from four to five years. The new composition will improve the specialisation and diversity of the body, while the longer term of office means that renewals will be more staggered and orderly, affecting fewer directors and thus benefiting for a longer period from the knowledge and experience acquired by the directors during their term of office. At year-end, the registration of these last three directors in the register of senior officers of the Bank of Spain was pending.

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.

It should be noted that, as at 31 December 2020, the minimum percentage established for the under-represented gender is exceeded in the composition of the Governing Board, the cooperative's highest administrative body.

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.

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			
	2019		2020		2019		2020	
	M	W	M	W	M	W	M	W
Governing Board	1	4	1	4	5	2	5	2
Auditors	1	0	0	1	1	1	1	1
Resources Committee	9	3	8	4	-	-	-	-
Operations Committee	0	3	0	3	2	0	2	0
Audit Committee	0	1	0	1	2	1	2	1
Appointments Committee	1	1	1	1	2	1	2	1
Social Council	10	10	6	7	2	1	4	2
Board of Directors	3	1	2	1	3	1	7	1
Risks Committee	0	3	0	3	2	1	2	1
Remuneration Committee	1	1	1	1	2	1	2	1
Executive Board –Seguros Lagun Aro	2	0	2	1	2	1	2	0
Board of Directors – Seguros Lagun Aro	0	1	0	1	5	1	5	1

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.
<b>Structure of the administrative body</b>		
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. It is not of an executive nature.	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
<b>Supervisory and advisory bodies</b>		
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 Com.	Consultative body on Occupational Risk Prevention.	1996
Hizkuntza Batzordea	Committee for linguistic standardisation.	2000
Environmental Com.	Environmental System Management.	2001
Money Laundering Prevention Committee	Control and communication body for the Prevention of Money Laundering.	2003
CSR Committee	A Board of Directors' delegated body dealing with CSR and with the presence of members from the various Divisions 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
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
Data Committee	Sets the Entity's Data Strategy and performs the CDO functions and sets the strategic lines to be followed in data analytics.	2020

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.

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.

**Seguros Lagun Aro** has a written policy of "Adequacy of key positions" approved by the Board of Directors, the aim of which is to guarantee that all the people who manage Seguros Lagun Aro meet the requirements of aptitude and honourability specified by the regulations (article 38 LOSSP). This policy applies to the Entity's management and governing bodies as well as to those responsible for the key functions of the governance system: risk management function, internal audit function, actuarial function and regulatory compliance function.

The Board of Directors adopts a code of good practices, which describes the ethical principles of Seguros LagunAro. These practices are also adopted by the audit and anti-money laundering and terrorist financing committees. These good conduct practices are developed in all areas of the Company.

The risk management system at Seguros Lagun Aro is a comprehensive system comprising the strategies, processes and information procedures necessary to identify, measure, monitor, manage and continuously report the risks to which the Entity is exposed, and thus minimise the possible negative impacts, making optimum use of the economic-financial resources available, adapting the whole system to the risk profile established by the Board of Directors.

In order to simplify the application of the risk management system, Seguros Lagun Aro has set up an independent risk function whose tasks include leading the internal assessment of the Entity's risks and solvency, a fundamental process of the Entity's risk system. There is also a "Risk Management Policy" in force, approved by the Board of Directors, which defines the scope and objectives of the risk management system, identifying those that are the object thereof. The risk categorisation carried out by Seguros Lagun Aro is based on the best practices of the insurance sector in line with the requirements and recommendations established by the regulatory standards.

The "Risk Management Policy" specifies, among others, the main tasks and functions of the risk management division as well as those ultimately responsible for this system. It should be noted that at Seguros Lagun Aro the risk management system is integrated into the organisational structure of the company and in the Entity's decision-making process, taking due account of the people who manage it and exercise the main functions of the governance system. Under the principle of segregation of duties, responsibility for the risk management system lies with the risk management unit, technical product management, investment management and the reinsurance division, with the internal audit division being responsible for its independent review. Senior management, represented by the Board of Directors and the Management Committee, is ultimately responsible for the system.

The entity has different functions:

#### 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

During the first few months of 2020, the members of the governing body of Laboral Kutxa, the Governing Council and the Board of Directors, took part in a professional development programme, specifically the IC-A Certificate in Good Corporate Governance.

This is comprehensive training in Good Corporate Governance in Financial Institutions, designed to meet the needs and requirements of LABORAL Kutxa. This training offers the members of the Governing Board and Management an updated global vision and training in Corporate Governance. It also provides knowledge of the most relevant aspects required in the governance of financial institutions by national and EU supervisors.

The IC-A Certificate in Good Governance is made up of 4 modules and lasted a total of 7 full days (total 56 hours).

## 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 (16 people in 2020 and 14 in 2019).

LK Item (thousands of euros)	2019	2020
Total pay for their work	1,534	1,822
Capitalised cooperative returns + Contribution interest	243	217
Total	1,777	2,039
Average pay per person	126.9	127.4

Regarding the remuneration of the Board of Directors of Lagun Aro

Lagun Aro Item (thousands of euros)	2019	2020
Total pay for their work	458	471
Capitalised cooperative returns + Contribution interest	3.9	5
Total	461.9	476
Average pay per person *	92.38	95.2

\* 3 men and 2 women in 2020 and 3 men and 2 women in 2019.

## 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.

## 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".

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 behaviour in the Entity, resolving queries on the subject and dealing with complaints received in the Complaints Channel.

## Business units analysed

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

	2019		2020	
	Actual	Target	Actual	Target
Total no. of offices analysed	93	88	96	92
% Offices analysed	31%	29%	32%	31%

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 regard to measures taken in response to **incidents of corruption**, there have been no cases in 2020.

In 2020, a reassessment of criminal risks has been carried out, as well as an analysis of the criminal prevention system with the collaboration of an external consultancy.

During 2020, the internal control and communications procedures and bodies were subject to an annual review by an external expert, PB Consultores S.L., with an assessment of the operational effectiveness of the procedures and bodies in the prevention of money laundering of **"Very Good"** and a higher score than in the previous year. Below are the actions that were carried out during the past year:



Actions undertaken in 2020
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 True Holder declaration form to be requested from customers has been improved by incorporating information on the ownership or control structure.
The cash deposit transaction has been improved to request information from the customer on the origin of the funds.
Guidelines have been approved for assessing the Country Risk and Activity Risk of customers.
The procedure for filtering customers with public lists of penalised persons has been improved.
The Remediation Plan has been updated to address deficiencies in the Formal Identification of customers.
All staff have been invited to take part in digital AML/CFT training

The Money Laundering Prevention Unit has sent 19 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.

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.

## 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 16/03/2020.

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.

### **1.13. 22 Regulatory Compliance**

The Regulatory Compliance Department includes, within its management scope, the detection of transactions suspected of market abuse. In 2020, the IT application registered 1,403 alarms, a significantly higher number than in other years due to the increase in trading as a result of the high volatility and market situation caused by Covid-19. However, all the alarms, once analysed, were not classified as suspicious transactions of market abuse, so no cases were reported to the CNMV in 2020.





## 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.

Section 3.1 "**Our relationship with customers**" details our achievements in these areas, including an effort at transparency in relation to the solution of problematic situations with a significant social impact, such as the *over-indebtedness* of customers for the purchase of housing or the demands for the invalidity of *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.

In 2019 LABORAL Kutxa was one of the founding signatories 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 in 2020, according to the commitments made by LABORAL Kutxa in its previous CSR reports, as well as the objectives for 2021. 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
<b>2020 core projects and actions and those pending from previous years</b>			
Strengthen solvency and liquidity	<b>Ongoing</b>	Strategic priority	Medium-high P and C
Using digitalisation to reduce paper consumption and boost the multi-channel relationship	<b>Partially Completed.</b>	Digitalisation strategic focus	Medium-high S and M
Development of digital skills for Staff	<b>Ongoing</b>	Strategic focus 2018 digital skills	Medium-high P
Maintain positions of excellence in the management of customer relations	<b>Ongoing</b>	Integrated Quality Process	Medium-high C
Continue to expand the coverage of Socially Responsible Investment	<b>Partially Completed</b>	Specific team	Medium C and S
Green MiFID	<b>Postponed to 2021</b>	2019 Management Plan	Medium C and M
Development of management systems that promote a constructive and collaborative culture, with self-reliance and continuous learning	<b>Ongoing</b>	Culture and values strategic focus 2019	Medium-high P
Implement a Recognition System for people.	<b>Postponed</b>	Culture and values strategic focus 19	High P
Development of multi-channel customer relations, payment methods and direct marketing	<b>Ongoing</b>	Strategic focus Omni-channelling, Onenak 4.0 2019	Medium-high C and P
Support for creating and consolidating companies through MONDRAGON	<b>Ongoing</b>	Funds through FSI and FEP 2019	Medium S and C
Substitute electricity supply with one exclusively from renewable sources.	<b>Completed</b>	Environment Committee	Medium M
Conduct an impact analysis of the direct and transitional risks of climate change.	<b>Initiated, progress in 2021</b>	CSR Committee	Medium-high S and M
Implement sustainable mobility measures for the workforce.	<b>Initiated, deployment in 2021</b>	Environment Committee	Medium M and P
<b>Status of the 2020-2022 strategic objectives</b>			
Incorporate sustainability objectives in the entity's strategy	<b>Completed</b>	C Address	Medium S, C, M and P
By the end of the period, women will occupy at least one third of LABORAL Kutxa's management positions	<b>Achieved in 2020</b>	Equality Committee	Medium P and S
The difference between the average employment rate of men and women, including seniority, shall be less than 10%	<b>12.71% in 2020</b>	Equality Committee	Medium P and S
Reduce CO2 emissions into the atmosphere by 75% for LABORAL Kutxa as a whole, thus minimising the Carbon Footprint	<b>Exceeded in 2020 (83%)</b>	Environment Committee	Medium M
Apply Socially Responsible Investment (SRI) criteria to 100% of the assets managed by the Management Company, Treasury and in	<b>Started</b>	Business development Treasury	Medium-high C, S and M

the granting of risks		Manager Risks	
30% reduction in paper consumption, the main resource used in our activity	<b>-18.5% in 2020</b>	Environment Committee	Medium M
Promote the self-employment of 2,000 people by supporting the materialisation of 1,200 business ideas, from start-up, financing and business plan to consolidation.	<b>Annual target 400 not reached due to COVID</b>	Gaztenpresa Foundation	Medium-high S and C
Development of a green financing product	<b>Postponed to 2021</b>	Business development	Medium M and C
Allocate €75 million (cumulative) of our profits to society	<b>Annual target 25 Mill not reached due to COVID</b>	C Address	Medium-high S
40% of the total volume of purchases from our suppliers will be from local companies.	<b>Achieved in 2020 (41.1%)</b>	CSR Committee	Medium Sup and S
<b>Actions in the field of CSR. Core projects and actions for 2021</b>			
Implement a sustainable finance strategy. To this end, carry out a situation analysis, design a roadmap and start its implementation.	Integrate sustainability in all areas of the entity.	Management CSR Committee	High C, S, M
Obtain ISO 45001 certification for the occupational risk prevention system.	Make progress in the concept of a healthy company.	Health and Safety Committee	Medium P, S
Comply with the non-financial information disclosure requirements of Regulation 2088/2019.	Integrate ESG aspects into fund management and advice	Business development Manager	High C, M and S
Apply the new psychosocial RA methodology.	Make progress in the concept of a healthy company.	Health and Safety Committee	Medium P
Develop the outsourcing project	Organise the management of outsourcing	Organisation	Medium Sup
Continuous improvement of cyber security	Comprehensive security strategy	Security	High C

### 2.3. CSR Roadmap

As a result of the reflection and consultation with stakeholders (see materiality analysis), the CSR Roadmap has been defined, which includes the risks and opportunities identified as the most important, and is the reference that LABORAL Kutxa uses to prioritise its activities related to Sustainability.

	Prioritisation of areas for action	G. interest / scope
1	Protection of privacy and the security of data and operations	Customers
2	Resp. management: clear and transparent explanation of prods, avoidance of over-indebtedness, over-insurance or under-insurance,...	Customers
3	Strengthen LABORAL Kutxa's financial solidity, risk management and liquidity.	Economic
4	Development of digitalisation (electronic banking, mobile banking, digital claims, etc.), providing customers with personalised and remote management of their accounts and insurance.	Client/Environm.
5	Supporting society and the economy in times of crisis.	Company
6	CSR and control measures: code of ethics, anti-corruption, anti-money laundering, arms financing control, gambling, pornography,...	Company
7	Contribution to the economic and financial development of the business fabric: financing agreements for companies, support for entrepreneurs...	Customers/Society
8	Excellence in quality of service: friendliness, speed of service and simplicity in operations, minimising errors,...	Customers
9	Protect the health of our staff, our customers and society as a whole.	Clientele/People
10	Promotion of equality between women and men.	Society/People
11	Sustainable management with our suppliers: local suppliers, not delaying payments and taking into account responsible purchasing criteria in addition to price.	Suppliers/Society
12	Fair balance between costs/interest/premiums charged and products/services/performance given in return.	Customers
13	Support MONDRAGON's co-operatives, research and education centres, and the rest of the social economy.	Company
14	Management of our workforce: work-life balance, salary levels and ranges, healthy company, etc...	People
15	Socially and environmentally responsible products and services.	Client/Soc/Environ
16	Environmental management: reduction of greenhouse gas emissions (carbon footprint), reduction of 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	2019	2020
Profit after tax (€M)	127,364	79,685
Efficiency Index (%) (1)	61.00	57.79
Customer deposits (€M)	21,425	22,984
Customer credit (€M)	13,973	14,459
Solvency (%) (2)	20.17	21.26
Special Funds (€M)	954	931
% Doubtful Risks / Investment	3.54	3.15

(1) Efficiency Index: Administrative Expenses + Depreciation/Gross Margin.

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

## Social performance indicators:

Aspect / Indicator	2019	2020
<b>People</b>		
Number of people active (LK + CLBS)	2,074	2082
<b>Training</b>		
Training hours / total workforce	81.38	77.2
Training evaluation (1-10)	7.91	8.13
<b>Health and Safety</b>		
Absenteeism in %	3.80	4.23
<b>Professional development</b>		
Average employment index	2.36	2.37
Promotion: Increase in Structural Index	7.09	8.1

Aspect / Indicator	2019			2020		
	Women	Men	%	Women	Men	%
<b>Employment dynamics</b>						
Rate of departures / turnover	6.70%	6.76%	7.09%	4.49%	1.41%	2.95%
<b>Equality</b>						
% Women members	49.54%			50.72%		
% Women managers / total managers	31.97%			34.5%		

No targets are set with regard to employment dynamics and % of women members. Nor is it broken down by region due to the reduced geographical scope.

Aspect / Indicator	2019	2020
Contribution. Funds (FEP and FSI) (thousand €)	23,437	9,653
Taxes paid (thousand €)	26,760	33,606
Gaztenpresa companies created	405	256

## Environmental performance indicators:

Consumption of:	2019	2020
Advertising paper: Kg / Client	0.116	0.089
Internal paper (Kg / Client)	0.251	0.206
Water in m <sup>3</sup>	10,898	5,696 (2)
Electricity (Kwh)	12,915,786	11,505,454
Toner: Kgs. consumed	2,602	2,269
Diesel in litres	581	621
Kg waste managed (1)	162,283	199,418

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

(2) Data for the first 3 quarters. In 2019, 8,394 for the same period.

## 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, 2019 and 2020, the methodology and the questionnaire have been revised, 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): 65 companies, 623 self-employed and micro-companies, 118 personal banking customers and 706 KIDE/Top customers (associated), a total of **1,512**, both LABORAL Kutxa and Lagun Aro customers.
- 20 supplier companies (annual consultation),
- 51 employees (members, temporary workers and CLBS; annual consultation),
- 14 responses from managers of Mondragon Group cooperatives, therefore both owners and customers.
- One consultation carried out with members of the Board of Directors and the Governing Council. 12 responses.

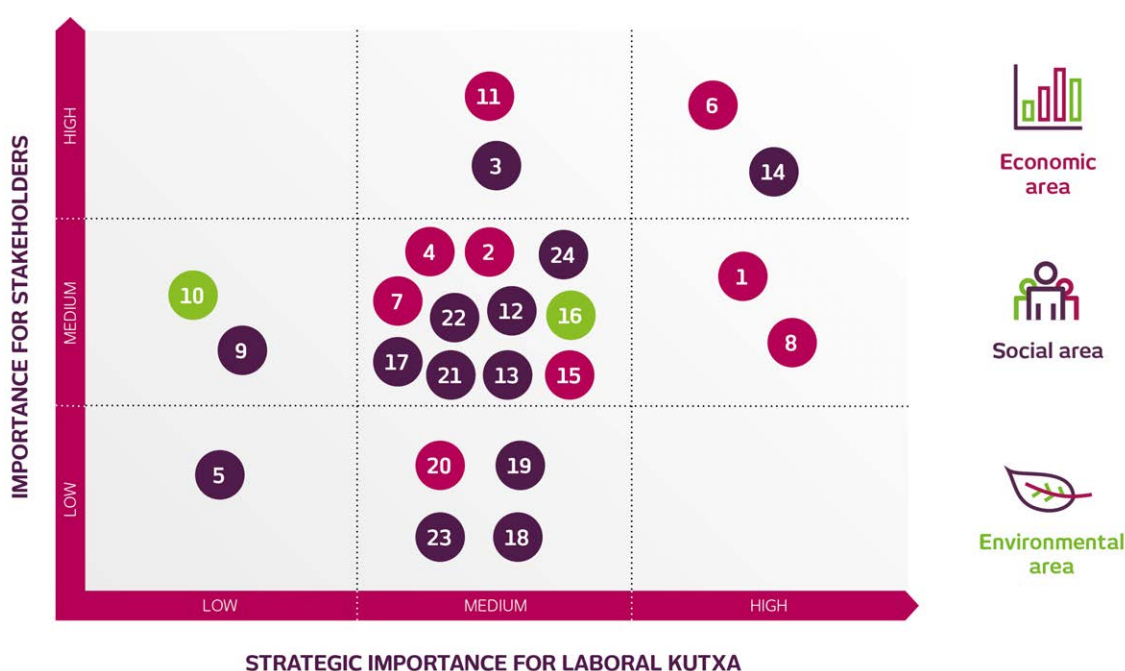
The evolution over time of the materiality analyses reveals this:

- It highlights the alignment between the prioritisation of the stakeholders and that of LABORAL Kutxa. 58% of the aspects assessed 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.
- Two issues consulted for the first time join the group of high ratings, no doubt due to the timing of the survey (COVID crisis). These are supporting society in times of crisis and protecting people's health.

### Materiality matrix 2020

Mater.	Aspect
<b>HIGH</b>	14-Protection of privacy and the security of data and operations.
	6-Responsible management towards the customer: clear and transparent explanation of products, avoidance of over-indebtedness, over-insurance or under-insurance,...
<b>MEDIUM-HIGH</b>	1-Strengthen LABORAL Kutxa's financial solidity, risk management and liquidity.
	8-Development of digitalisation (electronic banking, mobile banking, digital claims, etc.), providing customers with personalised and remote management of their accounts and insurance.
	3-Supporting society and the economy in times of crisis.
<b>MEDIUM</b>	11-CSR and control measures: code of ethics, anti-corruption, anti-money laundering, arms financing control, gambling, pornography,...
	4-Contribution to the economic and financial development of the business fabric: financing agreements for companies, support for entrepreneurs...
	7-Excellence in quality of service: friendliness, speed of service and simplicity in operations, minimising errors,...
	24-Protect the health of our staff, our customers and society as a whole.
	17-Promotion of equality between women and men.
	22-Sustainable management with our suppliers: local suppliers, not delaying payments and taking into account responsible purchasing criteria in addition to price.
	15-Fair balance between costs/interest/premiums charged and products/services/performance given in return.
	2-Support MONDRAGON's co-operatives, research and education centres, and the rest of the social economy.
	13-Management of our workforce: work-life balance, salary levels and ranges, healthy company, etc...
	12-Socially and environmentally responsible products and services.
	16-Environmental management: reduction of greenhouse gas emissions (carbon footprint), reduction of consumption and waste, selective collection,...
21-Control of the responsible activity of our suppliers: working conditions, occupational hazards, payments and obligations to Public Administrations...	

<b>MEDIUM-LOW</b>	18-Social Action: sponsorship, contributions to NGOs, social activities, development cooperation, etc.
	23-Adherence to and support for initiatives such as the Sustainable Development Goals (SDGs) and the United Nations Principles for Responsible Banking.
	20-Flexibility in the recovery and refinancing of bad debts.
	10-Support and promote the transition towards a green and sustainable economy.
	19-Promote the Basque language and culture, as well as encourage the use of the Basque language in internal relations and with customers.
	9-Maintain face-to-face attention and service in branches, especially for groups at risk of financial exclusion.
<b>LOW</b>	5-Collaborate with the financial and insurance education of customers and society.



## 2.6. United Nations Principles for Responsible Banking 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, this statement has been supplemented by the progress made on the [Sustainable Development Goals \(SDGs\)](#) and in 2019 on the [United Nations Principles for Responsible Banking](#)..

In the section Commitments and achievements in the second part of this Report, the main aspects on which LABORAL Kutxa has worked in 2020, the degree of progress they have made, as well as the strategic and specific objectives for 2021 are included. 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 set out in the Annual 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 IV Equality Plan - Berdintasuna.	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
Maintain positions of excellence in quality of service	Principle 1	Objective 8	Principles 3 and 6
Development of multi-channel customer relations, payment methods and direct marketing	Principle 9	Objectives 8, 9 and 12	Principle 3
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
Financial education plan.	Principle 1	Obj. 4, 12 and 17	Principles 1, 3 and 4
Renewal of EIF guarantee agreements for microcredits and innovative companies	Principle 1	Obj. 1, 5, 8, 9 and 10	Principles 1 and 3
Development of the digital competences of the workforce	Beginning	Objective 4	Principle 4
Implement Green MiFID	Principles: All	Objectives 13 and 15	Principles 2 and 3
Conduct an impact analysis of the direct and transitional risks of climate change.	Principles 7, 8 and 9	Objectives 13 and 14	Principle 2
Implement sustainable mobility measures for the workforce.	Principles 7, 8 and 9	Objectives 3 and 11	Principle 2
Comply with the non-financial information disclosure requirements of Regulation 2088/2019.	Principle 8	Objective 8	Principle 6
Apply the new psychosocial RA methodology.	Principle 1	Objective 3	Principle 4
Develop the outsourcing project	Principle 2 and 10	Objective 8	Principle 2
Continuous improvement of cyber security	Principle 10	Objectives 9 and 16	Principle 2
Incorporate sustainability goals in the strategy	Principles: All	Objectives: All	Principles 1 and 5
Minimum of one third of women in managerial positions	Principles 1 and 6	Objectives 5 and 16	Principles 1 and 4
The difference between the average employment rate of men and women, including seniority, shall be less than 10%	Principles 1 and 6	Objectives 5 and 16	Principles 1 and 4
Reduce Co2 emissions to the atmosphere by 75%	Principles 7, 8 and 9	Objectives 13 and 15	Principles 2 and 5
Apply Socially Responsible Investment (SRI) criteria to 100% of the assets managed by the Management Company, Treasury and in the granting of risks	Principles: All	Objectives: All	Principles: All
30% reduction in paper consumption.	Principles 7, 8 and 9	Obj. 6, 13 and 15	Principles 2 and 5
Promote the self-employment of 2,000 people by supporting the materialisation of 1,200 business ideas	Principles 1	Objectives 1, 8, 9 and 16	Principles 2 and 3
Development of a green financing product	Principles 7, 8 and 9	Objectives 13 and 15	Principles 2 and 3
Allocate €75 million (cumulative) of our profits to society	Principle 1	Objectives: All	Principles 2 and 4
40% of the total volume of purchases from our suppliers will be from local companies.	Principle 7	Objectives 8 and 12	Principles 2 and 4

### 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:** Deployment of the LK IV Equality Plan; Equality objectives of the Strategic Plan; Protocol against sexual harassment and gender-based harassment.
- **Obj. 8 Decent work and economic growth :** Gaztenpresa; Supplier management procedure; Outsourcing project; Zainduz Health Plan, Financial Education; Sustainable mobility; Psychosocial risk assessment.
- **Obj. 9 Industry, innovation and infrastructure :** Different improvements in digitalisation; PDSI-2; Support for Mondragon; Analysis of climate change risks and opportunities; Cybersecurity.
- **Obj. 10 Reduction of inequalities:** Green MiFID; Profit sharing in society; 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.

A photograph of two women in a modern office setting. One woman, wearing a patterned blazer, is seated and holding a tablet. The other woman, wearing a dark top and purple pants, is seated across from her, smiling and looking at the tablet. The image is overlaid with a large, semi-transparent purple and green geometric shape. The text '3. Management of stakeholders' is centered over the image in white.

### 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		%
	2019	2020	
Araba	136,658	136,915	12%
Aragon, Catalonia and La Rioja	72,176	71,941	6%
Asturias and Cantabria	33,041	33,061	3%
Bizkaia	348,540	347,745	31%
Castille and Leon	125,397	124,124	11%
Gipuzkoa	260,435	259,053	23%
Madrid	18,968	19,244	2%
Navarra	119,848	119,764	11%
Headquarters	7,585	7,646	1%
Other*	-	17,597	2%
<b>Total LABORAL Kutxa</b>	<b>1,122,648</b>	<b>1,137,090</b>	<b>100%</b>
Private Customers (%)	87.14%	85.80%	
Autonomous Customers (%)	8.5%	8.33%	
Business Customers (%)	3.41%	3.36%	
Business Customers (%)	0.95%	0.97%	
Other*	-	1.55%	

\*Non-profit associations and home-owners' associations that are not segmented. The 17,037 in 2019 were not taken into account.

### 3.1.3. Dialogue with the clientele

As in previous years, in 2020 an effort was made to maintain dialogue with customers in order to ascertain their expectations and demands regarding financial and insurance products in order to take further steps to improve them. 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 number of customer surveys has been very high:

- Internal Study: 27,186 surveys (Finance Office 17,260, Channels 6,020, Insurance 3,906)
- Stiga Study: Customer satisfaction: 16,100 (LK -400), Not clients (mystery): 3,681 (LK-85)



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

CAV 2020 brand image tracking (market %, current and potential clientele, who mention us as an outstanding entity in each attribute)	2019	2020
Local entity, committed to society and to local development	37%	39%
Entity close to its customers	30%	30%
Entity with honest and responsible management, which can be trusted	22%	20%
Responsible for the social and environmental impact of its actions	nd	14%

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

Benchmarking Quality of Service in the banking sector 2020 (score from 0 to 10)	2019	Differential with sector. 2019	2020	Differential with sector. 2020
Attention to potential customers - Sectoral Objective Quality Study (EQUOS-Stiga)	7.75	0.39	8.36	0.72
Overall satisfaction with the entity	7.73	0.25	7.90	0.48
Valuation of relationship intangibles: Transparency, Trust and Personalisation	7.13	0.34	7.26	0.5
Valuation of brand intangibles: Solidity and Solvency, Modernity and Social Commitment	7.73	0.3	7.84	0.39

Outstanding sectoral position in referrals: NPS + 21.6%

NPS. Difference between % of customers with Intention to Recommend 9 or 10 and Intention to Recommend <= 6

Lagun Aro. Benchmarking quality of service in the insurance sector ICEA July 2020	CAR		HOME	
	Jul-19	Jul-20	Jul-19	Jul-20
Satisfaction of insurance customers (score 1 to 10)				
Overall satisfaction with the company	8.28	8.06	7.38	7.42
Insurance Market	8.26	7.93	7.25	7.16

Source: Barometer study of the customer experience in the insurance sector ICEA

Outstanding sectoral position in referrals. Car NPS + 26.1% / Home NPS + 10.9%

NPS. Difference between % of customers with Intention to Recommend 9 or 10 and Intention to Recommend <= 6

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. Service activity increased by 44.29% compared to the previous year, mainly due to the higher number of complaints and claims related to mortgage loan arrangement costs.

The results of this Service are:

Customer Service	2019	2020
<b>Number of cases opened</b>	<b>6,563</b>	<b>9,470</b>
Written: brochure / letter	5,228	7,087
Internet/Telephone	972	1,894
Public bodies: OMIC / Regional Governments	341	398
Others	22	91

Following the preparation of the CSR Report 2019, as has become customary in recent years, a communication campaign was launched in which the Executive Summary of the Report was sent to the most closely associated 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 made: to business customers, to self-employed customers and micro-companies, to individual Personal Banking customers and to individual KIDE/TOP customers. A total of **350,412** customers, 34.14% of whom read the mail.

In total there were 1,512 responses. The main **results and conclusions** of this **dialogue** process are detailed below:

Questionnaire	No. of mailings	No. of replies	Assessment	
	2020	2020	2019	2020
Company customers	8,982	65	7.8	7.9
Self-employed and micro-businesses	84,957	623	7.6	8.3
Private individuals from Personal Banking	16,015	118	8.7	8.5
KIDE/TOP individual clients	240,458	706	8.2	8.3
<b>Total/average</b>	<b>350,412</b>	<b>1,512</b>	<b>8.1</b>	<b>8.3</b>

### 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 2020, we have continued the accreditation process in the Real Estate Credit Contracts Act (LCCI) for the remaining individuals who did not do so in the previous year (1,589 in 2019, 94% of the staff 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 2020, 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 €50,000, aimed at entrepreneurs. For an amount of € 130 million, it has been renewed until 2023.
  - InnovFin SME Guarantee Facility to facilitate innovation in SMEs and small and medium capitalisation companies. The last renewal was signed in 2019 for € 150 million and for two years.

- Specific EaSI programme for the promotion of social economy companies. Renewed in December 2020 for another 2 and a half years, and an amount of € 50 million, with the amount of the operations being able to reach up to a million euros.
- ✓ 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 2020 LABORAL Kutxa made the following enquiries to Autocontrol:

Preliminary advice	2019	2020
Positive	370	276
With modifications	126	152
Negative	0	0
<b>TOTAL</b>	<b>496</b>	<b>428</b>
Professional ethics consultations	65	43

- ✓ 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](http://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 who meets 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	2019	2020
Applications	67	29
Denied	53	25
Approved	14	4

The conditions set out in this Decree have been applied to the 4 approved operations, which also include tax benefits. All have been signed.

There are also 33 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 36 homes (21 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 2020, the right of the people who ceased to be the owner after the enforcement to continue to stay in the property was not recognised.

### Claims

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 2019	As at Dec 2020
- Rejected (RDL not applicable)	1,089	1,140
- Approved	465	489
- Denied	3,427	3,487
- Being handled	24	44
<b>TOTAL incoming</b>	<b>5,005</b>	<b>5,160</b>

The almost only reason for the refusal of the claim to consumers is the fact that they had previously reached a settlement agreement between the bank and themselves, whereby the bank eliminated the floor clause and the clients waived their right to claim for the previous payments. In 2019 and 2020, the number of claims received was much lower than the previous years.

Meanwhile, during 2020, the large-scale legal actions against the Entity were received for the following main reasons:

- Those resulting from floor clauses in mortgage loans, which have also fallen in 2020 to 75, compared with 177 in 2019.
- And those arising from the costs incurred in the formalisation of mortgage loans, amounting to 1,450 in 2020, a reduction of 36% compared to 2019 (2,252).

These clauses often include, in the vast majority of cases due to procedural strategy and without economic content, the request for the nullity of other clauses such as interest for late payment, the commission for claiming debtor positions, the guarantee clause, etc.

Those due to the marketing of the AFS (debt issues) of Eroski and Fagor, which between 2014 and 2016 represented the largest number, have continued to fall, becoming an irrelevant amount compared to several years ago: 8 in 2020 and 13 in 2019.

Lastly, 51 other complaints have been received for causes other than the aforementioned abusive clauses such as the IRPH (mortgage loan reference index), opening commission, law 57/68, right to honour, ....

Customer Service	2019	2020
<b>Total cases</b>	<b>6,563</b>	<b>9,470</b>
<b>Nature of the cases</b>		
Complaints	5,073	7,084
Claims	1,319	2,341
Consultations	13	1
Suggestions	12	1
Letters of congratulations / gratitude	2	2
Sundry petitions, others	144	41

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

#### Personal data.

In compliance with current legislation, LABORAL Kutxa must apply appropriate technical and organisational measures in order to guarantee and be able to demonstrate that the processing of personal data complies with the aforementioned legislation.

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.

During 2020 Laboral Kutxa has further strengthened its commitment to data protection, providing the organisation with more human resources aimed at guaranteeing strict compliance and respect for our customers' personal data protection rights.

Thus, in addition to the continuity of our work to provide a rapid response to requests from our customers to exercise their rights, 2020 has also seen the consolidation of the Control Plan and the development of specific training in this area for all the people who work at Laboral Kutxa.

At Laboral Kutxa we understand that the only way to achieve effective and real data protection is to make it cross-cutting and proactive, involving the entire organisation and fully integrating it into our corporate values. Therefore, in 2021, the strong commitment to data protection by design and by default will be reinforced, implementing new action plans and seeking continuous improvement of the comprehensive data protection framework.

### Cybersecurity

Customer information and security is one of LABORAL Kutxa's top priorities. The protection of all assets, as set out in the Comprehensive Security Policy, is based on a set of measures for the prevention, detection and reaction to deliberate and non-deliberate, logical and physical risks, natural disasters and human error that may affect the entity.

At the end of 2019, LABORAL Kutxa defined the 2020-2022 Security Master Plan (PDSI). After completing the previous Plan, having assessed the maturity objective achieved in that period according to the Framework used and after carrying out the appropriate security analyses and diagnoses, also bearing in mind the increase and sophistication of the attacks to which financial institutions are exposed, the new security initiatives to be undertaken in this period were planned.

During 2020, the first year of the new PDSI, the Entity enhanced its security capacities in the areas of Governance, Protection, Resilience and Surveillance. In the area of Security Governance, the Security Regulatory Body was revised and new procedures, ongoing cybersecurity training and awareness activities, recurrent developments in regulatory compliance and other initiatives were created. In the area of Protection, improvements were made in the management of privileged user identities, guidelines were updated to improve secure software development, a state-of-the-art anti-malware system was implemented and a new Information Leakage tool was introduced. With regard to Surveillance, the SOC/SIEM service is maintained 24 hours a day, 365 days a year, and the hacking exercise plan was followed. Finally, in the area of Resilience, incident response procedures were updated and the Business Continuity Management System continued to evolve.

#### 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 2020 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 €1 million. A total of 50 million will be earmarked€.
- 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 2020, 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 Soc., 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	2019	2020
Total invoices (euros)	46,256,939	41,614,619
• Medicus Mundi	23,743	18,056
• Caritas	3,324	2,374
• Ikastolak	26,050	19,057
Total donation (euros)	53,117	39,488

### 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	2019	2020
<b>Zaporeak.</b> "Ayuda en el ámbito de la alimentación" (Aid in the field of food). Cooking and hospitality school in the Ethiopian town of Wukro and the feeding of refugees on the island of Chios.	3,572	-
<b>Mundukide Fundazioa.</b> "Abre el grifo" (Turn on the tap). Cooperative cooperation for the development of people in Mozambique, empowering local farmers through technical training and advice on crop production and marketing.	4,436	3,410
<b>Mundubat.</b> "Support for the right to health of the Saharawi people."	-	2,112
<b>Alboan.</b> "Contra la discriminación y la exclusión en India" (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	2,961
<b>Medicus Mundi.</b> "Promoviendo los derechos sexuales y reproductivos" (Promoting sexual and reproductive rights). Support programmes, in Peru and the D.R. of Congo, that promote genuine equality between men and women, sex education and the commitment of public instit. to these rights.	2,543	2,583
<b>Total amount (with VAT included) donated</b>	<b>13,834</b>	<b>11,066</b>

### 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 2020, the insurance covered 42 associations, with 741 insured parties.

### Support for the creation of 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 14 research centres promoted by the Cooperatives.

In 2020, these contributions were lower than in previous years, as the banking regulator (Bank of Spain), given the pandemic situation and its foreseeable economic consequences for the financial sector, has prohibited the distribution of most of the profits, which have been allocated to reserves.

<b>Mondragon Group Contributions Thousands of Euros</b>	<b>2019</b>	<b>2020</b>
Contribution to MONDRAGON Investments	6,639	875
Contribution to MONDRAGON S. Coop.	4,429	4,367
Contribution to MONDRAGON Foundation	10,718	2,817
<b>Total contributions</b>	<b>21,786</b>	<b>8,059</b>
Investment in MONDRAGON Companies (1)	337,994	363,481

(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. 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...

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 have incorporated non-financial information into the processes of selecting asset issuers in which to invest.

Also, 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 2020, we worked hard to expand the incorporation of SRI into the business. The impetus has come both from the requirements arising from the signing of the Principles for Responsible Banking and from the numerous regulatory initiatives that are being generated (Regulation 2088/2019, Taxonomy, etc.) and which aim to turn the financial sector into a decisive lever in the transformation of the economy towards sustainability.

As part of the Strategic Plan developed in 2019 for 2020-2022, an objective had already 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 was to advance and deepen the criteria applied, moving from the current exclusion criteria to other more advanced concepts.

As explained in section 1.7, in 2020 work began on a sustainable finance strategy for the Laboral Kutxa Group. This strategy will be fully defined and will start to be implemented in 2021.

In 2020, 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	2019	2020
MEDICOS MUNDI	€18,533.45	€30,870.11
MUNDUKIDE	€14,490.74	€27,025.69
CARITAS	€11,130.57	€19,222.10
<b>TOTAL</b>	<b>€44,154.77</b>	<b>€77,117.91</b>

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.

#### Environmentally responsible products and services

LABORAL Kutxa, in accordance with its strategy of contributing to improve the environment, has products and services to help slow down climate change. Details of these, as well as the projects underway to promote them, are provided throughout this report.

#### 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:

	2019	2020
<b>Loans provided (thousands of €)</b>	20,616	36,370

#### 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 order to have increasingly accessible offices, Laboral Kutxa maintains its commitment to provide its offices with spaces free of architectural barriers, so as to guarantee access for people with reduced mobility and improve customer service. In all the intervention projects undertaken in offices, the objective is to improve accessibility, whenever the characteristics of the premises allow, in terms of both access and interior layout. This eliminates existing architectural barriers and complies with the Accessibility Standard. Given that these actions have been carried out for many years, there are currently very few work centres with any kind of accessibility problems.

Along these lines, our Bilbao Deusto office has recently been refurbished with an electric sliding door that facilitates access without having to manipulate any handles, with the idea of exporting this solution, whenever possible, to all premises that are refurbished.

### Access via internet and mobile phone. Multi-channel banking

Laboral Kutxa considers it strategic to move forward in the digitalisation of its activity. It is both a competitive necessity and a

The following stand out among the developments implemented in 2020:

1. Urgent adaptations to Covid-19
2. Contracting of funds in Banca On Line (BOL)
3. Updating of the app
4. New online banking for companies
5. Financial aggregator for individuals, self-employed individuals and companies.

Many other improvements have also been made, such as the contracting of cards for the self-employed and companies in BOL, the integration of the management of Laguntel and Telebanka, the presentation and execution of the Personal Banking investment proposal in BOL, the car rate calculator, the financing of payments, sending money to NGOs with Bizum, weather alerts (insurance), the new payroll alert, the introduction of a chat service to resolve doubts or queries, etc.

The situation experienced by COVID19 has undoubtedly made it necessary to expand the channels of non-face-to-face communication with our customers. As can be seen in the following table, the increase in responses from Remote Banking has been very significant:

Operations	2019	2020
Calls	162,397	432,597
WhatsApp	14,456	57,358
Online Banking CHAT (launched 22/10/20)	-	9,592
Emails to Telebanka	21,592	58,851

### Financial culture

LABORAL Kutxa has continued to use social networks to create financial culture and boost knowledge regarding cooperativism. For example, 225 articles of general interest have been included in the Entity's various blogs ([blog.LABORALKutxa.com](http://blog.LABORALKutxa.com), [bancaparaempresas.com](http://bancaparaempresas.com) and [consultingpro.laboralkutxa.com](http://consultingpro.laboralkutxa.com)), 74 of which 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 2020, a **Pro Newsletter** has been sent on five occasions (March, April, May, July and October). 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...



**2,126 queries** have been answered by the Consulting Pro service in 2020, made either in person, by telephone (free hotline 900 100 240), or through the [Form](#) available on the website.

Unlike in previous years, in 2020 it was not possible to organise the usual **Pro Seminars**, training activities aimed at owners of SMEs and entrepreneurs. However, there were online sessions, together with LKS Next, aimed at the business world. A total of 255 people registered for the different actions. The topics covered were:

**BLOCK I**

1. Financial situation of the company in light of the covid19 crisis
2. Key legal aspects to consider in financial restructuring negotiations
3. Tools to digitise my financial department

**BLOCK II**

1. What is the value of a company?
2. Looking for partnerships to grow my business
3. Partnership agreements. Most common formulas for partnership agreements

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. In addition, a quarterly infographic is sent to BP and Premium customers, with the positioning and composition of portfolios, which includes the main macroeconomic and market events for the last quarter, as well as our positioning and the composition of the Personal Banking portfolios.

**Support for internationalisation**

Throughout 2020, 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 (U.S.A.)
- Crédit Coopératif (France)
- Raiffeisen Bank International (Austria)
- Banorte (Mexico)
- BMCE Banque Marocaine de Commerce extérieur

In relation to the activity of supporting companies in the agri-food sector, in which LABORAL Kutxa has been very active over the last 6 years, especially in the North American market, a collaboration agreement was signed in February between LABORAL Kutxa and GOURMET FOODS INTERNATIONAL (GFI), a North American importer with its headquarters in Atlanta and a turnover of \$500 million, to help our companies establish themselves in the American market.

## 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 2020 and 2019 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 in the 2020 financial year. The Protocol against sexual harassment and harassment based on sex in the workplace was 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 staff

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 478 people and there was a response rate of 66.3%. As a result of the quantitative and qualitative assessments obtained from the survey, numerous improvement measures have been implemented.
- ✓ Internal Suggestions System. From 2018 to the end of 2020, 1,077 employee contributions were received, of which 115 (10.68%) 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.

As in the rest of the Entity's management areas, the negotiation process in 2020 has also been conditioned by the health crisis, and various processes of negotiation and contrast with the social side have been addressed, related to the measures adopted in the entity to ensure the health and safety of all people and the adoption of extraordinary conciliation measures.

As part of the usual negotiation process, agreements were reached in 2020 on the following matters:

- Compensation for the new role of GOM
- Initiation of a negotiation process for the establishment of a specific working timetable for people working in the singular offices.
- Labour Regulations

As happens every year, at the end of the annual negotiation process, both parties exchanged the list of matters to be negotiated in 2021.

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

With regard to the personnel of Caja Laboral **Bancaseguros** S.L.U (CLBS, a company wholly owned and controlled by LABORAL Kutxa) who are all employees, the working conditions are set out in their own collective agreement, renewed in 2020, as well as general employment 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

In 2020, people management has been strongly conditioned by the progress in the spread of Covid-19, the priority of preserving the **safety and health of all persons** and the uncertainty the situation has generated. Nevertheless, we have been able to make progress in many of the planned areas.

During 2020, a **Strategic Workforce Planning** project was developed, which seeks to anticipate and characterise the workforce that LABORAL Kutxa will need in the 2021-2025 period, both quantitatively and qualitatively. To carry out this exercise, the general trends in the business world, those of the financial-insurance sector, trends in people management and the strategic reflection carried out in 2019 have all been taken into account.

Having this analysis and planning information will allow us to implement actions aimed at incorporating new profiles that will be necessary in the future, while at the same time acting in time to prepare the people of the Entity both to take on these new profiles and for the expected evolution of the positions they currently occupy. These actions that we are already implementing are related to generating a **network of relationships** with universities, business schools, public-private agents, business incubators, etc. to keep us permanently up to date on trends, to know how the training offer on the market is evolving and thus identify new "talent pools to be incorporated", and to see the possibilities of implementing **internal retraining programmes** similar to the aforementioned LK Business Analytics.

Furthermore, the 2020 Training Plan, which had been designed to meet the two major challenges defined in the new strategy, has been implemented despite the fact that the healthcare crisis required us to adapt the initiatives initially designed to the new circumstances. Thus,

- training projects have been started that reinforce existing competitive advantages and allow us to move forward in an increasingly digital environment, and
- we have activated initiatives to develop the skills of the future needed to drive the transformation of the entity.

In addition, a process has been designed to monitor training and its transfer to the workplace.

We launched ONENAK-BIDEAN, a single process based on the integration of two models,

- to continue to evolve the ways of working in each office
- to **homogenise** the ways of working **between offices, in the LK style**
- to continue to make the **Directors grow as business and people leaders, and**

to optimise the system **for the development of people and teams.**

The healthcare crisis has forced us to make the recruitment process virtual, and we have taken advantage of this to incorporate new recruitment tools.

The ZAINDUZ programme, our Health Management Plan, has played a very important role during the pandemic and we have worked to ensure that LK continues to be a healthy and safe entity even in the context of the health crisis. For example, three self-help guides have been published: Teleworking Guidelines, Nutrition Guidelines and Physical Exercise Guidelines, and an Emotional Well-being guide. We have also set up a telephone counselling service.

### Continuous Education Programmes

Training activity at LABORAL Kutxa in 2020 consisted of 500 courses and 160,740 hours of training.

The lines of work of the 2020 Training management plan were directly related to the lines derived from the strategic reflection carried out at the end of 2019. From this reflection, 4 Training Programmes were defined related to:

- Off-Balance Sheet Products
- Mercantile-risk
- Insurance
- Digital: this affects the entire workforce as a whole.

Training actions were designed in online and face-to-face format, but due to the situation created by Covid-19 it has not been possible to carry out all the planned actions, and those that have been carried out have necessarily had to become distance learning. We have not been able to carry out everything we had planned and it will be during the year 2021 when we will be able to do so.

On the other hand, we have continued to certify all those who were not accredited in MiFID II and LCCI and we have designed and made available 30 hours of continuous training in MiFID II and 10 hours of continuous training in LCCI.

### Training for people entering retirement

There is a programme called "Activa tu jubilación" (Activate your retirement) whereby people who are going to leave the Entity as retirees, pre-retirees or those with free time are summoned to the central services to receive training to prepare them for their new situation. The course consists of three days in which they are trained in change management and relational health, community participation, legal aspects, physical activity and health, healthy eating, new technologies, etc.

In 2020, 4 courses were held, attended by 50 people.

### 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.

Due to the health crisis resulting from the Coronavirus-19 pandemic, our priority as an entity in 2020 has been to guarantee people's health and safety, as well as to maintain a quality service for our customers. In this context of uncertainty in which we have had our teams split up, it was decided not to promote the deployment of Bidean in the organisation, leaving the development conversations between Collaborator-Manager for 2021.

At the same time, in 2020, work was carried out on the integration of the ONENAK system (Commercial Excellence) and BIDEAN, creating ONENAK BIDEAN for the Commercial Network teams. ONENAK BIDEAN works on the development of people to achieve the aforementioned commercial excellence, through the skills in the LABORAL Kutxa catalogue and commercial systems (planning, monitoring, etc.).

## Basque

In line with the Basque Language Strategic Plan (2020-2022), approved by the Board of Directors in January 2020, the challenges and objectives set out in PG'21 have been implemented.

These were the 2 areas of work, the 5 challenges and the main objectives for the year:

- SERVICE LANGUAGE
  - 1. To guarantee and encourage the use of the Basque language in the service to customers
    - 1.1. Offering service in Basque in all offices
    - 1.2. To promote the use of the service in Basque by customers
    - 1.3. Attract more Basque-speaking customers
  - 2. To show that the Entity is committed to the Basque language
    - 2.1. Socialisation of LABORAL Kutxa's commitment to the Basque language
    - 2.2. Increase the presence of the Basque language in external activities
- WORK LANGUAGE
  - 3. To integrate Basque into the dynamics of the organisation
    - 3.1. Presence of the Basque language in all the divisions' management plans.
    - 3.2. Promote the use of the Basque language by the Management
    - 3.3. Develop middle management leadership
    - 3.4. To work on our commitment to the Basque language and make it visible in social bodies
    - 3.5. Integration and application of linguistic criteria to all staff
    - 3.6. Guarantee the use of the Basque language in the management and training of people

- 4. To increase the workers' knowledge of the Basque language
  - 4.1. Raise awareness of the need for knowledge of the Basque language
  - 4.2. Ensure linguistic profiles of the job positions
- 5. To increase the internal use of Basque
  - 5.1. Promote awareness-raising and engagement campaigns among peers
  - 5.2. Carry out specific work with the *belarriprest* (Someone able to understand Basque but speaks it with difficulty)
  - 5.3. Guarantee the use of the Basque language in information and communication tools
  - 5.4. Encourage the use of the Basque language at meetings
  - 5.5. Encourage the use of the Basque language in new technologies

### 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 were awarded the distinction of Collaborating Entity of Emakunde, the Basque Women's Institute, making us the first financial institution to receive this recognition.

During all these years, in addition to creating a stable structure to promote equality policies and activate various working groups to work on specific issues, we have managed to integrate equality into the Entity's strategy. We have managed to make it an issue that is on the agenda of the Management, and to 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 continuously over the last few years.

Thanks to the work we have done, we have made it possible for both the Governing Council and the Social Council to have a balanced gender representation. Another relevant indicator is the percentage of women in management positions in offices of the retail network, 58% in the Nafarroa network and 53% in the Gipuzkoa network are women. Thus consolidating the trend of recent years.

However, we still have a long way to go and still have major challenges to face. Our ambition is to achieve a greater presence of women in leadership positions and decision-making areas, and to move in parallel 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 talent existing in the Company, without gender being an obstacle.

In order to achieve this objective, throughout 2020 we have developed various initiatives, all of which are part of LABORAL Kutxa's IV Plan for the Equality of Women and Men.

- Firstly, in response to the challenge of promoting an **egalitarian culture** at LABORAL Kutxa, we have incorporated the gender perspective in the Entity's documents, and in this regard, we have revised the internal regulations to guarantee inclusive language in their wording. We have included in the Welcome Plan an explanation of the equality policies we are developing in the Entity. And a modification has been made to the Articles of Association to include the classification of cases of sexual harassment and gender-based harassment. As a reflection of this commitment to adaptation and continuous improvement, we have undertaken a process to redesign LABORAL Kutxa's sexual harassment and gender-based harassment protocol.

- Furthermore, aware of the difficulties that COVID-19 has created for various people in the Entity in the area of co-responsible work-life balance, and the uncertainty of the situation, **a study was carried out at the beginning of the summer on the care responsibilities of the Entity's members**, in order to establish the criteria to be followed in the measures to be provided to people. The results of the study have been taken into account when designing the extraordinary measures to be offered, and we have included the principle of co-responsible work-life balance in the design of these measures.
- On the other hand, within the framework of the ***Towards Shared Leadership*** project, we have organised a single edition of the **Empowerment School** aimed at women in the Organisation. Although the plan at the beginning of the year was more ambitious, the crisis resulting from the pandemic generated by COVID-19 has not made it possible. We have also developed an **awareness-raising workshop for men**.
- In terms of **external communication and dissemination**, we have developed various initiatives to publicise the work we are doing in the field of equality. For example, we have taken part in a conference organised by *Deloitte* on Diversity; in the conference organised by *Enpresarean* in relation to the SDGs; and, as we have done for the last few years, we have taken part in Emakunde's *BaiSarea* network together with other organisations, having the opportunity to share good equality practices and learn together.

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

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.

It should be noted that, as at 31 December 2020, the minimum percentage established for the under-represented gender is exceeded given that gender parity is maintained in the composition of the Governing Board, the cooperative's highest administrative body, achieved in 2017.

Furthermore, in terms of selection and appointments and renewal of Senior Management members, Laboral Kutxa 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.

In relation to the employment of disabled people, LABORAL Kutxa has 17 people under such 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 System Regulation provides measures to reconcile personal and working life, as a way to alleviate, through permissions and/or specific leave, difficulties experienced by members of staff in meeting urgent family needs. They refer to aspects of working hours, remote working, paid and unpaid leave, as well as flexible working hours in Central Services during the summer (continuous working day) and extending the possibilities of taking paid and unpaid leave.

As mentioned above, extraordinary measures were implemented in 2020 in response to the exceptional situation.

#### 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 was 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.

Lastly, 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 this:

- 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	2019	2020
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 relationships 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	2019	2020
Minimum salary upon entry in € / no. hours worked	11.30	11.43
Minimum salary upon entry in € / Minimum inter-professional salary	1.49	1.43

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

	2019	2020
Total pay for best paid person LK / median total pay	4.52	4.64
Increase in annual pay of the best paid person LK/Incr. median annual pay	0.24	-0.41
Total pay for best paid person CLBS/median total pay	2.02	2.17
Increase in annual pay of the best paid person CLBS/Incr. median annual pay	0.59	0.86
Total pay for best paid person / median total pay <b>Lagun Aro</b>	2.1	2.1
Increase in annual pay of the best paid person Lagun Aro/Incr. median annual pay	3.33	-2.98

\*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.

\*Until 2019 the remuneration was calculated with the mean, from 2020 it is calculated with the median.

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 548 of them having individual objectives in 2020 (533 in 2019) and the rest having objectives associated with their team.

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

	2019	2020
Variable Remuneration / Total Remuneration (in %)	8.04%	6.75%

### Remuneration to share capital

Members' contributions to the Share Capital have been remunerated in 2020 at the annual rate of 4.5% gross for compulsory and voluntary contributions.

Remuneration to Share Capital (thousands of euros)	2019	2020
Total payment of interest to Capital (to associated companies, to working partners, etc.)	34,316	29,170
Share received by working and collaborating members (1)	12,189	9,715

(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.

Management programme: Proposed actions for 2020 and their situation.	
1.	Implement a new system for office management to inspect office locations.
2.	Adapt the management system to ISO 45001: Completed
3.	Perform 500 medical check-ups (LK and CLBS): Not completed due to the health crisis.
4.	Reach 85% of staff who comply with emergency training: Not met, 70%
5.	Link the business act. coordination software to access control in Central Services (CS): January 2021.
Management programme: 2020 key targets and commitments	
1.	Pass the ISO 45001 certification audit.
2.	Improve the implementation of the CAE in the office network.
3.	To make progress in improving the dynamics of stakeholder consultation and participation.
4.	Apply the new psychosocial RA methodology.
5.	Maintain regular activity in medical examinations, risk assessments, coordination of business activities and healthy company (Zainduz).

In 2018 LABORAL Kutxa and CLBS passed the regulatory audit and renewed their OHSAS certification. In 2020, the second follow-up audit was passed, and the certification audit for the new ISO 45001 is scheduled to be passed in 2021. To achieve the objectives defined in the Occupational Health and Safety Policy (OHS), the activities are planned annually in the OHS Management Plan. Within the Management System, among others, there are procedures for hazard identification and risk assessment, accident investigation and health surveillance.

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	2019	2020
Employee accident rate.	1.07	0
No. of accidents of LK, CLBS and LA personnel	46	27
No. of fatalities among employees.	0	0
No. of robberies	6	0

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. In 2020, all accidents resulting in sick leave were in itinere. 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 which are published on the Intranet, establishing both preventive measures and measures to be taken in the event of such situations. Similarly, 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 were then managed 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. As part of the recruitment process, there is an occupational health and safety training module that explains the organisation of the system, the main risks and preventive behaviours. In 2020, training was launched for the entire workforce covering emergencies.

Lagun Aro has its own Management System, with procedures similar to those of LABORAL Kutxa for hazard identification and risk assessment, accident investigation and health surveillance covering the entire workforce, with a joint Health and Safety Committee with staff representation.

### COVID-19

From the point of view of occupational safety and health, 2020 has been marked by the pandemic situation. This situation has forced the organisation, at all levels, to give even greater priority to the health of our staff and customers. Annual preventive planning was altered shortly after the start of the year, with the prevention team focusing on pandemic-related activities as opposed to other, at that time, secondary activities.

When the potential seriousness of the situation was understood, a Coronavirus Committee was set up, made up of people from different areas of the Fund, including health staff (doctor and nurse) and other people from the Health and Safety Committee (Prevention Officer and Chairman of the Committee, prevention delegate).

The Committee managed the situation from a health, commercial and business continuity standpoint. To this end, it has made the necessary decisions and has had the resources to carry out its mission. From the health perspective, it has worked along the following lines, among others:

- Establishing action protocols
- Determining the necessary protective measures
- PPE management
- Organisational measures

Internal communications have been made regularly to inform the organisation of the situation, the measures being taken and the operating instructions. By the end of 2020, 33 such communications had been made.

### Health Plan-Zainduz

Since 2018 there is a health plan for the staff of the LABORAL Kutxa Group. Zainduz (Cuidando, “taking care”) is a programme aimed at promoting health, safety and well-being at work through the implementation of programmes focused on promoting healthy and sustainable habits in people, their families and the environment in which they live. It covers aspects such

as improvements in diet, physical activity and health at work, so as to improve the physical and emotional well-being of the people who belong to the Group.

Although only two years have passed since the launch of ZAINDUZ, it has become a benchmark for the creation of a culture of well-being and healthy attitudes are gradually being established in all areas of the organisation.

As could not be otherwise, Zainduz's activity has been marked by the health crisis, forcing it to adapt the initial Management Plan to the new reality and needs. The main actions carried out in 2020 included:

- Streaming conference on positive attitude.
- Question-myth-challenge initiative with the aim of raising awareness of nutrition, physical exercise and ergonomics.
- Design of a sustainable mobility initiative (Laboral by Bike) to be launched in 2021, providing financial incentives for commuting to work by bicycle.
- Publication of three self-help guides during confinement on teleworking, nutrition and physical exercise. Also a guide with recommendations for holidays and an e-book with stretching exercises.
- Publication of a guide to emotional well-being and the provision of psychological support by telephone.
- Videoconferences on: nutrition and the immune system, the relationship between nutrition and cognitive function (concentration, perception, memory, creativity...), the relationship between physical hunger and emotional hunger, pre- and post-workout foods to optimise physical performance.



### 3.2.9. Social Benefits Package

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

Social benefits
<p><b>Annual get-together</b> (for everyone), Elkarte Eguna, and participation in cultural and sporting activities through the Lankide Club (which is financed by the Entity itself) as a vehicle for personal interaction outside the working day. It has not been possible to hold these events in 2020.</p>
<p><b>Advantages in financial products</b> (members):            Assets: Subsidised loan for primary residence, primary supplementary loan, loan for other domestic use, salary advance.            Liabilities: salary account.            Banking services: fee waivers, card fees waivers, discounts.            Accident insurance.</p>
<p><b>Other benefits</b> (partners):            Financing of private and Basque language studies            Funding for extraordinary personal requirements            Subsidised company dining room (everyone).            Vehicle damage cover.            Extraordinary expenses due to the death of members.            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 2020, given the health circumstances, it has not been possible to hold the annual social gathering (Elkarte Eguna) or most of the usual activities, being limited to season tickets for theatre and music, mountain and cycling federation subsidies, football tournaments, football and basketball season tickets or outings. The total budget for 20120 was €30,776.

#### 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 2019 and 1.25% in 2020) 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)	2019	2020
Annual overall amount	12,915	9,689
Average amount per partner	6.60	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 2020, this co-payment was 1.40% on the advance of gross consumption.

### 3.3. Our relationship with society

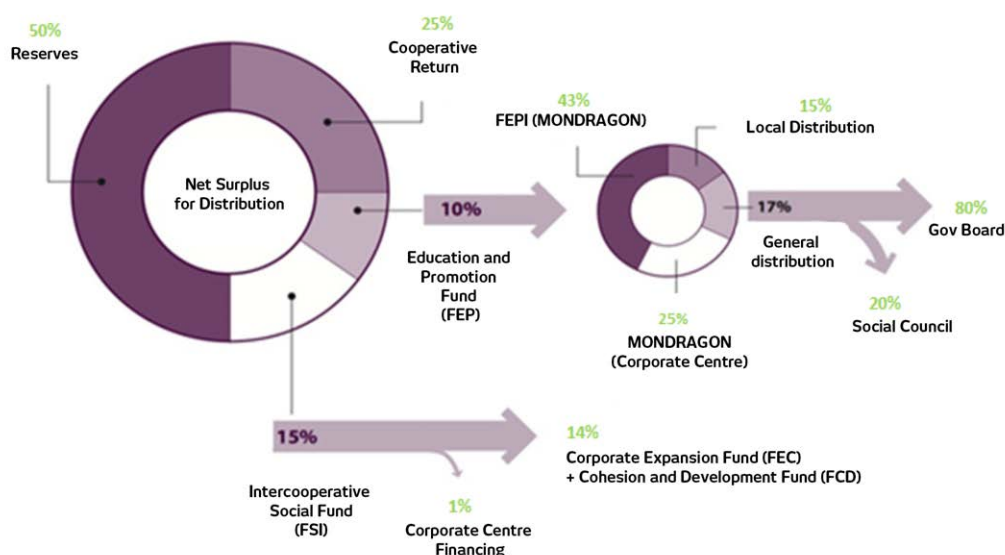
#### 3.3.1. Management approach

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 works for local assistance (Local Distribution), by means of allocations through the 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 - FSI 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 2020, LABORAL Kutxa continued to strengthen its commitment to the environment, biodiversity and sustainable development, thanks to the signature of various agreements signed with the main agents in the food industry and the support provided for initiatives related to the rural environment.

In 2020 this usual distribution of profits could not be performed. European and Spanish banking regulators have limited profit sharing in the financial sector in order to strengthen their balance sheets in the face of the expected economic consequences of the health crisis.

### Gaztenpresa Foundation

The Gaztenpresa Foundation is a private, non-profit organisation. It is part of LABORAL Kutxa's social work and its purpose is to support initiatives and develop actions that facilitate job creation and job preservation. This is done through programmes and services that add value to the business and professional development of its users, as well as 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 2020. The projects supported and which went beyond the feasibility phase generated 256 companies, creating 504 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	2019	2020
Viable and open the business	405	259
Not viable/ Viable but do not open the business	195	209
Consolidation	50	-
Derivatives	96	104
Consultations	295	242
<b>Total</b>	<b>1,041</b>	<b>813</b>

Note: This year, business consolidation has a special section and will be accounted for under a separate heading.

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

Gaztenpresa projects in 2020	Araba	Bizkaia	Gipuzkoa	Navarra	Total
Viable and open the business	67	134	23	32	<b>256</b>

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

- the average investment in 2020 was €74,993,
- the average funding provided by the Entity was €36,015, 48%,
- 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 42%.

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 carries out business consolidation actions that we have called "Reinvent yourself to continue" in this difficult year to provide support to these entrepreneurs, also attending to queries about new investments, closure decisions, market changes or applications for new aid.

Business consolidation	2019	2020
<b>Workshops</b>	50	40
Companies in consolidation	175	370
Queries handled in PRO service	372	978
Mentoring programme	20	19

In addition, the **mentoring** programme offers personalised support for one year, through which an expert with entrepreneurial experience who collaborates with Gaztenpresa as a volunteer helps an entrepreneur who is starting their first business venture to strengthen their skills and competence, enabling both their personal and professional development and the consolidation of their business. These \*new mentor-entrepreneur relationships were launched during 2020. 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.

The situation caused by the pandemic has deeply affected these contributions in 2020. On the other hand, as mentioned above, the Bank of Spain has limited profit sharing for financial

institutions, so less of the surpluses for 2019 have been distributed. At the same time, these circumstances have made it less possible to organise events or sponsor most of the activities that we had been supporting, such as cultural and sporting activities, conferences, awards and solidarity actions.

Even so, and although fewer than in previous years (more than 200 in 2019), numerous actions have been supported in 2020. Some of them are: Cros SEI IZAR, Jazz Waves in the City (Ondas de Jazz en la Ciudad, Vitoria), Pasaia-Donostia: Family Race, Gipuzkoa Athletics Championship. 14-19 years old, SER Solidarity Awards, Surf International Film Festival, Nanorelatos Lk Award Competition (Vitoria City Council), Aspegi Awards (businesswoman of the year), Euskara Ibiltaria Erakusketa, Araba Koadrila Artekoen Txapelketa. Opera txiki, LILATON, Salamanca Half Marathon, Suhiltzaile Lasterketa, Emakume Master Cup, Erandiko Krosa, LORALDIA, School Cycling, Gala Business Initiatives Award, Donostia 20th Anniversary Half Marathon, ARRASATE UDALAITX Mendi Trail, UCI Fem Durango Cycling Classic, Golf Olimpia Road Tour,...

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, but could not be made in 2020 due to the pandemic situation.

#### Relations with Government Agencies and political parties

LABORAL Kutxa defines Public Administration Management in the Public Sector Management Manual as a differentiated, 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 and legal 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:

	2019	2020
Eusko Alkartasuna	104	96
EAJ - PNV	670	550
<b>Loans (thousands of euros)</b>	<b>774</b>	<b>646</b>

#### 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 2020 it was just over **9.5 million euros**. As explained above, in 2020 it was not possible to make the usual contribution of profits to the Intercooperative Social Fund due to instructions from the Bank of Spain. The distribution among headings was as follows:

Item (thousands of euros)	Years of application	
	2019	2020
Charitable contribution to the launch and consolidation of cooperative companies (through MONDRAGON)	14,227	0
<b>Inter-cooperative Social Fund - FSI (15% of Distributable profit)</b>	<b>14,227</b>	<b>10,332</b>
Cooperative Promotion through MONDRAGON (68% FEP) and other destinations (UNACC, etc.)	6,593	8,118
FRES, Fund for Restructuring and Company Employment	0	121
Entrepreneurship and Business and vocational training ( <i>Fundación Gaztenpresa</i> )	331	197
Cultural activities in general and others	845	446
Promotion of the Basque-language and Basque Culture	703	318
Welfare institutions and developing countries	630	398
Agri-food sector	105	55
<b>Education and Promotion Fund - FEP (10% of Distrib. profit).</b>	<b>9,210</b>	<b>9,653</b>
<b>Sum FSI+FEP</b>	<b>23,437</b>	<b>9,653</b>

### 3.3.3. Dialogue with society

These are the most relevant mechanisms for dialogue with society.

Group of Interest: Society
<b>Dialogue mechanisms carried out in 2020:</b>
<ul style="list-style-type: none"> <li>▪ Membership of Izaite, Association of Basque companies for sustainability, which focuses on social and environmental issues.</li> <li>▪ 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.</li> <li>▪ Participation and dynamization 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"> <li>❖ Instagram: 6,160 followers</li> <li>❖ Facebook: 18,803 fans</li> <li>❖ Twitter: 6,531 followers</li> <li>❖ Blog: 811,433 readers</li> <li>❖ WhatsApp: More than 1,000 users attended to per month.</li> </ul> </li> <li>▪ 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.</li> <li>▪ Acknowledgements, in collaboration with various institutions, such as: The Humanities Prize (with Eusko Ikaskuntza) went to Mikel Mancisidor and the Etxepare Translation Prize went to Eider Rodriguez and Lander Garro. In 2020, given the circumstances, it was not possible to award the traditional Navarre prize for solidarity.</li> <li>▪ Survey of Customers from companies, personal banking, Kide, TOP and Pro-microcompanies on their assessment of CSR activities at LABORAL Kutxa, while sending out the Executive Report on the 2019 Report.</li> <li>▪ 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.</li> </ul>

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 360,000 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



Basque center for applied mathematics

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

Undoubtedly the main activity carried out throughout 2020, strongly conditioned by the pandemic situation, in the field of financial education has been the culmination of the Finantzeta Murgilduz Erronka (financial immersion challenge). It is an agreement with Ikastolen Elkartea to create resources for the development of Financial Educ. in educational centres. This programme is aimed at A level and 3rd-4th year secondary students. The designed resource is materialised in 2 educational programmes:

- They are freely available to schools, are run by teachers from the school and are developed in the classroom.
- Various situations are presented to pupils in the form of a challenge and different skills are worked on (finance, decision-making, cooperation, etc.).

It consists of:

- Web platform <https://finantzeta murgilduz.eus>
- Educational material for students (cases and multimedia support).
- Teacher's guide.

Other initiatives have also been carried out in this area of financial education:

- Secondary school visits to LK: although more were organised, it was only possible to hold a single workshop with 20 students.
- Finantzargi (University). Basic finance training for university students from Mondragon Unibertsitatea. 3 groups and 70 pupils took part.
- Children's drawing competition with the UNACC on the theme of "Money: What it is, how it is earned and what it is used for".



- Participation in financial education day with a banner on the website.
- Dynamization of the Financial Education section of the corporate website, with the labelling of more than 100 articles as Financial Education.
- 21 blog posts focused on helping to improve the culture and knowledge of financial news.
- Regular publication by LABORAL Kutxa's Research Department of various reports: Basque/Navarre economy report, economic outlook report and the business and household confidence index.

### Awards received

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

- Computing 2020 Award in the category "Modernisation of infrastructure and applications".
- 1st Prize for Experiences of Equality between Women and Men in companies in Gipuzkoa 2018, awarded by the Provincial Council of Gipuzkoa

In 2020, Lagun Aro renewed its "EthSI®" (Ethical and Solidarity based Insurance) certificate.

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 direct environmental impact caused by the insurance company is minimal. However, its management focuses on the issues related to paper consumption. A digital signature project is being worked on to further reduce the use of paper.

From an environmental point of view, a particularly significant initiative in 2020 was the start-up of the **EKIAN solar plant**. With a surface area of 55 hectares, an operating power of 24MW and an annual production of nearly 33,000MWh, 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.

It has also been an important milestone in Laboral Kutxa's environmental management to switch to consuming all its electricity from renewable sources. The effect of this effort can be clearly seen in the calculation of the carbon footprint, which has been significantly reduced in 2020 compared to previous years.

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 21/09/2020, the strengths of the EMS were listed as:

- Analysis carried out on stakeholders through studies, surveys, web visits, etc.
- Environmental notifications via the website and blog (Sustainability Report, video on environmental management, weekly news on blog, etc.)
- Environmental communications to employees via the intranet.
- Signing of the responsible banking principles of the United Nations Environment Programme Finance Initiative (UNEP FI).
- Participation in the EKIAN solar plant in Arasur.
- Creation of a new EROSI procedure and tool for purchasing from suppliers.
- Survey conducted on the mobility of the workforce and bonuses proposed to employees for the use of bicycles via the new LaboralByke app.
- New system for the collection of paper and other waste in central services and offices.
- Distribution of glass bottles to all central services and network to eliminate plastic bottles.
- 93% reduction in diesel consumption as a result of the equipment installation of geothermal energy.
- 3.71% reduction in CO2 emissions by 2019.
- 2.72% reduction in electricity consumption in 2019.
- 7.22 % reduction in paper consumption in 2019.
- Increase in the number of customers in postmail.
- Control carried out through the planning and monitoring of the Environmental Plan.

No non-conformities are mentioned.

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, accessible for all its staff 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	2019	2020
Maintenance of the EMS (1)	6,763	4,106
Waste management (2)	4,830	3,705
Environmental promotion	168	2,519
Measurements (discharge)	565	1,145
<b>Total in €</b>	<b>12,326</b>	<b>11,475</b>

(1) IZAITE, AENOR, Hora Planeta 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. **Seguros Lagun Aro** 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.

Segment	Operation No.		Thousand €		High		Medium		Low	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Companies	562	751	878,324	938,704	27	28	87	103	448	490
Individuals	12	5	29,699	14,333	-	-	-	-	12	5
Self-employed	1	2	1,400	130	-	-	-	-	1	2
Businesses	12	20	9,084	23,673	-	-	-	2	12	17
Developers	85	61	294,990	314,962	-	-	-	-	85	50
Institutional	127	163	471,016	415,341	5	8	34	35	84	81
Public	27	51	392,869	2,539,052	-	-	-	-	27	44
Fin. Loan	9	10	7,662	8,313	-	-	-	-	9	1
<b>Total</b>	<b>835</b>	<b>1,063</b>	<b>2,085,043</b>	<b>4,254,507</b>	<b>32</b>	<b>36</b>	<b>121</b>	<b>140</b>	<b>682</b>	<b>690</b>

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 two 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 €	2019	2020
<b>Exposure to Credit Risk</b>		
Circulating risk	46,332.2	35,621.4
Structural risk balances and guarantees	7,170	6,799.7
<b>Shares in wholesale risk</b>	0	0
<b>Total exposure</b>	<b>53,502.2</b>	<b>42,421.1</b>

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

A first TCFD report explaining LABORAL Kutxa's situation with respect to climate risks is included in the appendix to this report. It presents the progress made in this area, as well as the important challenges ahead.

## 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 for destruction 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	
		2019	2020	2019	2020
Cardboard and paper waste	Kg	106,927	55,980	5,652	1,509
Recycled toner cartridges (2)	Kgs	6,321	3,065	(1)	
Used vegetable oil	Litres	2,295	540		

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

(2) The figure for 2019 corresponds to units, not kilograms.

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

## 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. The water used comes from the mains network and drains into the municipal sewage network. The waste water is analysed externally each year to verify that it is within the authorised limits.

Water consumption (m3) at Headquarters	2019	2020
Water consumption	10,898	5,696 (1)

(1) Data for the first 3 quarters. En 2019, 8,394 m3 for the same period.

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 Kutxa+Lagun Aro	
	2019	2020
Promotional paper	130,785	101,650
Office paper	282,081	234,798
Total paper consumption	412,866	336,448

100% of the paper consumed was environmentally friendly, chlorine-free paper.

In order to reduce the amount of paper used in customer communications, a significant effort has been made in recent years towards the use of new technologies and e-mail communications (Postamail), along with the digitisation of the operations in the offices. This is leading to a decrease in the volume of paper and toner consumed.

Toner consumption in units	LABORAL Kutxa+Lagun Aro	
	2019	2020
Total toner cartridge consumption	3,502	3,038
Cartridge consumption per person	1.57	1.35
Weight of toner used kg	2,602	2,269
Weight of toner used kg/person	1.16	1.01

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	
	2019	2020	2019	2020
Electricity consumption in Kwh / year Central Services	3,380,870	3,089,825	348,851	229,751
Electricity consumption in Kwh / year TOTAL LK	12,915,786	11,505,454		

**Internal energy consumption A** improved significantly with respect to the previous year due to using the facilities less.

**External energy consumption B**, the petrol used for travelling, entailed a consumption of 12,334 GJ (20,215 GJ in 2019). For Lagun Aro it was 602 GJ in 2020 and 1,426 GJ in 2019.

**Energy intensity**, measured as total energy consumption (including internal A and external B) among the total number of employees (LABORAL Kutxa and CLBS) was 25.76 in 2020 compared to 32.18 in 2019. For Lagun Aro it was 8.61 and 16.46, respectively.

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.

In any case, the significant improvement in energy consumption in 2020 is basically due to the limitations of displacement and confinement suffered, so it is to be expected that they will return in the coming years.

### 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	
	2019	2020	2019	2020
Scope 1: Direct emissions	160	145	0	0
Scope 2: Indirect emissions	3,616	0	98	0
Scope 3: Other indirect emissions	1,069	677	70	30
<b>Total emissions Tonnes of CO2</b>	<b>4,849</b>	<b>822</b>	<b>168</b>	<b>30</b>

The Klima 2050 calculator of the Basque Government has been used to determine this.

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, business travel (air, train and hotel), electricity consumption of customers when using our website, paper waste management and water supply.

As can be seen, the reduction in CO2 emissions has been considerable. The main reason for this is that we have switched to consuming all our electricity, our main source of emissions, from renewable energies. These indirect emissions accounted for 75% of those emitted in 2019, so by ceasing to emit, our footprint has decreased significantly. Another aspect that has been added to the previous one has been the reduction in travel due to the health crisis, an aspect that will partly recover in the coming years.

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 2020, sustainability was introduced as an across-the-board strategic variable. Multi-year objectives were set to reduce Co2 emissions and paper consumption, as well as the creation of green products and the further implementation of Socially Responsible Investment.
- 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 has been initiated 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.

- As mentioned above, in 2020 the Ekian project was launched, the largest solar plant in the Basque Country, a project in which LABORAL Kutxa is one of the participating entities.
- With a view to 2021, the management plan includes a sustainable finance project that aims to propose a policy and strategy to transform our business model towards a more socially and environmentally sustainable one.

### 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. At present, suppliers are not yet screened for environmental criteria.

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 2020:

1. As in other areas of activity, the relationship with supplier companies in 2020 was marked by the health crisis. This has been particularly relevant in the relationship with the companies that come to or carry out their activities in our facilities. From the outset, protocols and safety measures were established to protect the health of our people and suppliers. We have tried to minimise the presence of suppliers in our facilities and in those cases where this is unavoidable (cleaning, maintenance, subcontractors, etc.) the same safety measures have been applied to them as to our staff.
2. With regard to **occupational risk prevention**, progress has been made in coordinating business activities. Following the implementation of an IT tool in 2018 for the management of coordination, an interdepartmental working group was set up in 2020 to advance the implementation of coordination in all activities and at more than 300 work centres.
3. Since 1 January 2020, it has been mandatory for all contractors to follow the supplier procedure for the purchase of goods and services. As part of this **supplier company management 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.

Aware of the importance of managing the risks generated by the outsourcing of services and with the aim of guaranteeing regulatory compliance with these functions, Laboral Kutxa has worked in recent years on various activities focused in this direction. In 2017, Laboral Kutxa defined a Contracting and Purchasing Manual with the aim of establishing a policy for the acquisition of goods, services and subcontracting that includes a protocol for the approval of suppliers and implementing a centralised and specific Purchasing Committee for the approval and supervision of the purchases made by the Entity. Later, a model for managing supplier contracting was defined and a web application was developed to support this model. This tool was put into operation at the beginning of 2020 and makes it possible to assess the risk of outsourcing and the identification of security requirements, including a series of required checks. Lastly, in November 2020, the **Policy on Delegation of Services** was approved by the Governing Council, establishing the criteria to be followed in relation to the services or functions delegated to third parties, both at the time of prior analysis and approval of the outsourcing, as well as in its subsequent formalisation, development and monitoring.

During 2021, work will continue along these lines to develop the third-party management model and comply with the EBA **Outsourcing Guidelines**, analysing the current situation of Laboral Kutxa and Seguros Lagun Aro in this area, identifying GAPS with respect to the EBA/EIOPA Outsourcing Guidelines and defining an action plan that allows the entity to adapt to the requirements demanded by the regulation and to good market practices.

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

	2019	2020
Purchase volume (thousands of euros)	166,229	127,409
% of goods and services purchased from local companies (2)	96.4%	94.9%
% of local suppliers of total	93.4%	92.6%
% of domestic purchases, not imported (1)	99.5%	99.2%

(1) In 2020 LABORAL Kutxa had 19 supplier companies (1.61% of the total and representing 0.82% of the goods and services acquired), from outside Spain. These were all from European Union countries except 5 from the USA.

45.4% of the amount comes from what is known as the Traditional Network (CAV and Navarra).

(2) Local are defined as those whose address is in a province where we have a presence through our network of offices.

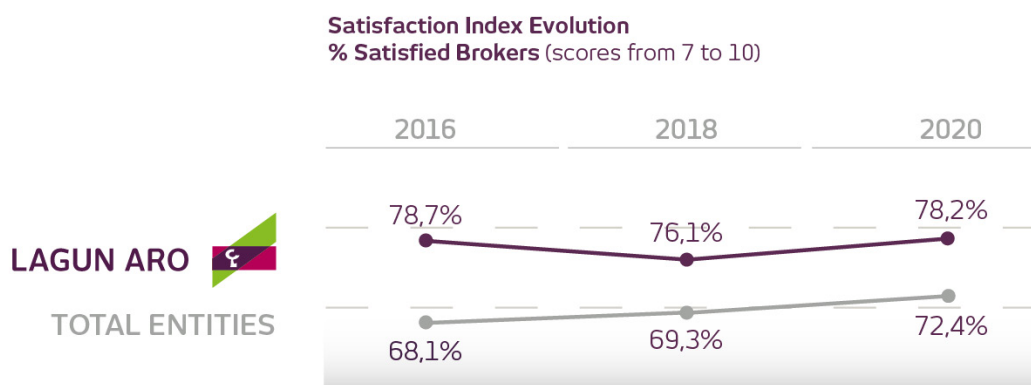
### 3.5.3. Dialogue with suppliers

Regarding the **dialogue** with supplier companies concerning CSR, a questionnaire was sent to 165 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 20 supplier companies, who rated the importance of this Report as 8.5.

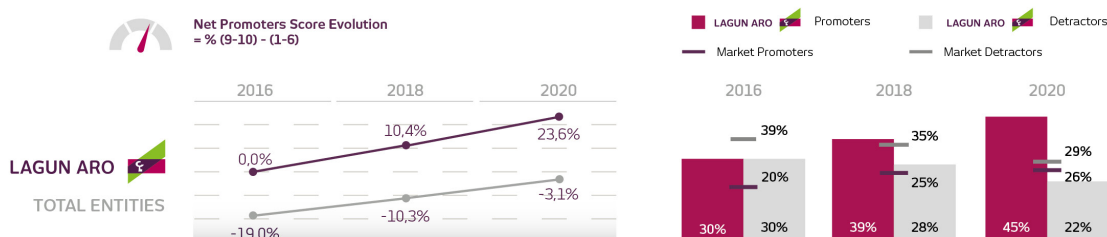
Also, as part of the supplier management project, an e-mail channel has been set up for our supplier companies to communicate with us to resolve any doubts they may have or to pass on any complaints or concerns.

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 insurance business.

A constant dialogue is maintained with the mediators and their level of satisfaction is analysed with annual measurements.



In the Net Promoter Score (NPS) LAGUN ARO shows a very positive trend, to a greater extent than that observed for the Total and it is above this as the 1st entity with the best NPS (**1st in 2018 and 3rd in 2016**).



### **RECOGNITION AND TRAINING FOR OUR BROKERS**

On 20 February, the MEDIATORS' CONVENTION was held at the Aquarium in San Sebastian, where a game was played to simulate the San Sebastian Film Festival. At the meeting, the company's Strategic Plan for the coming years was presented.

Throughout the year, the members of the SPECIAL CLUB received different inputs to deal with the health crisis; continuous meetings to monitor needs, online recreational meetings, etc.

In addition, the following support measures were made available to all mediators; Delivery service for medicines for customers, video appraisal in the processing of services, extension of payment deadlines, flexibility in instalment payments, ongoing marketing support and special discounts for the most disadvantaged groups.

#### **3.5.4. Initiatives developed during the year for responsible supplier management**

During 2020, 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. For 2021, the objective is to link this tool to the access control system so that no subcontractor can enter our central services 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**, the IT tool that will now serve as the basis for contracting suppliers for the entire Bank was launched to all contractors.

The procurement procedure requires supplier companies to adhere to the Supplier Code of Ethics, committing themselves to environmental, human rights and equality, anti-money laundering and anti-corruption and data protection principles and obligations.

Three types of supplier companies are distinguished 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.





## 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)	2019	2020
<b>Public sector</b>	<b>773.2</b>	<b>894.1</b>
<b>Other Resident Sectors</b>	<b>13,444.8</b>	<b>13,852.4</b>
National Economies	10,470.0	10,596.6
- Mortgages	9,818.3	9,941.3
- Consumer financing	410.6	404.7
- Others	241.2	250.6
Companies	2,379	2,691.0
Other Loans	595.8	564.8
<b>Non-Resident Credit</b>	<b>30.6</b>	<b>26.2</b>
<b>Total Credit to Gross Customers</b>	<b>14,248.7</b>	<b>14,772.2</b>
Value adjustments due to asset impairment	-289.6	-328.9
<b>Total Credit to Net Customers</b>	<b>13,959.1</b>	<b>14,443.8</b>

The geographical distribution of LK customers is as follows:

Geographic area	Lending		Deposits	
	2019	2020	2019	2020
Bizkaia	25.06%	23.51%	33.02%	32.46%
Gipuzkoa	15.43%	17.81%	27.98%	27.25%
Araba	8.03%	7.77%	11.31%	11.08%
Nafarroa	9.75%	7.35%	9.63%	9.49%
Burgos	2.49%	1.90%	1.66%	1.66%
Madrid	3.30%	5.12%	1.01%	1.04%
Valladolid	3.91%	4.09%	2.11%	2.17%
Zaragoza	5.05%	4.77%	1.65%	1.80%
Other	26.98%	27.69%	11.63%	13.05%
<b>TOTAL</b>	<b>100%</b>	<b>100.00%</b>	<b>100%</b>	<b>100%</b>

The profile of CLBS Customers at 31/12/2020 is as follows:

Category	Insured men		Insured women	
	No. Policies	Average Age	No. Policies	Average Age
Life Risk	43,455	46	39,649	46
Early Partial Redemption	25,892	45	20,313	46
Early Partial Redemption	8,021	39	7,609	39
Home owner	64,007	54	49,270	54
Landlord/Landlady	6,897	56	5,775	57
Tenant	3,021	48	3,375	47

#### Customer Service

Customer Service - Amounts claimed (thousands of euros)	2019	2020
Amounts for cases resolved in favour of the Company	1,150	2,155
Amounts for cases resolved in favour of the customer	69	225
Indemnities paid by the Company	68	225
Amounts returned to customers by the Company, no payment due	1	0
Amounts compensated or refunded by third parties	0	0
<b>Total</b>	<b>1,218</b>	<b>2380</b>

Reason for opening cases (SAC)	2019	2020
Centralised customer services	3%	2%
Commissions and expenses	73%	87%
Economic terms	14%	2%
Missing or inaccurate information	0%	0%
Coverage of needs	1%	0%
Information missing or incorrect	3%	4%
Aspects of customer relations	2%	2%
Campaigns in general	0%	0%
ATMs	2%	1%
Amount of the claims	2019	2020
≤ €100	24.43%	10.73%
> €100 ≤ €250	3.62%	6.22%
> €250 ≤ €1,000	54.76%	65.62%
> €1,000	17.19%	17.43%

The claims presented through the various available channels have been:

	2019	2020
No. of claims submitted to the Claims Service of the Bank of Spain in relation to product safety (1)	0	7
No. of claims in which BoS has pronounced in favour of LABORAL Kutxa	0	5

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

	2019	2020
No. of claims submitted to the Claims Service of the Bank of Spain, DGS, CNMV and UNACC regarding information on products and services (1)	23	27
No. of claims in which BoS and CNMV have pronounced in favour of LK	10	16

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

	2019	2020
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.	0	0
No. of claims in which BoS and CNMV have pronounced in favour of LABORAL Kutxa	0	0
Cost of fines for non-compliance with regulations on the provision and use of services.	0	0

	2019	2020
Penalties imposed on the Group (euros) for non-compliance with laws and regulations	40.00	0

\*The 2019 sanction corresponds to the Data Protection Agency (AEPD).

Lagun Aro	2019	2020
Open cases (claims and complaints)	695	696
No. of claims submitted to the Insurance and Pension Funds D.G. Claims Service	30	24
% of closed cases estimated or partially estimated	49.9%	47.8%
Average response time (days)	10.35	11.09
Number of payments in favour of the customer €	115,758	82,564
% final reports received from supervisor (total or partial) in favour of the claimant	3.2%	19.3%
CLBS	2019	2020
Open cases (claims and complaints)(1)	10	10
% of closed cases estimated or partially estimated (1)	0%	9.1%
Average response time (days)	0.44	2.36
Number of payments in favour of the customer €	0	0

(1) Most of the rejections occur because they are addressed to other Entities.

## Main figures for responsible products and services

	2019		2020	
	No.	Thousand €	No.	Thousand €
Micro-credits	1,127	17,795	1,759	26,335
Personal Loan	283	1,032	178	397
Insured Cards	273,147	-	268,184	-
Erkide Loan	1	1.3	1	14
FCTC Loan	0	0	0	0
CEPES / ASLE Loan	0	0	5	60

The volume of these agreements in 2019 and 2020 was as follows:

Public Organisation (thousands of euros)	No. of operations formalised		Amount formalised		Balance available as at 31/12	
	2019	2020	2019	2020	2019	2020
ICO	0	4,595	0	450,750	6,899	382,422
Basque Government+Elkargi	0	2,825	0	193,864	9,238	200,121
Government of Navarra+Sodena	0	393	0	29,169	2,887	29,642
EIF	168	126	22,664	11,244	90,470	69,371
EaSI Micros II	0	1,757	0	26,617	0	41,718
Araba-Bizk-Gipuzk Council Offices	0	0	0	0	815	599
Luzaro	37	31	3,991	4,073	12,500	12,738
Other Agreements	3	0	804	0	16,650	13,659
<b>Loans+Leasing</b>	<b>208</b>	<b>9,727</b>	<b>27,460</b>	<b>715,417</b>	<b>139,458</b>	<b>752,417</b>
With mutual guarantee societies (Elkargi, Iberaval, Sonagar, Oinarri, etc.)	303	3,602	41,013	266,763	159,638	386,169
Without mutual guarantee societies (ICO, European Investment Fund, etc.)	1,333	6,725	49,512	527,361	142,590	529,796
<b>Guaranteed Loans+Leas.</b>	<b>1,636</b>	<b>10,327</b>	<b>90,525</b>	<b>794,124</b>	<b>302,229</b>	<b>916,684</b>

Customers using new channels	2019	2020
No. of CLNet contracts	677,920	713,377
Customers active on CLNet	430,504	484,068
% active customers based on contracts	63.5%	67.9%
Mobile Banking (users who have accessed via mobile)	342,528	396,274
Alerts (active contracts)	377,360	385,426
Bizum	160,014	240,702

## 4.2. People

Partner workforce of LK by sex and professional category*	2019				2020			
	Men		Women		Men		Women	
	No.	%	No.	%	No.	%	No.	%
Directors	17	1.0%	6	0.4%	19	1.0%	6	0.35%
Managers	236	14%	120	7.1%	226	14%	123	7.26%
Technicians	307	18.1%	356	21.0%	312	18.11%	375	22.12%
Clerical staff	122	7.2%	248	14.6%	117	7.20%	234	13.81%
Others	167	9.8%	116	6.8%	183	9.85%	144	8.50%
<b>Total</b>	<b>849</b>	<b>50%</b>	<b>846</b>	<b>50%</b>	<b>857</b>	<b>50%</b>	<b>882</b>	<b>52%</b>
<b>Active partners</b>	<b>1,695</b>				<b>1,739</b>			

\*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.

Staff of LK by age	2019						2020					
	Partner			Remainder			Partner			Remainder		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Up to 30	1	3	4	43	73	116	5	3	8	56	78	134
Between 31 and 40	122	218	340	17	43	60	99	211	310	23	28	51
Between 41 and 50	430	428	858	8	4	12	415	430	845	7	3	10
Between 51 and 60	273	189	462	2	1	3	314	232	546	3	1	4
Over 60	23	8	31	0	0	0	24	6	30	0	0	0
<b>Group staff</b>	<b>849</b>	<b>846</b>	<b>1,695</b>	<b>70</b>	<b>121</b>	<b>191</b>	<b>857</b>	<b>882</b>	<b>1,739</b>	<b>89</b>	<b>110</b>	<b>199</b>

CLBS workforce by sex, prof. category and business area	2019				2020			
	Men		Women		Men		Women	
	No.	%	No.	%	No.	%	No.	%
Directors	1	0.6%	0	0%	0	0.00%	0	0.00%
Managers	8	4.7%	2	1.2%	8	4.68%	2	1.17%
Technicians	0	0%	6	3.5%	0	0.00%	1	0.58%
Sales managers	30	17.5%	124	72.5%	25	14.62%	99	57.89%
Group staff	39	22.8%	132	77.2%	33	19.30%	102	59.65%
Central Serv.	2	1.2%	6	3.5%	1	0.58%	1	1%
Commercial Network	37	21.6%	126	73.7%	32	18.71%	101	59%
Group staff	39	22.8%	132	77.2%	33	19.30%	102	59.65%
Group staff	171				135			

CLBS staff by age	2019			2020		
	Men	Women	Total	Men	Women	Total
Up to 30	1	0	1	0	1	1
Between 31 and 40	3	21	24	2	12	14
Between 41 and 50	21	76	97	13	49	62
Between 51 and 60	14	35	49	18	40	58
Over 60	0	0	0	0	0	0
Group staff	39	132	171	33	102	135

Lagun Aro staff by sex and prof. category	2019				2020			
	Men		Women		Men		Women	
	No.	%	No.	%	No.	%	No.	%
Directors	4	8%	2	4%	4	8%	2	4%
Managers	14	26%	12	23%	14	26%	12	23%
Technicians	31	58%	50	94%	32	60%	51	96%
Clerical staff	4	8%	46	87%	5	9%	46	87%
Group staff	53	33%	110	67%	55	33%	111	67%

Staff of Lagun Aro by age	2019		2020	
	M	W	M	W
Up to 30	0	1	2	2
Between 31 and 40	5	11	4	11
Between 41 and 50	18	59	18	52
Between 51 and 60	29	38	29	46
Over 60	1	1	2	0
<b>Sum</b>	<b>53</b>	<b>110</b>	<b>55</b>	<b>111</b>
<b>Group staff</b>	<b>163</b>		<b>166</b>	

All of Lagun Aro's workers are indefinite.

All but three of the staff at CLBS have an indefinite contract, being distributed between the LABORAL Kutxa Head Office and the business network. There are three temporary female employees, one under 30 years of age and two between 31 and 41 years of age who are insurance managers.

Lagun Aro has 162 permanent and 4 temporary employees.

Contractual relationship LK (situation as at 31/12)	2019			2020		
	Total	Men	Women	Total	Men	Women
Active partners	1,695	849	846	1,739	857	882
Surpluses	27	2	25	20	2	18
Secondment	15	5	10	15	5	10
Early retirees	161	110	51	88	56	32
Company contracts	1,898	966	932	1,862	920	942
Temps. Full-time	182	63	119	186	81	105
Temps. Part-time	3	1	2	6	1	5
Temporary Contracts	185	64	121	192	82	110
Indefinite Contracts	6	6	0	7	7	0
<b>Total workforce as at 31/12</b>	<b>2,089</b>	<b>1,036</b>	<b>1,053</b>	<b>2,061</b>	<b>1,009</b>	<b>1,052</b>
Lagun Aro contractual relationship	163	53	110	166	55	111

LK contracts by age as at 12/31	2019						2020					
	Total	Up to 30	31-40	41-50	51-60	> 60	Total	Up to 30	31-40	41-50	51-60	> 60
Active partners	1,695	4	340	858	462	31	1,739	8	310	845	546	30
Surpluses	27	1	20	5	1	-	20	0	12	7	0	1
Secondment	15	1	6	4	4	-	15	0	4	6	5	0
Early retirees	161	-	-	-	121	40	88	0	0	0	52	36
<b>Company contracts</b>	<b>1,898</b>	<b>6</b>	<b>366</b>	<b>867</b>	<b>588</b>	<b>71</b>	<b>1,862</b>	<b>8</b>	<b>326</b>	<b>858</b>	<b>603</b>	<b>67</b>
Temps. Full-time	182	113	50	10	8	1	186	128	51	6	1	0
Temps. Part-time	3	3	-	-	-	-	6	6	0	0	0	0
<b>Temporary Contracts</b>	<b>185</b>	<b>116</b>	<b>50</b>	<b>10</b>	<b>8</b>	<b>1</b>	<b>192</b>	<b>56</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Indefinite Contracts	6	-	-	1	3	2	7	0	0	4	3	0
<b>Total workforce</b>	<b>2,089</b>	<b>122</b>	<b>416</b>	<b>878</b>	<b>599</b>	<b>74</b>	<b>2,061</b>	<b>64</b>	<b>326</b>	<b>862</b>	<b>606</b>	<b>67</b>

Workforce by location (LK and CLBS)	2019				2020			
	Partners	Employee	Women	Men	Partners	Employee	Women	Men
Central Services	401	42	227	216	415	50	233	232
Individuals	27	0	12	15	26	0	12	14
Insurance	28	0	10	18	61	0	39	22
Company	91	1	24	68	88	3	26	65
Reg. Network 1	546	95	383	258	491	108	368	231
Reg. Network 2	602	53	311	344	658	38	314	382
<b>Total 31/12</b>	<b>1,695</b>	<b>191</b>	<b>967</b>	<b>919</b>	<b>1,739</b>	<b>199</b>	<b>992</b>	<b>946</b>

The entire Lagun Aro workforce works in Central Services.

Terminations and annual rotation of Working Partners in LABORAL Kutxa	2019	Up to 30		Between 31 and 40		Between 41 and 50		Between 51 and 60		Over 60	
		W	M	W	M	W	M	W	M	W	M
Terminations in the year:	117	0	0	22	4	10	3	2	0	4	5
Voluntary and Public Office Leave	2	-	-	2	-	1	-	-	-	-	-
Leave Caring for children/family	43	-	-	20	3	8	2	-	-	-	-
Retirement	6	-	-	-	-	-	-	-	-	4	5
Death or Disability	4	-	-	-	-	-	-	1	-	-	-
Voluntary Resignation	5	-	-	-	1	1	1	-	-	-	-
On secondment	2	-	-	-	-	-	-	-	-	-	-
Early retirees	55	-	-	-	-	-	-	1	-	-	-
Total departure rate (*)	6.64%	0.00%	0.00%	10.09%	0.00%	2.34%	0.00%	1.06%	0.00%	50.00%	0.00%
Directors departure rate	18.52%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Managers departure rate	5.18%	0.00%	0.00%	17.65%	0.00%	2.53%	0.00%	0.00%	0.00%	0.00%	100.00%
Technicians departure rate	7.56%	0.00%	0.00%	11.38%	4.88%	1.86%	0.00%	1.49%	0.00%	100.00%	16.67%
Clerical staff departure rate	6.06%	0.00%	0.00%	6.41%	0.00%	2.72%	2.16%	1.04%	0.00%	20.00%	13.33%
Departure rate	6.64%	0.00%	0.00%	3.25%	66.67%	6.21%	2.19%	2.99%	0.00%	50.00%	21.74%

(\*) 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 2019, the departure rate for women was 8.13%, with 7.90% being over 30 years of age and the rest under 30 years of age. In the case of men, the departure rate was 5.06%, all of whom were over 30 years of age.

In 2019 and 2020 there were no involuntary departures.

Terminations and annual rotation in CLBS	2019	2020	
		Men	Women
Terminations in the year:	8	0	3
Leave Caring for children/family	1	-	-
Retirement	0	-	-
Disability	1	-	1
Agreed end of contract	0	-	-
Voluntary Resignation	5	-	1
End of contract	0	-	1
Dismissals	1	-	-
Terminations of Women in the year	6	-	-
Terminations of Men in the year	2	-	-
Total departure rate	4.68%	0.00%	1.75%
Women's departure rate	4.32%	0.00%	2.16%
Men's departure rate	5.13%	0.00%	0.00%

\*All of the departures in 2020 were women.

\*By age the rate is different, with 19.05% in women aged 31-40 years and 1.32% in women aged 41-50 years.



Terminations and annual rotation of Working Partners in Lagun Aro	2019	2020
Terminations in the year:	5	2
Voluntary Resignation	0	0
Others	5	1
Terminations of Women in the year	2	1
Terminations of Men in the year	3	1
<b>Total departure rate *</b>	<b>3.07%</b>	<b>1.20%</b>
Women's departure rate	1.82%	0.90%
Men's departure rate	5.66%	1.82%

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

In LABORAL Kutxa there have been no dismissals in the last two years. At CLBS there have been no redundancies in 2020:

2019			2020		
Sex	Age	Category	Sex	Age	Category
W	58	GES	-	-	-

Dismissals at Seguros Lagun Aro:

2019			2020		
Sex	Age	Category	Sex	Age	Category
M	58	Director	M	57	Administrative staff
M	58	Manager			
W	60	Specialist			
W	60	Administrative staff			
M	46	Administrative staff			

Training in LABORAL Kutxa and CLBS	2019	2020
Number of courses	456	500
Hours of training	168,298	160,740
Hours of training/person	81.38	77.2
Partner	83.27	71.73
Temporary	62.15	131.08
<b>Average training in hours by category (individually)</b>		
Directors	71.83	67.91
Office Managers and Directors	93.90	71.67
Technicians	82.26	78.16
Clerical staff	73.70	79.06

Hours of training	2019		2020	
	Women	Men	Women	Men
Directors	24.5	119.2	36.67	31.24
Managers/DO	61.3	126.5	38.70	32.97
Gc-Tecn	93.9	70.6	42.21	35.95
GOP	88.5	58.9	42.69	36.37

Training in Seguros Lagun Aro	2019	2020
Hours of training	3,737.3	4329.48
Women	2,567.8	2463.31
Men	1,169.5	1866.17
Hours of training/person	20.31	26.56
Directors	620	312.39
Office Managers and Directors	643	857.93
Technicians	2,311.3	1873.82
Clerical staff	163	1285.34

The proportion between participants on courses by sex (women / men) in 2020 was 1.42 compared to 1.1 in 2019.

The percentage of different people trained was 98.79% in 2020 and 99% in 2019.

Regarding the **promotion index**, understood as an improvement in the structural wage index, in 2020 it was 8.1%. Including other non-structural concepts such as seniority, this rises to 23.6% (7.09% and 28.21% in 2019).

LK average employment index	2019	2020
Women	2.21	2.22
Men	2.50	2.50
Difference M/W	13.2%	12.71%

\*The average employment index was 2.37, which was equivalent as at 31/12/2020 to €2,986.17 gross per month.

LK average employment index	2019		2020	
	M	W	M	W
Direct.	4.80	3.95	4.74	4.09
Manager	2.84	2.72	2.85	2.74
Specialist	2.36	2.20	2.36	2.21
Admin.	2.10	1.95	2.11	1.96

LK pay by age	2019		2020	
	Man	Woman	Man	Woman
Up to 30	(1)	36,147	33,187	37,214
Between 31 and 40	41,218	35,604	40,946	35,027
Between 41 and 50	47,171	40,378	46,674	41,040
Between 51 and 60	50,664	44,691	51,188	44,757
Over 60	51,581	43,149	49,097	44,532

(1) There are no men under 30.

Average employment index CLBS	2019	2020
Women	2.12	2.08
Men	2.68	2.78
Difference M/W	26.4%	34.15%

Average employment index CLBS	2019		2020	
	M	W	M	W
Direct.	3.34	-*	-*	-*
Manager	3.46	3.39	3.46	3.39
Specialist	0.00	2.66	-*	2.07
Mngr.	2.45	2.07	2.57	2.05

\*There are no people in this range.

Remuneration at CLBS by age	2019		2020	
	Man	Woman	Man	Woman
Up to 30	1.27	-*	-*	1.00
Between 31 and 40	1.95	2.08	2.00	1.86
Between 41 and 50	2.47	2.12	2.42	2.08
Between 51 and 60	3.25	2.14	3.14	2.16
Over 60	-*	-*	-*	-*

\*There are no people in this range.

Lagun Aro average salary	2019	2020
Women	47,294	48,836
Men	64,517	65,759
Difference M/W	36.42%	34.65%

Salary by sex and professional cat. (€ thousands)	2019		2020	
	Men	Women	Men	Women
Directors	99.5	79.63	101.7	83.27
Managers	74.5	68.66	76.45	70.31
Technicians	59.27	50.13	61.63	52.18
Clerical staff	45.3	37.5	40.66	38.03

Remuneration at LABORAL ARO by age	2019		2020	
	Man	Woman	Man	Woman
Up to 30	0	38,106	25,092	6,401
Between 31 and 40	48,012	34,465	47,790	38,643
Between 41 and 50	64,954	47,200	64,807	50,190
Between 51 and 60	67,467	50,977	70,388	51,588
Over 60	91,874	63,216	86,136	0

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

Hours and absenteeism rate	2019	Men	Women	2020	Men	Women
Accident and Illness	111,443	41,856	69,587	126,428	54,776	71,652
Maternity	20,653	-	-	15,340	-	-
Paternity	4,858	-	-	8,824	-	-
Other*	2,874	-	-	2,970	-	-
Total Hours Absenteeism LK	139,828	-	-	153,561	-	-
Absenteeism RateLK	3.80	2.83	4.79	4.23	2.851	4.61
Absenteeism Rate Lagun Aro	3.89	0.36	4.01	3.03	0.57	2.46
Total hours absenteeism Lagun Aro	1,607	-	-	7,656	-	-
Absenteeism rateCLBS	4.99	3.40	8.24	7.00	2.88	9.24
Total hours absenteeism CLBS	16,281	-	-	17,866	-	-

\* Care of sick children

The following is information regarding accidents in the Group.

LK and CLBS work accidents	2019	2020
Accidents	46	25
Accident frequency (1)	3.22	2.12
Accident severity (2)	0.05	0.05
No. hours worked LK	Nd	2,825,897
No. hours worked CLBS	Nd	257,261
Accidents Lagun Aro (3)	0	2
Accident frequency	0	0
Accident severity	0	0
No. hours worked Lagun Aro	nd	266,400

(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

(3) In itinere, no sick leave, no fatalities

Out of the accidents in 2020, 12 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. The two accidents at Lagun Aro are female and in itinere.

There are no occupational illnesses in our activity for the Group. No subcontractor accidents have been recorded.

### 4.3. Environment

Postmail Users	2019	2020
Number of users.	568,282	596,409
% Users from total customer base	50.62%	52.45%

Paper consumption kg	LABORAL K./ Lagun Aro	
	2019	2020
Promotional paper/customer	0.116	0.089
Office paper/customer	0.251	0.206
Total consumption/customer	0.323	0.296
Total paper consumption/person	184.56	149.27

Energy (Gj)	2019	2020	Seguros LA 2019	Seguros LA 2020
Electricity	46,497	41,419	1,256	827
Diesel	20.9	22.4	0	0
Propane	0.47	0.21	0	0
Energy consumption A	46,518	41,442	1,256	827
Energy consumption/pers.	22.43	19.85	7.7	4.98

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

The **intensity** of greenhouse gas emissions, measured as total CO2 emissions among the LK workforce, would be 0.39 in this case, compared to 2.34 in 2019. Lagun Aro's was 0.18 in 2020 compared to 1.03 in 2019.

#### 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.

In 2016, the training course "Systems and policies for the prevention of criminal behaviour" was launched and it has been completed by 84.4% of the staff. Training on "Prevention of money laundering and terrorist financing" was also sent to all staff at the end of 2020 and completed by 88.1% of the staff.

A photograph of a modern, multi-story building with large glass windows and a white facade. The building is partially obscured by a large, colorful geometric overlay consisting of overlapping triangles in shades of purple, pink, and green. The sky is blue with some clouds. The text "5. Information on the Report" is centered over the building.

## 5. Information on the Report

## Report Profile

The 2020 Report is the seventh 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 2020 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 Banca Seguros (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 281 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 2020 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 was 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](http://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](mailto:RSE@LABORALkutxa.com)



6. Annexes

## 6.1. Table of equivalences

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
<b>Pollution:</b>		
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)
<b>Circular economy and waste prevention and management:</b>		
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
<b>Sustainable use of resources:</b>		
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.		
<b>Climate change:</b>		
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)
<b>Protection of biodiversity:</b>		
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		
<b>Employment:</b>		
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
<b>Work organisation:</b>		
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 figures Other figures_workforce	GRI 403-2
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)

<b>Health and safety:</b>		
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
<b>Social relations:</b>		
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
<b>Training:</b>		
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
<b>Accessibility:</b>		
Universal accessibility for people	Our relationship with staff _Diversity and equal opportunities	GRI 103-2 (GRI 405)
<b>Equality:</b>		
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
Prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and remedy possible misconduct		
Complaints related to the violation of human rights		GRI 406-1
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.		GRI 103-2 (406, 407, 408 and 409)
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
Measures to counter money laundering		GRI 413-1
Contributions to non-profit organisations and foundations		
<b>The company's commitment to sustainable development</b>		
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	
<b>Subcontracting and suppliers:</b>		
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)
<b>Consumers:</b>		
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
<b>Tax information:</b>		
Profits obtained country by country	1. About us _Main Group Figures	GRI 103-2 (GRI 201)
Taxes obtained on benefits paid		
Public grants received		GRI 201-4 GRI 207-1-4
Any other relevant information:		GRI 207-1-4

## 6.2. GRI content Index

GENERAL CONTENTS 2016		
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 44 Responsible products and services Refer to Website <a href="http://www.LABORALKutxa.com">www.LABORALKutxa.com</a>
102-3	Location of the organisation's main offices.	José M <sup>º</sup> 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	Ownership and legal form.	Caja Laboral Popular Coop. de Crédito 11 Share capital
102-6	Specify which markets are served (with a geographical breakdown, by sector and type of customers and recipients).	12 Geographic distribution 38 Management approach and Main customer figures 83 Other customer figures
102-7	Determine the size 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 Main Figures of the Group 85-86 Other figures-People
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.	85-86 Other figures-People
102-9	Describe the organisation's supply chain.	78-81 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 15-17 Risk management and strategy 9 Investee Companies 78-81 Our relationship with supplier companies
102-11	Describe how the organisation addresses, if applicable, the precautionary principle.	15-17 Risk management and strategy 18-22 Principles and Government 28-29 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.	69-71 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.	15-17 Risk management and strategy 33-35 Materiality analysis 30-31 Commitments and Achievements 32-33 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.	23-25 Corruption and bribery 39-40 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 18-20 Corporate Governance 38-40 Dialogue with customers 33-35 Materiality analysis Refer to <a href="#">Corporate Governance Report</a>
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 <a href="#">Corporate Governance Report</a>
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.	18-20 Corporate Governance Refer to <a href="#">Corporate Governance Report</a>
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, and updating of the organisation's purpose, values or mission statements, strategies, policies, and objectives with respect to economic, environmental, and social impacts.	18-20 Corporate Governance 11-12 Values, principles, standards and codes of conduct Refer to <a href="#">Corporate Governance Report</a>
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.	23 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	18 Corporate governance Refer to <a href="#">Corporate Governance Report</a>

	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.	
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.	
<b>ROLE OF THE HIGHEST GOVERNING BODY IN THE PREPARATION OF THE SUSTAINABILITY REPORT</b>		
102-32	Identify the most important committee or position that reviews and approves the Sustainability Report and ensures that all significant aspects are addressed.	18 Corporate governance
<b>ROLE OF THE SENIOR BODY IN THE EVALUATION OF ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE</b>		
102-33	Describe the process for bringing important concerns to the attention of the highest governing body.	18-20 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.	52 Dialogue with staff In the annual report to the Governing Board regarding CSR activities, the relevant activities were identified. There have been no reports of critical concerns.
<b>REMUNERATION AND INCENTIVES</b>		
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.	23 Remuneration of the Governing Bodies See <a href="#">Consolidated Annual Accounts p.211</a>
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.	58-59 Remuneration management 23 Remuneration of the Governing Bodies See <a href="#">prudential relevance report</a>
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	18 Corporate governance 58-59 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).	58-59 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).	
<b>PARTICIPATION OF STAKEHOLDERS</b>		
102-40	Create a list of stakeholders related to the organisation.	30-31 Commitments and achievements The stakeholders are examined annually in the materiality study. 33-35 Materiality analysis 38-40 Dialogue with Customers 52 Dialogue with People 52-53 Joint Negotiation 68 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.	
<b>MATERIAL ASPECTS AND COVERAGE</b>		
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.	94 Report Profile 33-35 Materiality analysis
102-47	Prepare a list of material Aspects that were identified while defining the contents of the Report.	33-35 Materiality analysis
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.	94 Report Profile
102-50	Period covered by the Report.	2020
102-51	Date of the last Report (if applicable).	Report for 2019 published in May 2020
102-52	Reporting cycle (annual, biennial).	94 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: <a href="http://www.LABORALKutxa.com">www.LABORALKutxa.com</a> or mail: <a href="mailto:rse@LABORALKutxa.com">rse@LABORALKutxa.com</a>
<b>GRI INDEX</b>		
102-54	Indicate which option you have chosen "in accordance" with the Guide.	1 Cover 99-103 GRI Indicators Last page. AENOR Verification and reporting level
102-55	Provide the GRI index of the chosen option. Give reference to the External Verification report if this has been performed.	
<b>VERIFICATION</b>		
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.	94-95 Report Profile The Director of the Financial Area approved the request for verification of the Report.
<b>MANAGEMENT APPROACH 2016</b>		
103-1	Specify the coverage of the organisation for each significant aspect.	33-35 Materiality analysis 15-17 Risk management and strategy
103-2	Management approach and its components.	13-15 Main figures 28-29/38/51/64-67/71-73 Management approach
103-3	Evaluation of the management approach.	33-35 Materiality analysis 15-17 Risk management and strategy
<b>CATEGORY: ECONOMIC</b>		
Aspect: economic performance 2016		
201-1	Direct economic value generated and distributed.	13 Main figures



201-2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	44-50 Responsible Products and Services. 74 Transparency in fossil fuel exposure 77-78 Climate change
201-3	Defined benefit plan obligations and other retirement plans.	58-59 Remuneration management 63 Coop. Returns Capitalised
201-4	Financial assistance received from the government.	15 Grants
Aspect: market presence 2016		
202-1	Correlation between the initial salary broken down by gender and the local minimum wage.	58-59 Remuneration management
202-2	Proportion of senior managers from the local community.	18 Corporate governance
Aspect: indirect economic impacts 2016		
203-1	Investments in infrastructure and supported services.	71 Our relationship with the Environment 65-66 Gaztenpresa 14 Taxes and duties
203-2	Significant indirect financial impacts and their scope.	66-67 Indirect Contributions to Society
Aspect: Procurement practices 2016		
204-1	Percentage of the expenditure in places with significant operations that corresponds to local suppliers.	80 Main figures-suppliers
Aspect: Anti-corruption 2016		
205-1	Number and percentage of centres where Risks related to corruption have been assessed and risks identified.	23-25 Corruption and bribery
205-2	Anti-corruption communication and training policies and procedures	92 Training in Anti-Corruption Procedures 23 Development of the governing bodies 23-25 Corruption and bribery
205-3	Confirmed cases and measures taken.	23-25 Corruption and bribery 27 Regulatory compliance
Aspect: unfair competition 2016		
206-1	Legal actions related to unfair competition and monopolistic and anti-competitive practices.	There were no claims or legal actions in the years covered by the Report
Aspect: taxation 2019		
207-1	Fiscal approach.	14-15 Taxation
207-2	Fiscal governance, control and risk management.	14 Taxation
207-3	Stakeholder engagement and management of tax concerns.	14 Taxation
207-4	Country-by-country reporting.	14 Taxes and duties
<b>CATEGORY: ENVIRONMENTAL</b>		
Aspect: materials 2016		
301-1	Materials used by weight or volume.	75-77 Sustainable use of resources
301-2	Percentage of the materials used that are recycled materials.	75-77 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 2016		
302-1	Internal energy consumption.	75 Sustainable use of resources
302-2	External energy consumption.	75 Sustainable use of resources 77-78 Climate change
302-3	Energy intensity	75-77 Sustainable use of resources
302-4	Reduction in energy consumption.	75-77 Sustainable use of resources
302-5	Reductions in the energy requirements of products and services.	44 Environmentally Responsible Products and Services
Aspect: water and effluents 2018		
303-1	Interaction with water as a shared resource.	75-77 Sustainable use of resources
303-2	Management of impacts related to water discharges.	
303-3	Water extraction.	
303-4	Water discharges.	
303-5	Water consumption.	
Aspect: biodiversity 2016		
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 2016		
305-1	Total direct and indirect greenhouse gas emissions by weight	77 Climate change
305-2	Other indirect greenhouse gas emissions, by weight.	77 Climate change
305-3	Intensity of greenhouse gas emissions.	92 Other figures-Environment
305-4	Reduction in greenhouse gas emissions.	71-78 Our Relationship with the Environment 77-78 Climate change
305-5	Emissions of ozone-depleting substances.	No ozone-depleting substances are produced, imported or exported.
305-6	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.
305-7		
Aspect: wastes 2020		
306-1	Generation of waste and significant impacts related to waste.	LABORAL Kutxa has ISO 14001 environmental certification, audited annually, which guarantees proper waste management. 33 environmental performance indicators 75 Circular ec and waste management
306-2	Management of significant impacts related to waste.	
306-3	Generated waste.	
306-4	Waste not destined for disposal.	
306-5	Waste destined for disposal.	
Aspect: environmental compliance 2016		
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 suppliers 2016		
308-1	Percentage of new supplier companies that were examined based on environmental criteria,	78-81 Our relationship with supplier

308-2	Significant actual and potential negative environmental impacts in the supply chain and measures taken,	companies
<b>CATEGORY: SOCIAL</b>		
Aspect: employment 2016		
401-1	New employee recruitment and staff turnover.	85-91 Other figures - People
401-2	Benefits for full-time employees that are not given to part-time or temporary employees.	62-63 Social Benefits Package
401-3	Parental leave.	85-91 Other figures-People
Aspect: management-employee relations 2016		
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 2018		
403-1	Occupational health and safety management system	60-62 Occupational Health and Safety
403-2	Hazard identification, risk assessment and incident investigation	60-62 Occupational Health and Safety
403-3	Occupational health services	Given the financial nature of the business, there are no occupational illnesses or high risks of illness.
403-4	Worker participation, consultation and communication on occupational health and safety at work	60-62 Occupational Health and Safety
403-5	Occupational health and safety training for workers.	60 Occupational Health and Safety
403-6	Promotion of workers' health.	61-62 Health plan-Zainduz
403-7	Prevention and mitigation of impacts on the health and safety of workers directly linked through business relationships.	Given the activity, no negative impacts of trade relations are detected
403-8	Occupational health and safety management system coverage	60 Occupational Health and Safety
403-9	Work-related injuries.	60 Accident rate 91 Accidents at work
403-10	Occupational diseases and illnesses.	60 Occupational Health and Safety
Aspect: training and education 2016		
404-1	Average hours of training per year per employee, broken down by sex and by professional category	85-91 Other figures-People
404-2	Skills management and continuing education programmes that promote employability and help manage the end of their professional careers.	54 Continuing education programmes 54 Training for people entering retirement
404-3	Percentage of people who receive regular performance and career development reviews, broken down by sex and by professional category	54-55 Performance Management-Bidean
Aspect: diversity and equal opportunities 2016		
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.	85-91 Other figures-People 18 Corporate Governance
405-2	Ratio of basic salary of men to women, broken down by professional category and key business locations.	58-59 Remuneration management 85-91 Other figures-People Equal pay for equal work, regardless of whether male or female
Aspect: non-discrimination 2016		
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 2016		
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 2016		
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 or compulsory labour 2016		
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 practices 2016		
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: indigenous peoples' rights 2016		
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: Human rights assessment 2016		
412-1	Operations subject to human rights impact assessments or reviews	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.
412-2	Employee training on human rights policies or procedures.	Training is provided on corruption and money laundering, as well as communications on sexual harassment.
412-3	Significant investment agreements and contracts with clauses on human rights or subject to human rights assessment.	Due to the activity carried out and the geographical environment, no risks in this regard have been detected. Supplier companies must accept the code of ethics that includes a clause on human rights.
Aspect: local communities 2016		
413-1	Percentage of centres where programmes for development, impact assessment and local community participation have been implemented.	64-65 Profit sharing 33-35 Materiality analysis
413-2	Business centres with significant actual or potential negative effects on local communities	No activities with a negative or potential impact on local communities have been identified.
Aspect: social assessment of suppliers 2016		
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.
414-2	Significant actual and potential negative social impacts in the supply chain and the measures taken.	
Aspect: public policy 2016		

415-1	Value of political contributions, by country and recipient. Aspect: customer health and safety 2016	67 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.	38-340 Our relationship with customers 44-50 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 outcome. Aspect: marketing and labelling 2016	84 Sanctions 83-84 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.). 38-40 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.	84 Sanctions 83-84 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. Aspect: customer privacy 2016	84 Sanctions 83-84 Customer Service
418-1	Number of substantiated complaints about violation of privacy and leaking of customer data. Aspect: socio-economic compliance 2016	84 Sanctions 83-84 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.	84 Sanctions 83-84 Customer Service 26 Regulatory Compliance
<b>PRODUCT PORTFOLIO</b>		
FS1	Description of the policies with specific environmental and social content applied to the business areas	30-31 Commitments and achievements 65-66 Gaztenpresa Fund 47-48 Socially Responsible Investment 71 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.	56-58 Diversity and Equal Opportunities 47-48 Socially Responsible Investment 71 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	71 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	38-40 Dialogue with Customers 52 Dialogue with staff 68 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 38 Main customer figures 83 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	44-50 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	48 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.	94 Report Profile 71 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.	38-40 Dialogue with Customers 78-81 Our relationship with supplier companies
FS11	Percentage of assets subject to positive and / or negative environmental and social screening	73-74 Environmental risk assessment 47-48 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.	48-49 Accessibility to Financial Services
FS14	Initiatives to improve access to people with disabilities	48-49 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. 38 Our Relationship with Clients 40-43 Responsible management with customers
FS16	Initiatives to expand financial culture, broken down by types of beneficiaries	49-50 Financial Culture 70-71 Financial Education 65-66 Gaztenpresa Fund 66-67 Indirect contributions to society

### 6.3. Principles of Responsible Banking

Reporting requirements and self-assessment	High-level summary of the bank's response	References/Links to full bank response/relevant information
<b>Principle 1: Alignment. Align the business strategy to be coherent and contribute to people's needs and societal goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</b>		
1.1. <i>Describe</i> (high level) the bank's business model, including the main customer segments served, the types of products and services provided, the main sectors and types of activities and, where relevant, the technologies financed in the main geographies in which your bank operates or provides products and services.	Throughout the Sustainability Report and Statement of Non-Financial Information 2020, which follows GRI standards and has been audited by AENOR, we provide answers to these questions.	1.1 Presentation of the Group (P.8) 1.3. Cooperativism (P. 10) 1.5. Geographic distribution of offices (P. 12) 1.6. The Group's main figures (P.13) 3.1.2. Main customer figures (P.38) 3.1.6. Responsible products and services (P.44) 4.1 Clientele (P.83) Main figures for responsible products and services (P. 85)
1.2. <i>Describe</i> how the bank has aligned and/or plans to align its strategy to be coherent and contribute to societal goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks.	Within Laboral Kutxa's general strategic reflection for 20-22, the PRBs have been integrated. At the end of 2020, a reflection has been initiated to propose a sustainable finance strategy. The aim is to understand our initial situation in order to identify areas for improvement and establish a global strategy. This strategy will be completed and implemented in 2021.	0. Letter (p.5-6) 1.7. Risk management ad strategy (P. 15) 2.6. United Nations Global Compact and Sustainable Development Goals (P. 35)
<b>Principle 2: Impact and target setting. Continuously increase positive impacts while reducing negative impacts and managing risks to people and the environment resulting from activities, products and services. To this end, set and publish targets where the most significant impacts can be made.</b>		
<p><b>2.1 Impact analysis:</b> Show that the bank has identified the areas where it has its most significant positive and negative (potential) impact through an impact analysis that meets the following elements:</p> <p>a) <u>Scope</u>: The main business areas, products/services of the bank in the principal areas in which the bank operates as described in 1.1. have been considered in the scope of the analysis.</p> <p>b) <u>Scale of exposure</u>: Where is your core business/main activities in terms of industries, technologies and geographies.</p> <p>c) <u>Context and relevance</u>: most relevant challenges and priorities related to sustainable development.</p> <p>d) <u>Scale and intensity/importance of impact</u>: Social, economic and environmental impacts resulting from the bank's activities and the provision of products and services.</p>	<p>For the Sustainability Report we conducted an impact, risk and opportunity analysis as well as a materiality study. A specific analysis was planned for 2020, using the tool launched by UNEP FI, in the development of which we participated. Both because of the situation experienced by COVID in 2020 and because of the difficulty in obtaining reliable data, this analysis has only begun and is expected to be completed in 2021. The tool is an instrument designed to</p>	<p>1.7. Risk management strategy (P. 15-18) 1.8. Principles and governance (P. 18-22) 2.5. Materiality Analysis (P.33-35) 3.16. Responsible products and services (P. 44-50) 3.4. Our relationship with the environment (P. 71-78) 30-31 Commitments Achievements 32-33 CSR Scorecard</p>

<p>Show that based on this analysis, the bank has</p> <ul style="list-style-type: none"> <li>Identified and disclosed its most significant areas of positive and negative impact (potential)</li> <li>Identified strategic business opportunities in relation to increasing positive impacts / reducing negative impacts.</li> </ul>	<p>analyse the impact of banks' portfolios, helping to analyse the impacts associated with their retail and wholesale portfolios. The analysis will allow us to set targets where it is important to further their contribution to society's goals, as required by the Principles for Responsible Banking.</p>	
<p>Please provide the bank's conclusion / statement if the requirements related to the Impact Analysis have been met.</p>		
<p>In 2020 we started to conduct the impact analysis using the tool proposed by UNEP FI but we were not able to progress at the pace we had planned due to the crisis and the difficulty in obtaining reliable data. The aim is to complete it in 2021 and communicate it in next year's report.</p>		
<p><b>2.2. Target setting</b></p> <p>Show that the bank has established and published a minimum of 2 specific, measurable (qualitative or quantitative), achievable, relevant and time-bound targets that address at least 2 of the identified "areas of most significant impact".</p> <p>Show that the targets are linked to and drive alignment and further contribution to the SDGs, Paris Agreement targets and other relevant international, national or regional frameworks. Identify and set targets against a baseline (assessed against a particular year).</p> <p>Show that the bank has analysed and recognised the significant (potential) negative impacts of the targets and has established relevant actions to mitigate them to the extent possible to maximise the net positive impact.</p>	<p>In 2019, following a strategic reflection, 10 measurable objectives were established that contribute to the objectives of society. To establish these objectives, the Principles of Responsible Banking were taken into account and aligned with the bank's objectives. These objectives affect the main areas of sustainability on which the bank has an impact. Following the reflection on sustainable finance that is currently underway, new targets will be set.</p>	<p>1.7. Risk management ad strategy (P. 15) 2.6. United Nations Global Compact and Sustainable Development Goals (P. 35) 26 Commitments and Achievements</p>
<p>Provide the conclusion/statement on whether the requirements have been fulfilled with regard to the Setting of objs.</p>		
<p>As a consequence of signing the PRBs we have set 10 measurable targets in our strategic period 2020-2022.</p>		
<p><b>2.3. Plans for implementation and monitoring of targets</b></p> <p>Show that the bank has defined actions and milestones to meet the set targets.</p> <p>Show that the bank has established the means to measure and monitor progress against the set objectives. Definitions of key performance indicators, any changes to these definitions and any overshooting of baselines should be transparent.</p>	<p>In addition to the Strategic Plan, the objectives have been integrated into the annual Management Plan, with sub-objectives, responsible persons and action lines. The evolution of these objectives is monitored on a quarterly basis by the Controlling department, which supervises their evolution. The annual evolution of these objectives is explained in the Sustainability Report.</p>	<p>2.6. United Nations Global Compact and Sustainable Development Goals (P. 35) 3.2.5. Diversity and equal opportunities (P. 56) Gaztenpresa Foundation (P. 65) 26 Commitments and Achievements</p>
<p>Provide the conclusion/statement on whether the bank has met the requirements with regard to the Plans for the implementation and monitoring of objectives.</p>		
<p>We have implemented plans and lines of action in the Management Plan to meet the objectives. They are constantly monitored and evaluated at the end of each period.</p>		

<p><b>2.4. Progress in the implementation of objectives</b></p> <p>For each objective separately:  <i>Show</i> that the actions that were previously defined have been implemented.  <i>Explain</i> why the actions could not be implemented/needed to be modified and how the bank is adapting its plan to meet the stated objective.  <i>Report</i> on the bank's progress over the past 12 months in achieving each of the stated objectives and the effect of its progress.</p>	<p>In 2020 overall the achievement of the objectives has been positive. Most of them have been met, with the exception of those directly related to financial activity, which has been slowed down by the COVID-19 crisis.  <b>3 of the targets set for 2022 have already been met.</b></p>	<p>30 Commitments and Achievements</p>
<p>Provide the conclusion/statement on whether the bank has met the requirements with regard to the progress on the implementation of objectives</p>		
<p>Progress in reaching the targets is positive despite the exceptional situation in 2020.</p>		
<p><b>Principle 3: Clients and Consumers. Work responsibly with customers and consumers to promote sustainable practices and enable economic activities that generate shared prosperity for current and future generations.</b></p>		
<p>3.1. <i>Give a general description</i> of the policies and practices that the bank has implemented and/or plans to implement to promote responsible relationships with its customers. Include high-level information on the programmes and actions implemented (and/or planned), their scale and the results thereof.</p>	<p>Describe the practices implemented by LABORAL Kutxa to promote responsible customer relations.  We are convinced that as a credit cooperative, this way of acting responsibly has been a constant since our origins.</p>	<p>3.1. Our relationship with clients (P. 38)</p>
<p>3.2. <i>Describe</i> how the bank has worked and/or plans to work with its clients to promote sustainable economic activities. Include information on planned/implemented actions, developed products and services, and achieved impacts.</p>	<p>This section describes the actions taken to implement responsible customer relations.</p>	<p>3.1. Our relationship with clients (P. 38)  3.1.3. Dialogue with clients (P. 38)</p>
<p><b>Principle 4: Stakeholders. Consult, engage and partner proactively and responsibly with relevant stakeholders to achieve societal goals.</b></p>		
<p>4.1. <i>Describe</i> 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>In order to produce the Sustainability Report, stakeholders have been identified with whom dialogue mechanisms are in place.  These dialogues also cover business and sustainability issues.</p>	<p>2.4. Materiality analysis (P. 33)  30 Commitments and achievements  The stakeholders are examined annually in the materiality study.  38 Dialogue with customers  52 Dialogue with People  52 Joint Negotiation  68 Dialogue with Society</p>
<p><b>Principle 5: Governance and culture. Implement commitment to these Principles through effective governance and a culture of responsible banking.</b></p>		
<p>5.1. <i>Describe</i> the relevant governance structures, policies and procedures the bank has implemented/is planning to manage significant positive and (potential) negative impacts and support the effective implementation of the Principles.</p>	<p>Laboral Kutxa has mechanisms in place to manage impacts and risks, as well as a CSR Committee. The CSR Committee is responsible for and leads initiatives related to sustainability, including the Principles.  This sustainability governance is due to be reviewed in 2021.</p>	<p>1.8. Principles and governance (P. 18)  23 Development of the governing bodies</p>
<p>5.2. <i>Describe</i> the initiatives and measures the bank has implemented or plans to implement to foster a responsible banking culture among its employees. This should include a high-level</p>	<p>Laboral Kutxa is a credit cooperative in which workers are owners of the company, and therefore</p>	<p>1.3. Cooperativism (P. 10)  Values, principles, standards and rules of conduct p.11</p>



<p>overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, among others.</p>	<p>take part democratically in management and decision-making. Our cooperative banking is a social economy and the culture of responsible banking forms part of how we operate. In 2021, sustainability targets have been set as part of the variable remuneration of the members of the Management Committee.</p>	<p>1.10. Remuneration of the governing bodies (P.23) 1.8. Principles and governance (P. 18) 3.2.7. Remuneration Management (P. 58)</p>
<p><b>5.3. Governance structure for implementing the Principles</b> <i>Show</i> that the bank has a governance structure in place, which includes: a) setting objectives and actions to achieve them. b) corrective actions in case they are not achieved or unexpected negative impacts are detected.</p>	<p>As mentioned above, the Principles have been integrated into the Strategic Plan and the Management Plan, which is monitored. The CSR Committee leads, promotes and monitors everything related to sustainability.</p>	<p>In the specific case of environmental objectives, we have UNE EN ISO 14001 environmental certification. 3.4.1. Management approach - Environment (P. 71)</p>
<p>Provide the conclusion/statement on whether the bank has met the requirements with regard to the governance Structure for the implementation of the Principles.</p>		
<p>Laboral Kutxa maintains a structure for sustainability management that will be reviewed in 2021. The current structure, which stems both from our configuration as a credit cooperative and from the continuous effort to improve and adapt our organisation, will be reinforced.</p>		
<p><b>Principle 6: Transparency and accountability. Periodically review individual and collective implementation of these Principles and be transparent and accountable for positive and negative impacts and contribution to societal goals.</b></p>		
<p><b>6.1. Progress in implementing the Principles for Responsible Banking</b> <i>Show</i> that the bank has made progress in implementing the Principles in the last 12 months and has established and implemented objectives in a minimum of two areas. <i>Show</i> that the bank has considered existing and emerging good practices relevant to the implementation of the Principles and has defined priorities and ambitions to align with good practices. <i>Demonstrate</i> that the bank has implemented/is working on implementing changes to existing practices to reflect and align with existing and emerging good practices, and has made progress in implementing these Principles.</p>	<p>There are two main initiatives underway: On the one hand, the ongoing reflection on sustainable finance. As part of this, a benchmarking of best practices of the most advanced institutions in this field has been carried out. At the same time, a working group has been formed to comply with the regulatory obligations that are arising from the regulators, such as Regulation 2088/2019.</p>	<p>Since the signing of the Principles, we have participated in the initiatives carried out by UNEP FI to advance in their implementation. This allows us to be at the forefront of the best practices that are being carried out at international level.</p>
<p>Provide the conclusion/statement on whether the bank has met the requirements with regard to the progress on the implementation of the principles of responsible banking</p>		
<p>After an initial phase of mainstreaming and target setting, the implementation of the Principles will be accelerated by the general reflection on sustainability that we have launched at the end of 2020.</p>		

## 6.4. Implementation of TCFD climate change recommendations.

The Financial Stability Board (FSB) commissioned the TCFD (Task Force On Climate-related Financial Disclosures) to develop a reporting framework to help the market assess the performance of companies with respect to climate change and to contribute to stakeholder decision-making. The following table shows LABORAL Kutxa's first progress report and summary.

**Situation as at 31/12/2020**

### 1. Governance

Disclose the organisation's governance of climate-related risks and opportunities.

RECOMMENDATIONS	IMPLEMENTED	PLAN 2021
<ol style="list-style-type: none"> <li>1. Describe management's role in assessing and managing climate-related risks and opportunities.</li> <li>2. Describe the board's control over climate-related risks and opportunities.</li> </ol>	<ul style="list-style-type: none"> <li>• The Risk Committee advises the Board of Directors on the management and supervision of all relevant risks, and on monitoring the implementation of the overall risk appetite appropriate to the Entity's strategy.</li> <li>• The Governing Council reviews the sustainability performance on an annual basis.</li> <li>• Currently the Environment Committee, as part of the environmental programme and ISO 14001 environmental certification, analyses the environmental risks and opportunities affecting LABORAL Kutxa.</li> </ul>	<ul style="list-style-type: none"> <li>• An initial analysis of risks and opportunities related to climate change is planned, as well as an analysis of the impact of the activity.</li> <li>• This analysis is part of the commitments acquired as signatories of the United Nations Principles of Responsible Banking.</li> <li>• A review of sustainability governance is also envisaged as part of the ongoing reflection on a sustainable finance strategy.</li> </ul>

### 2. Strategy

Disclose the current and potential impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning where material.

RECOMMENDATIONS	IMPLEMENTED	PLAN 2021
<ol style="list-style-type: none"> <li>1. Describe the climate-related risks and opportunities identified by the organisation in the short, medium and long term.</li> </ol>	<ul style="list-style-type: none"> <li>• Calculation of exposure to fossil fuels in the Sustainability Report.</li> </ul>	<ul style="list-style-type: none"> <li>• As mentioned above, a sustainable finance strategy was initiated in 2020 and will be completed and implemented in 2021, which includes carrying out an impact analysis, as well as a data governance plan.</li> </ul>

RECOMMENDATIONS	IMPLEMENTED	PLAN 2021
<ol style="list-style-type: none"> <li>2. Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.</li> <li>3. Describe the resilience of the organisation's strategy, taking into account different climate-related scenarios, such as a scenario of 2°C or less.</li> </ol>	<ul style="list-style-type: none"> <li>• In 2020, several members of the Board of Directors, the Management Committee and heads of directly affected departments (e.g. Global Risk Management) underwent extensive training by AFI (International Financial Analysts) on sustainable finance in which climate-related risks and opportunities were addressed.</li> <li>• We participated in the development of the UNEP FI impact analysis tool.</li> <li>• Sustainability has been included as a cross-cutting aspect of LABORAL Kutxa's strategy for the 2020-2022 period, while 10 specific and measurable objectives have been established.</li> </ul>	<ul style="list-style-type: none"> <li>• The 2021 Training Plan includes a minimum of 10 hours of staff training on sustainable finance, including climate risks and opportunities.</li> <li>• A first impact analysis will be carried out with the UNEP FI tool.</li> </ul>

### 3. Risk Management

Disclose how the organisation identifies, assesses and manages climate-related risks.

RECOMMENDATIONS	IMPLEMENTED	PLAN 2021
<ol style="list-style-type: none"> <li>1. Describe the organisation's processes for identifying and assessing climate-related risks.</li> <li>2. Describe the organisation's processes for managing climate-related risks.</li> <li>3. Describe how the processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.</li> </ol>	<ul style="list-style-type: none"> <li>• Environmental risk control procedure for financing company operations.</li> <li>• Implemented an IT enhancement to record the energy rating of mortgaged homes as well as the fuel used by financed vehicles.</li> <li>• Analysis of risks and opportunities within ISO14001 environmental certification.</li> <li>• Exclusion criteria in financing and investment.</li> </ul>	<ul style="list-style-type: none"> <li>• Development of the commitments acquired by signing the Principles of Responsible Banking.</li> <li>• Implementation of the measures required by Regulation 2088/2019 on disclosure on the integration of environmental risks in investment and advice.</li> <li>• Analyse the implementation of the European Union taxonomy in the classification of the portfolio.</li> </ul>

## 4. Metrics and targets

Disclose metrics and objectives used to assess and manage relevant climate-related risks and opportunities where such information is material.

RECOMMENDATIONS	IMPLEMENTED	PLAN 2021
<ol style="list-style-type: none"><li>1. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in accordance with its risk strategy and management process.</li><li>2. Disclose Scope 1, Scope 2 and, if applicable, Scope 3 for greenhouse gas (GHG) emissions and related risks.</li><li>3. Describe the objectives used by the organisation to manage climate-related risks and opportunities and performance against targets.</li></ol>	<ul style="list-style-type: none"><li>• Information on financing renewable energies.</li><li>• LABORAL Kutxa discloses its carbon footprint in its Sustainability Report.</li><li>• Sustainability objectives in the Strategic Plan. It is worth highlighting the 83% reduction in the carbon footprint by 2020, mainly as a result of consuming all electrical energy from renewable sources.</li></ul>	<ul style="list-style-type: none"><li>• Begin incorporating climate-related risks into Laboral Kutxa's risk appetite framework.</li><li>• Work on extending the measurement of Scope 3 to include the portfolio's emissions.</li><li>• Consider setting long-term targets for emissions reduction and portfolio exposure.</li></ul>

## 6.5. Reporting level of the Report

LABORAL Kutxa declares that this Report has been prepared in accordance with the GRI standards: Comprehensive option. This was indicated by the results of AENOR's external verification.

## 6.6. AENOR verification

