

# 2017 ANNUAL CORPORATE GOVERNANCE REPORT

## CRITERIA CAIXA, S.A., SOCIEDAD UNIPERSONAL

### ISSUER'S PARTICULARS

FINANCIAL YEAR-END	31/12/2017
Company Tax ID No. (C.I.F.):	A-63379135
Company name:	CRITERIA CAIXA, S.A., SOCIEDAD UNIPERSONAL
Registered address:	PLAZA WEYLER, 3, PALMA

**ANNUAL CORPORATE GOVERNANCE REPORT OF OTHER ENTITIES, OTHER THAN SAVINGS BANKS, THAT ISSUE SECURITIES TRADED ON OFFICIAL MARKETS**

**A OWNERSHIP STRUCTURE**

A.1 Detail of the most significant shareholders or unit trust shareholders from your entity at year-end:

Name or corporate name of shareholder or unit trust shareholder	% of share capital
CAIXA D'ESTALVIS I PENSIONS DE BARCELONA, "LA CAIXA" BANKING FOUNDATION	100

A.2 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the bank, unless they are insignificant or arise from ordinary trading or exchange activities.

NIF or CIF	Related-party names or corporate names	Type of relationship	Brief description
	*See Note in Section G		

A.3 Indicate, as applicable, any commercial, contractual or corporate relationships between the significant shareholders or unit trust shareholders and the entity, unless they are insignificant or arise from ordinary trading or exchange activities.

Related-party names or corporate names
CAIXA D'ESTALVIS I PENSIONS DE BARCELONA, "LA CAIXA" BANKING FOUNDATION

Type of relationship: CORPORATE.

Brief description Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" Banking Foundation, is the company's sole shareholder.

A.4 Indicate, if applicable, any restrictions on the exercise of voting rights as well as on the acquisition or transfer of equity investments:

Yes ✓

No

**Description of the restrictions**

**TRANSFER OF EQUITY INVESTMENTS:** The limitations on the transferability of shares are set forth in article 9 of the bylaws. Transfers in favour of (i) other shareholders, (ii) the spouse, the ascendants or descendants of the transferring shareholder, and (iii) companies belonging to the same group of companies as the transferring shareholder are unrestricted. Other than in these cases, a shareholder who intends to transfer his shares in the Company must give written notice to the governing body indicating the number, class and series of the shares that he wishes to transfer, the name, the domicile and the nationality of the person to whom he wishes to transfer them, the price or consideration for each share, and the conditions according to which the transaction shall be carried out. After the length of time, and in accordance with the procedure, set forth in the bylaws, the remaining shareholders shall have the right of first refusal and, as applicable, the right of the Company itself.

**EXERCISE OF VOTING RIGHTS:** There are no restrictions on the voting rights corresponding to the shares of CRITERIA CAIXA, S.A.U.

## **B GENERAL MEETING OR EQUIVALENT BODY**

- B.1** Indicate the quorum for a general meeting or equivalent body set forth in the bylaws. Describe how it differs from the system of minimum quorums set forth in the Corporate Enterprise Act (LSC) or the applicable regulations.

In accordance with article 16 of the bylaws, the general meeting shall be validly held, at first call, if the shareholders in attendance or represented by proxy hold at least 25% of the subscribed share capital with voting rights. At second call, the meeting shall be validly held regardless of the proportion of share capital in attendance. In order for the General Meeting, whether Ordinary or Extraordinary, to validly agree to issue securities, suppress or limit subscription rights, increase or reduce capital, carry out a transformation, merger, spin-off, global transfer of assets and liabilities, transfer the registered office to a foreign country or make any changes to the Bylaws, shareholders at first call, whether present or proxy, representing at least 50% of subscribed capital with voting rights must be in attendance. On second call the attendance of shareholders holding 25% of the share capital shall suffice. The foregoing is without prejudice to other cases set forth in the law, in particular in special laws that may be applicable to the Company.

The Company currently has a sole shareholder; consequently, the system set forth in the restated text of the Corporate Enterprise Act shall apply.

- B.2** Explain the system for adopting corporate resolutions. Describe how it differs from the system set forth in the LSC or the applicable regulations.

In accordance with article 18 of the bylaws, Board resolutions shall be adopted by a simple majority of the shareholders in attendance or represented by proxy at the general meeting. Resolutions shall be understood to be adopted when they receive more votes in favour than against the share capital present or represented by proxy at the meeting.

The system for adopting Board resolutions set forth in Article 18 of the Bylaws is the same as that set forth in the Corporate Enterprise Act.

The Company is currently a sole shareholder's company.

- B.3** Briefly indicate what resolutions were adopted at the general meetings or equivalent bodies held during the year referred to in this report and the percentage of votes with which they were adopted.

The resolutions of the Company's sole shareholder in 2017 were:

19/01/2017: Distribution of reserves (other reserves) for the sum of EUR 100 million.

16/03/2017: Approval of the maximum level of variable remuneration for employees whose work has a significant impact on the Company's risk profile and the Appointment of Mr. Eugenio Gay Montalvo as a non-executive (proprietary) Director at the Company.

18/05/2017: Approval of the individual and consolidated financial statements corresponding to the year ended at 31 December 2016 and the respective management reports. Approval of the directors' performance in 2016. Appropriation of profit in 2016. Distribution of reserves (other reserves) for the sum of EUR 100 million and re-election of the auditor.

06/07/2017: Distribution of reserves (other reserves) for the sum of EUR 100 million.

06/10/2017: Change of registered address to Palma (Plaza Weyler, 3) and modification of the Bylaws.

B.4 Indicate the address and mode of accessing your entity's webpage with information on corporate governance.

The information on the corporate governance of Criteria Caixa, S.A.U. is available on the Company's corporate webpage ([www.criteriacaixa.com](http://www.criteriacaixa.com)).

B.5 Indicate if meetings have been held of the different syndicates, if applicable, of holders of securities issued by the entity, the purpose of such meetings held during the year referred to in this report, and the main resolutions adopted.

In 2017 CriteriaCaixa did not hold any Bondholders' General Assemblies.

## C STRUCTURE OF ADMINISTRATION OF THE ENTITY

### C.1 Board or governing body

C.1.1 Indicate the maximum and minimum number of Directors or members of the Board set out in the bylaws:

Maximum number of Directors or members of the governing body	20
Minimum number of Directors or members of the governing body	8

C.1.2 Complete the following table on the members of the Board or governing body and their respective status:

#### MEMBERS OF THE BOARD/GOVERNING BODY

Name or corporate name of the member of the Board/governing body	Representative	Last date of appointment
*See Note in Section G		
Isidro Fainé Casas	-	18/12/2013
Alejandro García-Bragado Dalmau	-	26/06/2014
Javier Godó Muntañola	-	26/06/2014
José Antonio Asiáin Ayala	-	18/12/2013
Marcos Contreras Manrique	-	18/12/2013
Jean-Louis Chaussade	-	18/12/2013
Isabel Estapé Tous	-	18/12/2013
Francisco Javier García Sanz	-	18/12/2013
Eugenio Gay Montalvo	-	17/03/2017
Víctor Grífols Roura	-	26/06/2014
Josep-Delfí Guàrdia Canela	-	18/12/2013
Heinrich Haasis	-	18/12/2013
Francesc Homs Ferret	-	18/12/2013
Juan José López Burniol	-	26/06/2014
Josep Joan Simón Carreras	-	18/12/2013

C.1.3 List the members of the Board or governing body, if any, who hold office as Directors or executives in other entities belonging to the entity's group.

Name or corporate name of the member of the Board/governing body	Corporate name of the group entity	Position
Isidro Fainé Casas	Caixa d'Estalvis i Pensions de Barcelona, "la Caixa", Banking Foundation	Chairman of the Board of Trustees
Javier Godó Muntañola	Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" Banking Foundation	Trustee
Francesc Homs Ferret	Caixa d'Estalvis i Pensions de Barcelona, "la Caixa", Banking Foundation  Inmo Criteria Caixa, S.A.U.	Trustee  Second Deputy Chairman of the Board of Directors
Juan José López Burniol	Caixa d'Estalvis i Pensions de Barcelona, "la Caixa", Banking Foundation	Deputy Chairman of the Board of Trustees
Eugenio Gay Montalvo	Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa"	Trustee

C.1.4 Complete the following table on the number of female Directors on the Board of Directors and the committees thereof, as well as the changes therein over the last four years.

Number of women Directors				
	2017 Number %	2016 Number %	2015 Number %	2014 Number %
Board of Directors	1 6.66%	1 6.66%	1 6.66%	1 5.88%
Executive Committee	N.S.	N.S.	N.S.	N.S.
Audit and Control Committee	1 33.33%	1 33.33%	1 33.33%	1 33.33%
Appointments and Remuneration Committee	1 33.33%	1 33.33%	1 33.33%	1 33.33%

C.1.5 Complete the following table on the aggregate remuneration of the Directors or members of Board or of the governing body during the year:

Remuneration item	Thousands of euros	
	Individual	Group
Fixed remuneration	3,207	128
Variable remuneration	0	0
Attendance fees	0	0
Other remuneration	0	0
TOTAL:	3,207	128

C.1.6 List any members of senior management who are not Directors or executive members of the governing body and indicate total remuneration paid to them during the year.

Name or corporate name	Position
Marcelino Armenter Vidal	General Manager
Jaume Giró Ribas	General Manager of Communications
Javier José Paso Luna	Tax and Legal Area Manager
Óscar Valentín Carpio Garijo	Assistant Deputy General Manager
Xavier Moragas Freixa	Assistant Deputy General Manager
Enrique Goñi Beltrán de Garizurieta	Assistant to the Office of the Chairman

Total remuneration received by senior management (thousands of euros)	4,308
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\*See Note in Section G

C.1.7 Indicate whether the Bylaws or the Board regulations set a limited term of office for Directors or members of the governing body.

Yes	No ✓
Maximum number of years in office	Four (4) years, although Directors can be re-elected indefinitely for periods of equal duration

C.1.8 Indicate whether the consolidated and individual financial statements submitted for authorisation for issue by the Board or governing body are previously certified:

Yes No ✓

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior for their authorisation for issue by the Board.



Name	Position

C.1.9 Explain the mechanisms, if any, established by the Board of Directors or governing body to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting or equivalent body with a qualified audit report.

The Audit and Control Committee is responsible for ensuring that the financial information is correctly drawn up in addition to other duties which include the following in order to avoid a qualified audit report:

- (i) to serve as a channel of communication between the Board of Directors and the auditors, to evaluate the results of each audit and the responses of the management team to its recommendations and to mediate in cases of discrepancies between the former and the latter in relation to the principles and criteria applicable to the preparation of the financial statements, as well as to examine the circumstances which, as the case may be, motivated the resignation of the auditor;
- (ii) to establish appropriate relationships with auditors in order to receive information, for examination by the Audit and Control Committee, on matters which may jeopardise the independence of said auditors and any other matters relating to the audit process and any other communications provided for in audit legislation and technical audit regulations.
- (iii) to supervise compliance with the auditing contract, striving to ensure that the opinion about the Annual Financial Statements and the principal contents of the auditor's report are drafted clearly and precisely.
- (iv) to review the Company's accounts and the periodic financial reporting which the Board must furnish to the markets and its supervisory bodies and, in general, to monitor compliance with legal requisites on this subject matter and the correct application of generally accepted accounting principles, as well as to provide periodic financial information in advance to the Board of Directors and to report on the proposals for modification of accounting principles and criteria suggested by management.

C.1.10 Is the Secretary to the Board or of the governing body a Director?

Yes

No ✓

C.1.11 Indicate and explain, where applicable, the mechanisms to preserve the independence of the external auditor, financial analysts, investment banks and rating agencies.

The Audit and Control Committee is responsible for submitting to the Board of Directors, for submission to the Sole Shareholder, the proposals for selection, appointment, re-election and replacement of the external auditors, in accordance with the regulations applicable to the Company, as well as the contracting conditions thereof, and for regularly gathering from the external auditor information on the auditing plan and its execution as well as preserving

its independence in the exercise of its duties.

On an annual basis, the Audit and Control Committee receives from the external auditors a declaration of independence from the entity or entities related to it directly or indirectly, in addition to information on additional services of any kind rendered and the corresponding fees received from these entities by the external auditor or by the persons or entities related to the external auditor as stipulated in auditing legislation. In addition, the Audit and Control Committee issues annually, prior to the audit report, a report containing an opinion on the independence of the auditors. This report contains, in all cases, the evaluation of the provision of any additional services referred to in this section, individually and collectively considered, other than the legal audit and related to the degree of independence or to the regulatory audit regulations;

The Company has a policy governing the relationship with the external auditor, approved by the Audit and Control Committee and by the Board of Directors of the Company, to guarantee compliance with applicable legislation and the independence of the auditing work.

## C.2 Committees of the Board or governing body

### C.2.1 List the committees of the Board or governing body:

Name of the committee	No. of members
Audit and Control Committee	3
Appointments and Remuneration Committee	3

### C.2.2 Detail all committees of the Board or governing body and the members of said committees and the proportion of executive, proprietary, independent and other external directors on them (entities not having the legal form of companies do not complete the category of director in the corresponding table and in the section with their legal regime and the manner in which they fulfil the conditions for belonging to the Audit Committee and the Appointments and Remuneration Committee):

#### AUDIT AND CONTROL COMMITTEE

Name	Position	Category
Isabel Estapé Tous	Chairman	Independent
Marcos Contreras Manrique	Committee Member	Independent
Josep Joan Simón Carreras	Committee Member	Proprietary

% of proprietary Directors	33.33%
% of independent Directors	66.67%
% of other external Directors	0%
Number of meetings	8

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

As required in the Bylaws, the Board of Directors appointed an Audit and Control Committee with the areas of responsibility and rules of operation set forth in current regulations. The Audit and Control Committee is made up of non-executive Directors, and it has a minimum of three and a maximum of five members, and at least one of its members is independent.

The Board of Directors has appointed the members of the Audit and Control Committee, to which end it shall bear in mind the knowledge, aptitudes, and experience of the Board members and the assignments of the Committee.

The Audit and Control Committee appointed a Chairman from amongst its independent members. It also appointed a Secretary and a Deputy Secretary, both of whom need not be members thereof. In the event that such appointments are not made, the Secretary and Deputy Secretary of the Board shall act as Deputy Secretary of the Committee. The members of the Company's management team or personnel shall be required to attend the meeting of the Audit and Control Committee and to provide it with their collaboration and access to the information available to them when the Committee so requests. The Committee may also require the Company's auditors to attend its meetings.

In any event, notwithstanding any other task which may be assigned to it from time to time by the Board of Directors, the Audit and Control Committee shall exercise the following basic duties:

- a) To report at the Annual General Meeting on matters posed by shareholders in the area of its competence;
- b) To submit to the Board of Directors, for submission to the General Shareholders' Meeting or to the Sole Shareholder, the proposals for selection, appointment, re-election and replacement of the external auditors, in accordance with regulations applicable to the Company, as well as the contracting conditions thereof, and to regularly gather from the Board information on the auditing plan and its execution as well as to preserve its independence in the exercise of its duties;
- c) To supervise the internal auditing services, verifying the adequacy and integrity thereof, to propose the selection, appointment and substitution of the persons responsible for said services, to propose the budget for such services, and to verify that senior management bears in mind the conclusions and recommendations of their reports;
- d) To serve as a channel of communication between the Board of Directors and the auditors, to evaluate the results of each audit and the responses of the management team to its recommendations and to mediate in cases of discrepancies between the former and the latter in relation to the principles and criteria applicable to the preparation of the financial statements, as well as to examine the circumstances which, as the case

- may be, motivated the resignation of the auditor;
- e) To oversee the process for preparing and submitting required financial information and the effectiveness of the Company's internal control systems, internal audit and risk management system, including tax risks, and to discuss with the auditors of accounts any significant weaknesses in the internal control system identified during the course of the audit;
  - f) To establish appropriate relationships with auditors in order to receive information, for examination by the Audit and Control Committee, on matters which may jeopardise the independence of said auditors and any other matters relating to the audit process and any other communications provided for in audit legislation and technical audit regulations. In all events, on an annual basis, they shall receive from the external auditors a declaration of independence from the entity or entities related to it directly or indirectly, in addition to information on additional services rendered of any kind and the corresponding fees received from these entities by the external auditor or by the persons or entities related to the external auditor as stipulated in auditing legislation. In addition, the Audit and Control Committee will issue annually, prior to the audit report, a report containing an opinion on the independence of the auditors. This report shall contain, in all cases, the evaluation of the provision of any additional services referred to in this section, individually and collectively considered, other than the legal audit and related to the degree of independence or to the regulatory audit regulations;
  - g) To supervise compliance with the auditing contract, striving to ensure that the opinion about the Annual Financial Statements and the principal contents of the auditor's report are drafted clearly and precisely.
  - h) To review the Company's accounts and the periodic financial reporting which the Board must furnish to the markets and its supervisory bodies and, in general, to monitor compliance with legal requisites on this subject matter and the correct application of generally accepted accounting principles, as well as to provide periodic financial information in advance to the Board of Directors and to report on the proposals for modification of accounting principles and criteria suggested by management.
  - i) To supervise the compliance with regulations with respect to related party transactions and, previously, inform the Board of Directors on such transactions. In particular, to ensure that the information on said transactions be reported to the market, in compliance with the provisions of legislation, and to report on transactions which imply or may imply conflicts of interest;
  - j) To supervise the compliance with Internal Rules of Conduct on matters relating to the Stock Market and, in general, of the rules of corporate governance applicable to it;
  - k) To previously report to the Board on the creation or acquisition of stakes in special purpose entities domiciled in countries or territories considered to be tax havens, as well as any other transactions or operations of an analogous nature which, due to their complexity, may be detrimental to the transparency of the Company or of the group to which it belongs;
  - l) To consider the suggestions submitted to it by the Chairman of the Board of Directors, Board members, executives and shareholders of the

Company, and to establish and supervise a mechanism which allows the employees of the Company or of the group to which it belongs confidentially and, if deemed, appropriate, anonymously, to report irregularities of potential significance, especially financial and accounting ones, which they observe within the Company;

- m) To receive information and, where applicable, issue a report on the disciplinary measures intended to be imposed upon members of the Company's senior management team.
- n) Any others attributed thereto by Law and other regulations applicable to the Company.

For all matters not expressly foreseen for the Audit and Control Committee, the rules of operation set forth in the Bylaws concerning the Board of Directors shall be applied, provided that they are compatible with the nature and duties of the corresponding committee.

As a consequence of the powers attributed, the most important actions of the Audit and Control Committee in 2017 were:

- At the meeting held at 06/02/2017: Review of the prudential deconsolidation process.
- At the meeting held at 21/02/2017: Approving and submitting to the Board of Directors, inter alia: 1) Annual Financial Report. Preparation of the individual and consolidated financial statements and of the management reports. Annual Corporate Governance Report. Proposed appropriation of profit for 2016; 2) Regulatory aspects (RAF metrics); 3) Policies and internal regulations (Annual Report on the Internal Rules of Conduct and appointment of members of the Internal Rules of Conduct Monitoring Committee) and 4) Internal Audit Reports.
- At the meeting held at 20/04/2017: 1) Review of the concise declaration on the Annual Report of the Internal Capital Adequacy Assessment Process (ICAAP); 2) Review of the concise declaration on the Annual Report of the Internal Liquidity Adequacy Assessment Process (ILAAP); 3) Information of Prudential Relevance (IPR); 4) Procurement of services provided by the External Auditor; and 5) Internal Audit matters.
- At the meeting held at 28/04/2017: 1) Information on the System for Internal Control over Financial Reporting (ICFR); 2) Closing the financial statements for the 1st quarter of 2017; 3) Approving and submitting to the Board of Directors, inter alia: Annual Report of the Internal Capital Adequacy Assessment Process (ICAAP), Annual Report of the Internal Liquidity Adequacy Assessment Process (ILAAP) and Information of Prudential Relevance (IPR); and 4) Procurement of services provided by the External Auditor.
- At the meeting held at 26/07/2017: Approving and submitting to the Board of Directors, inter alia: 1) Financial statements for the 1st half of

2017; 2) Review of the interim financial statements; 3) Prudential consolidation aspects and 4) Procurement of services provided by the External Auditor.

- At the meeting held at 26/09/2017: Approving and submitting to the Board of Directors, inter alia: 1) Recovery Plan of the Criteria Group; 2) Independent expert's Annual Report on anti-money laundering and counter terrorist financing and 3) Procurement of services provided by the External Auditor.
- At the meeting held on 19/10/2017, the distribution of the first interim dividend with a charge to profits of €75 million for 2017.
- At the meeting held at 14/12/2017: Review of the projects deriving from the prudential deconsolidation process and the approval and submission to the Board of Directors, inter alia: 1) Second distribution of dividends charged to profits of €25 million; 2) Amendments to the Internal Protocol Governing Relations; 3) Model for the prevention of and response to crimes at the Criteria Group; 4) Amendments to the Code of Ethics; 5) Amendments to the Confidential Consulting and Whistle-blowing Channel Regulations; 5) Report on Internal Audit activities and the Internal Audit Plan for 2018.

Identify the Director who has been appointed Chairman on the basis of knowledge and experience of accounting or auditing, or both and state the number of years they have been Chairman.

Name of Director with experience	Ms. Isabel Estapé Tous
Number of years as Chairman	4

#### APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
Isabel Estapé Tous	Chairman	Independent
José Antonio Asiáin Ayala	Committee Member	Independent
Juan José López Burniol	Committee Member	Proprietary

% of proprietary Directors	33.33%
% of independent Directors	66.67%
% of other external Directors	0%
Number of meetings	6

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

As required in the Bylaws, the Board of Directors named an Appointments and Remuneration Committee with the areas of responsibility and to be governed by the rules of operation set forth in current regulations. The Appointments and Remuneration Committee is made up exclusively of non-executive Directors, and it has three members, and at least two of its members are independent. The Appointments and Remuneration Committee appointed a chairman from amongst the independent Directors that belong to it. It also appointed a Secretary and a Deputy Secretary who are not Directors.

In any event, notwithstanding any other task which may be assigned to it from time to time by the Board of Directors, the Appointments and Remuneration Committee shall exercise the following basic duties:

- a) To evaluate the balance of skills, knowledge and experience on the Board of Directors. For such purposes, it shall define the roles and capabilities required of the candidates to fill each vacancy, and shall evaluate the time and dedication necessary for them to effectively perform their duties.
- b) To establish a target representation of the gender least represented on the Board of Directors and prepare guidelines of how to achieve this objective;
- c) To submit to the Board of Directors the proposals for the nomination of the independent Directors to be appointed by co-option or for submission to the decision of the General Shareholders' Meeting, as well as the proposals for the reappointment or removal of such Directors by the General Shareholders Meeting;
- d) To report on the proposed appointments of the remaining Directors to be appointed by co-option or for submission to the decision of the General Shareholders' Meeting, as well as the proposals for their reappointment or removal by the General Shareholders' Meeting;
- e) To report on proposals for the appointment and removal of senior executives and the basic terms and conditions of their contracts;
- f) To examine and organise the succession of the Chairman of the Board of Directors and the CEO of the Company and, where applicable, make recommendations to the Board of Directors to ensure a smooth and well-planned handover;
- g) To propose to the Board of Directors the remuneration policy for Directors, general managers and those carrying out senior executive duties and reporting directly to the Board, to the Executive Committees, or to Chief Executive Officers, as well as the individual remuneration and other contractual conditions of executive Directors, and to ensure that such policies are observed.

For all matters not expressly foreseen for the Appointments and Remuneration Committee, the rules of operation set forth in the Bylaws with regard to the Board of Directors shall be applied, provided that they are compatible with the nature and duties of the corresponding committee.

As a consequence of the powers attributed, the most important actions of the Appointments and Remuneration Committee in 2017 were:

- At the meeting held at 24/01/2017: Resignation of the Secretary to the Board of Directors.
- At the meeting held at 24/02/2017: Approving and submitting to the Board of Directors: 1) Annual Corporate Governance Report; 2) Variable Remuneration for 2016 and Senior Executive Remuneration for 2017 and 3) Identified Staff for 2017.
- At the meeting held at 28/04/2017: Approving and submitting to the Board of Directors, inter alia: 1) Determination on the Identified Staff at the Company; 2) Internal Assessment Report on the Remuneration Policy; 3) Information of Prudential Relevance; 4) Appointment of member of the Audit and Control Committee.
- At the meeting held at 28/07/2017: 1) Bank of Spain information requirements concerning the process of assessing the suitability of Directors and Senior Management at the Company, in addition to the Board of Directors as a whole.
- At the meeting held at 19/10/2017: Approving and submitting to the Board of Directors the resolution concerning the withdrawal of the Policy regarding the Remuneration of the Identified Group.
- At the meeting held at 14/12/2017: Ratifying and submitting to the Board of Directors, for acknowledgement, the terms and conditions of the civil liability insurance policy for Directors and Senior Management at CriteriaCaixa.

\*See Note in Section G



## D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

### D.1 Details of the transactions conducted between the entity or entities of its group and the shareholders, cooperativist unit holders, holders of proprietary rights or any other right of the entity of an equivalent nature.

The most significant transactions carried out between CriteriaCaixa or its subsidiaries and the Sole Shareholder, Caixa d'Estalvis i Pensions de Barcelona Banking Foundation, "la Caixa", were as follows:

Name or corporate name of significant shareholder	Name or corporate name of the company or its group entity	Nature of the relationship	Type of transaction	Amount (thousands of euros)
"la Caixa" Banking Foundation	CriteriaCaixa	Corporate	Distribution of reserves	300,000
"la Caixa" Banking Foundation	CriteriaCaixa	Corporate	Distribution of interim dividends	100,000

dNote 24 of the consolidated financial statements of CriteriaCaixa gives all the balances, in the aggregate, of the Sole shareholder with companies in the Criteria Group.

### D.2 Details of the transactions conducted between the entity or entities of its group and the Directors or members of the governing body or executives of the entity.

All transactions were carried out in the ordinary course of business and on an arm's length basis.

Note 24 of the consolidated financial statements of CriteriaCaixa gives all the balances, in the aggregate, with Directors and executives.

### D.3 Details of intergroup transactions

The most significant transactions carried out by the Company with other entities belonging to the Criteria Group are as follows:

Corporate name of the group entity	Type of transaction	Amount (thousands of euros)
Arrendamiento Inmo Criteria Caixa, S.L.U.	Loans granted	175,000
Els Arbres de la Tardor, S.L.U.	Loan granted	250,000

Inmo Criteria Caixa, S.A.U.	Loan granted	55,000
Servihabitat Alquiler II, S.L.U.	Loan granted	45,000
Inmo Criteria Caixa, S.A.U.	Capital increase through cash contribution (share capital and share premium)	302,653
Inmo Criteria Caixa, S.A.U.	Capital increase through non-monetary contribution (share capital and share premium)	37,751

The most significant operations undertaken by the Company and or Criteria Group companies with associate and jointly controlled entities were as follows:

<b>Corporate name of the associate entity</b>	<b>Type of transaction</b>	<b>Amount (thousands of euros)</b>
CriteriaCaixa	Balances in term and demand deposits in CaixaBank	653,049
Saba Infraestructuras, S.A.	Balances in term and demand deposits in CaixaBank	109,738
CriteriaCaixa <i>*See Note in Section G</i>	Interest-rate hedge contracts (the notional value is indicated)	1,100,000
Arrendamiento Inmo Criteria Caixa, S.L.U.	Mortgage loans with CaixaBank	114,320

See Note 24 of the consolidated financial statements of the Criteria Group and Note 21 of the individual financial statements of CriteriaCaixa.

**D.4** List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the entity or its group and its Directors or members of or governing body or its executives.

The Company keeps its Directors informed of their obligations and, in particular, of their obligation to avoid the conflicts of interest set forth in the Corporate Enterprise Act. Each year, the Secretary of the Board of Directors or, where applicable, the Deputy Secretary to the Board of Directors, sends a form for to each Director to indicate the existence of any conflict of interest, in order for such conflicts to be recorded in the financial statements and, if applicable, to evaluate if, in exceptional cases, an exemption should be granted allowing Directors having requested authorisation to carry out given actions.

Furthermore, the Company as Internal Rules of Conduct on matters relating to the Stock Market, which sets forth various obligations, such as that of refraining from carrying out certain transactions during certain periods, communicating and reporting given transactions to the Company, safeguarding and taking action with regard to information that may be considered privileged.

## E RISK CONTROL AND MANAGEMENT SYSTEMS

### E.1 Describe the risk management system in place at the entity.

Risk control is fully integrated in the business and the Company plays a proactive role in ensuring that it is implemented. The Board of Directors, delegates responsibility for supervising the efficacy of the internal control and risk management systems to the Audit and Control Committee. The Management Committee ensures that controls are duly implemented, takes decisions on how to improve these controls and provides updates to the Governing Bodies.

In the fourth quarter of 2017, once the European Central Bank (ECB) confirmed that there had been a loss of control over CaixaBank, CriteriaCaixa carried out the measures required to adapt its corporate risk management model to this new situation.

In this connection, CriteriaCaixa's Board of Directors approved the Corporate Risk Management Policy on 25 January 2018 (hereinafter, "**CRM**"), which provides a framework for the establishment of the CRM model for the Criteria Group, including CriteriaCaixa and the companies under its direct management which it fully owns. The main aspects of the Model are:

- **Control environment:** promote a risk management and control culture, informing all employees of updates made to the CRM policies and procedures and offering regular training.
- **Setting of corporate targets:** based on Criteria Group's mission and vision, these targets are the basis and starting point for risk identification and assessment and control activities.
- **Risk identification and assessment:** detection of risks that could prevent corporate targets from being achieved, and their assessment considering probability of occurrence and impact (economic, reputational and in relation to business continuity).
- **Control activities:** ensure the efficiency of the guidelines of set by Management in a control risk framework, associating controls to risks in order to reduce their probability of occurrence and/or impact.
- **Monitoring and reporting:** controlling risk development for each area and/or business, monitor control assessment and assess their effectiveness in order to report to the Governing Bodies.
- **Supervision:** ensure the efficiency of the CRM model by verifying the existence of controls to mitigate risks and check they function correctly.

To work correctly, the CRM Model uses a methodological approach based on the three lines of defence model, on which different levels of activity are defined to ensure that risks are managed and monitored efficiently.

**First line of defence:** made up of the areas/businesses at Criteria Group responsible for:

- Identifying, assessing, mitigating and controlling risks, following the approved internal policies and procedures.
- Reporting to the Internal Control Function on the status of the risks for which they are responsible.

- Maintaining effective internal control and consistently implementing risk control procedures.

**Second line of defence:** made up of the Internal Control function, which is responsible for:

- Defining of CRM model.
- Participate actively in the preparation of risk strategies and in key decisions about their management.
- Consistently monitoring the effectiveness and development of the controls and risks, reporting to the Management Committee.
- Monitoring and ensuring the standardisation of the CRM Model, and keeping it updated.
- Implementing the corresponding improvements to the CRM Model.

**Third line of defence:** made up of the Internal Audit function, which is responsible for:

- Supervising the efficiency and sufficiency of the CRM Model.
- Independently assessing the effectiveness of corporate governance, risk management and internal control.
- Verifying and reviewing the implementation of corporate control and risk management procedures by the first and second lines of defence.

## E.2 Identify the bodies in the entity responsible for preparing and implementing the risk management system.

**Board of Directors:** through the Audit and Control Committee, supervises the effectiveness of internal control and corporate risk management systems, including tax risks. It is the body responsible for approving the CRM Policy.

**Audit and Control Committee:** This committee is responsible for supervising internal audit services at the Criteria Group. The Audit and Control Committee is responsible for supervising the CRM Model with the support of the Internal Audit function.

**Management Committee** This committee is responsible for ensuring that controls are correctly implemented, taking the required decisions in relation to improvements in the control activities implemented and/or required action plans, reporting to the Audit and Control Committee and the Board of Directors.

## E.3 Indicate the main risks which may prevent the savings bank from achieving its targets.

As per the methodology set forth in the international standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the CRM model establishes four categories of risks which, should they arise, could hinder the Group achieving its objectives:

- **Strategic:** risks associated with the achievement of corporate targets.
- **Financial:** risks associated with the main financial variables. There are seven subcategories:

- Liquidity: the risk of insufficient liquid assets to meet contractual maturities of liabilities, regulatory requirements, or business needs.
  - Credit: the risk of potential losses arising from a counterparty not meeting its payment obligations.
  - Impairment of equity portfolio: Possible loss or impairment in the economic profitability of the Group's business activities.
  - Impairment of real estate assets: Possible impairment of real estate assets.
  - Impairment of other assets: Possibility of depreciation on those Criteria Group assets that are neither investments nor assets.
  - Market risk: Possibility that the value of a financial instrument may vary as a result of changes in price of shares, interest rates or foreign exchange rates.
  - Reliability of financial reporting: Possibility that the integrity, reliability and quality of financial information may be affected.
- **Operational**: risk of loss arising from mistakes or inadequate management of internal processes, people, systems, the use of assets or operating infrastructure.
  - **Legal / compliance**: risk relating to compliance with laws, regulation or market standards in the areas where the Criteria Group operates, in addition to compliance with internal policies.

#### E.4 Identify if the company has a risk tolerance level.

The CRM Model establishes that the areas / businesses of the Criteria Group that make up the 1st line of defence identify, assess, control and mitigate risks in an appropriate control environment, as established in the approved internal policy and procedures. The effectiveness and performance of these risks and controls is monitored by the Internal Control function, whilst Internal Audit is responsible for supervising the efficiency of the model as a whole.

Furthermore, CriteriaCaixa has a number of management indicators in place (those that are most representative for risk management at the Company), which make it possible for governing and management bodies to monitor acceptable levels of risk. These indicators are monitored by the Deputy General Manager of the Finance, Resources and Human Resources Division and communicated to the Management Committee weekly, which receives, reviews and reports them to the Audit and Control Committee and the Board of Directors annually.

#### E.5 Identify any risks which have occurred during the year.

In 2017, there was no breach of management indicators, all of which remained within compliance levels. Furthermore, there have been no breaches in terms of the regulatory and bank management indicators in place up until September 2017, when the ECB verified that CriteriaCaixa had lost control over CaixaBank and these indicators ceased to apply to the Company.

## E.6 Explain the response and monitoring plans for the main risks the bank is exposed to.

As mentioned above, the CRM Model implemented employs the three lines of defence model, on which different levels of activity are defined to ensure that risks are managed and monitored efficiently.

CriteriaCaixa's Board of Directors periodically monitors the internal control and risk management systems in place at CriteriaCaixa to this end.

In addition, the Audit and Control Committee is responsible for overseeing the process of preparing and presenting financial reporting and the effectiveness of the Company's internal control and risk management systems.

The response and monitoring plans for the main risks to which the Criteria Group is exposed can be consulted below:

### **Strategic risks**

Through the CRM Model, CriteriaCaixa monitors and reports to management and/or governing bodies on the status of strategic risks and associated controls to mitigate them.

### **Financial risks**

- **Liquidity risk**

CriteriaCaixa monitors liquidity risk by consistently monitoring management indicators: debt ratio (net debt over the market value of the assets), liquidity available at certain terms, and interest coverage ratio.

Practically all the Group's financing matures in the long term. In this regard, the Group continues its efforts to diversify funding sources, and manage the repayment terms of its debt and the cost thereof.

- **Credit risk**

CriteriaCaixa's Investments area monitors the results generated by CriteriaCaixa's holdings, carries out regular impairment tests and analyses the corresponding returns for the Criteria Group.

The Criteria Group has a policy governing how it invests surplus cash in very liquid financial products, offered or deposited in solvent entities or in entities with respect to which it holds a net payable position.

- **Impairment risk (of stakes, real estate assets and other assets)**

CriteriaCaixa's Investment Area monitors these stakes on an ongoing case-by-case basis to be able, at any time, to take the most appropriate decisions on the basis of the market performance observed and predicted and of the Group's strategy. Also, the values are

subject to ongoing monitoring, in order to assess whether there is any objective evidence of impairment.

Monitoring of the main investees is also performed by analysts responsible exclusively for monitoring changes in economic and financial data and for understanding and issuing alerts in the event of changes in regulations and business and fluctuations in competition in the countries and sectors in which the investees operate.

Further, to ensure that the portfolio of real estate assets is recognised at its fair value in the balance sheet, the Criteria Group uses internal models to determine the adjustments to the main valuation given by full individual appraisals or to appraisals by independent experts carried out on a regular basis. In particular, the internal valuation model factors in, amongst others, the Criteria Group's sales experience for each type of asset or the estimated sales costs to disposal of the asset.

Real estate assets are managed in order to recover the investment made, either by way of leasing (investment properties), property development or a general plan to sell (inventories).

- **Market risk**

*Price risk*

The Company has specialised teams that continuously monitor the listing of investee companies.

*Interest rate risk*

The Group regularly monitors the impact of interest rate fluctuations. In order to mitigate the risk of fluctuations in interest rates on floating rate borrowings, CriteriaCaixa's management evaluates whether or not to arrange swaps depending on current and forecast interest rates.

*Foreign currency risk*

Management assesses the advisability of arranging hedges in respect of its exchange risks.

The Criteria Group may also be indirectly exposed to foreign currency risk through the foreign currency investments made by investees due, in certain cases, to the major international presence of these companies. These risks are assessed and, if applicable, covered by the investee itself.

- **Risk associated with financial reporting reliability**

The Criteria Group has an appropriate and effective Internal Control over Financial Reporting System; further details can be consulted in heading F of this document.



### **Operational risks**

Through the CRM Model, CriteriaCaixa monitors and reports to management and/or governing bodies on the status of operational risks and associated controls to mitigate them.

### **Legal/compliance risks**

In order to manage compliance risk, the management and governing bodies encourage the dissemination and promotion of the values and principles set out in the Code of Business Conduct and Ethics and other rules of conduct, and their members, as well as other employees, executives and officers must ensure compliance to these as a core criteria guiding their day-to-day activities. CriteriaCaixa also has a whistle-blowing channel on its corporate intranet used to submit enquiries about interpretation and application of the Code of Business Conduct and Ethics, the Code of Information Systems Use, the Crime Prevention Policy and the Internal Control over Financial Reporting (ICFR) Policy, and to report any breaches of the aforesaid internal rules.

Therefore, the areas whose business is exposed to compliance risk implement and manage level one controls to detect potential non-compliance risks and act effectively to mitigate them. They must also ensure that their procedures are at all times consistent with current legislation, regulatory standards and codes of conduct and standards, putting in place mechanisms to prevent issues arising, detect trends and understand new developments as they arise. Cooperation with advisory functions is therefore essential.

## **F INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)**

**F.1. The entity's control environment:** The purpose here is to ensure that the market is informed about the specific mechanisms the entity has deployed in order to maintain an internal control environment conducive to comprehensive, reliable and timely financial reporting (including the inputs used in drawing up financial statements), and which acknowledges the possible existence of failures or irregularities which must be detected and corrected.

**F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.**

In their response, entities should note whether the Board of Directors, as laid down in its regulations, is ultimately accountable for the existence and regular updating of a suitable, effective ICFR and whether the audit committee, pursuant to its regulations and by-laws, is assigned responsibility for its oversight. Likewise, entities should state whether other internal codes assign senior management responsibility for the design and management of ICFR.

The ICFR Policy specifically establishes, in addition to other aspects, the roles, responsibilities and internal control model applicable to ICFR, as described in this section.

In this connection, the Board of Directors at CriteriaCaixa formally assumes responsibility for ensuring the existence of a suitable, effective ICFR and has delegated powers to the Deputy General Manager of the Finance, Resources and Human Resources Division for its design, implementation and monitoring.

Furthermore, it is responsible for approving the ICFR Policy and should be informed of all modifications made thereto.

CriteriaCaixa's Bylaws state that the Audit and Control Committee's responsibilities shall include at least the following:

- Overseeing the process for preparing and submitting required financial information and the effectiveness of the Company's internal control systems, internal audit and risk management system, including tax risks, and to discuss with the auditors of accounts any significant weaknesses in the internal control system identified during the course of the audit;
- Reviewing the Company's accounts and periodic financial reporting which the Board must furnish to the markets and their supervisory bodies and, in general, to monitor compliance with legal requisites on this subject matter and the correct application of generally accepted accounting principles.

Consequently, the Audit and Control Committee is responsible for supervising the ICFR activities and to this end, receives support from: (i) the functional area for Internal Control over Financial Reporting (ICFR); (ii) the Internal Audit Area; (iii) external auditors (as they review the pre-defined procedures in terms of the ICFR section of the Annual Corporate Governance Report (ACGR) of CriteriaCaixa each year); and (iv) other experts as deemed appropriate.

The Management Committee is responsible for revising and approving the ICFR Process.

The Policy describes the internal control model, as part of which a methodological and organisational approach has been taken based on the 3 lines of defence applicable to ICFR:

**First line of defence: CriteriaCaixa Group Areas/Businesses**

The Areas/Business assigned the following responsibilities:

- Undertaking transactions that are reflected in accounts.
- Participating in the process for preparing and/or reviewing financial information.

**Second line of defence: Internal control of Financial Reporting**

The ICFR function monitors whether the practices and processes in place at the Company ensure the reliability of the financial information and compliance with applicable regulations.

**Third line of defence: Internal Audit**

This division is responsible for continuously reviewing the design, implementation and operation of ICFR at the CriteriaCaixa Group. creating and issuing reports which help CriteriaCaixa's Audit and Control Committee oversee ICFR.

**F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:**

**The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the entity, with particular regard to the financial reporting process.**

The entity should report the main characteristics of the procedures for the design, review and updating of the organisational structure, the lines of responsibility and authority and if these have been documented and distributed to all employees involved in preparing financial information at the entity and its group.

CriteriaCaixa's Board of Directors, its Appointments and Remuneration Committee, its Management Committee and through its General Manager, reviews the organisational structure and the lines of responsibility and authority at the entity.

The lines of responsibility and authority for drawing up the entity's financial information are clearly defined. It also has a comprehensive plan which includes,

amongst other issues, the allocation of tasks, key dates and the various revisions to be carried out by each of the hierarchical levels. Both the above-mentioned lines of authority and responsibility and planning have been duly documented and all of those people taking part in the financial reporting process have been informed of the same.

The ICFR Function reviews at least once a year all the risks within the ICFR scope and all control activities designed to mitigate these. This process is carried out in conjunction with all the areas involved. However, if, during the course of the year, unidentified circumstances arise that could affect the preparation of financial information, the ICFR function must evaluate the existence of risks in addition to those already identified.

**Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.**

With regard to the code of conduct, the entity should include information on how this is distributed, whether employees must formally adhere to it and what training is given on the code.

CriteriaCaixa has a **Code of Ethics** approved by its Board of Directors, which sets forth the values that are specifically to be preserved and the manner in which the Company is to exercise its professional corporate activity, establishing enhanced standards of action which all persons, whether managers, executives or employees, who perform professional services for CriteriaCaixa are to abide by. The Code is available to all employees on the Company's intranet. In addition, both the initial text and the successive modifications approved by the Board of Directors of CriteriaCaixa are forwarded to the persons required to comply with the Code of Ethics, and proof that they have received it is kept. All new employees of CriteriaCaixa must sign the Code indicating that they will abide by it.

The reinforced conduct standards of CriteriaCaixa are: CriteriaCaixa's enhanced standards of conduct are: regulatory compliance, prevention of conflicts of interest, protection of the Company's property and assets, preservation of the corporate reputation, promotion of competition amongst suppliers, excellence in the professional exercise of entrusted activities, teamwork, integrity through rigour in internal control, prevention of fraudulent practices and prohibition of accepting gifts and presents, compliance with the Internal protocol on relations between on the one hand "La Caixa" Banking Foundation and CriteriaCaixa and its subsidiaries and on the other CaixaBank and its subsidiaries, and, lastly, the preservation of confidentiality. In addition, respect for people, for their dignity and diversity, for cultures and for their contribution to progress, and commitment to social and environmental responsibility are CriteriaCaixa values. Employees have access to a consulting and whistle-blowing channel for cases of noncompliance with the Code of Ethics that is managed internally and regarding which CriteriaCaixa ensures confidentiality of communications, and protects the identity of the person reporting and his/her indemnity.

In addition, in cases of noncompliance with legislation relative to the securities market applicable to securities issuers, CriteriaCaixa has **Internal Rules of Conduct on matters relating to the Stock Market (IRC)** which govern the conduct of employees, executives, Board members and certain third parties that perform services at the Company. This ensures that these parties bring their actions into line with the rules of conduct that the Securities Market Act, Regulation 596/2014 of the European Parliament and of the Council on market abuse, and the implementing regulations thereof set forth for securities issuers, thus promoting transparency in the markets and safeguarding, at all times, the legitimate interests of investors.

The Code is available to all employees on the Company's intranet. In addition, both the initial text and the successive modifications approved by the CriteriaCaixa's Board of Directors are sent to the Covered Persons (as defined in the Internal Rules of Conduct), who must sign the corresponding acknowledgement of receipt.

CriteriaCaixa also has a **Code of IT Use** that was approved by its Board of Directors in July 2015, and which applies to all executives and employees.

The main objectives of this Code of IT Use are to raise awareness on and ensure the proper use and security of the Company's technological media and of the information that they contain and that is managed thereon. The Code was forwarded to all employees, and proof of the receipt thereof was kept. In addition, it is permanently available to all employees of CriteriaCaixa through the corporate intranet.

Communications on possible cases of noncompliance with the Code of IT Use are sent to the Legal and Tax Services Area Manager and any questions that may arise regarding the interpretation or application thereof are forwarded to the Resources Area.

The code contains clear rules for the proper and efficient use of the communications and of the IT tools to ensure the quality, integrity, confidentiality and inviolability of the information, and that the commitments assumed with counterparties, clients, suppliers and employees are abided by.

**'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.**

The entity should inform all employees of how to access the whistle-blowing channel (by phone, email, in writing, etc. ) and that all reports are dealt with confidentially prior to being examined by members of the audit committee.

Reports of possible breaches of the Code of Ethics, the Crime Prevention Policy, and of the System for Internal Control over Financial Reporting (ICFR) and of the Code of IT Use may be submitted through the Confidential Consulting and Whistle-blowing Channel available on the Company's intranet for all employees. Once the report is received, the Director of Legal and Tax Services, with the

exception of reports made by the Director of Legal and Tax Services him/herself, which will be forwarded to the Chief Executive Officer, investigates the report, ensuring the confidentiality of the reporting employee. Once the investigation has ended, the Director of Legal and Tax Services or the Chief Executive Officer will conclude the case, informing the reporting employee of the outcome.

All reports must be individual and confidential. The whistle-blower is only identified to the persons involved in the investigation, and only if it is absolutely necessary to do so and only with the employee's consent.

Internal Audit has access to statistics on the use of the confidential consulting and whistle-blowing channel, without access to the content of reports made.

Reports and possible failures to comply with the Internal Rules of Conduct on matters relating to the Stock Market shall be forwarded to the Monitoring Committee of the Internal Rules of Conduct, made up of three members of CriteriaCaixa designated by the Board of Directors. The Monitoring Committee is responsible for enforcing the rules of conduct of the securities markets and the Internal Rules of Conduct, interpreting the contents thereof, and preparing disciplinary files in the event of noncompliance.

**Periodic training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR which address, at least, accounting rules, auditing, internal control and risk management.**

Entities should provide summarised information on the subjects covered in the training and refresher courses as well as other quantitative (the number of employees who have received the training, etc.) and qualitative key indicators.

As part of training within the Criteria Group, in 2017, CriteriaCaixa had training programmes for employees, including 463 hours of technical training, primarily in the Finance Area and Investment Area, on top of topics such as investee sector topics and accounts management.

It is worth noting that in December 2017, 6 employees from the Investment, Finance and Audit and Internal Control Areas at CriteriaCaixa received training on ICFR; this is in addition to the 52 employees who took the course in previous years. Furthermore, for specific Group Criteria employees, essentially employees of subsidiaries dedicated to the real estate business, in December 2017 an ICFR training course was also launched, which was taken and passed by 18 employees.

Furthermore, in January 2018, training sessions were imparted on the new GRC Suite IT Tool, which supports the systems used to manage ICFR activities at administrator and user levels.

In addition, the Office of the Deputy General Manager of Finance, Resources and Human Resources Division of CriteriaCaixa also subscribes to various national and international accounting and financial publications, journals and websites. These are checked regularly to ensure that the entity takes into account any developments when preparing financial information.

**F.2. Risk assessment in financial reporting:** The purpose of these indicators is to inform the market about the degree of development and systematisation in the entity's process for identifying the sources and risks of errors or irregularities in its financial reporting. Associated activities should contemplate both routine or typical transactions as well as less frequent and potentially more complex ones.

**F.2.1. The main characteristics of the risk identification process, including risks of error or fraud.**

With regard to the risk or fraud identification process, entities should provide information on the process established. It is not necessary to list the risks of error or fraud identified.

Report the main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.
- The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.
- A specific process is in place to define the consolidation perimeter, with reference to the possible existence of complex corporate structures, special purpose entities, holding companies. etc.
- The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.
- Finally, which of the entity's governance bodies is responsible for overseeing the process.

The ICFR Policy mentioned in section F.1.1. is complemented by CriteriaCaixa's ICFR Process, approved by CriteriaCaixa's Management Committee, which provides a more detailed description of ICFR-related procedures.

The ICFR Process establishes that, at the start of each financial year, the individual responsible for ICFR matters at the Criteria Group must revise the scope of the ICFR Model and plan the activities to be undertaken in the following year, by:

1. Identifying the headings, accounts and disclosures that bear a significant risk and potentially have a material impact on financial information, thereby warranting special attention based on the materiality criteria defined.
2. Linking these headings/accounts to business and support processes.
3. Identifying the companies subject to supervision.

Highlights include:

- CriteriaCaixa's ICFR Function is responsible for supervising the implementation of the ICFR model at CriteriaCaixa

subsidiaries, in addition to ensuring the appropriateness of the methodology implemented at each company and the homogenisation of the different ICFR models at the Criteria Group.

- In the event that a subsidiary has its own ICFR model, responsibility for overseeing it lies with the Board of Directors for said subsidiary, subject to supervision by CriteriaCaixa's ICFR Function.

As indicated in the ICFR Process, the Criteria Group has a methodology to identify, revise and update the risks and controls that affect the generation of financial information, including risks of error or fraud.

Responsibility for the process for identifying risks and controlling activities and transactions that may materially affect the financial statements of CriteriaCaixa and the Criteria Group lies with the ICFR function, with support from the Areas responsible for the selected processes subject to review.

This process is performed by drawing up risk matrixes and controls. The components that comprise these matrixes are as follows:

Processes:

- Risks and control activities relating to the aforementioned processes are identified.

Risks:

- Risks identification shall relate exclusively to the risk of material error and fraud in financial information reported to the markets. Risks of error shall be considered those risks that could affect the individual and consolidated financial information of the Criteria Group.
- Furthermore, the impact of other types of risk (operational, financial, technological, and compliance, etc.) shall be taken into account in the identification of risks of material error in the financial information.
- As part of risks identification, possible reports received via the confidential consulting and whistle-blowing channel in terms of the lack of reliability in terms of the financial information shall be considered.

The ICFR Function reviews at least once a year all the risks within the ICFR scope and all control activities designed to mitigate these. This process is carried out in conjunction with all the areas involved. However, if, during the course of the year, unidentified circumstances arise that could affect the preparation of financial information, the ICFR function must evaluate the existence of risks in addition to those already identified. In any case, risks will refer to possible errors (intentional or otherwise) in relation to the financial information objectives:



existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations.

At the end of 2017, the GRC Suite IT tool was implemented to guarantee the integrity of ICFR, uniformly reflecting all the activities involved in a process and associating them with existing risks and controls.

Furthermore, the governing and management bodies receive periodic details on financial information, while the Audit and Control Committee monitors the generation, development and review of the financial information via the Internal Audit function and the opinion of both External Audit and Supervisory Bodies.

**F.3. Control activities:** Investors should be reliably informed of the scope of the specific control activities the entity has implemented to mitigate the risk of errors or irregularities in financial reporting. Hands-on experience has helped identify certain critical areas such as: (i) procedures for confirming estimates and critical judgements; (ii) outsourced functions; and (iii) the systematisation and documentation of closing procedures.

**F.3.1. Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.**

The Deputy General Manager of Finance, Resources and Human Resources Division is responsible for preparing and reviewing financial information, requesting that the other Business Areas and Criteria Group companies ensure that the financial information submitted is sufficiently detailed.

Financial information is the cornerstone of the control and decision-making process of the Company's senior Governing Bodies and Management.

The preparation and review of all financial information hinge on suitable human and technical resources which enable the Criteria Group to disclose accurate, truthful and understandable information on its transactions in compliance with applicable standards.

In particular, the professional experience of the personnel involved in reviewing and authorising the financial information is of a suitable standard and all are appointed in light of their knowledge and experience in accounting, audit and/or risk management. Likewise, by establishing control mechanisms, the technical measures and IT systems ensure that the financial information is reliable and complete. Also, the financial information is monitored by the various hierarchical levels of the Deputy General Division of Finance, Resources and Human Resources, and, where applicable, double-checked with other Business Areas of the Criteria Group. Finally, the key financial information disclosed to the market is examined and, if applicable, approved by the senior Governing Bodies of the Criteria Group.

With regard to activities and control procedures directly related to transactions which may have a material impact on the financial statements, the Criteria Group has in place a process whereby it constantly revises all documentation concerning the activities carried out, any risks inherent in reporting the financial information and the controls needed to mitigate critical risks. This ensures that all documentation is complete and up-to-date.

In this connection, the documentation of the critical processes and control activities contains the following information:

- Description of control activities.
- Evidence to support the undertaking of said control activities.
- Control status: implemented, non-existent, not formally arranged.
- Purpose of control activities:
  - *Preventive*: mitigate the risk resulting from errors or fraud in financial information.
  - *Detective*: identifies errors and fraud when they occur.
- Whether the control mitigates a risk that may result in fraud or not.
- Importance of the control: Key or standard control.
- Nature of the control: analysis, review and monitoring, policies and procedures, specialist external advice, system controls, exception reports or limits of authority/responsibility.
- Level of control activity automation: manual, semiautomatic and automatic.
- Executor and supervisor of the control: in order to ensure the double-check, the roles of executor and supervisor of the control must be separate, provided that this is possible in the organisational structure.
- Control frequency: annually, half-yearly, quarterly, monthly, weekly, daily, constant, as required.
- Control support system.
- Financial assertions: existence and occurrence, completeness, valuation, rights and obligations, presentation, disclosure and comparability.
- Action plans identified associated with the control activity.

All activities and controls are designed to guarantee that all transactions carried out are correctly recorded, valued, presented and itemised.

The ICFR function analyses the design and level of functionality of control activities.

The ICFR function will assess the effectiveness of control activities through the results of evaluations received via IT tools, meetings to ascertain understanding and verification with process supervisors and/or control activity supervisors, in addition to the information obtained from the Internal Audit Area.

Based on the information provided, ICFR will take a decision on the appropriateness and sufficiency of the controls implemented, proposing the definition of corrective measures, where applicable, for controls that are not deemed appropriate or sufficient.

Furthermore, the ICFR function shall assess, as applicable, whether the weaknesses detected may be indicative of material errors in financial information.

Assessment activities shall be performed and the related evidence collated using the GRC Suite IT tool.

The Criteria Group has an upward internal key control certification process to ensure the reliability of financial information disclosed to the markets. The persons responsible for each of the controls identified shall submit certifications guaranteeing their efficient execution during the period in question. The process is carried out annually although there are also ad-hoc attestations where controls of financial reporting are carried out during different periods.

The Assistant Deputy General Manager of Finance, Resources and Human Resources informs the Management Committee and the Audit and Control Committee of the outcome of this attestation process. Furthermore, this outcome is forwarded to the Board of Directors for its information and measures taken in the event that weaknesses are detected communicated accordingly.

**F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes regarding the preparation and publication of financial information.**

The IT systems referred to above are those used to directly prepare the financial information as well as those which are relevant in processing or controlling those transactions reflected in this information.

The policies and procedures referred to are those which establish how the systems and applications operate to: (a) maintain adequate control over access to applications and systems; (b) establish the steps to be followed to ensure that new applications, or existing ones when these are modified, process the transactions adequately and provide reliable information; and (c) establish data recovery mechanisms as well as providing continuity to the processing and recording of transactions should the usual operating systems be interrupted.

The management of CriteriaCaixa's information systems is outsourced to companies in the CaixaBank Group, which employ the following internal control policies and procedures in terms of information systems applicable to CriteriaCaixa.

The IT systems which give support to processes regarding the preparation of financial information are subject to internal control policies and procedures which guarantee completeness when preparing and publishing financial information.

Specifically, the CaixaBank Group has the following policies with regard to:

- I. Information Security Management System: CaixaBank has an Information Security Management System (ISMS) based on international best

practices. This ISMS has obtained, and each year renews, ISO 27001:2013 certification by the British Standards Institution (BSI). This system defines, amongst other policies, those for accessing IT systems and the internal and external controls which ensure all of the policies defined are correctly applied.

- II. Operating and business continuity: CaixaBank has an IT Contingency Plan in place to deal with serious situations to guarantee its IT services are not interrupted. It also has strategies in place to enable it to recover information in the shortest time possible. This IT Contingency Plan has been designed and operates according to ISO 27031:2011. Ernst&Young has certified that the regulatory governance body for Technological Contingency at CaixaBank has been designed, developed and is operating in accordance with this regulation.

The British Standards Institution (BSI) has certified that CaixaBank's Business Continuity Management System is ISO 22301:2012 compliant. These certifications attest:

- CaixaBank management's commitment to business continuity and technological contingency.
- The existence of business continuity and technological contingency management best practices.
- A cyclical process based on continuous improvement.
- That CaixaBank has deployed and operates business continuity and technological contingency management systems which are compliant with international standards.

- III. Information technology (IT) governance: CaixaBank's information and technology (IT) governance model ensures that its IT services are aligned with the Organisation's business strategy and comply with all regulatory, operational and business requirements. IT governance is an essential part of overall governance and encompasses organisational structures and guidelines to ensure that the IT services support and facilitate the fulfilment of strategic objectives. The governance model has been designed and developed according to ISO 38500:2008 standard, and was certified by Deloitte Advisory, S.L. in July 2014.

- IV. CaixaBank's IT services have been designed to meet the business' needs, guaranteeing the following:

- Segregation of duties;
- Change management;
- Incident management;
- IT quality management;
- Risk management; operational, reliability of financial reporting, etc.;
- Identification, definition and monitoring of indicators (scorecard);
- Existence of governance, management and monitoring Committees;

- Periodic reporting to management;
- Rigorous internal controls which include annual internal and external audits.

**F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.**

With regards to the outsourced activities, the information should refer to those which execute or process transactions reflected in the financial statements, supervising its correct execution or process and other relevant activities regarding ICFR at the bank.

For all appraisals, judgements or calculations carried out by third parties, the entity should indicate if there are procedures in place to check the ability and independence of the third party and other relevant aspects (methods used, main assumptions, etc.)

CriteriaCaixa's activity, with the exception of information system management outsourced to the CaixaBank Group, with the greatest intervention of external suppliers is real estate activity.

Concerning this activity, on the one hand, specific registration duties that give support to processes regarding the preparation of financial information are outsourced, documented and, in large part, semiautomatic in information systems. Furthermore, control and review procedures are in place to supervise the adequate performance of the outsourced activities.

Furthermore, with regard to the measurement of the real estate activities portfolio by independent third parties, the carrying amount of its properties is periodically compared with its recoverable amount. To determine this recoverable amount, the Directors consider primarily the appraisals made by independent third-party experts. To this end, the Criteria Group has a corporate policy that guarantees the professional competence, independence and objectivity of external valuation agencies as provided for in legislation, under which these agencies must comply with neutrality, transparency and technical rigour requirements. These appraisals are carried out by independent appraisal companies registered on the Bank of Spain's Official Register of Appraisal Companies.

**F.4. Information and communication:** The information sought is so investors know whether the entity has deployed procedures and mechanisms to convey the applicable control directives to the staff engaged in drawing up financial information, and are cognisant of the information systems giving support to such processes.

**F.4.1. A specific function in charge of defining and maintaining accounting policies (Accounting Policies Area or Department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in**

**charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.**

Entities should accordingly state what Department or Area is entrusted with this responsibility, what position they hold within the organisation and if this function is exclusive. With regard to the manual of accounting policies, the bank should report on aspects such as: (i) the frequency with which this is updated; (ii) the main characteristics of the process; and (iii) the date of the latest update.

Responsibility for defining the accounting criteria of CriteriaCaixa lies with the Financial Management Area, under the Deputy General Manager of Finance, Resources and Human Resources Division. The objective of the Finance Management Area is to establish the principles that govern the Criteria Group in terms of the recognition, measurement and accounting of its transactions, operations and events for the production and presentation of the Company's individual and consolidated financial information.

Specifically in terms of accounting policies, the Finance Management Area is tasked with solving any accounting matter regarding which questions arise in terms of the interpretation thereof, either because it is a new type of operation or because of any regulatory change. Furthermore, in terms of one-off transactions, the Finance Management Area prepares documentation regarding their analysis and the study of the impact of these transactions on accounts.

Furthermore, it is responsible for monitoring the regulatory implementation of accounts aspects, and is responsible for training and updating the staff affected.

Moreover, an Accounting Policy is available on the intranet of CriteriaCaixa.

**F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.**

With regard to this recommendation, entities should report the main characteristics of the IT applications used by the units within the entity or group, in order to provide the information used in the financial statements, including those used in the aggregation and consolidation process of the information reported by the various units.

The Criteria Group has internal IT tools which guarantee the completeness and consistency of the processes for capturing and preparing financial information. All of these applications have IT contingency mechanisms which guarantee that the data is held and can be accessed in any circumstances.

To prepare the consolidated information, both CriteriaCaixa and other Criteria Group companies use specialist tools providing mechanisms to capture, analyse and prepare financial information in standard format. The accounts plan, which is incorporated in the consolidation application, has been defined to comply with requirements of the various regulators.

At the end of 2017, GRC Suite IT tool was rolled out, replacing the SAP GRC (Governance, Risk and Compliance) IT tool used prior to the deconsolidation of CaixaBank, to guarantee the integrity of ICFR, uniformly reflecting all the activities involved in a process and associating them with existing risks and controls.

**F.5. Monitoring of system functionality:** The itemised information provided should show how the entity monitors ICFR, in order to prevent or remedy deficiencies in its design or operation, as well as to correct any incidences or weaknesses detected. The points to be covered concern ICFR monitoring by the audit committee and should reflect actions taken to this end during the financial year.

**F.5.1. The monitoring activities undertaken by the Audit Committee and whether the bank has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the bank has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.**

The ICFR monitoring activities refer to those undertaken by the audit committee. The bank's response should include information on whether these activities include (i) approval of the audit plans; (ii) ascertaining who shall carry these out; (iii) assessing the adequacy of the work carried out; (iv) reviewing and evaluating the results and their effect on financial information; and (v) prioritising and monitoring the corrective actions.

The internal audit function should state its position in the organisational chart, who it reports to, the main activities carried out and other relevant aspects (resources available, exclusivity in carrying out the function, etc.).

The statements on the scope of the ICFR assessment should reveal to what extent the various components of the financial information published have been supervised in the year (for example, whether the process for identifying and assessing risks in financial reporting has been assessed; whether the practices of the control environment and information system controls have been assessed; whether the efficiency of the design and the effective working of the system has been reviewed, etc.).

Notwithstanding the risk management and control functions of the Board of Directors, the Audit and Control Committee is entrusted with overseeing the process for preparing and submitting regular financial account information and the effectiveness of the Company's internal control environment, internal audit and risk management system and to discuss with auditors of accounts any significant weaknesses in the internal control system identified during the course of the audit.

The duties of the Audit and Control Committee include those related to overseeing the process for preparing and submitting regular financial information as described in heading F.1.1.

In addition, the Audit and Control Committee carries out, inter alia, the following activities:

- Approval of the Annual Internal Audit Plan and assessing whether the Plan has sufficient scope to provide appropriate coverage for the main risks to which CriteriaCaixa and its fully owned subsidiaries are exposed.
- Assessment of the conclusions of the audits carried out and the possible impact on financial information, where applicable.
- Monitoring of corrective action, prioritising each one.

The mission of CriteriaCaixa's Internal Audit division is to ensure the correct performance of and supervise the internal control framework of CriteriaCaixa and its fully owned subsidiaries. This division, under the Management team of the Audit and Internal Control Area functionally reports to the Audit and Control Committee and answers, administratively, to the Chief Executive Management. It carries out its activities according to the principles of independence, objectivity and confidentiality, as set forth in its Regulatory Standard of the Internal Audit Function, approved by the Audit and Control Committee.

Its mission consists, on the one hand, of adding value and improving the effectiveness of the internal control system at the different Areas of CriteriaCaixa and its fully owned subsidiaries, contributing to the attainment of its objectives, and on the other hand, of contributing a systematic, disciplined approach to the evaluation and improvement of the risk and control management processes, acting as the third line of defence in the Corporate Risk Management Model of CriteriaCaixa and its fully owned subsidiaries.

Internal Audit is responsible for:

- Carrying out its professional duties in accordance with generally accepted auditing norms and procedures.
- Annual planning of Internal Audit activities, focusing on the key risks identified within CriteriaCaixa and its fully owned subsidiaries.
- Submitting the plan to the Audit and Control Committee in order for it to be reviewed, and, as applicable, approved.
- Attending to the requirements of the regulatory or oversight bodies, and replying to the ad hoc requests submitted by the Governing Bodies and/or Senior Management.
- Monitoring the implementation of the recommendations formulated in the Internal Audit reports.

In carrying out its work, Internal Audit:

- Identifies the objectives of the project in question.
- Analyses the effectiveness of the established controls.
- Verifies proper compliance with established controls.



- Identifies opportunities to improve said controls.
- Reports its conclusions to the area audited, from which it receives a reply on its conclusion.
- Issues a report containing the opinion and, where applicable, recommendations on the audited process.

Specifically, Internal Audit issues an overall report each year that includes an evaluation of the functioning of the ICFR during the year, which, together with the review of the existing controls and audits of other processes, this report makes it possible to draw a conclusion on the status of the ICFR at the Criteria Group level.

The annual ICFR assessment at 31 December 2017 has focussed on the following activities:

- Revising the application of the framework defined in the document “Internal Control over Financial Reporting in Listed Companies” published by the CNMV which sets out the best practices for internal control over financial reporting.
- Verifying the application of the ICFR Policy and the new methodology established in the ICFR Process to guarantee that Criteria Group ICFR is adequate and effective.
- Verifying the functionality of the new tool implemented (GRC Suite), which serves to monitor the functioning of the ICFR through control and assessment activities aimed at employees in the Areas involved in the production of financial information.
- Assessing the hierarchical attestation of the key controls identified process.
- Evaluating the descriptive documentation of the relevant processes, risks and controls in drafting financial information

The Audit and Control Committee and senior management will be informed of the results of the ICFR evaluation. These reports contain recommendations, their criticality, the timeframe for resolving them and an action plan detailing corrective measures, their urgency to mitigate risks in financial information.

**F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the entity’s senior management and its audit committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.**

The entity should report whether the audit committee has established a formal procedure whereby any significant internal control weaknesses can be reported to the bodies in question, as well as whether this procedure includes an assessment and corrective measures of the impact on its financial information.

CriteriaCaixa maintains fluid communication with the accounts auditor, who communicates with the Chairman of the Audit and Control Committee. Senior management is kept permanently informed of the conclusions reached during

the review of the financial statements. Also, the Audit and Control Committee receives information from the auditor on the audit plan, the preliminary conclusions reached concerning publication of the financial statements and the final conclusions as well as, if applicable, any weaknesses encountered in the internal control system, prior to preparing the financial statements. Also, when reviewing the interim financial information, the Audit and Control Committee shall be informed of the work carried out and the conclusions reached.

In addition, and within its areas of activity, Internal Audit's reviews conclude with the issue of a report evaluating the relevant risks and the effectiveness of internal control of the processes and the transactions analysed. It also evaluates the possible control weaknesses and shortcomings and formulates recommendations to correct them. The Internal Audit reports are forwarded to senior management, and the Audit and Control Committee is informed of the main conclusions from all of the reports. In addition, the Audit and Control Committee at all of its ordinary meetings also issues a report on the activities carried out by the Internal Audit Area, with specific information on all significant weaknesses identified during the reviews.

Internal Audit constantly oversees the fulfilment of recommendations, focusing particularly on critical and high-risk weaknesses, and reports to senior management on a regular basis. This monitoring information, as well as the relevant incidents identified in the Audit reviews, are reported to the Audit and Control Committee and senior management.

**F.6. Other relevant information:** The entity should list here any additional information it deems necessary to better interpret its ICFR mechanisms, providing these have not been detailed in previous responses.

N/A

**F.7. External auditor's report**

**F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.**

If section F of the ACGR regarding the description of the main characteristics of internal control over financial reporting has been reviewed by the external auditor, pursuant to the professional guidelines established for corporations, this report shall be published in its entirety as an appendix to the ACGR. If this is not the case, the ACGR shall contain an explanation as to the reasons why the ICFR information has not been reviewed by the auditor.

Alternatively, if the auditor has carried out a more extensive review of the international generally-accepted auditing standards, using as reference a generally-accepted internal control framework, which offer a certain degree of security on the design and/or working and/or efficiency of ICFR (along the lines of the SOX compliance report in the United States), this report shall also be published as an appendix to the ACGR.

In accordance with the recommendation concerning the Auditor's Report included in the guidelines on the information relating to Internal Control over Financial Reporting in Listed Companies published by the National Securities Market Commission on its website, the accounts auditor of CriteriaCaixa has reviewed the information on internal control over financial reporting system. The final report concludes that, as a result of the procedures applied regarding information on ICFR, there are no relevant inconsistencies or incidents. This report is attached as an Appendix to the Annual Corporate Governance Report.

## G OTHER INFORMATION OF INTEREST

- A.2: As CriteriaCaixa has a sole shareholder, it does not complete this section.
- C.1.2. On 17 March 2017, Director Salvador Gabarró Serra ceased to form part of the Board, as he passed away.
- C.1.6: Mr. Bellavista stepped down from the post of Deputy General Manager of Criteria Caixa, S.A.U. with effect from 1 January 2017.

Pursuant to Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions (“LOSS” for its initials in Spanish) and Royal Decree 84/2015, of 13 February, implementing said law, and given CriteriaCaixa's status as parent and controlling entity of CaixaBank, SA, on 30 June 2015, the Board of Directors of CriteriaCaixa approved the protocol on procedures for selecting and assessing the suitability of post appointments submitted by the Appointments and Remuneration Committee, and applicable to members of the Board of Directors and certain senior officers of CriteriaCaixa. The protocol implements the basic diversity policies, which primarily include the encouragement of gender diversity.

Further, the protocol on procedures for selecting and assessing the suitability of post appointments refers to and establishes the importance of experience and knowledge in terms of both training and professional experience, age and gender, expressly stipulating that the selection of members of the Board of Directors may not under any circumstances involve practices that may imply any discriminatory bias.

As a result of CriteriaCaixa's recent loss of control over CaixaBank, SA, and its subsequent deconsolidation, it is likely that the protocol on procedures for selecting and assessing the suitability of post appointments, which currently remains in place, will be replaced by another diversity policy in the future.

- C.2.2: There is no executive or delegate committee. Nor is there a strategic and investments committee or any other committee other than the Audit and Control Committee and the Appointments and Remuneration Committee.
- D.3. Interest rate hedges for notional value of EUR 1,100,000 were entered into in 2015.
- It should be noted that all information provided on CaixaBank referred to in sections F.3.2 and F.3.3 of this document has been produced based on the information provided by said entity.

This annual corporate governance report was adopted by the bank's Board of Directors at its meeting held on 15 March 2018.

Indicate whether any Directors or members of the governing body voted against or abstained from voting on the approval of this Report.

This annual corporate governance report was approved unanimously.