

ANNUAL CORPORATE GOVERNANCE REPORT - 2016

CRITERIA CAIXA, S.A., SOCIEDAD UNIPERSONAL

ISSUER'S PARTICULARS

FINANCIAL YEAR-END	31/12/2016
Company Tax ID No. (C.I.F.):	A-63379135
Corporate name:	CRITERIA CAIXA, S.A., SOCIEDAD UNIPERSONAL
Registered office:	AVENIDA DIAGONAL 621, BARCELONA

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 mutual fund shareholders from your entity at year-end:

Name or corporate name of shareholder or mutual fund shareholder	% of share capital
FUNDACIÓ BANCARIA CAIXA D'ESTALVIS I PENSIONS DE BARCELONA, "LA CAIXA"	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 company, unless they are insignificant or arise from ordinary trading or exchange activities.

NIF (individual taxpayer identification number) or CIF (legal entity taxpayer identification number)	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 mutual fund shareholders and the entity, unless they are insignificant or arise from ordinary trading or exchange activities.

Related-party names or corporate names	Type of relationship	Brief description
FUNDACIÓ BANCARIA CAIXA D'ESTALVIS I PENSIONS DE BARCELONA, "LA CAIXA"	CORPORATE	Fundaci6 BANCARIA Caixa d'Estalvis i Pensions de Barcelona, "la Caixa", 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 resolve on the issuance of bonds, the elimination or limitation of pre-emptive subscription rights, the increase or reduction of capital, the change of corporate form, merger, spin-off, blanket assignment of assets and liabilities, and the transfer of the domicile abroad, as well as any amendment to the bylaws, at first call, shareholders holding at least 50% of the subscribed capital with voting rights must be in attendance or represented by proxy. . At 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 entity currently has a sole shareholder; consequently, the system set forth in the consolidated 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.

As indicated in the preceding point, the Company has a sole shareholder.

- 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 2016 are:

14/01/2016: Delegation to the Board of Directors of power to issue fixed-income securities or instruments of a similar nature for a combined amount of up to €3 billion.

05/05/2016: Approval of the individual and consolidated financial statements corresponding to the year ended at 31 December 2015 and the respective management reports. Approval of the directors' performance in 2015. Appropriation

of profit (loss) for 2015 Distribution of voluntary reserves and re-election of the auditor.

30/06/2016 and 08/09/2016: Distribution of voluntary reserves.

- 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.criteria.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.

At 17 November 2016, the General Meeting of the Syndicate of Bondholders of the issue of plain-vanilla senior bonds of Criteria Caixa, S.A.U., in the amount of €1,000,000,000 at a rate of 1.625% per annum with a maturity at 21 April 2022 (ISIN code ES0205045000, Common Code 122180085), was held, at first call.

In accordance with the agenda included in the meeting notice, the bondholders, represented by CaixaBank, S.A., unanimously resolved to approve the management by the Provisional Commissioner of the Bondholders Syndicate until the date of the meeting and to ratify his appointment as well as to approve the definitive version of the Bylaws of the Syndicate with no changes to the writing included in the Final Terms of the issuance of bonds on 15 April 2015, except for the change with regard to the new corporate name of the issuer, which at the date of issue was Criteria Caixaholding, S.A.U.).

C. STRUCTURE OF ADMINISTRATION OF THE ENTITY

C.1 Board or governing body

C.1.1 Indicate the maximum and minimum number of members of the Board or of the governing body:

Maximum number of members of the Board/governing body	20
Minimum number of members of the Board/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
Isidro Fainé Casas	-	18/12/2013
Alejandro García-Bragado Dalmau	-	26/06/2014
Javier Godó Muntañola	-	26/06/2014
Salvador Gabarró Serra	-	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
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 companies belonging to the company's group.

Name or corporate name of the member of the Board/governing body	Corporate name of the group entity	Position
Isidro Fainé Casas	Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" *See Note in Section G	Chairman of the Board of Trustees

Alejandro García-Bragado Dalmau	Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" <i>*See Note in Section G</i>	Vice Chairman and Deputy Secretary of the Board of Trustees
Javier Godó Muntañola	Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa"	Trustee
Salvador Gabarró Serra	CaixaBank, SA	Director
Marcos Contreras Manrique	Banco Europeo de Finanzas, S.A. <i>*See Note in Section G</i>	Deputy Chairman
Josep-Delfí Guàrdia Canela	VidaCaixa, SA de Seguros y Reaseguros	Director
Francesc Homs Ferret	Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" Inmo Critería Caixa, S.A.U. (formerly Foment Immobiliari Assequible, S.A.U.)	Trustee Deputy Chairman
Juan José López Burniol	Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" <i>*See Note in Section G</i>	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				
	2016 Number %	2015 Number %	2014 Number %	2013 Number %
Board of Directors <i>*See Note in Section G</i>	1 6.66%	1 6.66%	1 5.88%	6 30%
Executive Committee	N.S.	N.S.	N.S.	N.S.

Audit and Control Committee	1 33.33%	1 33.33%	1 33.33%	N.S.
Appointments and Remuneration Committee	1 33.33%	1 33.33%	1 33.33%	N.S.

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

Remuneration item	Thousands of euros	
	Individual	Group
Fixed remuneration	3,110	1,058
Variable remuneration		
Per diems		
Other remuneration		
TOTAL:	3,110	1,058

C.1.6 List any members of senior management who are not members of the Board 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
Francesc Bellavista Auladell	Deputy General Manager
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)	4,102
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C.1.7 Indicate whether the Bylaws or the Board regulations set a limited term of office for members of the Board or of the governing body.

Yes ✓	No
Maximum number of years in office	Four (4) years

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 functions 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 any circumstances which may have 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 the compliance with the auditing contract, striving to ensure that the opinion of 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
Board of Directors	15
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):

EXECUTIVE OR DELEGATE COMMITTEE

NIF (individual taxpayer identification number) or CIF (legal entity taxpayer)	Name	Position	Category
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identification number)			

% of executive Directors	
% of proprietary Directors	
% of independent Directors	
% of other external Directors	
Number of meetings	

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

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AUDIT AND CONTROL COMMITTEE

Name	Position	Category
Isabel Estapé Tous	Chairman	Independent
Salvador Gabarró Serra	Member	Proprietary
Marcos Contreras Manrique	Member	Independent

% of executive Directors	0%
% 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 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 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 among 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 functions:

- a) To report at the General Shareholders' 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 any circumstances which may have 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 the compliance with the auditing contract, striving to ensure that the opinion of 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 Related to the Securities 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 vehicles 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, as the case may be, 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 these Bylaws with regard to the Board of Directors shall be applied, provided that they are compatible with the nature and function of the corresponding committee.

As a consequence of the powers attributed, the most important actions of the Audit and Control Committee in 2016 were:

At the meeting held at 03/02/2016: Approving year-end 2015.

At the meeting held at 23/02/2016: Approving and submitting to the Board of Directors, *inter alia*: 1) Annual Financial Report. Preparation of the individual consolidated financial statements and of the management reports. Annual Corporate Governance Report. Proposed appropriation of profit (loss) for 2015; 2) Regulation on Prudential Consolidation; 3) Financial planning; and 4) Policies and internal regulations (Anti-Money Laundering, Matrix of criminal risks, Internal Rules of Conduct).

At the meeting held at 29/04/2016: Approving and submitting to the Board of Directors, *inter alia*: 1) Annual Report of the Internal Capital Adequacy Assessment Process (ICAAP); 2) Annual Report of the Internal Liquidity Adequacy Assessment Process (ILAAP); 3) Information of Prudential Relevance (IPR); 4) System for Internal Control over Financial Reporting (ICFR); and 5) Regulatory matters.

At the meeting held at 27/07/2016: Information on the System for Internal Control over Financial Reporting (ICFF); Approving and submitting to the Board of Directors, *inter alia*: 1) Close of financial statements for the first half of 2016; 2) Internal Audit; 3) Regulatory aspects relative to prudential consolidation (Risk Appetite Framework, Recovery Plan).

At the meeting held at 29/09/2016: Approving and submitting to the Board of Directors, *inter alia*: 1) Recovery Plan of the CriteriaCaixa Group; 2) Independent expert's Annual Report on anti-money laundering and counter terrorist financing.

At the meeting held at 04/11/2016: Approving and submitting to the Board of Directors, *inter alia*: 1) Consolidated interim financial statements and interim management report for the 3rd quarter of 2016; 2) Regulatory Interest Conflict Management Policy of the CriteriaCaixa Group; 3) Internal Relations Protocol; 4) Internal Rules of Conduct.

At the meeting held at 19/12/2016: Approving and submitting to the Board of Directors, *inter alia*: 1) Correction and new publication of the Information of Prudential Relevance; 2) Internal Audit Plan for 2016 and 2017.

APPOINTMENTS AND REMUNERATION COMMITTEE

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

% of executive Directors	0%
% of proprietary Directors	33.33%
% of independent Directors	66.67%
% of other external Directors	0%
Number of meetings	5

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 among 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 functions:

- 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 functions 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 these Bylaws with regard to the Board of Directors shall be applied, provided that they are compatible with the nature and function of the corresponding committee.

As a consequence of the powers attributed, the most important actions of the Appointments and Remuneration Committee in 2016 were:

At the meeting held at 29/02/2016: Approving and submitting to the Board of Directors: 1) Director Categories; 2) Annual Corporate Governance Report; 3) Senior Executive Remuneration.

At the meeting held at 29/04/2016: Approving and submitting to the Board of Directors, *inter alia*: 1) Draft Report on the Suitability of Candidates for Director Positions; 2) Information of Prudential Relevance; 3) Determination on the Identified Group in the Company and Remuneration Policy of Directors and Senior Management.

At the meeting held at 27/07/2016: Approving and submitting to the Board of Directors, *inter alia*: 1) Remuneration of the Chairman of the Board; 2) Modification of the contractual conditions of Adjunct Positions to the Office of the President and of the General Manager and Submitting to the Board of Directors the Annual Report on Internal Evaluation of the Remuneration Policy.

At the meeting held at 29/09/2016: Approving and submitting to the Board of Directors the resolution on the conditions for rehiring Mr. Gual.

At the meeting held at 19/12/2016: Approving and submitting to the Board of Directors, *inter alia*: 1) Resignation of the Secretary of the Board; 2) Modification of the addenda of the labour contracts of the identified group; 3) Resignation of the Deputy General Manager; 4) Process of evaluation of the suitability of Directors and Senior Management (Ongoing Evaluation of 2016 and requirement from the Bank of Spain).

COMMITTEE _____

NIF (individual taxpayer identification number) or CIF (legal entity taxpayer identification number)	Name	Position
	** See Note 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 company	Nature of the relationship	Type of transaction	Amount (thousands of euros)
"la Caixa" Banking Foundation	CriteriaCaixa	Corporate	Distribution of reserves	375,000
"la Caixa" Banking Foundation	CaixaBank	Corporate / contractual	Loan	86,000
"la Caixa" Banking Foundation	CaixaBank	Corporate / contractual	Demand deposits and term deposits	27,000

Note 40 of the consolidated financial statements of Criteria Caixa, S.A.U. gives all the balances, in the aggregate, of the sole shareholder with companies in the CriteriaCaixa 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 40 of the consolidated financial statements of Criteria Caixa, S.A.U. 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 same Group are as follows:

Corporate name of the group entity	Type of transaction	Amount (thousands of euros)
CaixaBank	Demand deposits and term deposits	1,667,000
CaixaBank	Financing agreements: loans	550,000
CaixaBank	Interest-rate hedge contracts (the notional value is indicated)	1,100,000
CaixaBank	Swap agreement	** See Note Section G

The most significant operations undertaken by the company and/or group companies with associate and jointly controlled entities were as follows:

Corporate name of the associate entity	Type of transaction	Amount (thousands of euros)
Gas Natural	Balances in term and demand deposits in CaixaBank	499,000
Repsol	Balances in term and demand deposits in CaixaBank	672,000
Abertis	VidaCaixa investment in Abertis Infraestructuras fixed income securities	823,000

See Note 40 of the consolidated annual statements of the CriteriaCaixa Group and Note 21 of the individual annual 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 members of its Board 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 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.

Additionally, the company has Internal Rules of Conduct on Matters Related to the Securities Market, the latest version of which was approved by the Board of Directors in November 2016 to adapt the same to Regulations on Market Abuse, applicable both to the entity's board members and directors, among others. These Rules set 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 organisation plays a proactive role in ensuring that it is implemented. Senior management participates directly in this effort, in maintaining the internal control framework, which the Group ensures is executed prudently, and in the ongoing management and planning of capital and of liquidity.

Following the reorganisation of the "la Caixa" Group in 2014 (Note 1 of the financial statements), CriteriaCaixa manages the business assets of the "la Caixa" Group, which are composed of stakes in strategic sectors, including banking, energy, infrastructure, services and real estate. CriteriaCaixa has been included in the prudential supervision of the ECB, as it is considered a mixed financial holding company and a parent of a financial conglomerate and given that the limitations set forth for the Banking Foundation are not applicable.

CriteriaCaixa carried out the following activities during 2016 in relation to the prudential supervision legal framework and evaluation of the CriteriaCaixa Group by the European Central Bank:

- 1) It formalised the internal capital adequacy assessment process, through which the CriteriaCaixa Group's risk profile was defined and its capital adequacy assessed. The Annual Report of the Internal Capital Adequacy Assessment Process (ICAAP) was approved by the Board of Directors of CriteriaCaixa on 29 April 2016.
- 2) The internal liquidity assessment was completed and it was determined that the CriteriaCaixa Group comfortably meets the regulatory minimum Liquidity Coverage Ratio (LCR) on a consolidated basis. The Annual Report of the Internal Capital Adequacy Assessment Process (ICAAP) was approved by the Board of Directors of CriteriaCaixa on 29 April 2016.
- 3) The CriteriaCaixa Group's Pillar 3 report (Information of Prudential Relevance - IPR) report has been published to furnish market agents with the results of the capital adequacy assessment of the CriteriaCaixa Group, as well as additional information on what Criteria, as CaixaBank's parent, contributes to the CriteriaCaixa Group's prudential consolidation perimeter. The Pillar 3 report was approved by the CriteriaCaixa Board of Directors on 29/04/2016 and published the same day. On 19 December 2016, the Board of Directors of CriteriaCaixa approved a slight modification of the 2015 report.
- 4) It updated the Risk Appetite Framework (RAF) of CriteriaCaixa on the occasion of the annual review set forth in its governance approved by the Board of Directors of CriteriaCaixa on 29 July 2016. On 19 December 2016, the Board of Directors approved an addendum to the RAF, including the requirements of the 2017 SREP decision (more information given in Section E.4).
- 5) It has prepared the Recovery Plan of the CriteriaCaixa Group, which was approved by the Board of Directors of CriteriaCaixa on 29 September 2016. Some RAF metrics have been selected as recovery indicators. Recovery thresholds have also been defined for these indicators. Once activated, the internal communication and governance processes would be triggered based on the defined severity of each situation.

CriteriaCaixa's Board of Directors approved in 2015 a Corporate Risks Catalogue which facilitates monitoring and reporting the risks of CriteriaCaixa. The catalogue was updated on 29 July 2016 and approved on the same date by the Board of Directors. For greater details on the catalogue, see E.3.

The CriteriaCaixa Risk Management System functions in a decentralised manner, inasmuch as the companies in the Group have their own control and supervision structures with regard to their respective activities. However, as the conglomerate's parent, CriteriaCaixa offers a complementary structure for managing its own risks and overseeing the risks of its investees.

CaixaBank Group:

The Company hereby states that of the descriptions contained in CNMV Circular 7/2015, of 22 December, regarding the scope of entities' risk management system, the one which best describes the Company's is number 1, namely:

"...The Risk Management System functions in an integrated and continuous manner, with each area, business unit, activity, subsidiary, geographical area and support area (for example human resources, marketing or management control) managing risk at a corporate level..."

In other words, risk control is fully integrated into the business and the organisation plays a proactive role in ensuring that it is implemented. The Board of Directors determines the risk control and management policies and strategies. To this end it is advised by the Risks Committee which also regularly reviews the policy in depth.

Senior management participates directly in this task, in maintaining the internal control framework, that the Company ensures is executed prudently, and in the ongoing strategic and financial management and planning processes that guarantee adaptation to the Entity's risk level and appetite. The Risk Management System is comprehensive and thorough and can be adapted and streamlined to the subsidiaries and business units while adhering to the criteria of materiality and reasonableness.

The Risk Management System itself comprises the following elements:

- Governance and organisation: The governing bodies are the Annual General Meeting and the Board of Directors, which have the powers that, respectively, are assigned to them under the Law and in the Bylaws, and in accordance with them, in those developments established in the Regulations of each body. Consequently, the company is managed and governed by its Board of Directors: this is the representative body and, apart from matters within the powers of the General Meeting, it is the highest decision-making body.
- Corporate Risk Map: The CaixaBank Group has a "Corporate Risk Map" to identify, measure, monitor, control and report risks. This provides a comprehensive overview of all risks associated with the corporate activities and their control environment. As a starting point for the Corporate Risk Map, the Corporate Risk Catalogue, updated in December 2016 (for more information see point E.3), allows for the classification of risks by category, including risks of a fiscal nature, and facilitates their internal and external monitoring and reporting, thereby

helping to determine the Group's risk profile, the creation of a Risk Appetite Framework, standardising the risk terminology and facilitating the adaptation of risk reporting to the requirements of the Single Supervisory Mechanism (SSM).

- Risk Appetite Framework (RAF): A comprehensive and forward-looking tool used by the CaixaBank Group's Board of Directors to determine the types and thresholds of risk it is willing to assume in achieving the Group's strategic objectives.
- Risk assessment and planning: As a complement and reinforcement that feeds back into both the Corporate Risk Map and the Risk Appetite Framework, the CaixaBank Group has institutional processes and mechanisms to evaluate both the evolution of the risk profile (recent, future and hypothetical in stress scenarios), and to evaluate its own ability to ensure the appropriate governance, management and control.
- Risk culture at CaixaBank: It is constantly evolving. This is evident in (i) training as borne out through what is called the "Risks School" where training is seen as a strategic tool designed to provide support for the business areas in matters relating to risk, while simultaneously being the channel to convey the Company's risk culture and policies for their appropriate management, providing training, information and tools for all the Company's staff (with both classroom-based and virtual training sessions, using the remote means available); (ii) information – publication of relevant risk management principles, standards, circulars and manuals which are reported during monthly meetings of the CEO and senior management with the Directors of the branch network and Central Services; and (iii) incentives – at present this applies to the variable remuneration of certain managers involved in risk origination and management.
- Internal control framework: Offers a reasonable degree of security about the achievement of the Group's objectives and, in keeping with the guidelines issued by regulatory bodies and industry best practice, it has been structured around a Three Lines of Defence model.
 - The first line of defence comprises the Group's business units and support areas, which are responsible for identifying, measuring, controlling, mitigating and reporting the key risks affecting the Group as it carries out its business. In 2015 the control functions in the first line of defence were reinforced— Among others, with the creation of the Corporate Business Control Department as a specific control unit for the General Business Division.
 - The second line of defence consists of three Control Units: Regulatory Compliance, under the Deputy General Manager of Control % Compliance Area created in December 2015, the Internal Risk Control Unit, forming part of the General Risk Division and the Unit for Internal Control over Information and Financial Models, forming part of the Financial Accounting, Control and Capital (FACC) department. The second line of defence acts independently of the business units and is designed to ensure the existence of risk management and control policies and procedures, monitor their application, evaluate the control environment and report all of the Group's material risks.
 - The third line of defence is Internal Audit, which assesses the efficiency and effectiveness of risk management and control.

In December 2016, the Internal Control Committee was created, chaired by the Deputy General Manager of Control and Compliance area and involving the Control Units of the second and third lines of defence, and the Business Control Unit. The Control Units, each under its scope of action, have the following functions:

- Ensure that suitable policies and procedures are in place in relation to risk management, and that they are effectively complied with.
- Ensure the existence of a suitable and effective Control Environment that mitigates the risks, under its scope of action, including monitoring through indicators.
- Detect the existence of gaps in the control, establish plans to remedy these and monitor their implementation.
- Ensure the existence of proper reporting to the Internal Control Committee.
- Foster a culture of control and compliance in its scope of action.

More information on the Control Units can be found in section E.6.

The Internal Control Committee has the mission of providing reasonable assurance to management and the governing bodies that the Risk Control Policies and Procedures in the organisation are in place, designed correctly and applied effectively, evaluating the Control Environment of the Risks of the CaixaBank Group.

For more information see Note 3 of the Consolidated Financial Statements of the CriteriaCaixa Group for 2016.

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

Governing bodies

CriteriaCaixa: The Board of Directors of CriteriaCaixa, through the Audit and Control Committee, also oversees internal audit services and the entire process of preparing and presenting CriteriaCaixa's financial information prior to approval by the Board. In addition, the Board of Directors of CriteriaCaixa is ultimately responsible for compliance with the Financial Conglomerate conditions.

CaixaBank Group: The Board of Directors of CaixaBank is the company's senior body which, as part of its powers, determines and monitors the business model and risk strategy of the Bank, establishes the Corporate Risk Map and the Risk Appetite Framework and is responsible for internal governance and risk management and control policies. More specifically, the Board itself takes decisions on certain risk management issues:

- Adopting and monitoring compliance with risk measurement approaches, as well as calculating the related regulatory capital requirements;
- Organising the highest tier control duties;
- Establishing global risk limits;
- Ruling on general risk policies and progress made;

In general, the Board of Directors' functions are:

- Defining general risk management principles;
- Establishing the distribution of functions within the organisation and the criteria for preventing conflicts of interest;
- Approving and reviewing periodically the risk performance, management, control and reduction strategies and policies;
- Approving the general internal control strategies and procedures; and
- Monitoring the results of the risk management and control function and the status of internal control.

The Board has delegated certain issues to the delegate committees, whose activities are described in the Regulations of the Board of Directors (articles 11 et. seq.). Specifically, the Board has appointed an Executive Committee, a Risk Committee, an Appointments Committee, a Remuneration Committee and an Audit and Control Committee from among its number. The Risk Committee comprises exclusively non-executive Directors who possess the appropriate knowledge, skills and experience to fully understand and manage the risk strategy and risk propensity. This committee closely monitors risk management. Its exact duties and composition are detailed in point C.2.5. However, the Audit and Control Committee is, without prejudice to the Board's risk control and management powers, the final guarantee of the control mechanisms. See point C.2.5 of this report for more information.

Management Bodies

CriteriaCaixa: The priority of CriteriaCaixa's management is to identify the main risks in terms of the most significant businesses and apply policies with a high degree of decentralisation in view of the wide variety of businesses and their high level of specialisation.

In order to properly measure and analyse risks inherent to CriteriaCaixa's activity as a Mixed Financial Holding Company and parent of the Group, CriteriaCaixa's management uses the tools and methodology at the disposal of CaixaBank (which has its own Corporate Risk Models and Policies Division), in accordance with financial sector best practices.

Regulations on financial conglomerates establish supplementary supervision for financial conglomerates through additional quantitative and qualitative requirements to those set out in applicable sectoral regulations (represented in the banking sector, essentially the Capital Requirements Directive -CRD IV- and the Capital Requirements Regulations -CRR-). In this respect, the Group has worked on combining these requirements with autonomous management between CriteriaCaixa and the CaixaBank Group given their different business models and the different nature of their risks. To do so, it has implemented a series of governance, risk control and internal control procedures to strengthen the standards of regulatory compliance for financial conglomerates.

CaixaBank Group: Senior management of the Group acts within the framework of the powers delegated by the Board of Directors and its Committees, both collegiately (Management Committee) and individually through the Chief Risks Officer. CaixaBank's General Risk Division ensures the correct working of the Group's Risk Management

System. It is not directly responsible for reputational risk (which is managed by the Corporate Division of Communication, Institutional Relations, Brand and CSR) nor legal/political/regulatory/fiscal risk (which fall to the General Secretary) nor regulatory compliance risk (which is the responsibility of the Deputy-General Control and Compliance Division).

The senior management of the CaixaBank Group includes the following committees:
Committees reporting to the Board Committees:

- Management Committee
- Permanent Lending Committee
- Global Risk Committee

In addition, the key committees reporting to the Management Committee include:

- Asset-Liability Committee (ALCO)
- Transparency Committee
- Regulation Committee
- Planning Committee
- Information and Data Quality Governance Committee (IDQGC)
- Data Protection Committee
- Restructuring and Resolution Plans Committee
- Reputation Committee

Finally, due to their importance in the management and control of risks, the key risk management committees which establish general action policies, approve transactions at the highest level, manage the Group's business risks and report to the Global Risk Committee, are as follows:

- Risk Policies Committee
- Operational Risk Committee
- Models and Parameters Committee
- Impairment Committee
- Default and Recovery Committee
- Real Estate Acquisition and Appraisal Committee
- Internal Control Committee

For more information see Note 3 of the Consolidated Financial Statements of the CriteriaCaixa Group for 2016.

E.3 Indicate the main risks which may prevent the company from achieving its targets.

CriteriaCaixa:

The Corporate Risks Catalogue that follows was approved by the Board of Directors of CriteriaCaixa in 2015 and subsequently modified, on 29/07/2016.

- Specific business risks:

- Liquidity risk: This primarily involves liquid asset risk (lack of liquidity of certain investments and possible sudden loss in value of assets), funding risk (inability to roll over finance or higher cost to do so), and liquidity concentration risk (concentration of funding sources).
 - Credit risk: The potential losses arising from a counterparty not meeting its payment obligations. This risk includes default risk and credit concentration risk. Conceptually, this type of risk includes investments in the portfolio of Group companies, jointly controlled entities and associates.
 - Market risk: Loss of value in assets or increase in value of liabilities as a result of fluctuations in rates or prices in the market where these assets and liabilities are traded. This includes fluctuations in the value of the ownership interests in other companies, classified as available-for-sale financial assets, and real estate risk.
 - Capital adequacy risk: Risk caused by a restriction of Caixa's ability to adapt its level of capital to regulatory requirements or to a change in its risk profile.
- Risks affecting business continuity:
 - Legal or regulatory risk: This relates to possible changes to the law and/or unfavourable court rulings.
 - Compliance risk: This refers to possible sanctions arising from non-compliance with regulatory provisions.
 - Operational risk: This refers to internal and external fraud, employee relations and health and safety in the workplace, customers, systems and processes, and damage to property.
 - Reputational risk: This relates to the risk of deterioration in confidence of stakeholders.
 - Risk associated with financial reporting reliability: This concerns issues of transparency and application of accounting regulations, accounting fraud and errors in financial information.

CaixaBank Group:

Developments in the financial system and the transformation of the Regulatory Framework indicate the growing importance of assessing risk and the control environment of entities. Within this framework, the CaixaBank Group has a "Corporate Risk Map" to identify, measure, monitor, control and report risks.

The Corporate Risk Map includes a Corporate Risk Catalogue updated in December 2016 (see point E.1), which helps the internal and external monitoring and reporting of the Group's risks grouped into three main categories. Business Model Risks, Specific risks for the Bank's financial activity and Operational and Reputational Risk.

The main risks reported periodically to CaixaBank's management and the governing bodies are:

Business model risk:

- Business returns: Obtaining results below market expectations or Group targets that, ultimately, prevent the company from reaching a level of sustainable returns that exceeds the cost of capital.
- Eligible own funds: Risk caused by a restriction of the CaixaBank Group's ability to adapt its level of capital to regulatory requirements or to a change in its risk profile.
- Liquidity and financing: Risk of insufficient liquid assets or limited access to market financing to meet contractual maturities of liabilities, regulatory requirements, or the investment needs of the Group.

Risks inherent in financial activity:

- Credit risk: Risk of a decrease in the value of the CaixaBank Group's assets due to uncertainty in a counterparty's ability to meet its obligations.
- Impairment of other assets: Reduction in the carrying amount of the shareholdings and non-financial assets (tangible, intangible, deferred tax assets and other assets) of the CaixaBank Group.
- Market risk: Risk of a decrease in the value of the Group's assets held for trading or an increase in the value of its liabilities held-for-trading and in the investment portfolio, due to fluctuations in interest rates, credit spreads, external factors or prices in the market where the assets and liabilities are traded.
- Interest rate risk in the banking book: Risk of a negative impact on the economic value of the balance sheet or results, caused by the renewal of assets and liabilities at rates that are different to those previously established, arising from changes in the structure of the interest rate curve.
- Actuarial risk: Risk of an increase in the value of commitments assumed through insurance contracts with customers (insurance business) and employee pension plans (pension obligations), due to differences between the claims estimates and actual performance.

Operational and Reputational risk:

- Legal/Regulatory: Risk of losses due to errors in the interpretation or application of the existing legislation and regulations or adverse judicial rulings. In addition, it includes the risk of an adverse impact on the economic value due to legislative or regulatory changes.
- Conduct and Compliance: Risk of CaixaBank applying criteria for action contrary to the interests of its clients and stakeholders and deficient procedures that generate actions or omissions that are not aligned with the legal or regulatory framework, or with the internal codes and rules, and which could result in administrative sanctions or reputational damage.
- Fiscal risk, understood as the risk of negative effects on the financial statements and/or reputation of the CaixaBank Group arising from tax decisions taken either by the bank itself or by the tax and judicial authorities, would be covered by the management and control of the legal and compliance risk.
- Technological: Risk of losses due to inadequate hardware or software or failures in the technical infrastructures that could compromise the availability, integrity, accessibility and security of the infrastructures and data.
- Operating processes and external events: Risk of loss or damage caused by operational errors in processes related to the Bank's activity, due to external

events beyond the Bank's control, or due to third parties outside the Bank, both accidentally and fraudulently.

- Reliability of financial reporting: Deficiencies in the accuracy, integrity and criteria of the process used when preparing the data necessary to evaluate the financial and equity situation of the CaixaBank Group.
- Reputational risk: Risk associated with reduced competitiveness due to the loss of trust in CaixaBank by some of its stakeholders, based on their assessment of actions or omissions, real or purported, by CaixaBank, its Senior Management or Governing Bodies.

For more information, see Note 3 of the Consolidated Financial Statements of the CriteriaCaixa Group for 2016.

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

CriteriaCaixa: As noted in Section E.1, in July 2016 CriteriaCaixa updated its Risk Appetite Framework (RAF). Subsequently, in December 2016, the Board of Directors approved an amendment to said RAF, adjusting regulatory capital requirements based on the decisions made in November by the European Central Bank. This is a management tool whereby the Group can determine the types and thresholds of risk it is willing to assume in achieving its business objectives while at all times attaining a balance between risks and returns. Therefore, the RAF enables all prudential obligations to be monitored and controlled. This framework sets out the policies, governance processes and indicators used to establish, disclose and monitor CriteriaCaixa's risk appetite.

The Risk Appetite Framework has 15 indicators (10 for the management perimeter and 5 for the prudential perimeter of the CriteriaCaixa Group), which are included in the map of risks identified by CriteriaCaixa, pursuant to its nature as a holding company.

For the management indicators, the scope of the RAF covers the CriteriaCaixa consolidation perimeter without full integration of CaixaBank, which coincides with the risk management perimeter. Consequently, this "management scope" is the most suitable and representative for managing the Company's risks. This perimeter is not the same as the perimeter of the public consolidated financial statements or the confidential consolidated financial statements used for the purpose of prudential consolidation.

In addition, the regulatory indicators use the consolidation perimeter of the CriteriaCaixa Group, including CaixaBank, to calculate the mandatory prudential limits because, although these limits lie outside the aforesaid "management perimeter", the breaching thereof could result in additional restrictions being imposed on CriteriaCaixa with respect to the performance of its activity insofar as CriteriaCaixa is subject to prudential supervision by the ECB.

For the RAF indicators, three different alert thresholds have been set in the form of a traffic light (target, green; early warning, amber; and limit, red). A phased approach is achieved with this calibration affording CriteriaCaixa greater flexibility and capacity to react and prevent risk during a crisis, with thresholds being set for tolerance to risk that can be assumed by CriteriaCaixa.

Some RAF metrics have also been selected as recovery indicators. Recovery thresholds have also been defined (black traffic light) for these indicators. Once activated, the internal communication and governance processes would be triggered based on the defined severity of each situation.

The Deputy General Manager of Finance, Resources and Human Resources Divisional Unit is responsible for collating and consolidating information and reporting it to the Management Committee. It also in charge of liaising with the Deputy General Manager responsible for Investments and the Assistant Deputy General Manager of Asset Management in order to implement measures to manage the risks to which CriteriaCaixa is exposed.

The Management Committee receives and reviews the information provided by the Finance, Resources and Human Resources Assistant Deputy General Manager, referring it to the Audit and Control Committee and the Board of Directors.

The Audit and Control Committee is entrusted with reviewing the RAF sent by the Management Committee and referring its opinion to the Board of Directors, which is the body responsible for establishing and annually updating appetite for risk, continuous monitoring of the risk profile and ensuring consistency between the two.

CaixaBank:

The entity has various risk tolerance levels in its Risk Appetite Framework (already detailed in point E.1, as part of its Risk Management System).

CaixaBank's Risk Appetite Framework includes qualitative and quantitative statements.

- The risk appetite statement transmits the target risk profile with four key dimensions:
 1. Loss buffer: CaixaBank's objective is to maintain a medium-low risk profile and comfortable capital adequacy.
 2. Liquidity and financing: In order to have a stable and diversified financing base, the Bank must be certain it permanently has the capability to meet its financing obligations and needs, including under adverse market conditions.
 3. Business composition: The Bank aspires to holding a leading position in the retail banking market and being able to generate revenue and capital in a balanced and diversified manner.
 4. Franchise risks: the Group adheres to the highest ethical and governance standards in its business, encouraging sustainability and social responsibility, and actively strives to ensure operating excellence.

Similarly, there are statements about the minimum risk appetite which include, among other items, the monitoring of fiscal risk as part of the legal and compliance risk.

- Quantitative metrics, which are summarised in scorecards:
 1. Primary metrics (Level 1), with the appetite and tolerance levels set by the Board of Directors

2. Complementary, more detailed metrics (Level 2), to break down or supplement the risk monitoring of the management team and, in particular, the Global Risk Committee.
- Management levers (Level 3), to ensure the coherent and efficient transfer to the management of the business and its risks. These are implemented through:
 1. Training and communication
 2. Risk assessment and analysis methodologies
 3. Limits, policies and powers in the approval of new risk positions
 4. Incentives and appointments
 5. Tools and processes

For each key dimension defined, there are also qualitative statements, various quantitative metrics with the appetite to be maintained and the tolerance thresholds. Along with the management levers, these help steer the risk profile that can be assumed by the management team.

There are various “**Appetite**” and “**Tolerance**” levels for each of the metrics which have a system of alert traffic lights:

- “Green traffic light”: risk target
- “Amber traffic light”: early alert
- “Red traffic light”: breach

There is also a "Black traffic light" for certain metrics included in the Recovery Plan (see below). Once this traffic light has been activated, certain internal communication and governance processes are triggered based on the defined seriousness of the situations.

Lastly, and in line with EU Directive 2014/59/EU, of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions, CaixaBank has a Recovery Plan which is kept up to date.

The Recovery Plan is intended to help the Entity implement recovery measures so it can re-establish its financial position following a significant impairment of same. It is designed to allow the Entity to respond to situations where its solvency and liquidity are seriously impaired. The Recovery and Resolution Plans Committee (RRPC) has been created to manage the Recovery and Resolution Plans.

When drawing up the Recovery Plan, the RRPC determines the Plan's scope and the areas involved. It recommends that the Plan be updated at least once a year in line with prevailing legislation. It also directs the project and supervises and controls the preparation process which falls to the Project Office.

Before approving the Recovery Plan the RRPC validates the Report proposed by the Project Office and submits it to the Management Committee.

The RRPC reviews the Report drawn up by the Project Office every quarter to revise the recovery indicators. The Report is then submitted to the Management Committee.

This ensures a comprehensive and scaled monitoring process of potential impairments in the entity's risk profile, and regulates the opportune and selective involvement of the governing bodies.

Finally, the RRPC also coordinates all information requests sent by both Spanish (Bank of Spain / FROB) and European (Single Resolution Mechanism) resolution authorities.

For more information, see Note 3 of the Consolidated Financial Statements of the CriteriaCaixa Group for 2016.

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

The risks, identified in the Corporate Risks Catalogue, which classifies the risks into categories, including risks of a fiscal nature, are listed in point E.3; the comprehensive (management, control, etc.) and forward-looking tool used is the Risk Appetite Framework (described in point E.4). During 2016 there were no changes in the compliance/tolerance levels of the Risk Appetite Framework metrics with respect to December 2015, with one of the metrics remaining beyond the limit zone.

Specifically, the significant litigation that the financial institutions are facing with issues such as floor clauses or Law 57/68 (advances to developers) is having an impact on them, although CaixaBank is taking the necessary measures to mitigate the effects related to both issues.

The initiatives adopted and the current action plans should enable the risk levels to be brought back into line with the Entity's risk appetite.

The main figures which affected credit risk in 2016 are:

- NPLs. At 31 December 2016 the Group's non-performing loans totalled EUR 14,754 million (6.9%). At year-end 2015 this was EUR 17,100 million (7.9%).
- CaixaBank's NPL ratio compares very favourably with that of the resident private sector in the system total, which has gone from 10.1% (31 December 2015) to 9.23% (31 December 2016).
- Real estate development and foreclosed assets. At 31 December 2016, the gross amount earmarked for Group real estate development stood at EUR 8,024 million (9,825 at 31 December 2015), and the net book value of foreclosed assets (available for sale portfolio) stood at EUR 6.3 billion (7.3 billion as per 31 December 2015).
- For the NPL coverage ratio, in 2016 the Group recognised insolvency provisions of EUR 314 million (*) (EUR 1,593 in 2015), stripping out recoveries. Including these provisions, total credit loss provisions were EUR 6,880 million at the end of 2016 (EUR 9,512 at the end of 2015).
- This gave a Cost of Risk of 0.46% in 2016 compared to 0.73% in 2015.

(*) The fourth quarter of 2016 has seen the release of provisions, among others those arising as a result of the application of the new Circular 4/2016. The cost of risk ratio stood at 0.15%.

Operation of management and control systems

Despite operating in a complex environment, the Group's ability to generate value over the long term has not been affected.

The proper functioning of the risk management and control systems during 2016 has significantly contributed to this. The Group's board was informed of the progress.

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

CriteriaCaixa's Board of Directors monitors the performance of its investees and 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 regulated financial reporting and the effectiveness of the Company's internal control and risk management systems.

CriteriaCaixa's management monitors these holdings 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 CriteriaCaixa's strategy. In addition, every six months it tests all its investments for impairment to recognise any corrections to their carrying amounts, as applicable.

To ensure that the portfolio of real estate assets is recognised at its fair value in the balance sheet, CriteriaCaixa uses internal models to determine the adjustments to the main valuation given by full individual appraisals or to that resulting from automatic valuation methods. Appraisals are performed regularly: more than half of the assets have been appraised within the last year and almost all of the remaining assets have been appraised within the last two years.

CriteriaCaixa has specialised teams that continually monitor investee transactions, in accordance with the degree of influence the Group has in these companies. The teams use a combination of indicators that are updated periodically. Moreover, in conjunction with CaixaBank's Corporate Global Risk Management Division, investment risk measurements are taken, both from the standpoint of the risk inherent in market price volatility, using Value at Risk (VaR) models on the risk-free interest rate yield spread, and from the point of view of the possibility of default, applying models based on the PD/LGD approaches.

Interest rate risk relates mainly to changes in borrowing costs on CriteriaCaixa's debt. In order to mitigate this risk, CriteriaCaixa management evaluates whether or not to arrange financial swaps depending on current and forecast interest rates. CriteriaCaixa has thus signed specific swap agreements.

As explained in Section E.4 above, corporate governance is part of the RAF, in which the supervision responsibilities are determined, along with, if applicable, the responsibilities for acting in response to the risks.

In order to manage regulatory-compliance risk, the management and governing bodies encourage the dissemination and promotion of the values and principles set out in the Code of Ethics and in the Internal Rules of Conduct on Matters Related to the Securities Market, and their members as well as other employees and Senior Management must ensure their compliance as a core element guiding their day-to-day activities.

CriteriaCaixa's Board of Directors also approved an Anti-Money Laundering and Counter Terrorist Financing Manual laying down the obligations stipulated in Law 10/2010, of 28 April, on Anti-Money Laundering and Counter Terrorist Financing, and Royal Decree 304/2014, of 5 May, which contains the regulations introduced under said law. Lastly, CriteriaCaixa's Board of Directors approved the Sanctions, the International Financial Countermeasures Policy and the Code of IT Use on 30 July 2015.

Requests for information and denunciations relative to possible breaches of the Code of Ethics, of the System for Internal Control over Financial Reporting (ICFR) and of the Code of IT Use may be submitted through the Whistle-blowing Channel available on the Company's intranet for all employees.

The Audit and Internal Control Area is developing the Map of Corporate Risks that pertain to CriteriaCaixa. Specifically, the Board of Directors approved in 2015 the Map of CriteriaCaixa Activities as well as the catalogue of risks associated with said activities. The Corporate Risks Catalogue was updated and approved by the Board of Directors on 29 July 2016.

CaixaBank Group:

As noted above, the main risks the entity is exposed to are outlined in the Corporate Risks Catalogue.

Clear monitoring responsibilities have been established and, where applicable, the response within the Risk Appetite Framework has been detailed.

The **Board of Directors** is responsible for defining and supervising the Group's risk profile, updating the framework each year and monitoring the effective risk profile.

The **Risks Committee** advises the Board of Directors on the entity's overall susceptibility to risk, current and future and its strategy in this area.

The **Global Risk Committee** is an executive body that reports directly to the Risks Committee. It monitors the effective compliance of the framework at least once a month. If the pre-established levels are exceeded, the necessary measures are taken to reshape the situation.

In order to meet the information, management and control needs of the above mentioned bodies, the following reporting system has been set up:

- **Monthly presentation** of the tier 1 and 2 metrics to the **Global Risks Committee**, indicating both the risk position for the last available month/quarter and the trend. If first-level risk levels breach the threshold for:

- Appetite: an "amber traffic light" or early alert is assigned to the indicator, and the party responsible or the Management Committee is entrusted with preparing a response plan (called an action plan) to return to the "green" zone, and a timeline drawn up.
 - Tolerance: a "red traffic light" is assigned, including an explanation as to why the previous action plan (if applicable) did not work. Corrective or mitigating measures are proposed to reduce exposure. This must be approved by the Risks Committee.
 - Recovery indicators report, as part of the Recovery Plan (introduced in the response to point E.4).
- **Quarterly presentation to the Risks Committee** on the situation, action plans and forecasts for Tier 1 metrics.
 - **Half-yearly presentation to the Board of Directors** on the situation, action plans and forecasts for Tier 1 metrics.

At these meetings, the Board can amend or update the metrics and thresholds previously assigned.

If a risk breaches a tolerance threshold and threatens the Group's ability to continue as a going concern, the Board may initiate the measures set forth in the Recovery Plan.

One example of a "Response Plan", in addition to the Recovery Plan explained above, is the "Liquidity Contingency Plan", drawn up by Balance Sheet Analysis and Monitoring and endorsed by the Board. This Plan includes:

- A detailed governance framework which lays down the various activation phases (defining and monitoring alerts, evaluating the impact / scenario / severity and formal activation of the contingency plan), execution (communication plan, quantifying liquidity requirements and measures and action plans) and termination (evaluation of alerts and termination limits);
- Inventory of feasible measures in each of the crisis scenarios assessing all of the measures to obtain liquidity, indicating for each scenario if this is possible, the timeframe, the maturity of the financing source and the frequency with which it may be used; and
- Description of action plans for three areas (communication, wholesale markets and retail markets) and two timeframes (short and long term).

This Liquidity Contingency Plan also explains the differences between it and the Recovery Plan with regard to its governance and the intensity of the crisis.

With regard to fiscal risk, this forms part of the Fiscal Strategy (which includes strategic tax principles) and the Fiscal Risk Control and Management Policy, both approved by the Group's governing bodies.

Similarly, in compliance with CaixaBank's tax commitment, in 2015 CaixaBank's Board of Directors approved its adherence to the Code of Best Tax Practices drawn up within the framework of the Large Companies Forum.

The Control Units that make up the second and third lines of defence, in accordance with the Internal Control Framework of the Group, are:

- **Internal Risk Control**
- **Internal Control over Information and Financial Models**
- **Regulatory Compliance**
- **Internal Audit**

Internal Risk Control

The objective of the Internal Risk Control department is to unify into a single organisational area, reporting directly to the General Risks Division, the different functions of the second line of defence in operation within the aforementioned Division.

The management is organised into the following functions:

1) Internal Control of Operational and Credit Risk and Control of Markets.

The purpose of these functions is to monitor, as a second line of supervision:

- The definition and implementation of processes in accordance with the bank's risk policies, ensuring that risk taking is always done within the framework defined by them and with a suitable control framework.
- The consistency and effectiveness of the controls exercised from the first line of defence on the processes of assuming risk by the Bank.
- The monitoring and control of the risks assumed, as well as their ongoing reporting to, among others, the areas of risk taking and/or management, Senior Management and the competent committees, as well as supervisory bodies and third party entities.

2) Internal Validation

The criticality and importance of the risk management and capital determination process requires proper control environments to ensure that reliable estimates are obtained. The control environment must also be sufficiently specialised and operate on a continuous basis in the entities. In this respect, internal validation must comply with regulatory requirements, as well as provide fundamental support to risk management in its responsibilities of issuing technical opinions and authorising the use of internal models.

Regulations state that internal validation is a compulsory prerequisite for supervisory validation, which must be carried out by a sufficiently independent and specialised unit of the institution, with clearly defined functions.

At CaixaBank, the Internal Validation control function is carried out by Validation of Risk Models, an independent specialist department with the main responsibility of issuing a technical opinions on the suitability of the internal models used for internal management and/or regulatory purposes in the CaixaBank Group.

In line with its mission, the scope of the Risk Model Valuation team's actions include credit, market and operational risk, in addition to economic capital, reviewing methodological and management (e.g. use of management models and tools, risk policies, coverage levels, controls, governance, implementation of models in management processes) aspects, and verifying the existence of an IT environment with sufficient data quality to support the modelling needs.

Internal Control over Information and Financial Models

The objective of the Internal Control over Information and Financial Models Department is the supervision of the risks associated with the Financial Accounting, Control and Capital (FACC) Department and is organised into the following functions:

1) Internal Control over Financial Reporting (ICFR) System

The ICFR, as part of the Bank's Internal Control, is defined as the set of processes that are carried out to provide reasonable assurance on the reliability of the financial information published by the entity in the markets. It is designed in accordance with that established by the Spanish National Securities Market Regulator (CNMV) in its document "Guidelines on Internal Control over Financial Reporting in Listed Companies" (companies issuing securities admitted to trading). As a second line of defence, it monitors whether the practices and processes in place at the Bank ensure the reliability of the financial information and its compliance with applicable regulations. This function should specifically assess whether the financial information reported by the different entities within the Group complies with the following principles:

- a) The transactions, facts and other events presented in the financial information in fact exist and were recorded at the right time (existence and occurrence).
- b) The information includes all transactions, facts and other events in which the entity is the affected party (completeness).
- c) The transactions, facts and other events are recorded and valued in accordance with applicable standards (valuation).
- d) The transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with applicable standards (presentation, disclosure and comparability).
- e) The financial information shows, at the corresponding date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards (rights and obligations).

The detail of this function is presented in the Annual Corporate Governance Report for 2016, along with the activities carried out during the period.

2) Intervention

In order to ensure the achievement of the objective of a reasonable degree of security about the financial-accounting information, the Internal Control over Financial Information and Models department has the Intervention function, composed of a team of accounting specialists in certain business operations, and with the main responsibility of ensuring the reasonableness of the accounting impacts of the

business operations in each reporting period (individual and consolidated). Its main functions consist of the following:

- a) Involving itself in the month-end process to verify the reasonableness of the accounting records that come from the applications and/or manual notes, checking the existence of inventories that justify the corresponding accounting balances and reporting any incidents so that they can be corrected.
- b) Ensuring that the controls on the generation of accounting entries have functioned correctly.
- c) Interacting with the business area on a regular basis to anticipate potential accounting impacts and offer criteria for new operations, and to propose improvements in their processes and controls.
- d) Collaborating with the business area and with Accounting in the analysis of regulatory changes that may affect the operations of the area, its applications, or its accounting records, in conjunction with the Department of Accounting Policies.

Currently, the Intervention function mainly covers the following business operations: lending, contingent risks, real estate assets, commissions, currency, international branches, tax, legal contingencies, general expenses, treasury operations, liabilities and securitisations.

3) Internal Control over Financial Planning Models (ICFPM)

This function, recently created, has the objective of exercising the internal control of the second line of defence over the activities carried out by the Corporate Planning and Capital Division, ensuring the existence of suitable policies and procedures, ensuring that these are effectively complied with and the existence of an appropriate and effective control environment that mitigates the risks associated with such activities. The function is also designed to detect the existence of gaps in the control, establish plans to remedy these and monitor their implementation. The function has been organised on the basis of a validation process based on two visions:

- Validation with "product" vision of the activities of the Corporate Division (Operating Plan, Strategic Plan, ICAAP, ILAAP, Pillar 3 report, Recovery Plan, Stress Test, etc.).
- "On line" Validation: the validation process takes place in parallel with the production of the product, in order to have the conclusions before the presentation to the Board of Directors.

In order to mitigate risks, the ICFPM function covers both quantitative and qualitative aspects. The essential elements of the overall validation process cover the following areas of review:

- ✓ Technological environment and databases used
- ✓ Methodologies and hypotheses used
- ✓ Corporate governance
- ✓ Integrity of the documentation
- ✓ Management integration

Regulatory Compliance

The objective of the Regulatory Compliance function is to monitor compliance risk. The Regulatory Compliance Area supervises compliance risk arising from potential deficiencies in the procedures implemented, by establishing second-tier controls within its scope of activity (inter alia, through monitoring activities, review of internal procedures or analysis of deficiencies detected in reports by external experts, reports on inspections carried out by supervisory bodies, customer complaints etc.). When deficiencies are detected, the Regulatory Compliance Area urges the areas affected to develop proposals for improvement initiatives, which it monitors regularly.

Similarly, the Regulatory Compliance Area carries out advisory activities on matters within its area of responsibility and carries out training and communication actions to enhance the compliance culture in the organisation. Another activity that it undertakes is to ensure that best practices in integrity and rules of conduct are followed. To do this it has, among other things, an internal confidential whistle-blowing channel in place at the entity. This channel also resolves any reports of financial and accounting irregularities that may arise.

The Regulatory Compliance Area liaises with the main supervisory bodies (both Spanish and international) and handles any requirements issued by them. For all these activities, the Regulatory Compliance Area reports regularly to Senior Management and to the Audit and Control Committee and Risk Committee.

The Regulatory Compliance Area carries out its activity through 4 divisions: the Regulatory Risks department, the department for the Prevention of Money Laundering and the Financing of Terrorism, the International and Group department and the department for Compliance in the Corporate & Institutional Banking - CIB area.

Internal Audit

CaixaBank's Internal Audit performs an independent activity providing assurance and consultation services; it is designed to add value and improve activities. It contributes to achieving the strategic objectives of the CaixaBank Group, providing a systematic and disciplined approach to evaluating and improving risk management and control, and internal governance processes.

Internal Audit is the third line of defence in CaixaBank's 3 lines of defence control model. It oversees the activities of the first and second lines of defence.

For more information, Note 3 of the Consolidated Financial Statements of the CriteriaCaixa Group for 2016.

F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS OVER FINANCIAL REPORTING (ICFR)

F.1. The entity's control environment: The purpose here is to ensure that the market is informed of 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, 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.

CriteriaCaixa's Board of Directors, as the Company's highest governing body, has been responsible for the existence of a suitable and effective ICFR since October 2014.

The Audit and Control Committee is responsible, among other functions, for:

- Monitoring the effectiveness of the Company's internal control environment, internal audit and risk management systems, and discussing with auditors of accounts any significant weaknesses in the internal control system identified over the course of the audit.
- Monitoring the process for preparing and submitting regular financial information. Hence, the Audit and Control Committee ensures its effectiveness by gathering sufficient evidence of its correct design and operation.

The Company's Deputy General Manager of Finance, Resources and Human Resources Division is responsible for the design, implementation and performance of the ICFR.

This role has been set forth in the "*Internal Control over Financial Reporting*", which has been approved by the Audit and Control Committee and the Board of Directors and is implemented by the Internal Control over Financial Reporting Function.

With regard to the ICFR internal standard, the CaixaBank Group, as a very significant part of the financial reporting of the CriteriaCaixa Group, has a "System for Internal Control over Financial Reporting" Policy and the equivalent regulation, both of which were approved in 2016 once the policy had been separated from the regulation (previously only the regulation existed).

The ICFR Policy was approved by the Board of Directors. It describes the most conceptual aspects of ICFR such as the financial information to be covered, the internal control model, policy supervision, custody and approval, etc.

For its part, the ICFR Regulation was approved by the Management Committee and it outlines the Internal Control over Financial Reporting Function (ICFR), whose responsibilities are:

- To monitor whether the practices and processes in place at the Group ensure the reliability of the financial information and compliance with applicable regulations.

- To assess whether the financial information reported by the various companies composing the CaixaBank Group comply with the following principles:
 - i. The transactions, facts and other events presented in the financial information in fact exist and were recorded at the right time (existence and occurrence).
 - ii. The information includes all transactions, facts and other events in which the Company is the affected party (completeness).
 - III. The transactions, facts and other events are recorded and valued in accordance with applicable standards (valuation).
 - iv. The transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with applicable standards (presentation, disclosure and comparability).
 - v. The financial information shows, at the corresponding date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards (rights and obligations).

The code also details the responsibilities of the Internal Accounting Units which are involved in preparing financial information. These responsibilities include attesting to the execution of the key controls identified with the required frequency, as well as helping to identify risks and controls and the formal establishment and descriptive documentation of the activities and controls which affect the preparation of financial information.

In light of the importance of CaixaBank in generating the consolidated financial information of CriteriaCaixa, various functions relative to the ICFR of the CriteriaCaixa Group are subcontracted to the Department of Internal Control over Financial Reporting, which answers to Department of Financial Accounting, Control and Capital of CaixaBank.

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 company, 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, through its General Manager, Management Committee and Appointments and Remuneration Committee, 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, among other issues, the allocation of tasks, key dates and the various revisions to be carried out by each of the hierarchical levels. The aforementioned lines of authority and responsibility have been duly documented and everyone taking part in the financial reporting process has been informed of the same.

In addition, all CriteriaCaixa Group entities have an ICFR model and act in a coordinated manner.

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 and 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.

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 among 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 Fundació Bancària La Caixa 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 channel for communicating cases of noncompliance and questions on the Code of Ethics that is managed internally and regarding which CriteriaCaixa ensures confidentiality 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 Related to the Securities Market (IRC)** which govern the conduct of employees, executives, Board members and certain third parties that perform services at the entity. 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 provisions 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 and In addition, both the initial text and the successive modifications approved by the CriteriaCaixa's Board of Directors, such as that which was introduced in November 2016, are forwarded to the persons covered by them, and the proof of the receipt thereof is kept by the Monitoring Committee.

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 entity'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.

In 2016, classroom-based training was given to all employees through several sessions intended to provide information on the Code.

Communications on possible cases of noncompliance with the Code of IT Use or any questions that may arise regarding the interpretation or application thereof are forwarded to the General Manager.

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.

CaixaBank Group:

In addition, given the importance of the CaixaBank subgroup within the CriteriaCaixa Group, we should note that CaixaBank has a Code of Business Conduct and Ethics, which has been approved by the Board of Directors and sets out the core ethical values and principles that guide its conduct and govern the actions of all employees, executives and officers. The Code is available to all employees on the Company's intranet and can also be accessed by shareholders, customers, suppliers and other interested parties under the Corporate Responsibility section of the CaixaBank website.

The ethical values and principles outlined in the Code are as follows: compliance with the law, respect, integrity, transparency, excellence, professionalism, confidentiality and social responsibility.

The Code also states that the Entity undertakes to provide its customers and shareholders with accurate, truthful and understandable information on its transactions and commissions and the procedures for handling claims and resolving incidents. CaixaBank also makes all its relevant financial and corporate information available to its shareholders, in line with prevailing legislation.

All new employees must adhere to the Code.

The Queries and Complaints Committee, which includes Compliance, General Council, Legal and Human Resources, is responsible for analysing any breaches or proposing corrective measures and penalties. Likewise, due to prevailing legislation and self-regulatory agreements proposed by Management and the Governing Bodies, there are other codes regulating the conduct of employees in specific areas. These are:

- I. Internal Code of Conduct on Matters Relating to the Stock Market
- II. Telematic Code of Conduct
- III. Internal Confidential Consulting Channel

All of these issues have been included in the Entity's Training Regulations, and courses must be taken by all employees. At the end of each course all participants must pass a test to receive formal validation.

The Entity currently offers the following courses:

- The Code of Ethics and the Confidential Code of Ethics Consulting Channel, the Confidential Telematic Code of Conduct Consulting Channel and the Confidential Consulting and Whistle-blowing Channel. This is a 90-minute e-learning course.

- Information Security training provides knowledge on the protection measures and criteria to be adopted concerning information. The course also included the guidelines of the Telematic Code of Conduct. This is a 60-minute e-learning course.
- The entity also has two e-learning courses available on the Internal Code of Conduct:
 - o one for all covered persons; and
 - o another for all employees which focuses on identifying and notifying any suspicious market abuse operations, the corporate conflict of interest policy and employees' general obligations regarding insider information.

In 2016 all new employees were required to take these courses.

'Whistle-blowing' channel, for 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.

Communications on possible breaches of the Code of Ethics and of the System for Internal Control over Financial Reporting (ICFR) and of the Code of IT Use may be submitted through the Whistle-blowing Channel available on the Company's intranet for all employees. Once the communication has been received, a member of the Management Committee is selected to investigate, safeguarding in all events the confidentiality of the sender. Once the investigation has ended, the committee is formed, made up, *inter alia*, of the General Manager, provided that the facts covered by the complaint do not involve said person. If the facts do involve the General Manager, the latter is replaced by the next highest ranking executive at the entity not involved in the facts covered by the complaint. This committee decides on the applicability of the complaints and, as the case may be, the actions to be taken with regard thereto.

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. This also guarantees the employee's indemnity except in cases of malicious reporting or their participation in the reported events.

Reports and possible failures to comply with the Internal Rules of Conduct on Matters related to the Securities 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.

In the event of complaints related to financial and accounting reporting, the Audit and Control Committee is to be informed.

CaixaBank Group:

In the case of CaixaBank, 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.

All notifications about possible breaches of the Code of Ethics and the Telematic Code of Conduct, as well as reports of potential irregularities regarding financial and accounting information, must be sent to Regulatory Compliance via the Confidential Consulting and Whistle-blowing Channel set up by CaixaBank and available to all employees on the intranet. This area is responsible for its management while the above-mentioned Whistle-blowing Channel Committee is responsible for resolving complaints. It is also responsible for notifying the Audit and Control Committee of any complaints regarding financial and accounting information pursuant to the ICFR guidelines.

This internal channel is exclusively for employees and can be accessed via various links on the intranet. All reports must be individual and confidential. The whistle-blower is only identified to the business areas involved in the investigation if it is absolutely necessary and only with the employee's consent. This also guarantees the employee's indemnity except in cases of malicious reporting or their participation in the reported events.

In 2016 the entity offered training on this channel and its use.

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 significant quantitative (the number of employees who have received the training, etc.) and qualitative information.

As part of training within the Group, in 2016, CriteriaCaixa had training programs for employees, including 799 hours of technical training, primarily in the Finance Area and Investment Area, on top of topics such as internal control and risk management, internal audit and close of the fiscal year and balance sheet date.

In December 2016, the online training course in ICFR was launched. It was given to 13 employees on bank investments and consolidation, in addition to the 9 employees who were invited in 2015 and 43 invited in 2014.

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.

CaixaBank Group:

The Entity and its subsidiaries strive to offer an ongoing accounting and financial training plan which is adapted to the requirements inherent in the jobs and responsibilities of personnel involved in preparing and reviewing financial information.

In 2016, training courses focused on the following areas:

- Accounting
- Audit
- Internal Control
- Legal/Tax
- Risk management
- Regulatory Compliance
- Risks

The various courses were aimed at personnel in Financial Accounting, Control and Capital, the Deputy General Audit and Control Division, Default and Recovery and Risks, as well as members of the entity's Senior Management. An estimated 3,670 hours of this type of training were provided.

We would also note that in the last quarter of 2016 the Entity relaunched an online course on ICFR aimed at 51 employees from Accounts and audit inspection, Corporate Information and Control of Investees, Planning and Capital and Risks. This is in addition to the 81 employees who took the course in 2015, the 64 people in 2014 and 236 people in 2013.

This two-hour long course is intended to raise awareness among all employees either directly or indirectly involved in preparing financial information of the importance of establishing mechanisms which guarantee the reliability of the same, as well as their duty to ensure compliance with applicable regulations. The first section covers ICFR standards, with particular reference to the CNMV's guidelines issued in June 2010, while the second covers the methodology established at the CaixaBank Group to ensure compliance with all prevailing ICFR regulatory requirements.

Financial Accounting, Control and Capital (FACC) 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.

One of the key features of CaixaBank's Strategic Plan for 2015-2018 is “to be leaders in service quality and have the best trained and dynamic team and develop the professional skills of all Branches and Central Services employees”.

In 2015 the entity set up the Risks School in collaboration with the Instituto de Estudios Bursátiles (IEB), Pompeu Fabra University (UPF) and the Open University of Catalonia (UOC). The main purpose of this initiative is to support the training of critical professional skills and promote a decentralised management model so that employees increasingly have the necessary skills to approve lending transactions.

In 2016, there were 30 training sessions lasting 2 hours each, for Directors and members of the various governance bodies of CaixaBank which covered, *inter alia*, risk management, internal and external audit, capital instruments, the stock market and banking. These sessions were arranged according to each Director's profile and the most suitable training recommended for each by their Supervisor. Particular emphasis was given to new appointments.

The entity gave classroom-based and online **training** to its staff. Among the subjects covered were accounting and auditing principles, as well as internal control and risk management. CaixaBank is committed to informal **e-learning** via its Virtaula platform where employees can share knowledge.

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), and if it is updated and how often.
- A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, 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 governing bodies is responsible for overseeing the process.

CriteriaCaixa's risk identification process is as follows:

1. Determining the scope, including the selection of the financial information, relevant headings and Entities of the Group generating it, using quantitative and qualitative criteria. In 2016, this exercise was carried out at the beginning of the year using data at 31 December 2015 and revised in the second half using data at 30 June 2016.
2. Identification of the Group's material processes which are involved, either directly or indirectly, in preparing financial information.
3. Updating the reliability risk map of the financial information, identifying those risks which mitigate each process.
4. Documentation of existing controls to mitigate critical risks identified.
5. Classification and assessment of risks and controls. Assesses the criticality of risks and controls in order to identify the coverage of ICFR.
6. Continual assessment of the efficiency of ICFR. Issuing of reports.

As indicated in the internal regulations which govern Internal Control over Financial Reporting, the Group has a *methodology to identify processes and the relevant areas and risks associated with financial reporting*, including risks of error or fraud.

The regulations provide the methodology to identify the key areas and significant processes associated with the financial information relating to the identification of risks, based on:

- establishing specific guidelines for responsibilities and implementation and updating; and
- establishing the criteria to be followed and information sources to be used in the identification process,
- establishing criteria to be followed to identify the relevant subsidiaries with regard to ICFR.

The risk identification process takes into account both routine transactions and less frequent transactions which are potentially more complex, as well as the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.).

The entity also has an analysis procedure in place implemented by the various business areas involved in corporate transactions and non-recurring or special transactions, with all accounting and financial impacts being studied and duly reported.

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 over 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) with a potentially significant impact on financial information objectives: existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations.

In addition, the governing and management bodies receive periodic information on the main risks inherent in the 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.

The scope of consolidation is also assessed on a monthly basis by the Consolidation function which is part of the Accounts and Audit Inspection Area, for the entire consolidated group, through a service contract between CriteriaCaixa and CaixaBank.

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 generating, preparing and reviewing financial information, and it obtains the required information from the remaining areas and from the companies in the scope of consolidation in order to obtain a sufficient level of detail on said information. CriteriaCaixa utilises a services contract with Financial Accounting, Control and Capital of CaixaBank to execute the year-end processes at the consolidated level of the CriteriaCaixa Group.

Financial information is the cornerstone of the control and decision-making process of the Entity's senior governing bodies and Management.

The reporting and review of all financial information hinge on suitable human and technical resources which enable the 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 within Financial Accounting, Control and Capital of CaixaBank, such as the Deputy General Manager of Finance, Resources and Human Resources Division and, where applicable, double checked with other business areas of the Group. Finally, the key financial information disclosed to the market is examined and, if applicable, approved by the highest-ranking governing bodies of the Group.

With regard to activities and control procedures directly related to transactions which may have a material impact on the financial statements, the 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.

The documentation of the critical processes and control activities contains the following information:

- A description of the processes and associated subprocesses
- A description of the financial information risks along with the financial statement assertions and the possibility of the risk of fraud. The risks are classified into risk categories and risk models, which make up the Group's Corporate Risk Map.
- Control activities carried out to mitigate the risk along with their characteristics:
 - Classification - Key / Standard
 - Purpose – Preventive / Detective / Corrective
 - Automation - Manual / Automatic / Semiautomatic
 - Frequency - How often the control is executed
 - Evidence – Evidence/proof that the control is working correctly
 - COSO Component – Type of control activity, according to COSO classification (Committee of Sponsoring Organisations of the Treadway Commission)
 - System – IT applications or programmes used in the control activity
 - Control executor – Person responsible for implementing the control
 - Person responsible for the control – Person who ensures the control is executed correctly

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

As part of the ICFR evaluation process, CriteriaCaixa 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 quarterly although there are also ad-hoc attestations where controls of financial reporting are carried out during different periods.

CriteriaCaixa's Deputy General Manager of Finance, Resources and Human Resources and Capital informs the Management Committee and the Audit and Control Committee of the outcome of this attestation process, in addition to the Board of Directors.

In 2016, the Group carried out quarterly attestation processes, plus the ad hoc attestation of certain controls. No significant incidents which may affect the accuracy of the financial information were identified.

Internal Audit carries out the monitoring functions described in F.5.1 and F.5.2 below.

The preparation of the financial statements requires senior executives to make certain judgements, estimates and assumptions in order to quantify certain of the assets, liabilities, revenues, expenses and obligations shown in them. These estimates are based on the best information available at the date the financial statements are prepared, using generally-accepted methods and techniques and observable and tested data and assumptions.

The procedures for reviewing and approving judgements and estimates are outlined in the Judgements and Estimates Review and Approval Policy which forms part of the internal ICFR regulations and has been approved by the Management Committee and the Board of Directors.

This year the Entity has addressed the following:

- The fair value of certain financial assets and liabilities.
- The fair value of assets, liabilities and contingent liabilities in the context of the purchase price allocation in business combinations.
- Impairment losses on certain financial assets and the fair value of the related guarantees.
- The measurement of investments in joint ventures and associates.
- Determination of share of profit (loss) from holdings in associate companies.
- The useful life of and impairment losses on other intangible and tangible assets.
- The measurement of goodwill and intangible assets.
- Impairment losses on non-current assets and disposal groups classified as held for sale.
- Actuarial assumptions used to measure liabilities arising under insurance contracts.
- Actuarial assumptions used to measure post-employment liabilities and commitments.
- The measurement of the provisions required to cover labour, legal and tax contingencies.

- The income tax expense based on the income tax rate expected for the full year and the capitalisation and recoverability of tax assets.

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

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

Information Security Management System: The Group 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, among other policies, those for accessing IT systems and the internal and external controls which ensure all of the policies defined are correctly applied.

Operating and business continuity: The CaixaBank Group has a comprehensive IT Contingency Plan in place to guarantee the continuity of its IT services. It also has strategies in place to enable it to recover information in the shortest time possible. In addition, CriteriaCaixa has prepared a Business Continuity Plan in order to ensure that the operations that support the business processes will not be interrupted in the event the system is affected by an incident or is rendered inoperable. Said plan is currently being revised and updated.

The British Standards Institution (BSI) has certified that the Group's business continuity programme is ISO 22301:2012 compliant. The certificate accredits:

- Senior management's commitment to business continuity and technological contingency.
- The existence of business continuity and technological contingency management best practices.

- The existence of a cyclical process aimed at continuous improvement.
- That the Group has deployed and operates a business continuity and technological contingency management system that is compliant with international standards.

This certificate provides:

- Assurance to our customers, investors, employees and society in general that the Entity is able to respond to serious events that may affect business operations.
- Compliance with the recommendations of regulators, the Bank of Spain, MIFID and Basel III.
- Advantages in terms of the Entity's image and reputation.
- Annual audits, both internal and external, which ensure we keep our system up-to-date.

Information technology (IT) governance: The CaixaBank Group's 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.

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.

Likewise, CriteriaCaixa also has in place an IT governance model that guarantees that its information services are coherent with the CriteriaCaixa business strategy.

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 entity.

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.)

The trading volume and the number of suppliers of CriteriaCaixa is insignificant compared with the total for the Group. CriteriaCaixa's activity with the greatest intervention of external suppliers is real estate activity.

With regard to this activity, 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 CriteriaCaixa 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 and credibility requirements so that use of their estimates does not undermine the reliability of their valuations.

CaixaBank Group:

Moreover, the CaixaBank Group, which is very important for the Group, has a Costs, Budget Management and Purchasing Policy which governs the Management Model throughout the cycle (budgeting, demand management, negotiating with suppliers, supply and invoicing). This policy is detailed in the internal regulations which mainly regulate processes regarding:

- Drawing up, approving, managing and settling the budget
- Applying the budget: procurement and commissioning
- Paying supplier invoices
-

Most of the processes carried out between Group entities and their suppliers are managed and recorded by programmes which include all activities. The Efficiency Committee is responsible for ensuring that the budget is applied in accordance with regulations.

To ensure correct cost management, the CaixaBank Efficiency Committee has delegated duties to two committees:

- The Investment and Expenses Committee (CGI): reviews and ratifies all spending and investment proposed by the various areas and subsidiaries in projects. It queries the need and reasonableness for same by means of a profitability and/or efficiency analysis.
- Purchasing desk: oversees achieving maximum savings in contracting goods and services, encouraging equal opportunities among suppliers. The entity's Code of Ethics stipulates that goods must be purchased and services engaged objectively and transparently, avoiding situations that could affect the objectiveness of the people involved. Auctions and budget

requests are acceptable procurement methods according to the Procurement Department and a minimum of three tenders from suppliers must be submitted.

The CaixaBank Group has a Suppliers' Portal offering quick and easy communication between suppliers and Group companies. This channel allows third party companies to submit all the necessary documentation when bidding for contracts as well as all the necessary documentation once services have been contracted. This not only ensures compliance with internal procurement regulations but also makes management and control easier.

CaixaBank has an Outsourcing Policy which establishes the methodological framework and criteria to take into account when outsourcing services. The policy determines the roles and responsibilities of each activity and states that all outsourcings must be assessed according to their critical nature, as well as defining various control and supervision levels according to their classification.

Deloitte Consulting, S.L.U. has certified that the design and wording of the outsourcing governance complies with ISO standard 37500:2014, which attests:

- Senior management's commitment to outsourcing governance.
- The existence of outsourcing management initiative best practices.
- A cyclical process based on continuous improvement.

Formalisation of this Policy means:

- Our customers, investors, employees and other stakeholders trust in the decision-making and control process for outsourcing initiatives.
- Compliance with the recommendations of regulators, such as the Bank of Spain, MiFID and Basel III.
- Advantages in terms of the Entity's image and reputation.

CaixaBank ensures that any future outsourcing does not entail a loss of supervisory capacity, analysis or demands of the service or activity under contract. The following procedure is followed when there is a new outsourcing initiative:

- Analysis of the applicability of the outsourcing model to the supplier.
- Assessment of the outsourcing.
- Engagement of the supplier.
- Transfer of service to the external supplier.
- Oversight and monitoring of the activity or service rendered.

All outsourced activities have control activities largely based on performance indicators. Each person in charge of an outsourced activity shall request that the supplier report all indicators and keep these up-to-date. These are then reviewed internally on a periodical basis.

In 2016, valuation and calculation services commissioned from independent experts mainly concerned the following:

- Certain internal audit and technology services
- Certain financial consultancy and business intelligence services
- Certain marketing and various procurement services
- Certain IT and technology services
- Certain financial services
- Certain financial, fiscal and legal advisory services
- Certain processes related to Human Resources and various procurement services
- Certain processes related to Information Systems

F.4. Information and communication: The purpose of the disclosure of the information is to allow investors to 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 to make them aware 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 entity 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.

At the individual level, responsibility for defining the accounting criteria of CriteriaCaixa lies with the Deputy General Manager of Finance, Resources and Human Resources Division. This division is charged 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. In addition, in the case of one-off transactions, documentation is prepared relative to the accounting analysis thereof. Moreover, an accounting information policy is available on the intranet of CriteriaCaixa.

Given that banking activity is the most representative of CriteriaCaixa's group's activities, because of the fact that CaixaBank is consolidated under the equity method, the definition of the consolidated accounting criteria is the responsibility of the Accounts and Audit Inspection Area - Accounting Circuits and Policies Department, which is part of the Financial Accounting, Control and Capital Department of CaixaBank.

These criteria are based on and documented according to the characteristics of the product/transaction defined by the business areas involved and, applicable

accounting regulations, which specify the creation of amendment of an accounting circuit. The various documents comprising an accounting circuit explain in detail all the likely events which could affect the contract or transaction and describe the key features of the operating procedures, tax regulations and applicable accounting criteria and principles.

This department is charged with resolving any accounting queries not included in the circuit and any queries as to its interpretation. Additions and amendments to the accounting circuits are notified immediately and can be consulted on CaixaBank's intranet.

Accounting criteria at CaixaBank are constantly updated in line with new contract types or transactions or any regulatory changes. In this process all new events which have been reported to the department and which may have an accounting impact both individually and for the preparation of information are analysed. The various areas involved in these new events work together to review them. The conclusions of these reviews are transferred to and implemented in the various accounting circuits and, if necessary, the various documents comprising the general accounting documents. The affected business areas are informed via existing mechanisms, mainly the intranet and the accounting policies manual.

In 2016, as in previous years, CaixaBank's Accounting Policies and Regulation Department continue to review its accounting policies, taking into account the materiality threshold.

In addition, this Department is responsible for analysing and studying the accounting impact of one-off transactions and for monitoring and developing ex ante and ex post regulations. In this regard, the department is responsible for training and updating the affected areas.

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 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.

CaixaBank is currently upgrading its accounting information architecture to improve the quality, completeness, and immediacy of the information provided by business applications. The various IT applications are gradually

being including in the scope of the project which currently includes a very significant materiality of balances.

The Group uses specialist tools and mechanisms in standard format to capture, analyse and prepare consolidated financial information. The accounts plan, which is incorporated in the consolidation application, has been defined to comply with requirements of the various regulators.

The Group also has a SAP Governance, Risk and Compliance (SAP GRC) tool to guarantee the completeness of ICFR, uniformly reflecting all the activities involved in a process and associating them with existing risks and controls. The tool also supports, *inter alia*, the Corporate Risk Map of CaixaBank and Key Risk Indicators, for which the Internal Control and Credit Risk Models business areas are respectively responsible.

F.5. Oversight of the system's functioning: The information to be disclosed 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 entity 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 his/her findings. State also whether the entity 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 entity'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 regulated financial information and the effectiveness of the Company's internal control and risk management systems and discussing 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 section 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 is exposed.
- Assessment of the conclusions of the audits carried out and the impact on financial information, where applicable.
- Constant monitoring of corrective action, prioritising each one.

CriteriaCaixa and CaixaBank have their respective Audit and Internal Control Areas whose mission is to ensure the correct performance of and supervise the Group's internal control framework.

CriteriaCaixa:

In the case of CriteriaCaixa, the internal audit function is the responsibility of the Audit and Internal Control Area, which functionally reports to the Audit and Control Committee and answers, administratively, to the Office of the General Manager. 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 in the different areas of the Group, contributing to the attainment of the Group's 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 CriteriaCaixa Group's Internal Control Framework.

Internal Audit is responsible for:

- Carrying out its professional duties in accordance with generally accepted auditing norms and procedures.
- Drafting an annual audit plan focusing on the key risks identified within the CriteriaCaixa Group. 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 audit reports.

In carrying out its work, CriteriaCaixa's 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 recommendations on the audited process.

CriteriaCaixa Internal Audit issues each year an overall report that includes an evaluation of the functioning of the ICFR during the year. 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 Group level.

The annual assessment of ICFR at 31/12/2016 focused on:

- 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 methodology established in the Internal Control over Financing Reporting Code to guarantee that Group ICFR is adequate and effective.
- Assessing the hierarchical attestation of 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 also include an action plan detailing corrective measures, their urgency to mitigate risks in financial information and the timeframe for resolving these.

CaixaBank Group:

With regard to CaixaBank, the internal audit function, which is part of the Deputy General Manager of Audit and Control Division, is governed by the principles contained in the Internal Audit Regulations approved by the Executive Committee and the Board. Its mission is to guarantee effective supervision of the internal control system through ongoing assessment of the organisation's risks and provide support to the Audit and Control Committee by drafting reports and reporting regularly on the results of work carried out.

Internal Audit of CaixaBank has auditors working in various audit teams which specialise in reviewing the main risks to which the entity is exposed. One of these teams is the Financial Audit, Investees and Regulatory Compliance

Division where specialists oversee processes at Financial Accounting, Control and Capital, which is responsible for preparing the entity's financial and accounting information. The Internal Audit's annual plan includes a multiyear review of the risks and controls in financial reporting for all auditing work where these risks are relevant.

In each review, Internal Audit:

- Identifies the necessary controls to mitigate the risks associated with the reviewed process' activities.
- Analyses the effectiveness of the existing controls on the basis of their design.
- Verifies that these controls are applied.
- Reports its conclusions on the review and issues an opinion on the control environment.
- Recommends corrective actions.

CaixaBank's Internal Audit has developed a specific work programme to review ICFR, focusing on the periodical review of the relevant processes (transversal and business) defined by the Internal Control over Financial Reporting team which is complemented by a review of existing auditing controls in other processes. This work programme is currently complemented by an ongoing review of evidence of the effective execution of all controls. Based on this, the Audit function publishes an annual global report which includes an assessment of the performance of ICFR during the year.

The annual assessment of ICFR at 31/12/2016 focused on:

- 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.
- Verification of the "Internal Control over Financial Reporting" policy and the methodology contained in the associated internal regulation to ensure that ICFR across the Group is suitable and efficient.
- 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

In 2016, Internal Audit of CaixaBank also revised the processes which affect the preparation and presentation of financial information, focusing on, *inter alia*, financial-accounting, financial instruments, legal and compliance, information systems and the insurance and payment method businesses.

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

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.

The Group has in place a discussion procedure with its auditor. 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 quarterly 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 Internal Audit, 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 previous responses.

N/A

F.7. External auditor 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 annual 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.1.3: Mr. Fainé and Mr. Lopez Burniol submitted their resignations from their posts as Chairman and Member of the Board of Directors of CaixaBank, S.A., respectively, on 30 June 2016.

Mr. García-Bragado, effective 31 December 2016, submitted his resignation as Vice Chairman and Deputy Secretary of “la Caixa” Banking Foundation, and, in addition, accepted the position of Director of CaixaBank, S.A. effective as of 1 January 2017.

Banco Europeo de Finanzas, S.A., where Mr. Contreras is a Director, is a jointly controlled company.

- C.1.4: As stated in the annual reports for 2015 and 2014, the information included in section 2013 of the table refers to the Directors of SERVIHABITAT XXI, S.A.U., which at that time was wholly owned by CRITERIA CAIXAHOLDING, S.A.U. (now named Criteria Caixa, S.A.U.). In December 2013 SERVIHABITAT XXI, S.A.U. and Criteria Caixa, S.A.U. merged, with SERVIHABITAT XXI, S.A.U. being the surviving company and CRITERIA CAIXAHOLDING, S.A.U. the disappearing company (the reverse merger). The surviving company, SERVIHABITAT XXI, S.A.U. adopted the corporate name of the disappearing company, which currently is CRITERIA CAIXA, S.A.U. Therefore, the information given for 2013 corresponds to SERVIHABITAT XXI, S.A.U.

In December 2013, at the time of the reverse merger by absorption, the members of the Board of Directors of the surviving company were removed from office and new Directors of the company were named who held said positions at the disappearing company (the company formerly known as CRITERIA CAIXAHOLDING, S.A.U.). From then until 26 June 2014, six (6) of twenty (20) Board members were women, that is, 30% of the total. Five (5) of the six (6) women held their positions and representation of the then shareholder Caixa d’Estalvis i Pensions de Barcelona, “la Caixa”, and were also members of its Board of Directors. In June 2014, these five (5) Board members were removed from their positions given that they had been removed from their positions as Board members of Caixa d’Estalvis i Pensions de Barcelona, “la Caixa” as part of the adjustment of the structure of the Group of Fundación Bancaria “la Caixa” to the new regulations on savings banks and banking foundations.

In 2015, there were no changes in the number of Board members, although the percentage on the Board of Directors changed as a result of resignations of two Board members. In 2016, the situation has remained unchanged.

- C.1.6: Effective 30 June 2016, Mr. Gual, after having been appointed Chairman of CaixaBank, S.A., submitted his resignation to the position of Director General of Planning and Strategic Development for Criteria Caixa, S.A.U. In addition, effective 1 January 2017, Mr. Bellavista resigned from his position as Deputy General Manager of Criteria Caixa, S.A.U.

- C.1.10: Effective as of 18 October 2016, Mr. Alepuz submitted his resignation as Secretary of the Board of Directors.
- 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 On 30 May 2016, once all of the clearances had been obtained from the authorities and the required conditions had been met, the swap agreement between Criteria Caixa, S.A.U. and CaixaBank, S.A., approved on 3 December 2015, was perfected. Criteria transferred to CaixaBank, S.A. a number of CaixaBank S.A. treasury shares representing approximately 9.89% of its share capital at that time and a cash amount set at EUR 678 million. CaixaBank in turn transferred to CriteriaCaixa its stake in The Bank of East Asia, Limited, representing approximately 17.30% of its share capital, and its stake in Grupo Financiero Inbursa, S.A.B. de C.V., representing approximately 9.01% of its share capital.
- Throughout this annual corporate governance report it has been stated that all the information contained on CaixaBank, with regard to the risk management processes and internal risk control and management systems relative to the process of issuing the financial information of CaixaBank, was prepared using information provided by said entity.

This annual corporate governance report was adopted by the company's Board of Directors at its meeting held on: 24/02/2017.

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.