



Principles for Responsible Banking

Reporting and Self-Assessment Template

Principles for Responsible Banking
2024



LABORAL
kutxa

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Caja Laboral Popular Coop. de Crédito is a credit cooperative representing a different way of banking. It was founded in the town of Arrasate/Mondragón, Gipuzkoa (Basque Country) in 1959. The aim of its creation was to provide financial support to the different cooperatives that were flourishing around Arrasate. Later, in 2012, it merged with Ipar Kutxa, also a credit cooperative, acquiring the commercial name of LABORAL Kutxa.

It is a solid and responsible model of cooperative and participative banking, based on cooperation and commitment to society. The main goal is the satisfaction of all its customers and the generation of wealth and employment in their environment. As a Cooperative Bank, it is guided by a philosophy and values that ensure it place common interest before individual interest, making decisions in a participative and responsible manner and reinvesting its profits in society.

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Business model

In terms of customers, it has a total of 1,151,239. Most of them are private individuals, although it also has commercial customers, including the self-employed, businesses and companies:

CUSTOMERS	Number	%
Private individuals	978,553	85%
Commercial	138,149	12%
Self-employed	92,099	8%
Businesses	34,537	3%
Companies	11,512	1%
Rest/uncategorised	34,537	3%
TOTAL	1,151,239	100%

The cooperative has several lines of business. The main line is credit and loans. Private customers are mainly granted mortgages, but also consumer loans. It also provides financial advice and insurance services. However, for the commercial side it provides structural financing or financing for working capital.

In the commercial area, the most important sectors for LABORAL Kutxa are non-cyclical services (6.7%); real estate management services (6.6%); food and beverage distribution (5.8%); mechanical and electrical engineering (5.6%), and metallurgical production (5.3%).

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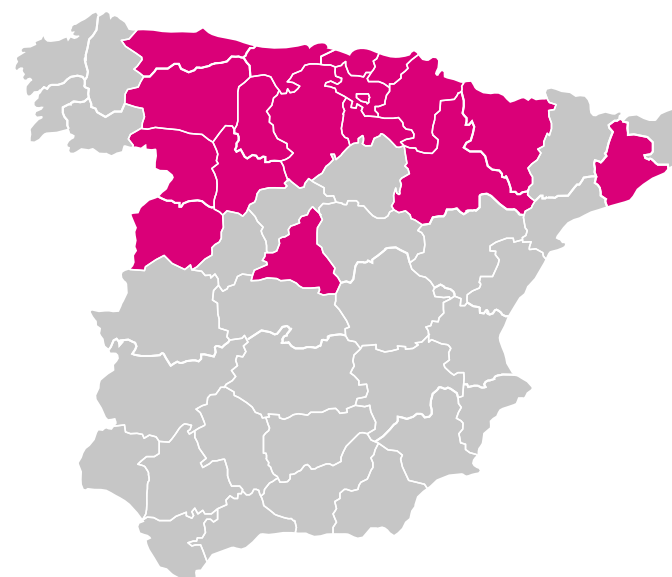
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Business model

Regarding geographical distribution, LABORAL Kutxa, which has its head office in Arrasate/Mondragón, is present in 9 autonomous communities and 17 provinces in Spain, all of which are located in the northern half of the country. It carries out most of its activity in the Basque Autonomous Community (Bizkaia, Gipuzkoa and Araba), although it also has a considerable presence in Navarre, the territories where it was created and it took its first steps. However, throughout its history it has also spread to Asturias, Cantabria, La Rioja, Castilla y León (León, Palencia, Burgos, Valladolid, Salamanca, Zamora), Aragón (Zaragoza, Huesca), Catalonia (Barcelona) and Madrid. Here is the geographical distribution of its customers:

Geographical area	Customers	%
Bizkaia	358,459	31.1%
Gipuzkoa	270,648	23.5%
Araba	134,198	11.7%
Castilla y León	129,277	11.2%
Navarra	124,331	10.8%
Aragón, Cataluña y La Rioja	75,233	6.5%
Asturias y Cantabria	35,621	3.1%
Madrid	23,472	2.0%
Total	1,151,239	100.0%



Principle 1: Alignment

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

UN Global Compact

Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: TCFD

Principle 1: Alignment

Strategy alignment

LABORAL Kutxa is a credit cooperative. It therefore belongs to the social economy and was founded to contribute to economic and social progress in the areas in which it operates. Therefore, sustainability has always been part of its strategy. Furthermore, in 2023 LABORAL Kutxa redefined its Purpose and Legacy, Mission and Values in the Zentzua (“sense” in Basque) project. This project aims to answer the questions of why LABORAL Kutxa exists and what is the deeper reason for it. In it, we can see that the general lines are entirely related to sustainability and ESG aspects, with its Purpose and Legacy being “to build more prosperous, egalitarian and sustainable communities, expanding a cooperative culture of solidarity and responsibility”. In addition, there are statements related to environmental aspects such as “we will promote the energy transition” or “we are a banking model... that contributes to developing a sustainable society and a sustainable planet”.

LABORAL KUTXA also approved its Sustainability Policy in the same year. This policy states that “the Group is firmly committed to the application of the principles defined in the United Nations Principles for Responsible Banking and the Sustainable Development Goals of the 2030 Agenda,” for which we can highlight five general principles of action:

- Define a long-term sustainability strategy, aligned with the Group’s general strategy, in accordance with its cooperative identity and with the vision, mission, values and commitments adopted by the Group, reflecting its ambition and enabling the progressive incorporation of sustainability in the activity of the Group’s entities.
- Promote sustainable development, encouraging the proactive participation of stakeholders and, in particular, accompanying customers in the transition to a more sustainable economy by offering financial products and services to suit their needs.
- Promote solid and transparent governance in sustainability to ensure the achievement of the strategy and the creation of long-term value for stakeholders.
- Consolidate the business model based on prudent and balanced risk management, advancing in the identification, measurement and effective management of risks derived from sustainability, taking into account the dual perspective of significance.
- Establish transparent communication and disclosure practices that provide stakeholders with the necessary information to understand the Group’s evolution, results, situation and the impact of its activity.

[2023 Sustainability Report](#). Page 5, 17, 49-50.

[Sustainability Policy](#).

[Investment, Financing and Assurance Policy ESG](#).

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Strategy alignment

The 2023-2024 Strategic Plan was also redirected, highlighting sustainability as one of its programmes and detailing the main lines of action in this area:

- Align the sustainability strategy with Zentzua.
- Adaptation of the product catalogue in all business lines.
- Transversal integration of environmental and climate change risks, training.
- Reduction of the activity's direct impact: consumption and work centres, accessibility of facilities, carbon footprint.
- Product positioning and communication.
- Sustainability scorecard: KPIs and monitoring, including RAS.
- Promotion of efficient housing (A, B).

Also in 2023, the ESG Financing, Investment and Assurance Policy was approved. This policy, which refers to international standards such as the Principles for Responsible Banking (PRB), the United Nations Sustainable Development Goals (SDGs), the Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI), has the following goals:

- Align all the Group's entities and business units with the sustainability strategy.
- Guide or accompany the different stakeholders through dialogue and engagement towards a sustainable transition.
- Act as a first protective barrier, excluding certain sectors or activities (for being contrary to the cooperative's values and ESG targets), and defining others as sensitive and requiring special monitoring (as they may contradict ESG targets).
- Establish ESG principles and criteria for financing, underwriting and investment at Group level in order to have more sustainable products and relationships.
- Define the principles, processes and governance framework required to achieve the above targets.

Principle 1: Alignment

Strategy alignment

Finally, in the area of financing, a Sustainable Financing Framework (SFF) was established in 2022, in alignment with different criteria such as ICMA (International Capital Market Association), SDGs (Sustainable Development Goals) or the EU Taxonomy for Sustainable Activities, which specifies what sustainable financing means for LABORAL Kutxa. This Framework aims to specify the criteria financing granted by LABORAL Kutxa must meet in order to be considered environmental or social. In addition to this, the Entity is creating a series of products related to the SFF, where customers are granted certain commercial advantages if they derive their investments towards sustainable purposes.

Therefore, to the extent that both Zentzua and the aforementioned sustainable financing policies and framework are the fundamental mainstays guiding LABORAL Kutxa's strategy, it can be said that sustainability is fully integrated into its strategy.

Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1. Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

- a) **Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

An initial analysis was conducted in 2022 using the tool launched by UNEP FI. The tool is an instrument designed to analyse the impact of banks' portfolios, helping to analyse the impacts associated with their retail and wholesale portfolios. In the following years, based on the analysis carried out with the UNEP FI tool, the data and scopes have been updated over the years, without strictly using the tool, but guided by it.

The impact analysis carried out complies with the following elements:

- It has been carried out taking into account the main business lines, which are retail banking and corporate banking. The insurance business, financial advisory services and own investments have been excluded. As regards the geographical scope, it covers its entire sphere of activity, i.e. the northern half of Spain.
- Within LABORAL Kutxa's retail and corporate banking business, exposure to the mortgage business is particularly noteworthy.

[2023 Sustainability Report](#).

Page 8, 32-34.

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

After carrying out the analysis, we examined how LABORAL Kutxa can help to strengthen the positive impact areas of its retail and corporate banking, while reducing the negative impacts.

Lastly, in 2023, a double materiality analysis was carried out in which stakeholders were consulted on their opinion of the impact of LABORAL Kutxa's activity on social, environmental and corporate governance aspects. This double materiality analysis has been incorporated into the 2023 Sustainability Report.

[2023 Sustainability Report.](#)
Page 8, 32-34.

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope.

- i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

³ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

LABORAL Kutxa works mainly along four business lines:

1. Personal retail banking.
2. Corporate banking (mainly SMEs).
3. Insurance.
4. Asset management, either through financial advisory services or own investments.

However, as mentioned above, only the impact of retail banking and corporate business lines will be analysed. Therefore, the Impact Analysis has focused on these two lines, which account for 64% and 12% of the Bank's total business, respectively, and 100% of lending, which is its core business line.

Personal banking business accounted for 72% of total lending. Of this, 95% corresponds to mortgage lending and 5% to consumer finance, representing 68% and 4% of total lending, respectively.

On the other hand, corporate banking accounts for the corresponding 28% of total lending. Of these, in addition to the 36% corresponding to ordinary companies, most of which are small or medium-sized, 7% correspond to the self-employed, 18% to small businesses, 7% to companies legally established as cooperatives and 32% to the public sector.

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Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

In addition to the legal form or size of the banks, the line of business banking can also be analysed by taking into account the economic sectors in which these companies operate. In this sense, these are the sectors with the greatest presence in LABORAL Kutxa's corporate credit investment portfolio:

- Non-cyclical services: 6.7%
- Real estate management services: 6.6%
- Food and beverage distribution: 5.8%
- Mechanical and electrical: 5.6%
- Metal production: 5.3%
- Building construction: 4.5%
- Hotel and catering: 4.4%

The territory selected to identify its main needs was Spain, as LABORAL Kutxa only carries out its activity in this country, with most of its business concentrated in the Basque Country and Navarre.

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Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴

Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

As mentioned in the first point above, LABORAL Kutxa is present in the northern half of Spain. However, most of its activity is carried out in the autonomous communities of Navarre and the Basque Country, the latter being the most significant. If we look at the Banks's share of assets by territory, it only exceeds 5% in Navarre and the Basque Country, being below 10% in Navarre and above 10% in the provinces of the Basque Country.

In view of these data, it is considered that being below 10% makes it difficult to materialise significant impacts. Therefore, insofar as LABORAL Kutxa's goal is to have a significant impact on society, in order to analyse the context, only the territories where the Entity has an asset share of 10% or more, i.e. in the Basque Country, will be considered.

If we look at the macroeconomic data for the Basque Country, we see that, according to Lanbide, the Basque employment service, the unemployment rate is 9.92%. Although this figure could be improved, compared with the rest of Spain, where the rate is 12.9%, it can be considered an acceptable figure. However, in the Basque Country, there are differences between men and women, as the corresponding figure for each is 8.2% and 11.68%, respectively. This indicates that a gender inequality gap exists.

Studies show that the quality of employment and wages in the Basque Country is the highest in Spain. With these figures, it can be said that the Basque Country is in a relatively positive macroeconomic situation.

Even so, the purchase of housing, particularly for young people, is considered to be one of the major problems facing the Basque Country.

Eustat-Lanbide.

INE.

Bizkaia.

Euskadi (Basque Country).

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)?

Once LABORAL Kutxa's lines of business, such as personal and corporate banking, have been evaluated and viewed in relation to the Basque Country's specific circumstances and needs, the tool has provided a series of areas where a significant impact could be made. Of these, the three most important have been selected, of which the two areas where the greatest impact could be achieved will be prioritised.

In the case of LABORAL Kutxa, it has been determined that the Bank has a:

- Positive impact in the area of employment.
- Positive impact on the inclusive and healthy economy.
- Positive impact on access to housing.
- Negative impact on the climate.

In terms of employment, taking into account that most of the employment in the Basque Country is generated by small and medium-sized enterprises (SMEs), LABORAL Kutxa provides a positive impact, as it provides them with the necessary tools through financing so that they can continue to generate jobs. In 2023, LABORAL Kutxa had more than 138,000 self-employed, microenterprises and SMEs in its financing portfolio.

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Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

In addition, through its Gaztenpresa foundation, LABORAL Kutxa actively encourages the creation of new companies and businesses. Gaztenpresa is an initiative that helps entrepreneurs to set up their own companies and businesses. This project has a long history and in 2023 it helped to create 320 new projects.

It is also worth remembering that LABORAL Kutxa provides special support to cooperative enterprises. This support is both in terms of financing and through Mondragon. Mondragon receives a very significant part of LABORAL Kutxa's profits, which are used to support cooperatives in difficulty, to finance Mondragon's research and educational institutions (including the university), to launch new projects and to support cooperatives in their creation and growth.

Cooperative enterprises are different from conventional companies because they put people before capital, results are distributed equally among workers and decisions are taken democratically. Therefore, LABORAL Kutxa not only has an impact on the generation of employment and wealth, but also helps in the creation of quality employment and the distribution of wealth. Consequently, it would have a positive impact both in the area of employment and in the area of inclusive and healthy economies.

Once the three most significant areas of impact were detected and explained, the two most decisive ones have been prioritised;

- Generation of quality employment.
- Support for the purchase of housing.

The results of the impact analysis, as well as the prioritisation of impact areas and proposed indicators, were presented to the Sustainability Committee on 24/10/22. After some discussion, they were approved.

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Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts?

Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

The approach adopted by LABORAL Kutxa to assess the impact intensity will be described below:

On the one hand, there is the impact generated in terms of support for the purchase of housing. As we have been able to observe in the context section, one of the Basque Country's major needs is the purchase of housing for young people.

This information has been obtained from the Basque Government's report on Youth, emancipation and housing needs in the Basque Country. Relevant data can be extracted from this information, such as the fact that 65% of young people in the Basque Country aged between 18 and 34 have not left the family home, a percentage that rises to 91% in the case of those aged between 18 and 24. And 38% of these people state that they need a home within a year.

Of these, only 26% state they have sufficient, stable income to buy a home. This indicates that 74% do not have the income to do so. In order to meet this need, 74% of young people plan to do so with bank loans, 63% with their own savings, 36% with family help and 15% with public grants.

All in all, it is possible to state that most young people have problems in purchasing their own home and leaving the family home, and that financial institutions can play an important role in solving this problem.

[*Youth, emancipation and housing needs 2021.*](#)

[*2023 Sustainability Report.*](#)
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Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

Therefore, as a financial institution, LABORAL Kutxa can be an important player in helping to solve the housing problem for young people in the Basque Country. In fact, different data sources suggest that it is already doing so. As mentioned in the section on the portfolio, 76% of LABORAL Kutxa's activity is in financing and, of this, 68% refers to mortgage loans. With this, it can be concluded that more than half, 51%, of LABORAL Kutxa's business activity is aimed at facilitating the purchase of housing, which is one of the biggest problems in the territory in which it mainly operates. Furthermore, 46.2% of these mortgages are aimed at young people.

As for the generation of quality employment, the positive impact generated by LABORAL Kutxa is mainly derived from 3 elements:

1. As mentioned in the portfolio section, 28% of LABORAL Kutxa's financial activity is aimed at companies. Of these companies, 36% are small and medium-sized enterprises (SMEs), which create the most jobs in the Basque Country. A further 7% corresponds to cooperatives, which, in addition to creating employment, do so in a fairer and more equitable way. The rest would be the self-employed and the public sector, with 18% and 32% respectively. Therefore, through its support for SMEs and cooperatives, LABORAL Kutxa favours the creation of quality employment.
2. On the other hand, in the context section, reference was made to Gaztenpresa, which is responsible for advising, accompanying and financing entrepreneurs who have a business idea. In 2023, 320 new businesses and 634 jobs were created.
3. Finally, it is worth mentioning LABORAL Kutxa's support for Mondragon's cooperatives. LABORAL Kutxa allocates 21.8% of its profits to Mondragon, whose goals include the creation of new cooperatives, promoting innovation and helping cooperatives in difficulty. In other words, helping to create and maintain decent, quality employment. In 2023 it earmarked a figure of almost EUR 19 million for this cause.

[Youth, emancipation and housing needs 2021.](#)

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Principle 2: Impact and Target Setting

2.1. Impact Analysis (Key Step 1)

Self-assessment summary

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁵

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input checked="" type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

1. Employment.
2. Inclusive and healthy economies.
3. Access to housing.
4. Climate Change

How recent is the data used for and disclosed in the impact analysis?

- Up to 12 months prior to publication.

⁵ You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

Principle 2: Impact and Target Setting

2.2. Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART).

Please disclose the following elements of target setting (a-d), for each target separately:

- a) **Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with⁶ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

As mentioned above, two impact areas have been prioritised, namely the generation of quality employment and the purchase of housing. The international, national or regional frameworks these areas are aligned with will be described below:

Generation of quality employment:

- Sustainable Development Goals (SDGs): Decent work and economic growth (8); Industry, innovation and infrastructure (9); Reducing inequalities (10).
- International Capital Market Association (ICMA): Unemployed; Socio-economic inequality.
- According to some reports, the Basque Country leads Spain in terms of wages and quality of employment. Moreover, the unemployment rate is also below that of the Spanish state, at 10.5%. Even so, one figure could be indicative of a possible gender gap, as the unemployment rate in the Basque Country is 8.2% for men and 11.68% for women.

⁶ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

Principle 2: Impact and Target Setting

2.2. Target Setting (Key Step 2)

Purchase of housing:

- Sustainable Development Goals (SDGs): Sustainable cities and communities (11).
- ICMA: Affordable housing.
- The study [Youth, emancipation and housing needs in the Basque Country](#), highlights that “Few people leave the family home before the age of 30, and it is also difficult after that...”.

b) **Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment?

Please disclose the indicators used as well as the year of the baseline.

As specified in section c) SMART Targets, the proposed indicators will be the same as those reported in 2023. That is, percentage (%) of the mortgage balance granted to people under 35 years of age; the number of businesses created by Gaztenpresa, and percentage (%) of the mortgage balance granted to women. The following is a detailed description of the Entity’s starting point and how it has evolved since then:

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Percentage (%) of mortgage balance granted to persons under 35 years of age	48.80%	48.40%	48.50%	47.40%	47.3%
Number of businesses created by Gaztenpresa	314	71	165	245	320
Percentage (%) of mortgage balance granted to women	47.70%	48.20%	47.80%	47.90%	N/A

Principle 2: Impact and Target Setting

2.2. Target Setting (Key Step 2)

- c) **SMART targets (incl. key performance indicators (KPIs))**: Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target?

Below we will see what indicators have been set to try to improve the two previously selected areas, which are the generation of quality employment and the purchase of housing. The targets set will also be mentioned.

As regards the purchase of housing, this need has been detected in the Basque Country, and more specifically for young people. Moreover, as the granting of mortgages is LABORAL Kutxa's main activity, accounting for more than 50% of its total business, it is inevitable that an indicator should be related to this.

For this purpose, the indicator selected has been: "percentage (%) of the mortgage balance granted to people under 35". LABORAL Kutxa is convinced that improving this indicator will help to solve one of the Basque Country's problems.

LABORAL Kutxa has set a target of 50% in this area.

With regard to the generation of quality employment, it has been observed that, far from being a need, it is a strength for the Basque Country. However, just because we have positive data it does not mean we should do nothing. This is an area where there is always room for improvement. It is also important to take measures to ensure that this aspect continues to be a strength in the future.

LABORAL Kutxa has several areas of collaboration in this regard. On the one hand, most of its commercial financing is earmarked for SMEs, which generate the most employment in the Basque Country. On the other hand, LABORAL Kutxa has the Gaztenpresa foundation whose aim is to help new entrepreneurs by providing advice, support and financing to start up their projects and businesses. Finally, it is worth mentioning the Bank's collaboration with Mondragon (MCC), through which it helps new cooperatives to start up, as well as collaborating with those which need assistance.

⁷ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

Principle 2: Impact and Target Setting

2.2. Target Setting (Key Step 2)

With all this, it has been decided that the most appropriate indicator is “the number of businesses created by Gaztenpresa”.

The target is set at 400 businesses created.

Even so, due to the possible gender gap detected, indicating that the level of unemployment in the Basque Country is higher among women, LABORAL Kutxa wanted to establish another indicator to be able to examine whether this gender gap also exists in its major activity.

With this goal in mind, the Bank has created the indicator “percentage (%) of the mortgage balance granted to women”.

LABORAL Kutxa has set a target of 50% for this indicator.

Accordingly, these would be the indicators selected for each selected area:

1. For the purchase of housing area: percentage (%) of the mortgage balance granted to people under 35 years of age.
2. For the generation of quality employment: the number of businesses created by Gaztenpresa.
3. LABORAL Kutxa has proposed a final indicator related to its mortgage activity and gender inequality: percentage (%) of the mortgage balance granted to women.

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Principle 2: Impact and Target Setting

2.2. Target Setting (Key Step 2)

LABORAL Kutxa has introduced the 3 indicators and their corresponding targets in its Sustainability Scorecard. This scorecard, which includes these and other indicators and targets, is monitored quarterly and its data is reviewed by the Sustainability Office, the Sustainability Team and the Sustainability Committee, which includes the entire Management Committee.

Specific action plans have also been established for the selected indicators:

- **Number of businesses created by Gaztenpresa:**

Gaztenpresa has its own [website](#) where reference is made to the foundation's main lines of action. The "[Entrepreneurship](#)" section specifies the steps to be taken to set up a business. In addition, different courses for [entrepreneurship](#) or [mentoring](#) are also available on the website. There are also other sections such as "[Networking space](#)" where inspiring experiences are shared.

- **Percentage (%) of mortgage balance granted to women:**

LABORAL Kutxa tackles the issue of equality from a mortgage perspective, as well as from a general perspective. The most important example of this is the deployment of the Bank's IV Equality Plan. This includes different lines of action such as awareness-raising workshops for men and empowerment workshops for women.

- **Percentage (%) of mortgage balance granted to persons under 35 years of age:**

As with gender equality, LABORAL Kutxa also comprehensively works on issues related to youth. It has specific products for this group in the area of current accounts, cards and pension plans.

Principle 2: Impact and Target Setting

2.2. Target Setting (Key Step 2)

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	Number of businesses created by Gaztenpresa	Percentage (%) of mortgage balance granted to persons under 35 years of age	Percentage (%) of mortgage balance granted to women
Alignment	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
Baseline	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
SMART targets	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
Action plan	<input type="checkbox"/> In progress	<input type="checkbox"/> In progress	<input type="checkbox"/> In progress

Principle 2: Impact and Target Setting

2.3. Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

This section will describe the progress made in relation to the 3 indicators described above:

- **Number of businesses created by Gaztenpresa:**

Gaztenpresa has its own annual impact report describing the actions carried out and the impacts generated. The latest version of this [report](#) is attached. In addition, in the strategic reflection process, known as Zentzua, the Bank has decided to reinforce its commitment to Gaztenpresa, with the aim of increasing its impact.

- **Percentage (%) of mortgage balance granted to women:**

Within the subject of equality, the major measures that have been carried out are related to the deployment of the actions of the IV Equality Plan, of which the most noteworthy are the implementation of the awareness-raising workshops for men and the empowerment workshops for women. In addition, following the inclusion of gender targets in the Sustainability Scorecard, the Equality Committee is studying possible sub-indicators to improve the Bank's impact in the area of gender equality.

- **Percentage (%) of mortgage balance granted to persons under 35 years of age:**

As indicated above, with regard to young people, LABORAL Kutxa has continued to work on issues related to young customers in a global manner, offering them specific products.

Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1. Client engagement

Does your bank have a policy or engagement process with clients and customers⁸ in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities⁹. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

⁸ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

⁹ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Principle 3: Clients and Customers

3.1. Client engagement

As mentioned above, the Zentzua project was carried out in 2023, with the aim of redefining both the purpose and mission of LABORAL Kutxa, as well as answering questions such as why we exist or what we exist for. Zentzua is made up of three main areas, one of which refers to the people in the Bank, another to society and the third to customers.

Within this customer-related axis, 7 points are expressed that will govern relations between the people of LABORAL Kutxa and its employees, which are fully linked to different areas of sustainability:

- We wish to extend our financial and insurance service model to the whole of society.
- We foster a close, professional and honest long-term relationship.
- Comprehensive availability and accessibility.
- We will promote a people-based relationship, offering a hybrid service of the highest quality.
- Product and price adapted to the customer.
- We encourage responsible financing.
- We are committed to the responsible use of new technologies and our customers' data.

Similarly, the ESG Finance, Investment and Assurance Policy also outlines some of the practices to help drive sustainable and responsible practices for our customers. In this sense, some sectors or activities are excluded as they are contrary to the values of LABORAL Kutxa and its ESG targets. In addition, other sectors are defined as sensitive or requiring special monitoring, as they may contradict ESG targets. All of these are guided and accompanied through dialogue and engagement towards a sustainable transition.

To this end, two main actions are being carried out. On the one hand, dialogue processes have begun with the larger companies that are granted financing and belong to these sensitive sectors, by completing short surveys, with the aim of helping them to transition towards sustainable models.

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Principle 3: Clients and Customers

3.1. Client engagement

On the other hand, with regard to the direct investments made by the LABORAL Kutxa Group in company shares and bonds, at the beginning of 2024, [Columbia Threadneedle Investments](#) was hired to carry out engagement work. Through this agreement, the political rights of these positions are transferred so that Columbia Threadneedle can dialogue with these companies and attend their general meetings on behalf of LABORAL Kutxa with the aim of promoting their performance in terms of sustainability.

Furthermore, as mentioned above, a sustainable financing framework (SFF) was set up during 2022, while at the same time working on a catalogue of products with sustainable features both in the area of financing and in the advised investment funds. Developing these products is the best way to promote our customers' sustainable activities.

With regard to investment funds, questions have been incorporated into the investment advisory surveys to find out customers' preferences regarding sustainability.

With the financing, products and investment funds, LABORAL Kutxa aims to increase the positive impacts on the economy and society and reduce the negative impacts related to the environment.

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3.2. Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages —climate, social bonds— financial inclusion, etc.).

Principle 3: Clients and Customers

3.2. Business opportunities

As described in the previous point, LABORAL Kutxa has deployed a series of actions to restrict some business sectors that could be contrary to sustainability and to help others to transition. However, LABORAL Kutxa is also determined to favour sectors or investments that are sustainable through the business model. With this target in mind, a Sustainable Financing Framework (SFF) was set up in 2022 and work has been carried out on a catalogue in line with this framework with products with sustainable characteristics both in the area of financing and in insurance, as developing these products is the best way to promote our customers' sustainable activities. The SFF follows ICMA guidelines, the SDGs and taxonomy, and consists of 11 different sections, 5 of which are related to the environment and 6 related to the social sphere:

- **Environmental sections:**
 1. Renewable energies.
 2. Green housing and energy efficiency.
 3. Clean mobility.
 4. Organic farming and biodiversity.
 5. Circular economy.

- **Social sections:**
 6. Affordable housing.
 7. Social inclusion.
 8. Social economy.
 9. Public funding.
 10. Economic inclusion.
 11. Depopulated/disadvantaged areas.

Principle 3: Clients and Customers

3.2. Business opportunities

LABORAL Kutxa aims to increase financing for these items every year. To this end, it is creating a catalogue of ESG products linked to the aforementioned sections, offering a better price for all of them. These products are financing and insurance products, and are as follows:

- **Financing:**
 - ECO loan.
 - DispON ESG.
 - Loan for solar panels for self-consumption by companies.
 - Home renovations.
 - Building renovations.
- **Insurance:**
 - Electric/hybrid vehicles.
 - Home for vulnerable groups.

In addition to all this, with regard to the financial advisory service, on the one hand, surveys have been implemented for customers about their preferences in sustainability. And, based on this survey, a wide range of investment funds and sustainable pension plans and provisions are offered, i.e. those qualified as article 8 according to the SFDR regulation.

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals

4.1. Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹⁰) you have identified as relevant in relation to the impact analysis and target setting process? ?

Yes

In progress

No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

LABORAL Kutxa has identified different stakeholders with whom it establishes dialogue mechanisms on sustainability issues. The result of these dialogues is used to carry out the materiality analysis, which at the same time serves both to prioritise the ESG aspects on which the Entity must focus and to report on them in the annual Sustainability Report. In order to carry out this study, 300,000 surveys are sent to stakeholders, who can be divided into four different groups:

- Customers: these are usually those with the strongest ties to the Entity, normally the Premium Banking, Personal Banking, TOP and KIDE sectors.
- LABORAL Kutxa employees: all of them.

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¹⁰ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations.

Principle 4: Stakeholders

4.1. Stakeholder identification and consultation

These dialogues also cover aspects related to business and sustainability. To carry out the materiality analysis, the summary of the Sustainability Report is sent to more than 300,000 customers and employees. Around 2,100 responses were received. A particularly important stakeholder group is the staff. At LABORAL Kutxa the staff are members and owners of the bank, meaning there are numerous communication channels and they participate in decisions. As in the case of customers, the staff are also informed of the summary of the Sustainability Report and are asked to complete the sustainability survey.

In 2022, a materiality analysis was launched taking into account the perspective of double materiality, in addition to the Materiality Matrix that was already carried out with stakeholders. This dual perspective means that, as well as impact materiality, which is consulted with all the aforementioned stakeholders, financial materiality is also added. This second materiality analyses how sustainability issues can affect the banks' results. At LABORAL Kutxa, the people who make up both the Board of Directors and the Governing Board are asked about these aspects.

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Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1. Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

- Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

In 2022 the LABORAL Kutxa Group's sustainability governance was approved and deployed, for which the PRB is one of its main sources.

This governance is described in the Sustainability Policy and the TCFD/TNFD, and can be summarised in the following bodies:

- Governing Council: this is the entity's highest governing body. It monitors the sustainability initiatives in force, at least on a quarterly basis.

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[TCFD/TNFD.](#)
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Principle 5: Governance & Culture

5.1. Governance Structure for Implementation of the Principles

- Sustainability Committee: made up of the Board of Directors and the members of the Sustainability Office. The Committee is responsible for ensuring the execution of the Strategy and the management plans established by the Governing Council. To this end, it will monitor the actions underway and apply the necessary measures to adapt the Bank to the sustainable finance positioning established in the Strategy.
- Sustainability Team: made up of the heads of the different departments responsible for executing the actions that have been proposed.
- Sustainability Office: coordinates and promotes the different initiatives.

Regarding sustainability-linked remuneration, in 2022 sustainability targets were established as part of the variable remuneration of the highest levels of the cooperative. However, in 2023, sustainability-related indicators were included in the variable remuneration of all LABORAL Kutxa employees.

These indicators are as follows:

- Reduction of carbon footprint.
- Reduction of paper consumption.
- Reduction of electricity consumption.
- % of customers with Postmail (e-mail information service).
- % of documents signed on tablets by customers (instead of on paper).

[Sustainability Policy.](#)

Page 10-13.

[TCFD/TNFD.](#)

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Principle 5: Governance & Culture

5.2. Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

LABORAL Kutxa is a credit cooperative in which the workers are the owners of the company, and therefore they take part democratically in management and decision-making. Our cooperative banking is a social economy and the culture of responsible banking is part of our operation.

In recent years, numerous training and communication actions have been carried out to progress in the implementation of a responsible banking culture, such as:

Training for:

- Board of Governors: specific training on sustainability risks
- Management committee and departmental management
- Everyone: basic perspective on sustainability in the financial sector and its impact:
 - General internal training: Sustainability Office.
 - External training: MIFID (5 h).
 - Specific training for commercial partner teams: risks, company network (15 h).

From the communication perspective:

- Reflection for the construction of a LK sustainability story linked to cooperative values, completed in 2023 under the name of Zentzua.
- Internal dissemination of progress in sustainability, including the environmental variable.
- Strengthened external communication of progress on sustainability, as well as awareness raising actions e.g. the annual calendar.

Principle 5: Governance & Culture

5.3. Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹¹ Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Sustainability governance currently has several levels that guarantee targets are set in order to progress in the implementation of sustainability targets, including the Principles. The level of progress on these targets is also regularly monitored and tracked.

As mentioned above, the Principles have been integrated into the Strategic Plan and the Management Plan, which are monitored.

With regard to the direct impact of its activity on the environment, LABORAL Kutxa has held UNE EN ISO 14001 environmental certification for more than 20 years, audited annually by AENOR.

As regards ESG risks in the portfolio, LABORAL Kutxa is making progress in identifying, managing and mitigating them. With regard to social risks, the Bank has identified in its ESG Financing, Investment and Underwriting Policy sensitive sectors that may not be in line with LABORAL Kutxa's sustainability strategy. Therefore, an analysis is made of the companies belonging to these sectors. Likewise, an indicator has been included in the Risk Appetite Framework (RAS) to see the evolution of the weight of these sectors in the business portfolio.

Regarding environmental risks, LABORAL Kutxa has identified that, within its finance portfolio, some business sectors or mortgages could have physical or transition risks. Once identified, the Bank assesses their materiality in the Capital and Liquidity Self-Assessment Report (CLSR), as well as establishing limits for them in the RAS. At the same time, it is in the process of collecting data so that this assessment can be of better quality.

*Sustainability risk
integration policy.*

TCFD/TNFD.

*Investment, Financing
and Assurance Policy
ESG.*

¹¹ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Principle 5: Governance & Culture

5.3. Policies and due diligence processes

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes

No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes

No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes

In progress

No

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1. Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes Partially No

If applicable, please include the link or description of the assurance statement.

6.2. Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

GRI TCFD

LABORAL Kutxa's Sustainability Report is drawn up annually in accordance with the GRI standards.

In 2024, the TCFD report was once again drawn up, to which the nature section (TNFD) has also been added on this occasion.

TCFD/TNFD.

Principle 6: Transparency & Accountability

6.3. Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹², target setting¹³ and governance structure for implementing the PRB)? Please describe briefly.

Throughout this document, the progress made in the implementation of the PRB has been described, as well as the actions in force in terms of measurement, impact, product catalogue, setting targets and monitoring.

LABORAL Kutxa will continue to monitor the 3 targets established as a result of the impact analysis, establishing the necessary corrective actions in the event that these targets are not achieved.

Four indicators relating to ESG risks have been established in the Risk Appetite Framework. In this area of risk integration, a new TCFD report will be produced in 2025.

Throughout 2025, work will continue on setting targets for the reduction of the portfolio's carbon footprint, and a plan will be established for decarbonisation. Other milestones include the establishment of the new sustainability directive (CSRD) or the incorporation of the nature section (TNFD) in the TCFD report.

¹² For example, outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹³ For example, outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

Principle 6: Transparency & Accountability

6.4. Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

Choosing the right performance measurement methodology/ies

Data availability

Data quality

