



**GRUPO  
COOPERATIVO  
CAJAMAR**



# INTEGRATED REPORT 2017



# Contents

<b>Presentation</b>	
About the nature of this report	3
<b>Letter from the Chairman</b>	
Position of the institution	4
<b>1. Grupo Cooperativo Cajamar</b>	
Description and structure	6
<b>2. Corporate Governance</b>	
Bodies and mechanisms of corporate governance	10
<b>3. Business Model</b>	
Capital management; stakeholders; materiality analysis; risk map	14
<b>4. Strategy</b>	
Strategic plan and analysis	24
<b>5. Performance</b>	29
<b>Economic dimension</b>	
Transparency, good corporate governance; compliance and control; economic-financial situation; global risk management; protection, security, service quality, global supplier management	29
<b>Social dimension</b>	
Contribution to economic development and social progress; people management; social and cultural action; SDG	53
<b>Environmental dimension</b>	
Commitment to the environment; support for innovation and research; transfer of knowledge	74
<b>6. Future prospects of Grupo Cooperativo Cajamar</b>	
Preparation of the organisation regarding future prospects	87
<b>7. Report's contents</b>	
Indexed tables linked to GRI, IIRC and Global Compact	89
<b>Annex I</b> - GRI content index	93
<b>Annex II</b> - Analysis of the environment	103
<b>Annex III</b> - Material risks, definitions and risk appetite framework	113
<b>Annex IV</b> - Staff profile	115
<b>Annex V</b> - Trade union relations	121
<b>Annex VI</b> - Business Continuity Management System	122
<b>Annex VII</b> - Independent external verification report by PwC	123



## Presentation

Grupo Cooperativo Cajamar publishes its third integrated report, for the 2017 financial year, along the same lines as the previous two (2015 and 2016). This report has been drawn up in accordance with the criteria set forth by the International Integrated Reporting Council (IIRC), the Global Reporting Initiative (GRI Standards, GSSB) and the principles of the AA1000 standard (AccountAbility Principles AA1000APS).

The scope of this report is confined to the credit institutions of Grupo Cooperativo Cajamar on a consolidated basis, complementing the non-financial information included in the institution's Director's Report. This integrated report encompasses the financial and non-financial information (social-environmental), from a long-term perspective, designed to help stakeholders understand all the components of its business value and the way in which it could be affected by future opportunities and risks. Throughout the report, there are links to our corporate websites [www.bcc.es](http://www.bcc.es) and [www.grupocooperativocajamar.es](http://www.grupocooperativocajamar.es), as well as to other links, providing complementary information to the topics treated in the report itself.

Banco de Credito Social Cooperativo, hereafter BCC, as Grupo Cooperativo Cajamar's leading institution, has submitted the contents of this report to an external independent company for verification, and said verification report is enclosed herein. In addition, this Integrated report has been submitted for approval of BCC's Board of Directors.



## Carta del Presidente

The year 2017 has not been less complicated than recent years. We are in a global world noted for growing levels of uncertainty and thus higher risk, which must be managed appropriately by governments and public and private institutions. Specifically, we are facing unprecedented global risks, such as the climate change and the process of transitioning towards a low-carbon economy, to which societies in general and financial institutions

in particular must respond with a solid conviction that necessarily must originate from our responsibility. In addition, we must be aware of the fact that these risks must be approached with new methodological and regulatory groundwork as well as new or adjusted conceptual and cognitive elements. In fact, the economic-financial, social and environmental risks can no longer be approached individually, as the synergies and their effects are increasingly complex and must be re-

flected in their management and reporting. This Integrated report has been designed in line with the new financial and non-financial reporting scheme, especially after the directive on non-financial information has been reflected in our legal system, and it intends to confirm the commitment made just over a decade ago to the Ten Principles of the Global Compact.

This uncertain and changing environment must be countered with stabilising elements and an ever more long-term planning.

In fact, the incorporation of the concept of sustainability necessarily involve making decisions, identifying trends and inertias that explain the political, social, technological or environmental changes that we face and that we must respond to responsibly. Only an effective, efficient, balanced and global risk management will allow turning the changes (risks) that we will necessarily face into elements of stability and trust and (opportunities). This involves a much stabler long-term relationship with our stakeholders, i.e. a more balanced and transparent relationship supported by an innovative and motivating ethical narrative that recognises the change as well as provides a goal to aspire in which we all share the same rules while respecting diversity. In this respect, the Sustainable Development Goals and Sustainability Agenda should be our common goal for the year to come, always aligned with the ethical values and principles that originate from our cooperative nature, our mission and vision, our ethical management system and our belief in fostering social economy as a socio-economic model that aims to put the economic and financial resources at the service of people and good ideas.

The challenge faced by the banking institutions is to continue adjusting their management models to the new requirements and functions of financial intermediation, as well as to the current hybridisation formulas among the new technologies and financial economy. In this sense, we must invest our efforts in a sustainable business model in its three essential dimensions (economic-financial, social and environmental), implementing good governance practices,



Luis Rodríguez González

maintaining the suitable capital resources to face the new regulatory requirements, creating new forms of inclusive and customer protection finances (MiFID II), and progressing in our unequivocal commitment to the environment, thus facilitating the creation of shared value, mutual benefit and territorial development.

On the other hand, the issues arising from the climate change and the Paris Agreement are forcing governments to increasingly focus on finances in order to deal with the major environmental challenges we will face in upcoming decades. We must not forget that the transition towards a low-carbon economy will require considerable financial resources that allow reaching the goals. In this line, 2017 has been a very fruitful year for the European Union in the sphere of sustainable finance. The work carried out by the High-Level Expert Group on Sustainable Finance, fostered by the Commission, as well as the work performed by the Task Force on Climate-Related Financial Disclosures (TFCD), will help set a European strategy related to sustainable finances in which the entire banking sector will be involved. In this sense, Grupo Cooperativo Cajamar has participated very actively, through the Asociación Española de Banca (Spanish Banking Association) and the European Association of Co-operative Banks, contributing with proposals to reflect upon and which are related to the new regulatory context opened in the financial sector.

Therefore, due to the particularity of our cooperative banking model, we are forced to continue observing our environment closely, maintaining an open, loyal and constructive dialogue with the stakeholders, and identifying the keys to change in order to continue providing suitable financial solutions to satisfy

the new needs and requirements of our shareholders, cooperative partners and customers, while highlighting our cooperative capital and maintaining our ethical and social commitments in favour of society by means of our firm support to social economy, productive economy, the agro-food sector and local cooperative development.

Grupo Cooperativo Cajamar has the financial, material, technological and human resources required to face the challenges and take advantage of the opportunities associated with a digital and low-carbon economy that gives rise to a new scalability and, as a result, new opportunities for organisations that intend to differentiate themselves. All of this while making technology and resources available to the people and bearing in mind the new environmental restrictions.

In this report we include Grupo Cooperativo Cajamar's financial and non-financial information related to 2017 in an integrated manner, identifying the relevant issues for our business and the expectations of our stakeholders, defining our risk map and describing the economic-financial, social and environmental activities, as well as the impact of our activity on society. All of this is the result of a collective effort of thousands of professionals that work in the twenty institutions comprising the Group, as well as the unequivocal support from our shareholders, partners and customers, who have deposited their faith in a cooperative banking model that is based on the economic development of those territories in which we carry out our activity. I would like to express my deepest and sincerest gratitude to them.

**Luis Rodríguez González**  
Chairman  
BCC-Grupo Cooperativo Cajamar



# 1. El Grupo Cooperativo Cajamar



Related  
information

- Consolidated financial statements

Grupo Cooperativo Cajamar is a group of cooperative-oriented institutions that focuses on sustainable local development, social economy and supporting local productive systems. As a whole, the Group's business model is based on the provision of a wide range of retail financial products and services to its partners and customers, especially to entrepreneurs, self-employed workers and micro, small and medium-sized enterprises, as well as to families and individuals in general. From a sectoral and strategic point of view, the Group has a significant presence in the agricultural sector (agricultural sector and branch of agro-industry).

At 2017 year-end, Grupo Cooperativo Cajamar comprises 19 credit cooperatives and a leading

institution, and it carries out its financial activity in the whole of Spain through 1,135 service points (998 branches, 59 correspondents and 78 financial agents) and 5,682 employees in 43 provinces. The Group's territorial distribution, which is of such fundamental importance to its business model, is spread through urban and rural or hybrid (agro-industry) areas, taking into account the territorial, environmental, social and economic structure of the local productive agricultural systems and their functional and territorial relationships with the agro-industry and its production chains.

Grupo Cooperativo Cajamar, due to its dimension and volume of assets, is the first Spanish financial cooperative group and one of the reference insti-



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COOPERATIVO  
CAJAMAR

BCC  
CAJAMAR CAJA RURAL  
CAIXA RURAL TORRENT  
CAIXA RURAL VILA-REAL  
CAIXALTEA  
CAIXA RURAL BURRIANA  
CAIXA RURAL NULES  
CAIXACALLOSA  
CAIXAPETRETRER  
CAIXA RURAL ALQUERIES

CAIXA SANT VICENT  
CAIXA RURAL DE CHESTE  
CAIXA RURAL D'ALGINET  
CAIXA RURAL DE VILLAR  
CAIXATURIS  
CAIX RURAL VILAVELLA  
CAIXA ALBALAT  
CAIXA RURAL ALMENARA  
CAIXA RURAL VILAFAMÉS  
CAIXA XILXES



tutions within the scope of European credit cooperatives. Grupo Cooperativo Cajamar is an active part of the European Association of Co-operative Banks, which is a non-profit association whose purposes include encouraging and defending cooperative singularity by channelling the interests of its members and disseminating its partner's best practices in corporate governance, socially responsible investment and social action. In addition, Grupo Cooperativo Cajamar is one of the 120 significant European banks that are supervised by the Single Supervisory Mechanism (SSM).

## 1.1 Banco de Crédito Social Cooperativo

Banco de Crédito Social Cooperativo, S.A. is Grupo Cooperativo Cajamar's leading institution. Its main offices are in Madrid, and it was established in 2014 with 32 institutions (19 Group rural banks

and another 13 not integrated within it). The credit cooperative Cajamar Caja Rural was its main shareholder.

Banco de Crédito Social Cooperativo is Grupo Cooperativo Cajamar's leading institution and takes responsibility for its management. It is responsible for supervising its solvency and liquidity, as well as that of all its institutions. It defines its operation, commercial plan, procedures and controls related to risk control, treasury management, budget management and the issue of financial instruments.

To that end, BCC prepares and submits the consolidated financial statements for the Group's scope and assumes the duties arising from the relationships with the supervisory bodies and markets. In addition, it ensures the compliance and improvement of Grupo Cooperativo Cajamar's standards of corporate governance, adapting them to the industry's best practices and its stakeholders' expectations.



## 1.2 Corporate culture: cooperative principles and ethics management



Related  
information

- CSR policy
- Ethical Management System

The economic-financial crisis in Spain has led to an unprecedented restructuring of the banking structure in terms of scope and depth. As a result, the competitive landscape has experienced important transformations that have led to less banking diversity, following a clear tendency of homogenisation in the entire sector, and as a result, to a loss of differentiation in the institutions that operate in Spain. The most significant causes that have led to this situation, without being exhaustive, can be summarised in: loss of territorial reference in many institutions, regulatory pressure, accession protocols, digital transformation, loss of relevance of social action, and, finally, deterioration of the corporate culture (corporate concentration processes and identity crisis).

In the face of this phenomenon, on the one hand, the sector is compelled to establish cooperative strategies to address the new upcoming challenges, especially the major technological challenges due to their ability to shape social behaviours and conducts; however, on the other hand, the institutions must search for new competitive advantages and new differentiating features that are compatible with their history, size, mission and vocation, that enable them to identify their commercial space. And, in this differentiation process, corporate culture plays a pivotal role.

The main corporate culture elements in Grupo Cooperativo Cajamar, and thus its social licence to operate are as follows:

- Cooperativism support
- Support to the primary sector as a transverse axis of sustainability
- Agro-food innovation support
- Support to solidarity and social economy
- Support to local sustainable development
- Support to real and productive economy based on people
- Support to local productive systems
- Support to sustainable territorial development
- Growth together with the environment (creation of shared value)

Bearing in mind its nature and mission, Grupo Cooperativo Cajamar has defined its corporate culture with the aim of seeking a balance between the homogenisation/globalisation processes and the differentiation/localisation processes. The former allow sharing standards that foster comparability with other entities and organisations, access to capital markets and wholesale financing, and the design of products and services suited to the needs of its partners and customers. The latter allow tying the capital to the territory via projects based on a real and productive economy, a social and cooperative economy, the local productive systems and a sustainable local development. Precisely all the-





se scopes are related to the concept of proximity, which is inherent to Grupo Cooperativo Cajamar's business and the dialogue (dialogic ethics) with its stakeholders.

This balance is what most contributes to the Group's differentiation in a time of a lack of diversity within the banking sector. The concept of proximity is crucial in the search of this balance. Beyond a corporate sign of identity, or a merely spatial concept, it is a transversal element within the scope of corporate culture that is capable of stimulating the institutional and organisational transformations required to face the new challenges and a new way of understanding corporate ethics.

In line with its corporate culture and ethics, as well as its social nature, Grupo Cooperativo Cajamar is associated with business organisations that promote cooperative banking at a European level, such as the EACB, as well as with organisations that promote corporate ethics, social and environmental best practices or corporate social responsibility, such as Forética, Spainsif or the Global Compact.

The mission and vision of Grupo Cooperativo Cajamar reflect its history and experience, its current reality, its future expectations and its cooperative business model, the diversity of its comprising institutions and the diversity of territories in which it operates.

## Mission

"Contribute with financial solutions to the economic and social development of its partners, customers and the environment in which Grupo Cooperativo Cajamar operates, by means of a single strategy based on the principles of cooperation, social economy and sustainable development".

## Vision

"A reference Group in the field of cooperative credit, leader in the agro-food sector and relevant agent for economic development and social progress in the territorial scope where it performs its activity".

## Principles and Values

To that established in the mission and vision, we must add the principles and values particularly developed by Grupo Cooperativo Cajamar's Ethical Management System and the ten Principles of the Global Compact to which the Group is committed, as well as the cooperative principles of the International Co-operative Alliance, which are inherent to the corporate model that sustains its business model.

## The Ethical Management System

The Ethical Management System is the set of coherent ethical-social values, principles and standards that govern the behaviour of Grupo Cooperativo Cajamar in each and every one of its scopes of action, thus favouring and reinforcing the fulfilment of the legal framework and corporate social responsibility.



## 2. Corporate Governance



- BCC's Articles of Association
- Corporate governance and remuneration policy

Grupo Cooperativo Cajamar conceives corporate governance as the set of policies, measures and instruments, both internal (protection of the partners' rights, composition and functioning of the Board, corporate information, etc.) and external (performance in capital markets, in the labour market, etc.), aimed at protecting shareholders, investors and customers, while minimising agency costs in ethical and efficiency terms and being in constant dialogue with stakeholders as a fundamental element of the cooperation principle. Corporate governance is the guarantee of an orderly and ethical behaviour.

### Principles of Corporate Governance



The fundamental principles of corporate governance are information and transparency. The adequate combination of both is the key to implementing good practices.

In addition to complying with the requirements arising from the corporate governance practices established in the legislation and Grupo Cajamar's

cooperative nature, it also follows the EBA Guidelines on Internal Governance (GL 44) of September 2011; the recommendations included in the Good Governance Code of Listed Companies of the CNMV of February 2015; and the Corporate Governance Principles for Banks issued by the Basel Committee on Banking Supervision of July 2015, as well as the best practices within this scope.

### 2.1 Normativa interna



- Code of Conduct
- Anti-corruption policy
- Prevention of money laundering and the financing of terrorism
- Internal code of conduct in the Stock market

Grupo Cooperativo Cajamar has adopted several ethical codes and policies that are aimed at regulating the behaviour of the people comprising it, while fully complying with the legislation and following the best banking practices. Grupo Cooperativo Cajamar's Code of Conduct is the institution's most cross-cutting code of conduct, and it regulates the daily performance of the employees, executives and members of the governing bodies, collecting a series of standards, ethical principles and values of required knowledge and compliance. Its latest review was carried out in 2016.

The Directorate for Regulatory Compliance along with the Directorate for Audits ensure the compliance with the Code of Conduct. They must be aware of the non-compliance thereof and propose to the Control Committee the corrective measures and sanctions that may be applicable for their possible adoption in a coordinated and agreed manner with the Directorate for Human Resources.

A reporting channel has been made available to help in the compliance with the Code of Conduct. On the other hand, customers and other stakeholders have the common customer service channels.

### Essential Rights Committee (ERC).

After announcing the Code of Conduct in 2006, the Essential Rights Committee (ERC) was created. It is a body that ensures the preservation of the essential rights of the institution's employees. For Grupo Cooperativo Cajamar, essential rights are the inalienable rights of the institution's employees and the starting point to defining a framework of loyalty, mutual respect and a positive work environment. The Essential Rights Committee is the channel empowered to safeguard the essential rights of people. No violation of essential rights has been identified within the Group in 2017.

### Code of Best Tax Practices.

BCC, and by extension Grupo Cooperativo Cajamar, is voluntarily adhered to the Code of Best Tax Practices proposed by the Tax Agency. The an-

nual report on corporate governance reflects the effective compliance with this Code. Likewise, and following one of the Code's most relevant recommendations, BCC's Board of Directors has been formally informed about the tax policies applied before preparing the financial statements and submitting the Corporate Tax statement.

### Anti-corruption policy.

Due to being one of the issues that most worries society as a whole, BCC's Board of Directors has considered appropriate to clearly express its position on the Group's Anti-corruption policy, which establishes its commitment of maintaining a position of zero tolerance against corruption in all its forms. Grupo Cooperativo Cajamar does not carry out any guarantee or financing transactions with special market conditions for political parties. There have been no signs of corruption in the organisation.

### Conflicts of interest.

In accordance with the social and regulatory requirements in this area, BCC's Board of Directors approved in 2016 a General Policy for Conflicts of Interest with a global reach for the purpose of including, in addition to the conflicts that may arise with the administration bodies and customers, any that may arise from relations between the Group and consultancy and auditing companies, trade unions, political parties, public authorities, subsidiaries, employees, suppliers, providers, shareholders, etc.



## 2.2 Bodies and mechanisms of Corporate Governance



Related information

- Corporate governance and remuneration policy

The General Shareholders Committee is Banco de Crédito Social Cooperativo's supreme body, being the Board of Directors and its Executive Committees and Committees the corporate bodies of representation, administration, management and supervision of the Institution. They report directly to the Board of Directors of the directorates for Internal Audit, General Control of Risk, Regulatory Compliance, and Corporate Social Responsibility and Overall Quality. The institution has a Criminal Risk Prevention Plan in place as a control instrument to prevent any serious offences from occurring in the organisation.



All relevant information about the composition and members of the institution's Board of Directors is public and available at [www.bcc.es](http://www.bcc.es)

### Remuneration policy.

Society as a whole demands an ethical and responsible behaviour, which in Grupo Cooperativo Cajamar's case is materialised by means of a remuneration policy that is based on criteria of transparency, moderation and adjustment to the company's results. This policy is reviewed periodically by the Remuneration Committee, which is chaired by an independent Board member.

#### Aggregate remuneration of BCC's Directors in 2017 (thousands of euros)

Professional fees	1,190
Fixed remuneration	887
Other remuneration	138
Social Security	37
Attendance fees	298
Post-employment benefits	569
Total	3,119

### Performance

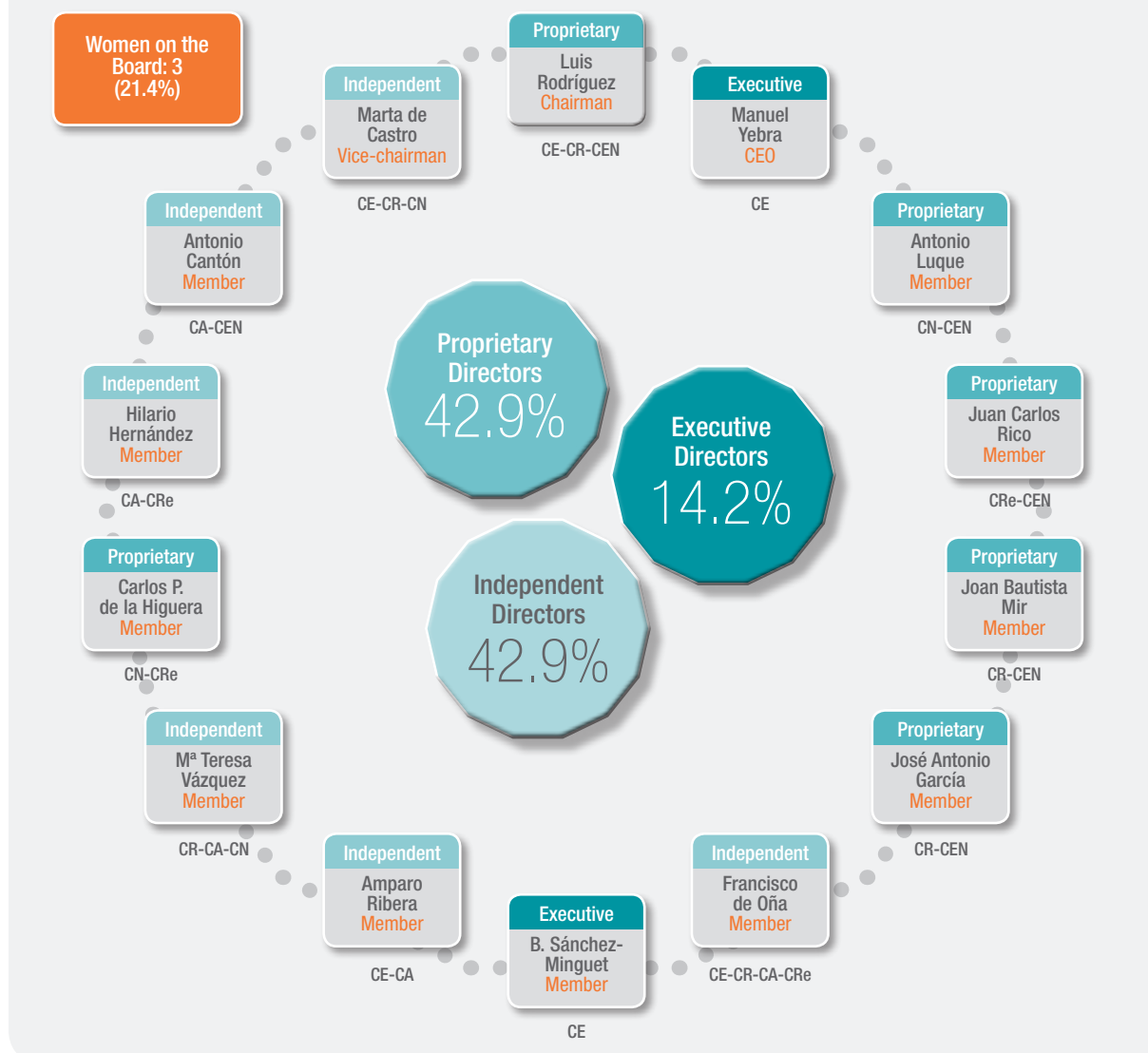
With respect to the directors' performance, BCC's Board of Directors approved the Procedure for Measuring the Dedication and Performance of Directors, as well as a procedure to annually assess the quality and efficacy of its operation with the aim of correcting any detected deficiencies.



Grupo Cooperativo Cajamar is part of the Transparency, Good Governance and Integrity Cluster established by Forética. The Cluster's main aim is to translate the key trends and

conversations happening worldwide to the Spanish context, in terms of transparency and good governance from a business perspective.

## BCC's Board of Directors



CE =Executive Committee; CR =Risk Committee; CA =Audit Committee; CN =Nominations Committee;  
CRe =Remuneration Committee; CEN =Business Strategy Committee

## Composition of corporate governing bodies and management, broken down by age and gender 405-1

Governing Body	Up to 35 years old				From 36 to 55 years old				> 55 years old				Total			
	M	Proportion	W	Proportion	M	Proportion	W	Proportion	M	Proportion	W	Proportion	M	Proportion	W	Proportion
Board of Directors	0	0.0%	0	0.0%	3	21.4%	2	14.3%	8	57.1%	1	7.2%	11	78.6%	3	21.4%
Management Board	0	0.0%	1	5.5%	16	89.0%	1	5.5%	0	0.0%	0	0.0%	16	88.9%	2	11.1%
Total	0	0.0%	1	3.1%	19	59.4%	3	9.4%	8	25.0%	1	3.1%	27	84.4%	5	15.6%

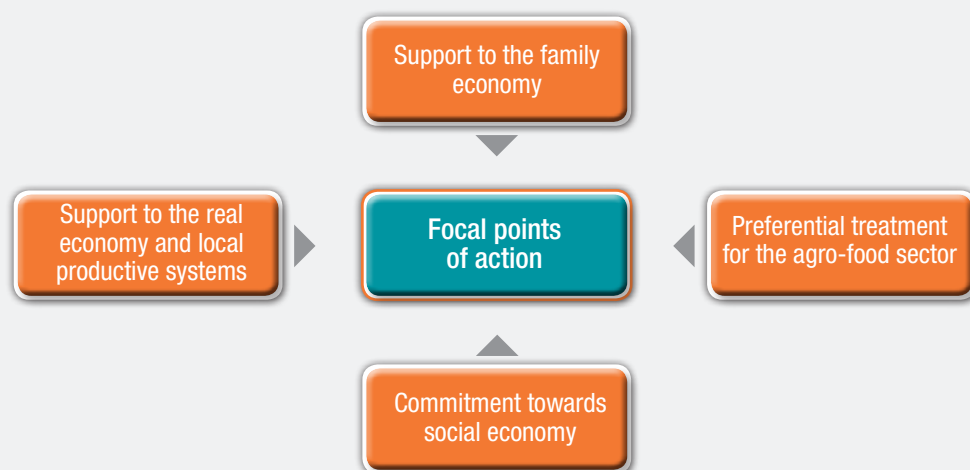
### 3. Business model

Grupo Cooperativo Cajamar is noted for its cooperative nature and wide social and corporate base. Based on principles of social economy, its profits or surpluses are not an end in itself, but a means to encourage economic development and social progress, as well as to foster cooperativism.

The creation of shared value is based on the premise that it is not only desirable that Grupo Cooperativo Cajamar's results correspond to benefits for the entire community, but that it is also necessary that such compatibility be given in order to define

a sustainable and viable management model in the long term, being one step ahead of the communities, generating confidence and growing together with the environment.

The creation of value does not exclusively materialise in the generation of an economic outturn; it takes different forms, as many as capitals transform the Group. By understanding the impact caused by managing each of these capitals, we can interpret its complete impact.



### 3.1 Calculation of economic value generated, distributed and retained

For a cooperative-based institution that is especially committed to its environment, the generation of economic value and its distribution are equally im-

portant. The economic value generated is distributed as supplier and personnel costs, tax payments or interest payments to cooperative partners:

(thousands of euros)

Calculation of Economic Value generated, distributed and retained (1)	Year 2016	Year 2017
<b>Economic value generated</b>		
Gross income	1,013,368	977,557
Result cancellation of assets	6,630	(23,520)
Gains non-current assets	(3,329)	(6,086)
<b>Total Economic value generated</b>	<b>1,016,669</b>	<b>947,951</b>
<b>Economic value distributed</b>		
Employees: Personnel costs	350,625	340,980
Suppliers: General administrative expenses	203,830	197,437
Public Administration: corporate taxes and duties	(14,132)	17,750
Cooperative: Interest on contributions to the capital	35,090	17,779
Community (without Foundations)	0	0
<b>Total Economic value distributed</b>	<b>575,412</b>	<b>573,946</b>
<b>Total Economic value distributed</b>		
Commitment with society (Foundations)	4,913	3,043
<b>Total amount for Total Economic value distributed</b>	<b>580,325</b>	<b>576,989</b>
<b>Economic Value Retained (EVG-EVD)</b>	<b>436,343</b>	<b>370,962</b>

Calculation of Economic Value Added (EVA) (1) Breakdown by stakeholder group	Year 2016	Year 2017
<b>Shareholders (where applicable)</b>		
Interest on contributions to the capital	35,090	17,779
<b>Employees</b>		
Personnel costs	350,625	340,980
<b>Customers</b>		
Interest expense and similar charges (2)	154,317	122,723
<b>Suppliers</b>		
Other general administrative expenses (3)	203,830	197,437
<b>Society</b>		
Income tax	(14,132)	17,750
Resources allocated by the Group	-	-
Resources allocated by the Foundation	4,913	3,043
<b>Total Economic value added (EVA)</b>	<b>734,643</b>	<b>699,712</b>

(1) Calculated according to the GRI SPI model

(2) Financial activity's interest expense and similar charges. Does not include fees

(3) Approximation adjusted to payments made to third parties under the heading of purchases and services rendered Scope: Cajamar and its foundations

## 3.2 Capital management, classification adjusted to the Group

### Financial capital:

Set of financial resources that are used by the Group to establish a solvent, profitable and balanced business model.

#### INPUT

- Own funds
- Wholesale financing
- Retail financing

#### OUTPUT

- Solvency
- Liquidity
- Profitability

### Industrial and intellectual capital:

Tangible assets available to the Group to carry out its activities, and organisational intangible assets that are part of the know-how developed by the Group and that allow carrying out its management in the context of an innovation and continuous improvement process.

#### INPUT

- Network of branches and equipment
- Testing, study and research centres
- Cultural centres
- Set of processes and management systems

#### OUTPUT

- Quality of service, safety and customer protection
- Personalised care, accessibility and closeness
- Improvement of our partners and customers' competitiveness
- Strengthens confidence and credibility in the Group

### Human capital:

Set of knowledge, skills, abilities and experience of people who are part of the organisation, as well as their level of engagement in the business model and its Ethical Management System.

#### INPUT

- People management and talent development
- Corporate Culture

#### OUTPUT

- Professionalism
- Commitment to the organisation
- Collective leadership and team work
- Commitment to people

### Social and relational capital:

The relationship with our stakeholders and knowing their expectations enables us to respond in a balanced way, being the basis for our business model and the creation of shared value.

#### INPUT

- Management of stakeholders
- Resources aimed at research, local development and social and cultural progress

#### OUTPUT

- Creation of shared value
- Commitment to economic growth and social progress
- Active listening regarding the stakeholders' expectations

### Natural capital:

The responsible management of materials and environmental resources required by the Group to perform its business activity.

#### INPUT

- Supply consumption
- Use of materials

#### OUTPUT

- Improvement of efficiency
- Commitment to the natural environment

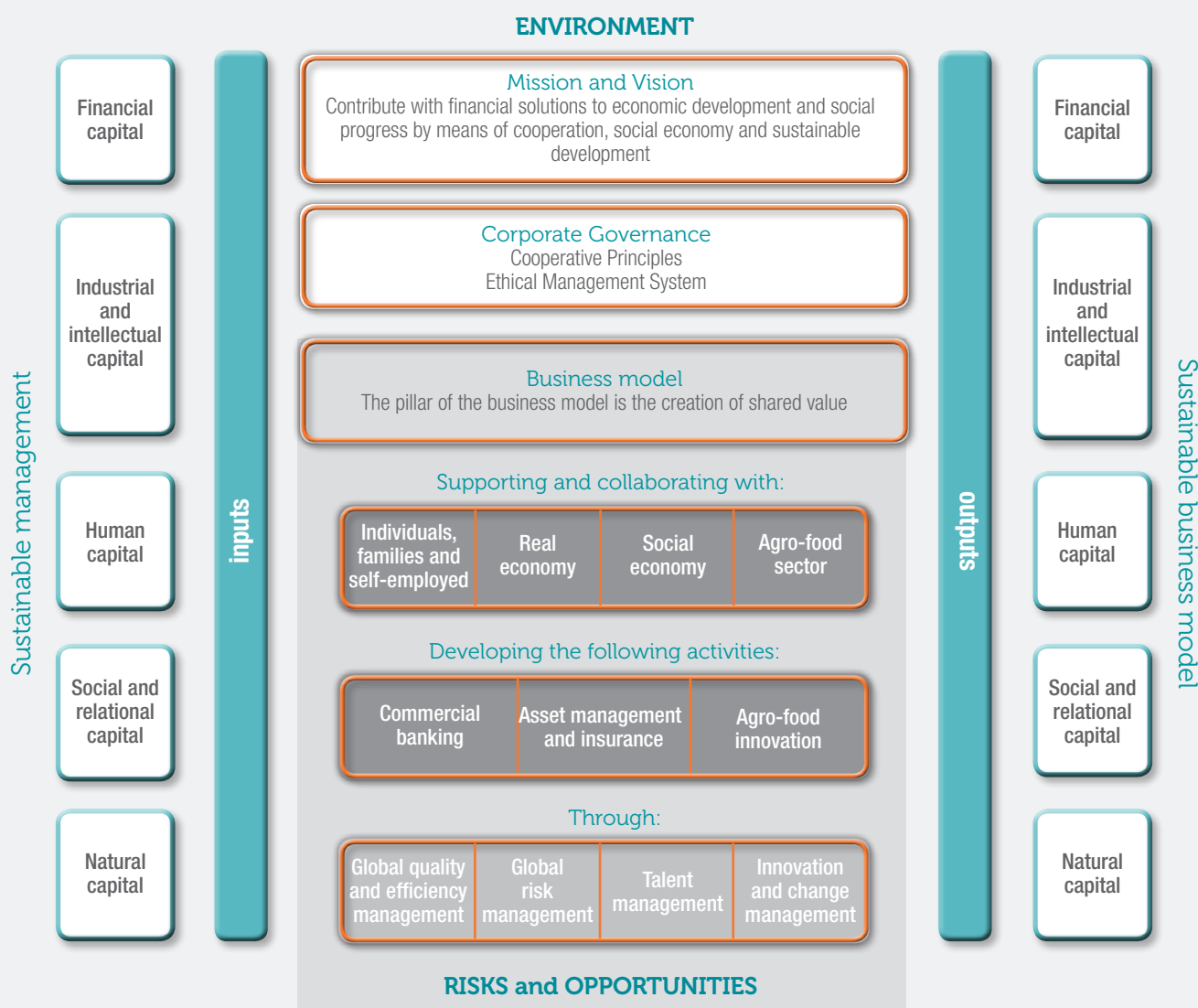


### 3.3 Business model in accordance with the International Integrated Reporting Council (IIRC)

Grupo Cooperativo Cajamar's business model conceives each of its elements in terms of sustainability. The sustainable management of the different types of capital is essential to Grupo Cooperativo Cajamar in order to deal with an increasingly com-

plex and uncertain environment that presents new opportunities and challenges. The creation of value in the short, mid and long term is not exclusively limited to the generation of an economic profit but also to a set of interrelated capitals that are constantly changing.

This transformation process is mainly based on its retail banking and insurance activity and on the process of agro-food innovation it carries out in its experimental centres.



### 3.4 Risk map and risk appetite framework

Risk management is inherent to the banking activity; this is why it is key to identify the risks that financial institutions have to face and tackle using a global approach. Grupo Cooperativo Cajamar has a clear vocation towards retail banking, with a financial activity that is deeply rooted in the territory due to supporting the families and fostering social economy and a sustainable local development. For this reason, it is important to highlight that, apart from the environment's risks and opportunities, we must consider the risks that are directly linked to the nature of our activity.

Taking this into account, and due to its main business, we can say that the major risk that Grupo Cooperativo Cajamar is exposed to is credit risk, which must be mitigated by applying criteria of

diversification, credit quality, collateralisation, foresight when following-up, and an efficient and decisive collection management. In addition, with the primary goal of attending the main activity's funding needs and capitalising on the surplus of liquidity, Grupo Cooperativo Cajamar is participating in the wholesale financial markets, although operating in these markets to fund its retail activity must be kept within prudent limits. On the other hand, the investment in financial assets with market risk, aimed at complementing and diversifying the income statement, must remain moderate, and only involve the investments required to fulfil regulatory requirements.

However, the activity inherent to all credit institutions gives rise to an exposure to other types of risk, such as the liquidity, interest rate, operational, reputational or business risks, which should all be subject to a policy of low risk exposure.

#### GENERAL DECLARATION OF THE GROUP'S RISK APPETITE FRAMEWORK

In line with its strategy, the Group engages in traditional low-risk activities consisting basically of capturing customer deposits and investing in its customer loan portfolio; our preferred customers are individuals, self-employed workers, micro enterprises and SMEs, prioritising the extended agro primary, i.e. the entire agro value chain and social economy. Accordingly, the main exposure is to credit risk, which must be mitigated by means of diversification, credit quality and collateral in order to approve loans, early follow-up, rigorous management and economic effectiveness in recovery processes. With the primary goal of attending the main activity's funding needs and capitalising on the surplus of liquidity, the Group is participating in the wholesale financial markets, although operating in these markets to fund its retail activity must be kept within prudent limits. The investment in financial assets with market risk, aimed at complementing and diversifying the income statement, must remain moderate, and only involve the investments required to fulfil regulatory requirements. A credit institution's activities are exposed to other risks such as liquidity, interest rate, operational, reputational and business risks, requiring a policy of low exposure to risk in all cases.

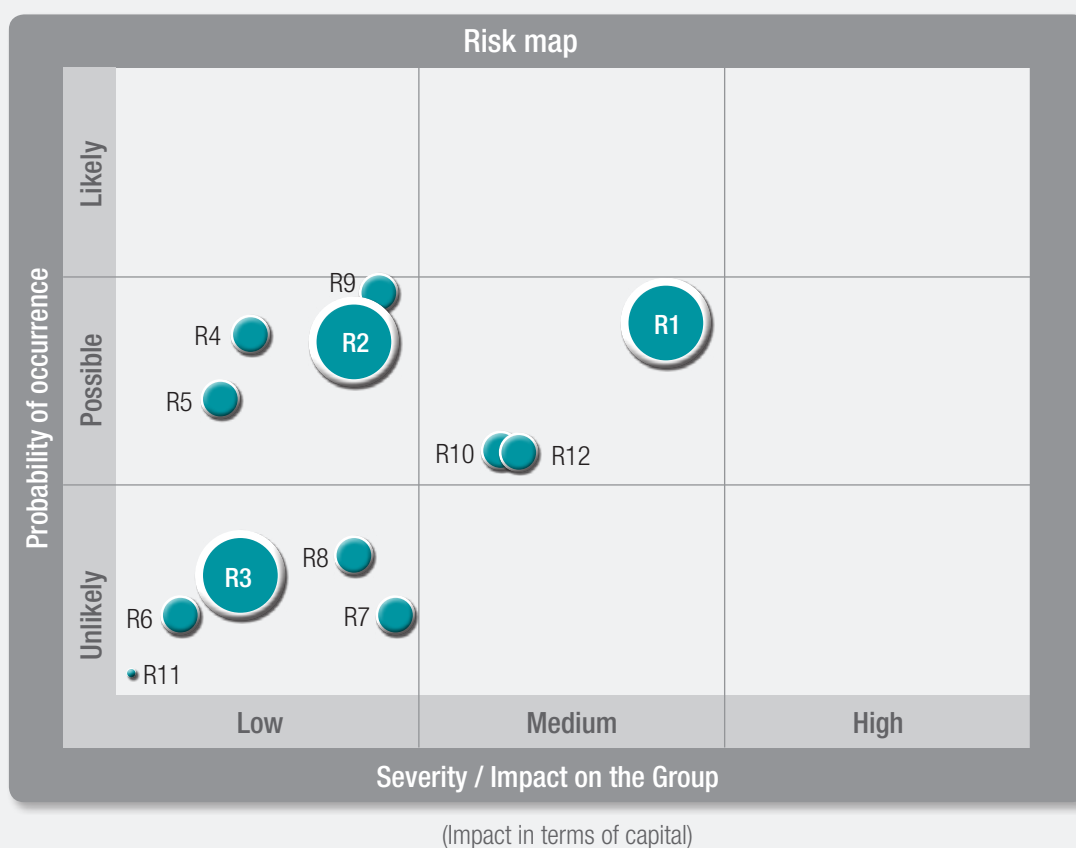
## Risk factors

### Risk factors that could affect the Group's situation

R1	Credit risk	R7	Concentration risk
R2	Business risk	R8	Interest rate risk
R3	Liquidity and financing risk	R9	Reputational risk
R4	Property development risk	R10	Operational risk
R5	Market risk	R11	Exchange rate risk
R6	Sovereign and macroeconomic risk	R12	Technological risk

### Risk factors identified from analysing the macro-environment (See Annex II)

RE.1	Political environment	RE.5	Technological environment
RE.2	Economic environment	RE.6	Environmental setting
RE.3	Sectoral environment	RE.7	Social environment
RE.4	Legal and regulatory environment		

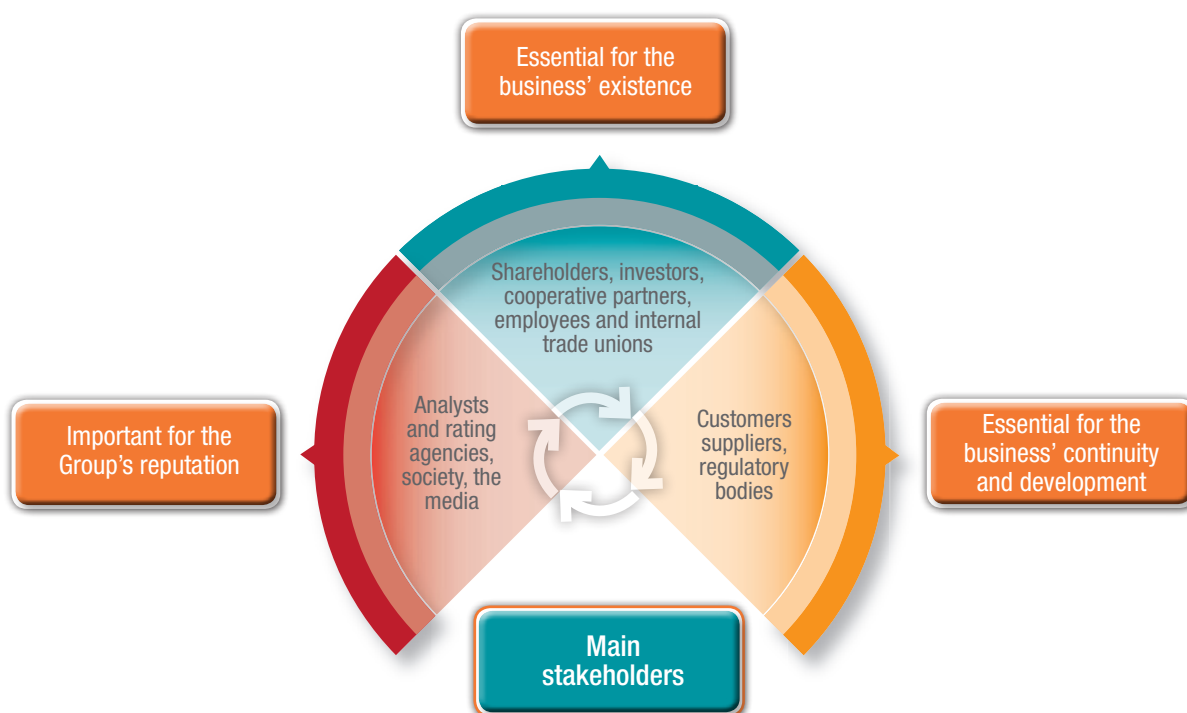


### 3.5 Involvement of stakeholders

Grupo Cooperativo Cajamar has continued, during 2017, its strategy of maintaining a permanent, constructive and proactive dialogue with the stakeholders through various listening channels and efficient interaction tools. The main objective systematically

pursued is to identify their expectations and their evolution in light of regulatory, technological and social changes. A constant dialogue with stakeholders confirms the concept of shared value on which Grupo Cooperativo Cajamar's business model is based, a model which is also based on a structure of environmentally sustainable and responsible growth (creation of shared value).

Grupo Cooperativo Cajamar defines its stakeholders as those agents, institutions or groups of people, organised or not, that interact with the institution in the performance of its business, this term understood in its broadest sense



The stakeholder map and the communication channels aim to respond, in a balanced and prudent manner, to the issues considered as most important and relevant. With all this, the purpose is to improve the listening and dialogue with three main objectives:

- Increase the knowledge of the Group's stakeholder requirements and expectations
- Identify and report on relevant aspects in a transparent, clear and concise manner
- Achieve the involvement of the priority stakeholders in order to maintain and strengthen confidence

#### Dialogue channels with the main strategic stakeholders

	Shareholders and investors	Cooperative partners	Employees and trade unions	Customers	Suppliers	Regulatory bodies	Analysts and rating agencies	The Media	Society
<b>GENERAL CHANNELS</b>									
Annual accounts	●	●	●	●	●	●	●	●	●
Corporate website	●	●	●	●	●	●	●	●	●
Blog and microsites	●	●	●	●	●	●	●	●	●
Scheduled reports	●	●	●	●	●	●	●	●	●
Integrated report	●	●	●	●	●	●	●	●	●
Queries and suggestions box	●	●	●	●	●	●	●	●	●
<b>SPECIFIC CHANNELS</b>									
Preparatory Meetings		●		●					
General Assembly of Delegates		●						●	
General Shareholders Committee	●								
Regular meetings			●		●	●	●	●	●
Branch network and Telephone banking				●					
Customer Service		●		●		●			
User Service		●	●	●					
Satisfaction studies				●	●				
Intranet and Employee portal			●						
Reporting channel			●						
Committees and commissions			●						
Internal communication bulletin			●						
Survey on labour environment			●						
Circulars and communications			●	●	●	●		●	●
Press releases, notes and statements	●	●	●	●	●	●	●	●	●
Social networks	●	●	●	●	●	●	●	●	●
Training sessions		●	●	●					●
Forums, seminars and conferences	●	●	●	●	●			●	●

### 3.6 Stakeholders' expectations

The expectations identified in previous years were still relevant during 2017, although they vary in levels

of intensity as a result of the environment's evolution in its different scopes.

				Level	
				2016	2017
Expectations	Stakeholders	Coverage			
Economic dimension	E.1 Transparency, good corporate governance, compliance and control.	All	Mixed	●	●
	E.2 Strengthening the business model and the economic-financial situation.	Regulator, Shareholders, Cooperative partners, Employees, Trade unions	Internal	●	●
	E.3 Global risk management.	Regulator, Shareholders, Customers	Internal	●	●
	E.4 Protection, security, quality of service, customer orientation and training.	Regulator, Cooperative partners, Customers	Mixed	●	●
	E.5 Technological change management.	Regulator, Shareholders, Cooperative partners, Employees, Customers, Customers of the agro-food sector	Mixed	●	●
	E.6 Global supplier management.	Suppliers	Mixed	●	●
Social	S.1 Financial solutions aimed at economic development and social progress.	Cooperative partners, Customers, Society	Mixed	●	●
	S.2 Financial solutions adapted to different life cycles.	Cooperative partners, Customers	External	●	●
	S.3 People management and adaptation to change.	Employees, Trade unions	Internal	●	●
	S.4 Avoiding financial exclusion.	Regulator, Customers, Society	External	●	●
	S.5 Social and cultural action.	Employees, Society	External	●	●
	<b>S.6 Contributing to Sustainable Development Goals.</b>	<b>Society</b>	<b>External</b>	○	●
Environmental dimension	A.1 Commitment towards the environment.	Agro-food sector customers, Society	External	●	●
	A.2 Financial solutions with positive environmental impact.	Agro-food sector customers, Society	External	●	●
	A.3 Support for innovation and research.	Agro-food sector customers	External	●	●
	A.4 Transfer of knowledge.	Agro-food sector customers	External	●	●

Level of the expectations

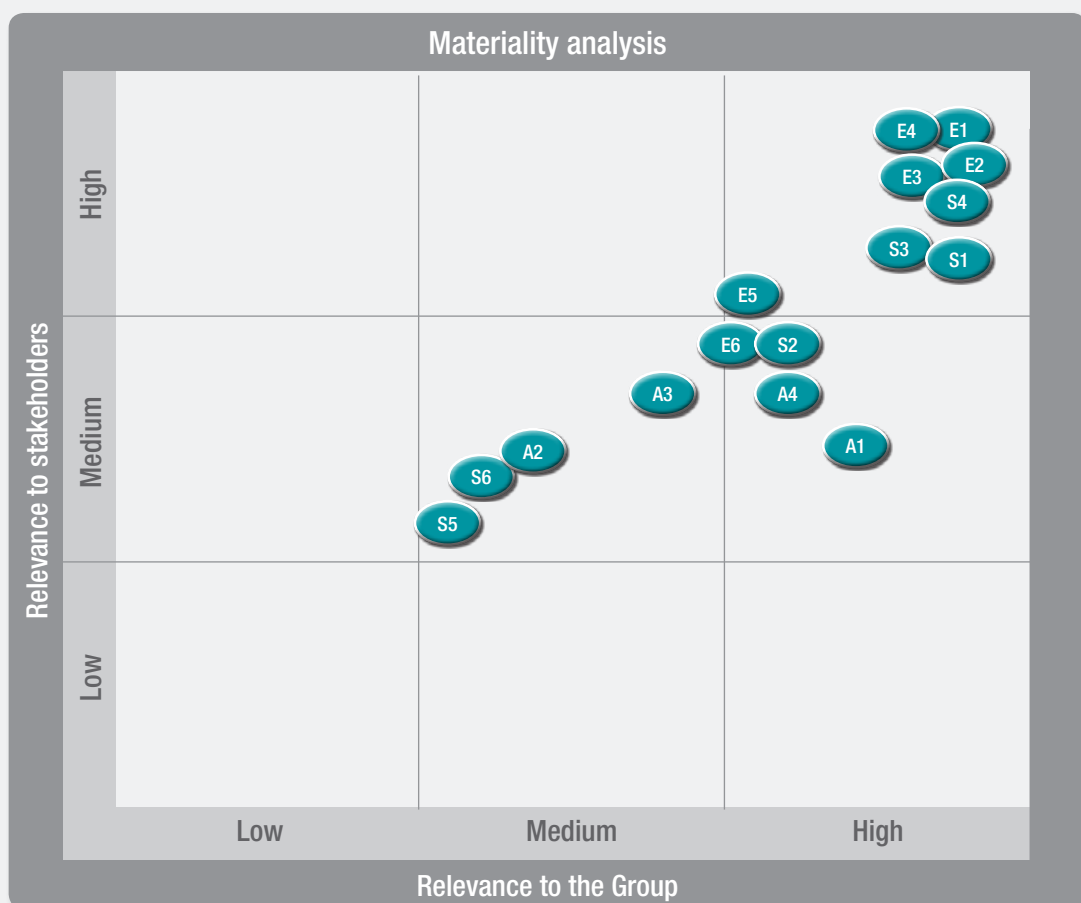
- High
- Medium
- Low

### 3.7 Materiality analysis

The aim of the materiality analysis conducted by Grupo Cooperativo Cajamar is to align the objectives of its activity with those of the different stakeholders, especially those of strategic nature for the Group. The identification of relevant aspects that the Group manages with its stakeholders has been performed based on a materiality analysis that has taken into account the guidelines established by the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC). The above-mentioned process identifies the relevant and

substantive matters that have been approved by the Committee of Ethics Management and Social Responsibility and supervised by BCC's Board of Directors, as Grupo Cooperativo Cajamar's leading institution.

A materiality contrast methodology was implemented in 2017 with the aim of validating the identified matters and the level of intensity that the Groups' business model must face. This materiality contrast gave rise to the new materiality map in which the Group's performance has unravelled throughout 2017.



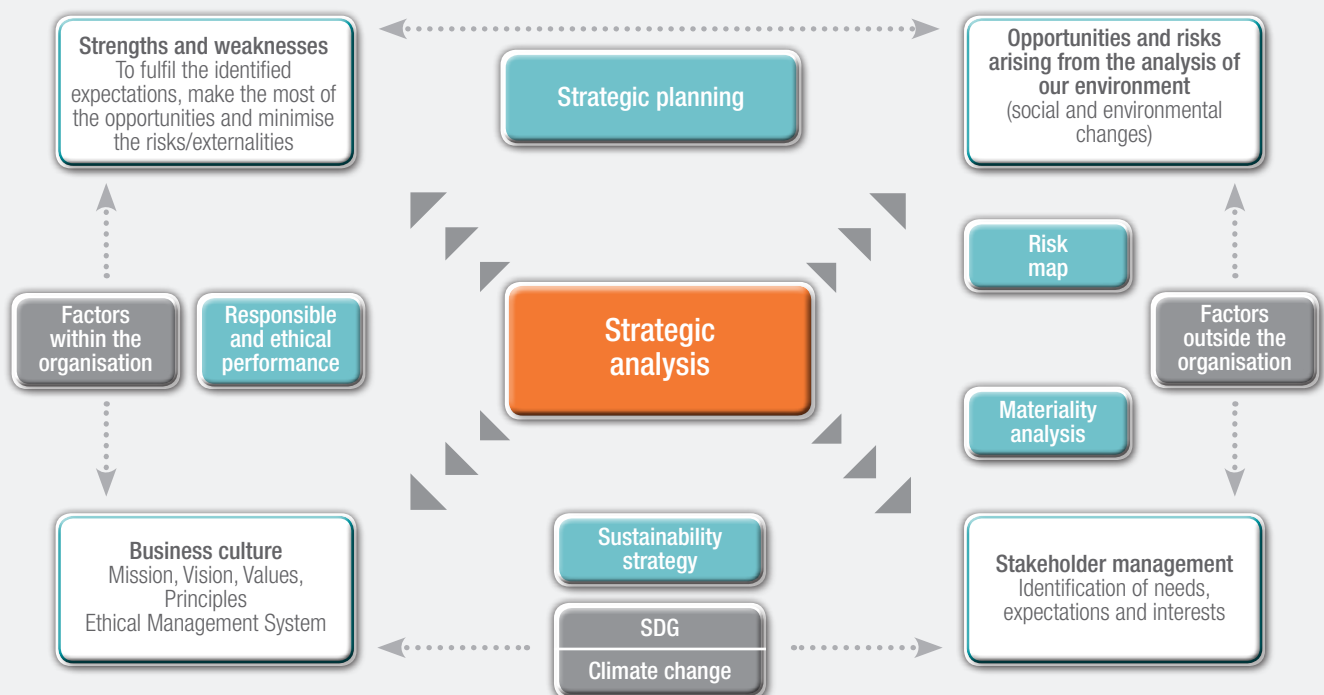
## 4. Strategy

For Grupo Cooperativo Cajamar, the strategy defines what we would like to become and how to achieve it in accordance with our mission, vision and values. It is the starting point to integrating the objective of sustainability by creating shared value.

In this sense, it is particularly important to identify the needs and interests of our stakeholders, the opportunities and risks arising from the analysis of our socio-economic environment, and the strengths and weaknesses of our organisation in order to meet those expectations and demands, to take advantage of the opportunities and to minimise the risks from a short-, mid- and long-term perspec-

tive. The primary goal is to generate shared value and have a positive impact on society based on sustainable developmental principles and the capacity of the financial activity to create wealth, generate employment and tie capital to the territory.

In addition to these strategic objectives is the Group's social nature. The cooperative basis of the Group, whose entities share the cooperate principles and the approach of social economy, involves its commitment to a responsible performance, which is materialised through its Ethical Management System and a global risk management based on the principle of prudence.





## 4.1 Strategic plan for 2015-2017

Based on this strategic reflection exercise, three-year plans are designed including the Group's priorities, and the strategic plan for the 2015-2017 period includes different pillars that respond to the identified challenges, increasing its competitive advantages and redirecting its weaknesses.

The ultimate goal is to make the Group more competitive, strengthening its economic-financial situation and generating differentiation elements that

describe its singularity and that enable to identify it with a unique business model due to its social nature, its work clearly focused on the economic development and social progress of the entire community, and its ethical and transparent performance.

The group of people comprising the Organisation is committed to the execution of a comprehensive implementation plan that includes several focal points and multiple initiatives and that has been provided with all the mechanisms required for monitoring and controlling activities.

### Main objectives of the Strategic plan for 2015-2017

Outlook	Financial	Customers	Internal	Learning and Growth
Objectives	Strengthen the business model	Differentiate the business model	Improvement of the internal processes	Support to the strategy
Related capital	Financial Human Industrial Intellectual	Financial Industrial Intellectual Human Social and Relational	Financial Industrial Intellectual Human	Intellectual Human Social and Relational Natural
Stakeholders	All	Shareholders Partners Customers Employees	Exchange rate risk	Employees Regulator Customers
Expectations	E.1 - E.2 - E.3 - E5	E.1 - E.2 - E.4 S.1 - S.2 - S.4 S.5 - S.6 A.2 - A.3 - A.4	E.3 - E.4 - E.5 - E.6 A1	All
Related risks	All	R9 - RE.2 - RE.1 - RE.5	RE.1 - RE.2- R9 - R10	RE.1 - RE.2

Beyond the development of these competitive advantages, the strategic plan also aims to stimulate Grupo Cooperativo Cajamar's commitment towards the cooperative principles and values and to highlight its vocation towards serving people, while holding transparency as a main pillar in

relations and on which the organisation's ethical behaviour is supported. All this with an integrity that is based on professionalism, rigour and effort when performing the professional activity and that is committed to fundamental values such as honesty, equity and sense of responsibility.

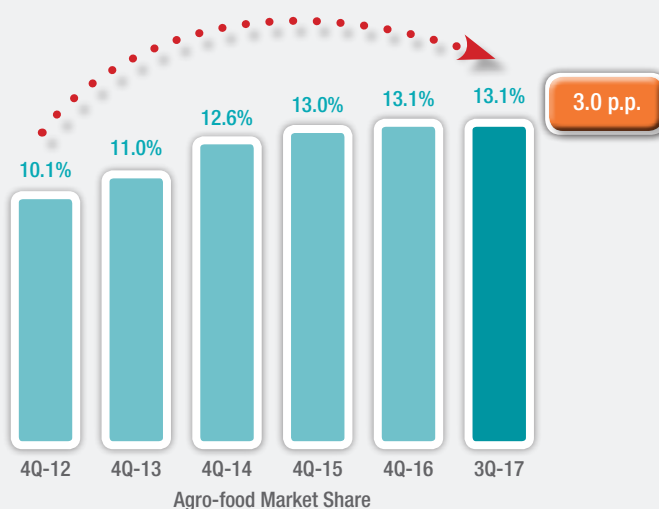
#### Main initiatives of the Strategic plan for 2015-2017

Strengthen the business model	Differentiate the business model	Improvement of the internal processes	Support to the strategy
Optimise operating expenses with the aim of improving efficiency	Make value proposals for strategic sectors	Optimise processes by improving efficiency and ensuring overall quality	Review the training model and organisational growth
Review the distribution model with the aim of establishing economies of scale and making use of new channels	Improve customer experience	Reinforce global risk management	Adjustment to the technological evolution
Increase value for the customers	Systematic commercial review	Implementation of the Ethical Management System Digital and technological transformation	

26

As a result of the different initiatives carried out, Grupo Cooperativo Cajamar has improved its presence in almost all Spain and has maintained its leadership in the agro-food sector:

Providing service to over 3.5 million customers	With presence in almost the entire country
1.5 million existing customers	Over 1 million credit and debit cards
650 thousand online banking customers	1,462 cashpoints made available to our customers
Maintaining the trust of over 1.4 million partners	Over 50 thousand POS systems in establishments



The Group continues to improve its share despite further competition in the sector

Note: GCC and market data at September 2017, Cooperatives map at 2011. Source: BOE; Datacomex, INE, Cooperativas agroalimentarias de España; GCC Analysis

At 2017 year-end, the strategic plan for 2018-2020 and the sustainability strategy was subject to a review process.

#### Objectives of the Strategic plan for 2018-2020

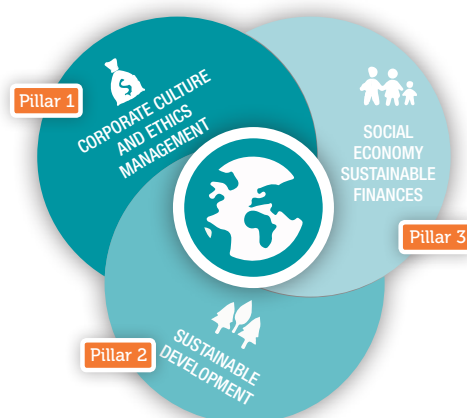
Strengthen the business model	Differentiate the business model	Improvement of the internal processes	Support to the strategy
Develop the distribution and commercial model	Improve customer experience	Optimise the operational model	Change management and talent development
	Develop singularity in the target segments	Global risk management	Evolution of the new technology model

#### Sustainability strategy

Strengthen the business model	Differentiate the business model	Improvement of the internal processes	Support to the strategy
Manage the risks and opportunities linked to the climate change	Encourage transparency and disseminate non-financial information	Improve the Ethical Management System	Support the Group's strategy to strengthen its position in social economy
Manage the risks and opportunities linked to the SDG	Develop the corporate culture via the Corporate Volunteering Programme	Implementation of the TCFD recommendation on climate change	Develop sustainable finances

27




### SUSTAINABLE STRATEGY FOR 2018-2020



## 4.2 Strategic Alliances

Grupo Cooperativo Cajamar is aware that in a globalised business, aiming for constant innovation and strong specialisation, strategic alliances are essential to successfully fulfil the needs of partners and customers while improving the ties and satis-

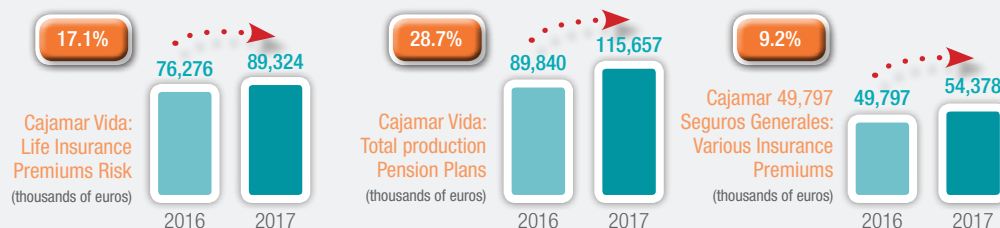
faction with the institution. These partnerships are essential in the technological and financial scopes, among others, but they are also in the scope of business. In this sense, Grupo Cooperativo Cajamar maintains, among others, three business-oriented strategic alliances with leading companies in the market: Generali, Trea and Cetelem.

GRUPO COOPERATIVO CAJAMAR		TREA CAPITAL PARTNERS, S.V.	Cetelem
	<ul style="list-style-type: none"> <li>One of the <b>largest global insurers</b> with premiums of more than €70Mm (2014)</li> <li>Present in more than <b>60 countries</b> and with <b>~72M customers</b></li> </ul>	<ul style="list-style-type: none"> <li>Independent asset management firm with the capacity to <b>invest in the traditional and alternative markets</b></li> <li>Its boutique approach makes it an expert in <b>tailor-made solutions</b>; it manages and provides advisory services for over <b>2 billion assets</b></li> </ul>	<ul style="list-style-type: none"> <li>Company specialising in consumer loans belonging to <b>BNP Paribas</b>, a leading bank in Europe</li> <li>Present in more than <b>20 countries</b> and with <b>~27M customers</b></li> </ul>
	<ul style="list-style-type: none"> <li>Leader in Spain with a market share of <b>~4.5%</b> and more than <b>3.4M customers</b></li> </ul>		<ul style="list-style-type: none"> <li>Leader in Spain with a market share of <b>5.2%</b> and <b>2.5M customers</b></li> </ul>
	<ul style="list-style-type: none"> <li><b>Generali contributes with its experience in investment management and service vocation aimed at private customers</b></li> <li><b>Cutting-edge technology</b>, both in IT and in quality assurance with access to all markets</li> <li><b>And an extensive offer</b> in all areas of insurance and pensions</li> </ul>	<ul style="list-style-type: none"> <li><b>TREA provides a specialised team with a recognised track-record</b> - It was named the best Spanish fund management firm by Eurofunds during the crisis (08-11)</li> <li><b>Training programme and support to the commercial network</b></li> <li><b>Operating capacity</b> to develop and manage GCC funds</li> </ul>	<ul style="list-style-type: none"> <li><b>Cetelem provides a specialised platform</b> with new, simple, fast and secure tools</li> <li><b>Tools employed for financing at the points of sale</b> for our business customers</li> <li>Provides consumer loans <b>online</b></li> </ul>
	<ul style="list-style-type: none"> <li><b>Grupo Cajamar contributes with its extensive network of more than 1,100 branches</b></li> </ul>		

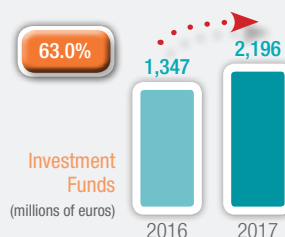
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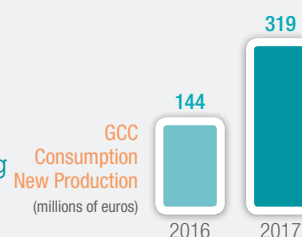
The agreement reached with Generali has dynamised the growth of Pension Plan and Insurance Business



The agreement reached with TREA Capital has resulted in a significant growth of the Investment Funds managed in GCC



Strong impetus of consumer finance following the agreement with Cetelem



## 5. Performance

### 5.1 Economic dimension

#### 5.1.1. Transparency, good corporate governance, compliance and control (expectation E.1)

The progress in transparency and good corporate governance has become one of the stakeholders' main expectations and a priority for Grupo Cooperativo Cajamar, which includes these aspects in its Ethical Management System.

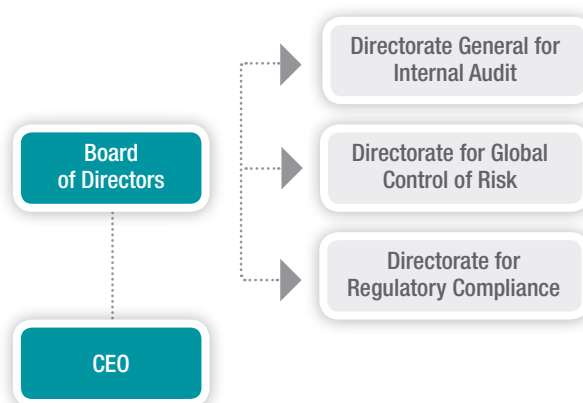
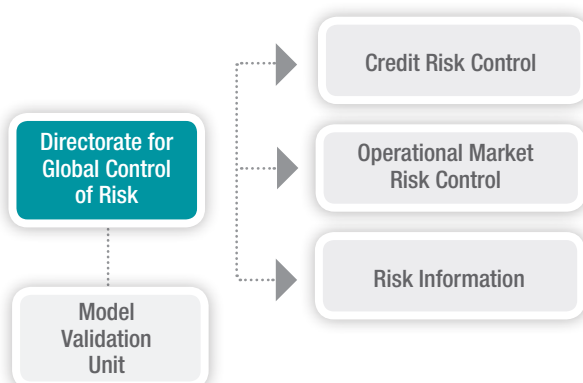
- During 2017, internal governance was assessed quarterly, and this assessment is based on the level of compliance and/or monitoring of the EBA Guidelines, the Good Governance Code of Listed Companies of the CNMV and the Corporate Governance Principles for Banks issued by the Basel Committee on Banking Supervision. The level of compliance during 2017 continued to be very high. Specifically, in spite of not being directly applicable due to the non-listed nature of the entities comprising Grupo Cooperativo Cajamar, it complies with 51 recommendations (93%) and partially with 4 (7%) -recommendations 3, 4, 32 and 64-. No monitoring is performed on the other 9 recommendations included in the code -recommendations 1, 2, 6, 7, 11, 19, 34, 61 and 62-, as they are not applicable due to the nature and structure of the entities comprising the Group.
- Recommendation number 53 of the Code, which had been partially fulfilled in 2016, was completely fulfilled. This recommendation specifies that a delegate committee of the Board of Directors should supervise the compliance with the Corporate Social Responsibility Policy. This task has been assigned to the Business Strategy Committee.
- In compliance with the Group's Criminal Risk Prevention Plan's supervision and monitoring model the controls established by the Group to prevent the offences included in the Plan have been reviewed and assessed. Among these offences is the crime of corruption. A training course has been given about this Plan to the employees, which included a specific module dedicated to the crime of corruption, and a series of principles of action were disseminated in the organisation to prevent these crimes.
- In January 2017 the recently created Business Strategy Committee met for the first time, contributing to improve expert information within the scope of the Board of Directors. Among other functions, the Business Strategy Committee is in charge of examining the management of the business in the broadest sense, as well as supervising and monitoring the Expansion Plan and Strategic Plan.

**Transparency.** The 2017 Director's Report included the information required by Royal Decree-Act 18/2017 of 24 November, thus complying with the obligations on disseminating non-financial information.

**Compliance and control.** Improving management control and the principle of independence of duties is an important line of action that has materialised with a suitable organisational structure. These changes have involved the Board of Directors, through the Audit Committee and Risks Committee, which is the body assuming this responsibility, leaning on the work carried out by the Directorate General for Internal Audit, the Directorate for Global Control of Risk and the Directorate for Regulatory Compliance.

Grupo Cooperativo Cajamar, within the scope of supervising and managing risks, has implemented a model with three lines of defence:

- First line: business units that manage their own risks
- Second line: units that supervise cross-cutting risks (Regulatory Compliance and Global Control of Risk)

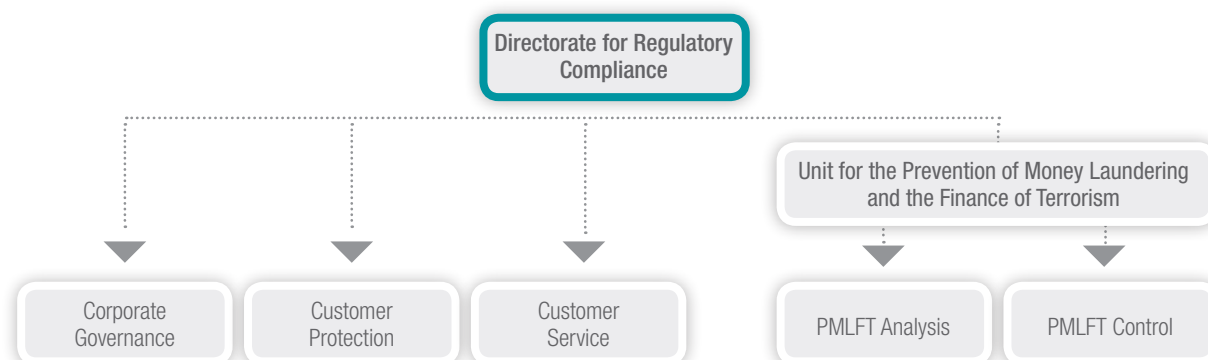


- Third line: unit that supervises the two previous lines (Internal Audit)

In 2017 BCC's Board of Directors prepared, as part of its appropriate and efficient control function, a procedure to assess the directorates for Internal Audit, General Control of Risk and Regulatory Compliance, and assessed them.

In addition, with the intention of completing the principle of independence with the requirement of the risk control function not being separated from the controlling and supervising units, in 2017 the Risk Monitoring Committee was created. Its mission is to protect the Group from the risks and serve as a link between the Bank's Executives and the Board's Risk Committee.

The mission of the Directorate for Global Control of Risk is to complement the risk assumption actions of the business units through its reporting and monitoring responsibilities. Among other things, it is responsible for supervising the Group's risk assumption actions, their assessment and other related tasks, but always independently from the business units. When performing its tasks, it must



guarantee a correct identification and measurement of the most relevant financial risks to which the Group is exposed, and it must supervise the compliance with the limits and policies established both internally and by the supervisor.

The Directorate for Regulatory Compliance is responsible for controlling and ensuring the regulatory compliance in the Group and controlling the legal and reputational risks.

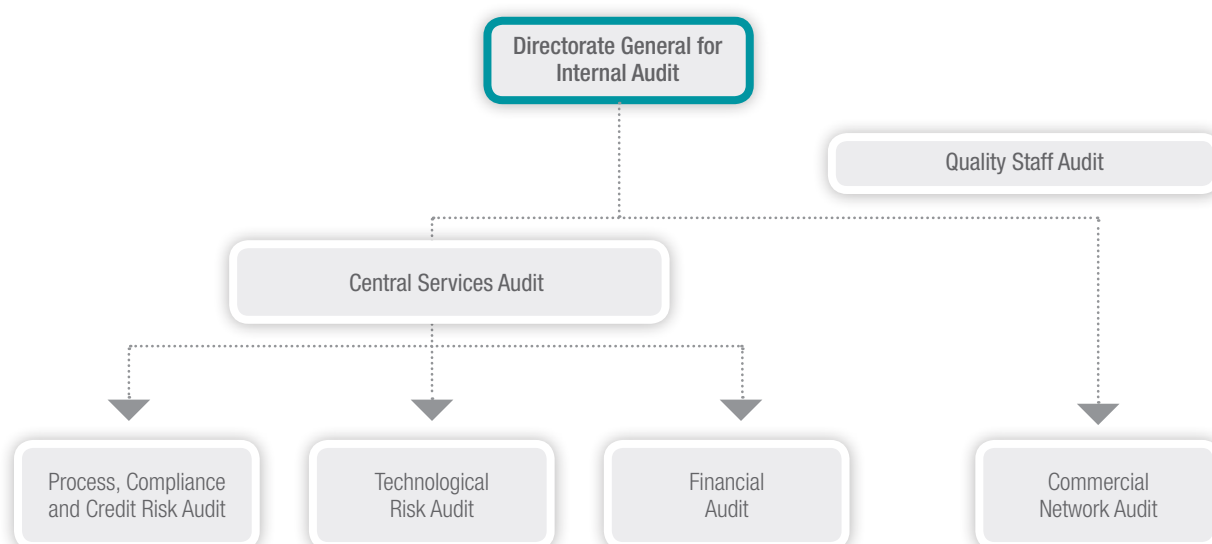
The effort undertaken by the Directorate of Regulatory Compliance to respond to the multiple legal and regulatory changes that have occurred during the 2017 has been materialised through multiple initiatives and projects. At year-end, the Directorate for Regulatory Compliance continues to implement different projects aimed at minimising regulatory and reputational risks.

Due to the issue's relevance, it is worth noting that the regulatory change is extensive and ongoing; as a result, important resources are required to respond appropriately to the risk that the regulatory non-compliance could involve.

This change process affects the entire organisation, and an example of this is the different lines of action that the Group has carried out through the General Intervention, Legal Advice and Technology areas, as well as the work carried out by Directorate for Regulatory Compliance.

**Internal audit model.** The Directorate General for Internal Audit is responsible for providing independent and objective assurance to BCC's Board (and especially its Audit Committee) on the framework of internal control of Grupo Cooperativo Cajamar, and therefore, that the most relevant risks to which it is exposed are adequately controlled by the persons responsible for their management.

The Directorate General for Internal Audit directly reports to the Board of Directors, and its position within the organisation at a hierarchical and functional level enables it to operate independently and with authority. In addition, its organisational structure reinforces the internal auditing activity as a key element of the processes of corporate governance, risk management and internal control within the framework of these three lines of defence.



Each of the audit areas are aimed at a risk profile. The Process, Compliance and Credit Risk Audit area is engaged in auditing operational, reputational, compliance and credit risk. The Technological Risk Audit area is engaged in auditing technology-related risks. The Financial audit area audits the II FF issue risks, capital/solvency risks, business risks, governance risks, liquidity risks, market risks, exchange rate risks and investee company risks. And, finally, the Commercial Network Audit area audits the operational risks.

BCC's auditing activity is governed by the international standards for professional practice. These standards were drafted by the Institute of Internal Auditors in 2002. In addition, BCC was recertified under the international Quality Assessment (QA) standard by the Spanish Institute of Internal Auditors after reaching the conclusion that the Directorate General for Internal Audit of BCC-Cajamar Group carries out its activity in accordance with the international standards for the professional practice

of internal auditing. The Directorate General for Internal Audit, as part of its functions, carries out a series of controls in all operational centres (100% of the network of branches), and in the event of detecting a sign of corruption, it studies the case.

### 5.1.2. Strengthening the business model and the economic-financial situation (expectation E.2)



Related information

- Financial information
- Rating

In 2017 Grupo Cooperativo Cajamar's business model improved its position in terms of profitability, which is reflected in the recurrent operating income in terms of business, with an increase of the managed resources, and liquidity and solvency. Most relevant figures:



		(thousands of euros)		
		31/12/2017	Interannual	
			Abs.	%
<b>PROFITABILITY AND EFFICIENCY</b>	ROA %	0.20%	0.01	
	ROE %	2.64%	(0.01)	
	Cost-to-income ratio	62.85%	0.68	
<b>BUSINESS</b>	Total assets in balance sheet	40,507,329	1,341,247	3.4%
	Retail managed resources	30,067,436	1,472,518	5.1%
	Retail healthy customer credit	27,693,644	904,715	3.4%
<b>DIMENSION</b>	Employees	5,586	(450)	(7.5%)
	Branches	1,057	(134)	(11.3%)
<b>RISK MANAGEMENT</b>	NPL ratio (%)	10.82%	(2.62)	
	Regular asset coverage ratio (%)*	44.07%	(0.22)	
<b>LIQUIDITY</b>	LCR (%)	214.62%	(68.38)	
	NSFR (%)	112.30%	(3.24)	
<b>SOLVENCY</b>	CET 1 (%)	11.19%	(0.17)	
	Solvency ratio (%)	13.37%	0.41	
	Risk-weighted assets	23,935,148	865,178	3.8%

(\*) If we consider the impact of the IFRS 9, the Irregular Asset Coverage Ratio would rise to 46.91%.

#### PROFITABILITY

- 11.5% growth of the Recurrent Operating Margin and 5.1% growth of Net Profit thanks to defence of the Net Interest Income.
- 2.9% interannual drop of Administration expenses.

#### Income Statement

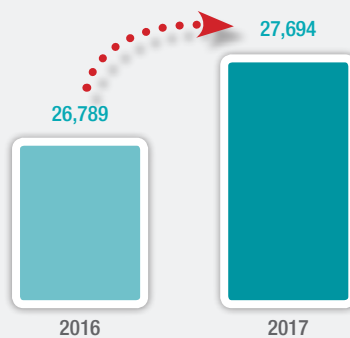
				Interannual		
(thousands of euros)		31/12/2017	%ATM	31/12/2016	%ATMI	
						Abs. %
<b>NET INTEREST INCOME</b>		<b>548,142</b>	<b>1.38%</b>	<b>557,698</b>	<b>1.41%</b>	<b>(9,556) (1.7%)</b>
Net fees + Exchange differences		269,217	0.67%	264,216	0.66%	5,001 1.9%
Gains/Losses from financial assets and liabilities		153,768	0.39%	186,149	0.47%	(32,381) (17.4%)
Income from dividends		7,919	0.02%	4,909	0.01%	3,010 61.3%
Profit/Loss from entities valued by the equity method		23,101	0.06%	15,767	0.04%	7,334 46.5%
Other products/Operating charges		(24,590)	(0.06%)	(15,372)	(0.04%)	(9,218) 60.0%
<b>GROSS INCOME</b>		<b>977,557</b>	<b>2.45%</b>	<b>1,013,367</b>	<b>2.56%</b>	<b>(35,810) (3.5%)</b>
<b>RECURRENT GROSS INCOME</b>		<b>859,657</b>	<b>2.16%</b>	<b>850,023</b>	<b>2.15%</b>	<b>9,634 1.1%</b>
Personnel costs		(340,980)	(0.86%)	(350,625)	(0.89%)	9,645 (2.8%)
Other general administrative expenses		(197,437)	(0.50%)	(203,830)	(0.51%)	6,393 (3.1%)
Amortisation		(76,001)	(0.19%)	(75,541)	(0.19%)	(460) (0.6%)
<b>RECURRENT OPERATING INCOME</b>		<b>245,238</b>	<b>1.27%</b>	<b>220,026</b>	<b>1.36%</b>	<b>25,212 11.5%</b>
Impairment losses on assets		(259,746)	(0.65%)	(64,645)	(0.16%)	(195,101) 301.8%
Provisions + Gains/losses		(5,586)	(0.01%)	(256,718)	(0.65%)	251,132 (97.8%)
<b>EARNINGS BEFORE TAX</b>		<b>97,807</b>	<b>0.25%</b>	<b>62,008</b>	<b>0.16%</b>	<b>35,799 57.7%</b>
<b>CONSOLIDATED RESULT OF THE FINANCIAL</b>		<b>80,058</b>	<b>0.20%</b>	<b>76,141</b>	<b>0.19%</b>	<b>3,917 5.1%</b>

## BUSINESS

- The Customer Managed Resources increase by 5.1% year-on-year, mainly due to the higher interest of customers in demand deposits and investment funds.
- The Customer Healthy Credit leaves behind the negative rates of last year and registers a 3.4% increase, driven by the new financing, reaching higher than 32%.

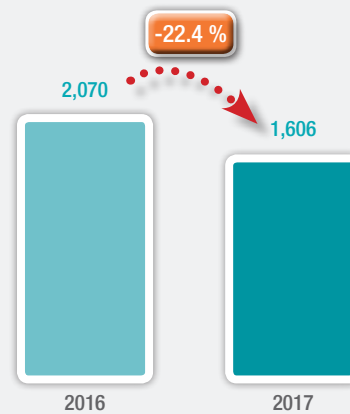
The Healthy Credit leaves behind the negative rates of last year and registers a 3.4% increase, based on the financing of SMEs, small businesses and the agro-food sector...

Retail healthy credit (millions of euros)



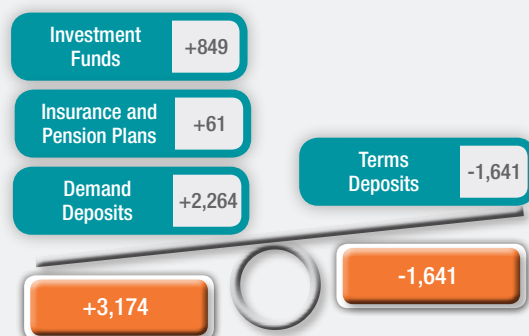
...while the developer risk drops 22.4%

Developer creditor (millions of euros)



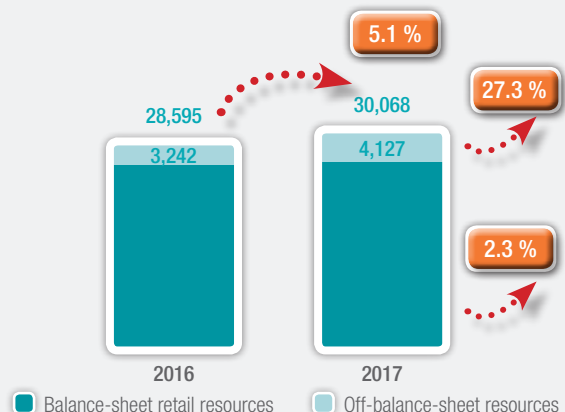
Savings mix shifts from term to sight deposits and disintermediation...

Year-on-year variation (millions of euros)



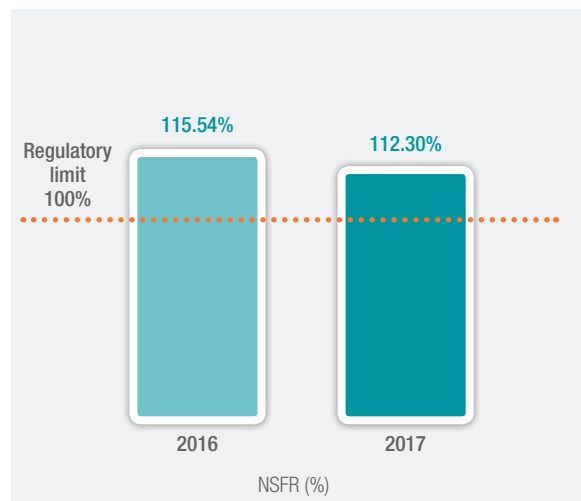
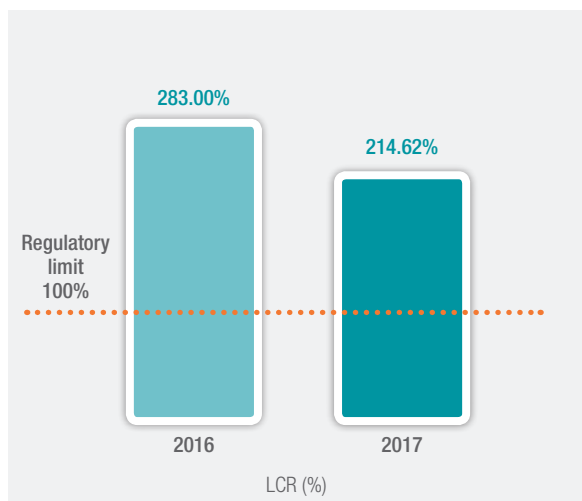
... allows an increase of Customer Managed Resources by 5.1%

Developer creditor (millions of euros)



## LIQUIDITY

- Ample liquidity position: LCR at 214.6%, NSFR at 112.30%.
- Wholesale funding maturities covered for the coming years, high covered bonds issuance capacity, large volumes of ECB-eligible assets.



Note: LCR re-calculated for all the dates excluding the contribution of the amount available in the assets pledge policy with Banco de España.

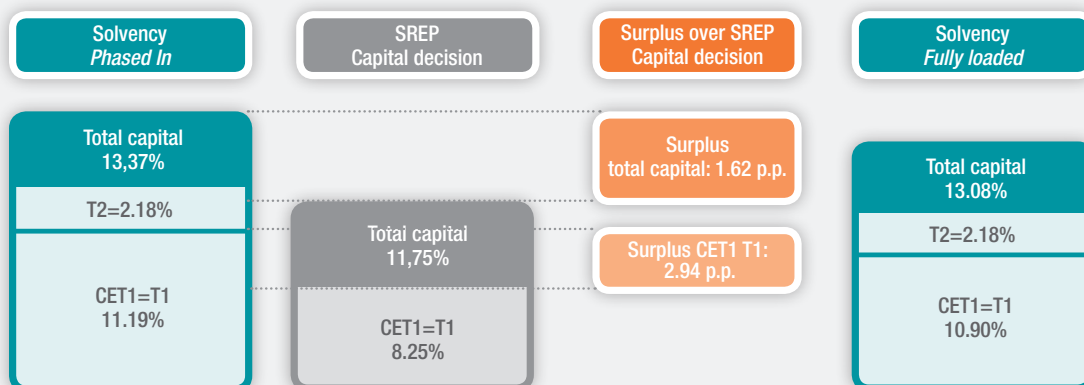
#### Solvency

- Solvency improves up to 13.37%, due to the Eligible capital increase.
- CET1 up to 11.19% (phased in) and 10.90% (fully loaded), exceeding the Supervisors capital requirements, even in fully loaded terms.

35

	Phased In	Fully-loaded
Solvent Group	Solvency: 13.37%	Solvency: 13.08%
High quality of own resources	CET 1: 11.19%	CET 1: 10.90%
Suitable leverage ratio	6.44%	6.29%
High WRA density. Potential to optimise its calculation from standard methods to IRB models		

### High quality of own resources



### 5.1.3. Global risk management (expectation E.3)

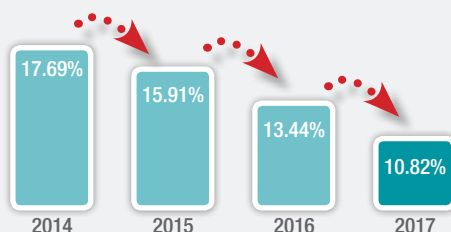
The economic crisis experienced in Spain, and, consequently, its impact on the financial institutions, has been one of the aspects that has most influenced the economic-financial situation and the sector's reputation in recent years. All of this led to a major restructuring and disappearance of many institutions, which due to their weaknesses were forced to merge with or become part of other stronger institutions. Grupo Cooperativo Cajamar has overcome this situation by adopting a business model linked to the agro-food sector, SMEs

and small businesses, and it has taken part in the restructuring process by leading the twenty rural banks, all of which was carried out without receiving any public aid. Due to its size and its market objectives, the Group does not maintain monopolistic practices and has not been penalised for regulatory non-compliance cases.

The principle of prudence is evident in the management, where different lines of work were initiated during 2017 aimed at reducing the non-performing loans and reinforcing the global risk management, the latter being one of the Group's strategic objectives.

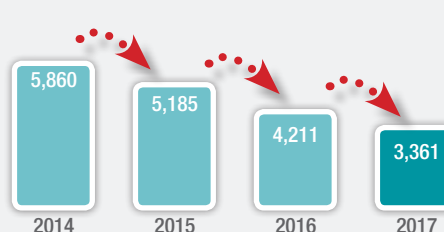
#### NPL ratio

The NPL ratio improves 6.9 p.p. in the past three years, reaching 10.82%

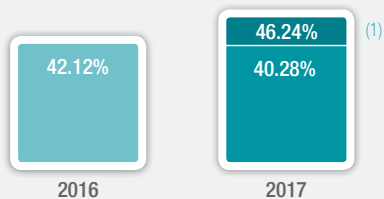


#### NPL

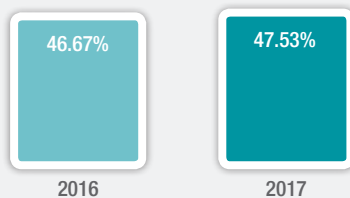
... and NPL decrease by almost 43% since 2014



### NPL coverage ratio

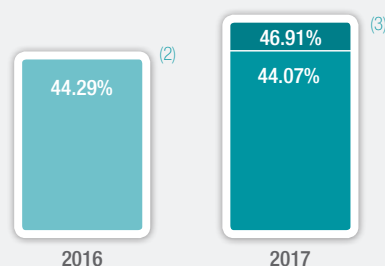


### Foreclosed assets coverage ratio



### NPA Coverage ratio

The NPA Coverage ratio increases following the impact of IFRS 9



(1) Resulting coverage ratio after including the impact of IFRS 9.

Considering the write-offs in the foreclosure:

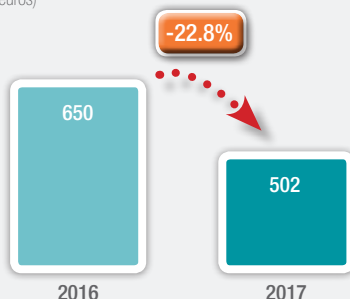
(2) Foreclosed assets coverage ratio would reach 49.92% in 2016 and 51.57% in 2017.

(3) NPA Coverage ratio 45.96% in 2016 and 49.13% in 2017.

The commercial management of foreclosed assets also contributes to improving the NPA

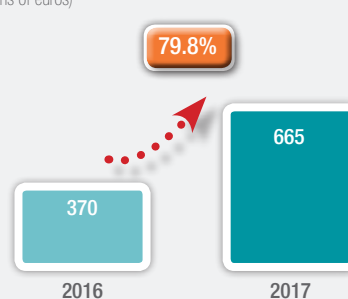
### Registration of Gross Foreclosed Assets

(millions of euros)

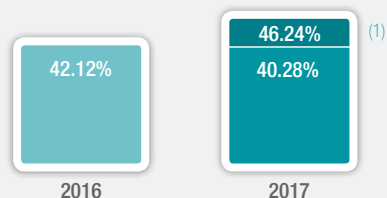


### Sales of gross Foreclosed Assets

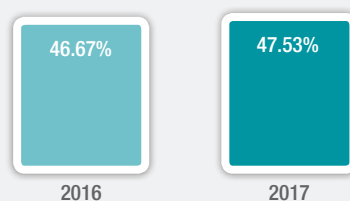
(millions of euros)



### Gross Foreclosed Assets

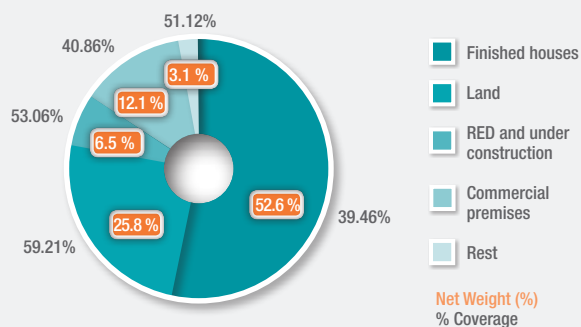


### Net Foreclosed Assets



Which involves a drop in the volume of foreclosed assets in the year of 4.3% and an improvement of the coverage above 47%

Distribution of foreclosed assets by assets' typology according to their net value (and its coverage ratio)



NOTE: Includes the loan's coverages when granted. It does not include write-offs produced in the foreclosure/in lieu payment processes

Just like the Directorate General for Internal Audits and the Directorate for Regulatory Compliance, Directorate for Global Control of Risk reports directly to the Board of Directors and has the mission of complementing risk assumption actions carried out by the business units through its monitoring and reporting responsibilities. Among other things, it is responsible for supervising the Group's risk assumption actions, their assessment and other related tasks, but always independently from the business units.

When performing its tasks, it must guarantee a correct identification and measurement of the most relevant financial risks to which the Group is exposed, and it must supervise the compliance with the limits and policies established both internally and by the supervisor.

In this sense, Grupo Cooperativo Cajamar has defined a risk appetite framework (RAF) according to the approaches set by the Financial Stability Committee (FSB) that are applicable to the internationally systemic important credit institutions. The Group has defined this tool to be used as the institution's benchmark in the scope of risk governance. The complete definition of the significant risks that could affect the financial and asset situation of BCC or Grupo Cooperativo Cajamar can be seen in Annex III of this Report.

With regard to the distribution of the credit portfolio, and as a preventive measure for concentration risk, an appropriate diversification and the Group's vocation for the retail business are maintained as in previous years:

#### Distribution of credit portfolio (%)

	2016	2017
<b>Retailer:</b>	<b>72.2%</b>	<b>71.5%</b>
Housing:	40.7%	38.5%
Rest of family financing:	6.3%	5.7%
Self-renewable:	1.7%	1.7%
Small businesses:	15.3%	16.1%
Agro-food retailer:	8.4%	9.5%
<b>Corporate:</b>	<b>22.9%</b>	<b>23.8%</b>
Developers:	6.9%	6.1%
Corporate agro-food:	8.3%	8.6%
Agro-food auxiliary industry:		0.8%
SMEs:	5.5%	6.0%
Large companies:	2.2%	3.0%
<b>Public Administration:</b>	<b>3.3%</b>	<b>2.8%</b>
<b>Non-profit organisations:</b>	<b>0.7%</b>	<b>0.6%</b>
<b>Brokers:</b>	<b>1.0%</b>	<b>1.3%</b>
<b>Total Credit Portfolio</b>	<b>100.0%</b>	<b>100.0%</b>

Grupo Cooperativo Cajamar has a solid Business Continuity Management System that is described in Annex VI. This system guarantees the continuity of the Group's activity when exposed to physical, technological and security risks.

### 5.1.3.1. Environmental financial risk

Financial institutions have been using for some time complex methodologies to identify and quantify its customers' financial risk.

Traditionally, economic variables have been almost exclusively used to measure this risk.

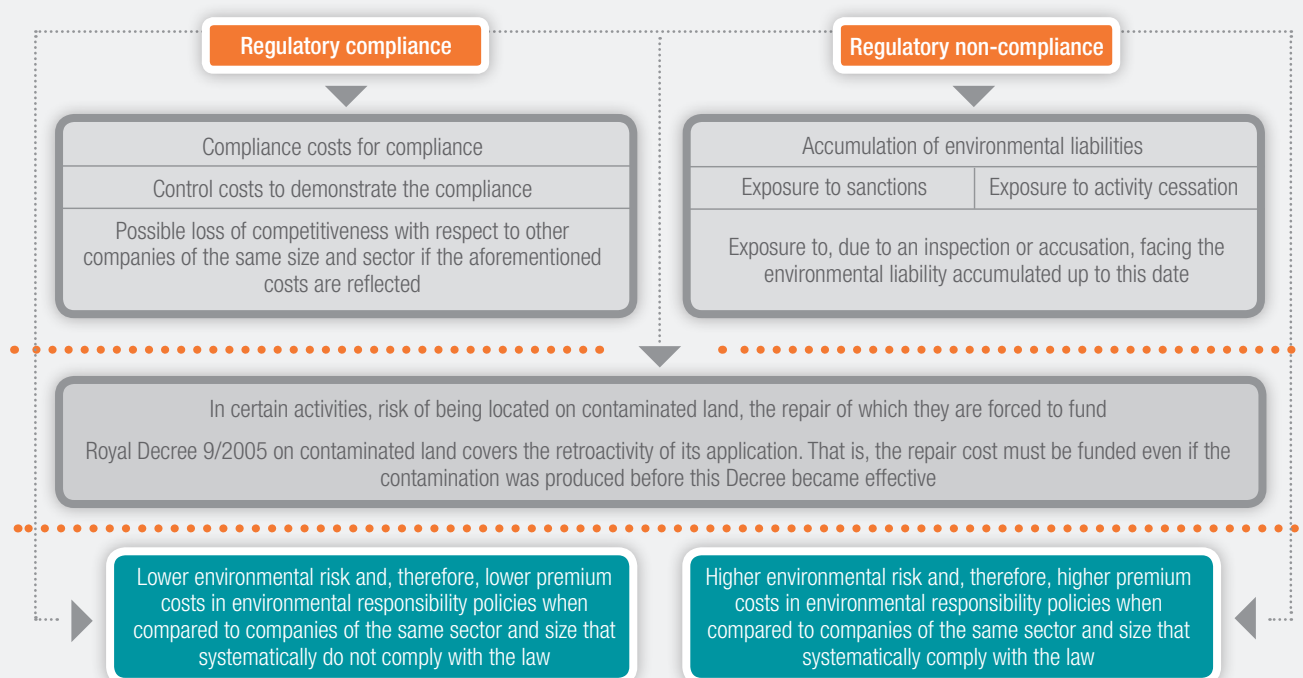
But these variables, which are well known and have a sufficient history to be able to use statistical analysis methods that are sufficiently solid, may be affected by a set of variables of which we do not have

enough information to generate a reliable history due to emerging relatively recently.

The strong emergence of the environment and its protection in economic activities has led to considering the environmental risk as another component of the companies' risk analysis.

The oversight of the environment, the penalty systems, and the civil and criminal liability arising from behaviours that damage the environment, among others, involves that in some cases the environmental-economic component carries a highly relevant specific weight.

In this sense, aware of the fact that the companies' environmental-economic risk has reached a point that can significantly influence their financial situation, Grupo Cooperativo Cajamar has considered necessary designing and implementing a model that allows assessing said risk and classifying its



credit portfolio according to its exposure to the risk of regulatory non-compliance. This assessment of the regulatory non-compliance risk affects the entire loan portfolio of corporate business, and it is performed periodically in order to assess its evolution.

This analysis of the portfolio provides further information about the customers' exposure to the environmental regulatory risk, and as a result, it allows focusing on a suitable risk management for customers that also have a weaker economic-financial situation. At 2017 year-end, a greater intervention by the institution was required in only 0.4% of the portfolio's total.

Beyond the exposure to regulatory risk, the concept of social and environmental risk is that which has been considered in the UNE-ISO 31000 Standard, which provides principles and guidelines on risk management and literally says:

**"Risk is the effect of uncertainty on the achievement of objectives."**

Therefore, when analysing an investment project, we find business and operational plans traditionally based on market research and projections that consider all the known financial variables, but that ignore the social and environmental aspects subject to regulation or simply of public interest, and these can have a very significant effect on the expected results.

Can the price of water rise in a short period of time up to levels in which the expected results in an operational plan are compromised? Can a modification in the conditions of an employment contract affect these results? Can the perception of the population or of ecological groups condition the good progress of an established plan?

All these questions and others are raised due to the fact of developing a methodology that allows assigning an uncertainty value associated with the lack of information regarding these variables' behaviour, thus allowing us to understand it in terms of financial risk.

## Risk components considered



This model considers the effect of 9 of the 17 Principles of the United Nations Global Compact on human rights, labour, the environment and anti-corruption



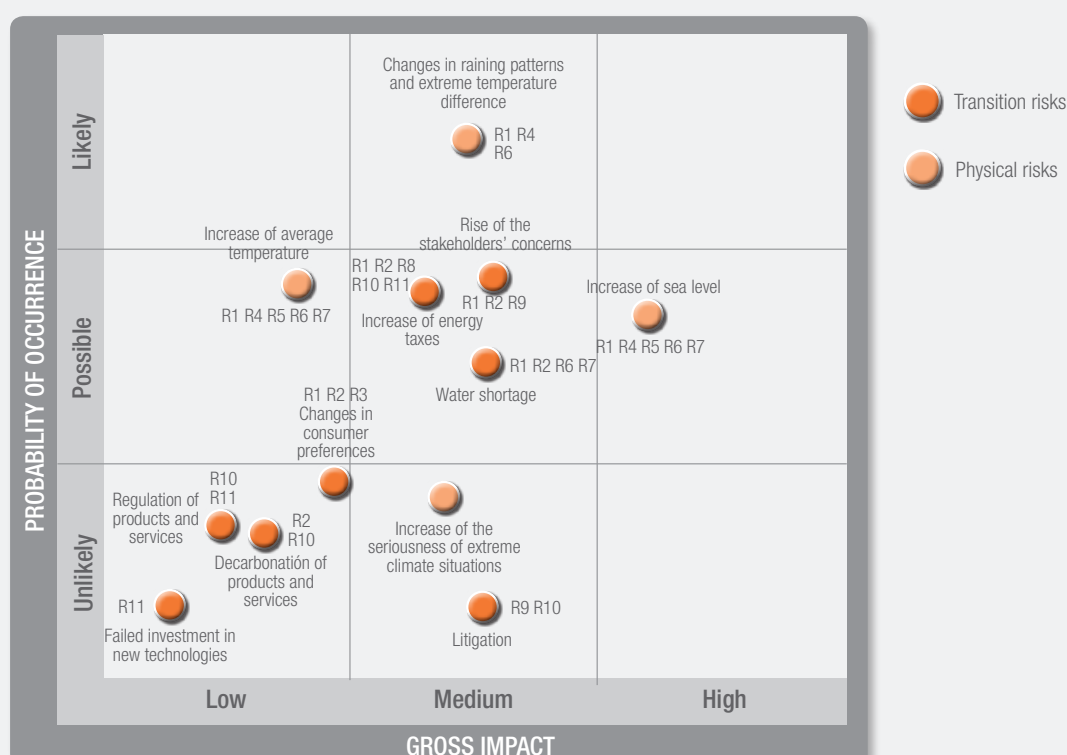
### 5.1.3.2. Risks and Opportunities arising from the climate change

The Ministers of Economy of the G-20 requested from the Financial Stability Board (FSB) a review of how the financial sector could take into consideration the aspects related to the climate change. In July 2017, during the G-20's meeting held in Hamburg, the Task Force on Climate-Related Financial Disclosures (TCFD) report was presented. This report includes a series of recommendations on how to identify, quantify and report risks related to the climate change. These risks are essentially non-diversifiable.

In this sense, Grupo Cooperativo Cajamar is aware of the importance of the climate change when identifying risks and opportunities related to their

business and performance, especially considering the importance of the primary sector, which is strategic for the Group's business, in the impact and possible solution to this global issue. Specifically, the following risk map associated with the climate change was designed in 2017, linking these risks with the identified material risks that can have an impact on the institution in terms of capital.

Therefore, we have determined the probability of occurrence in the mid-long term, considering the banking business model's timeframe, and the severity in terms of gross impact, that is, without involving the implementation of any management measure for their mitigation. Likewise, the risks have been classified according to whether they are transition risks towards a low-carbon economy or physical risks.



(Before the implementation of management tools, policies and measures)

Source: KPMG and Grupo Cooperativo Cajamar

In addition, It has been analysed how each of the risks and opportunities can impact on the institution's financial strategy via i) generating operating

income and costs, ii) capital investment and expense allocation, iii) corporate processes of procurement or sales, and/or iv) access to capital.

#### Risks associated with the climate change and impact on the Group's business strategy

CLIMATE RISKS	Operating income and expenses	Capital investment and expense allocation	Procurement or sales	Access to capital
<b>TRANSITION RISKS -Political and legal-</b>	X	X	X	
Increase of energy taxes	X	X	X	
Regulation of products and services	X			
Litigation	X			
<b>TRANSITION RISKS -Technology-</b>	X	X		
Decarbonation of products and services	X	X		
Failed investment in new technologies	X			
<b>TRANSITION RISKS -Market-</b>	X			
Water shortage	X			
<b>TRANSITION RISKS -Reputation-</b>	X			
Changes in consumer preferences	X			
Rise of the stakeholders' concerns	X			
<b>PHYSICAL RISKS -Serious risks-</b>	X	X		
Increase of the seriousness of extreme climate situations	X	X		
<b>PHYSICAL RISKS -Chronic risks-</b>	X	X	X	X
Changes in raining patterns and extreme temperature difference	X			
Increase of average temperature	X	X		
Increase of sea level	X	X	X	X

#### Opportunities associated with the mitigation of climate change and impact on the Group's business strategy

CLIMATE RISKS	Operating income and expenses	Capital investment and expense allocation	Procurement or sales	Access to capital
<b>EFFICIENCY OF RESOURCES</b>	X		X	X
Use of more efficient means of transport	X	X		
Use of more efficient production and distribution processes	X	X		
Migration to efficient buildings	X	X		
<b>ENERGY SOURCES</b>	X			
Use of low-emission energy sources	X			
Use of new technologies	X			
<b>Change towards decentralised energy generation</b>	X			
<b>PRODUCTS AND SERVICES</b>	X			X
<b>Development and/or expansion of low-emission goods and services</b>	X			X
Development of solution to adapt the climate and risk insurance	X			
Change in consumer preferences	X			
<b>MARKETS</b>	X	X		X
Use of public sector incentives		X		X
<b>Access to new insurance coverage</b>	X			
<b>RESILIENCE</b>		X	X	
Participation in renewable energy programmes and adoption of energy efficiency measures		X		
Replacement or diversification of resources			X	

Source: KPMG and Grupo Cooperativo Cajamar

### 5.1.4 Protection, security, quality of service, customer orientation and training (expectation E.4)

The customer is the centre of Grupo Cooperativo Cajamar's business model.

This model is based on the creation of a framework of ethical, stable and lasting relationships, based on the quality of products and services, as well as the identification of shared interests. Quality should be a transversal element in the relationship with partners and customers.

Cajamar Group understands that in order to create stable relationships with its institutions' partners and customers, it should favour a framework of mutual commitment and trust, being transparent in the relationship and providing a proper and efficient customer service that helps resolve complaints and

#### Related information

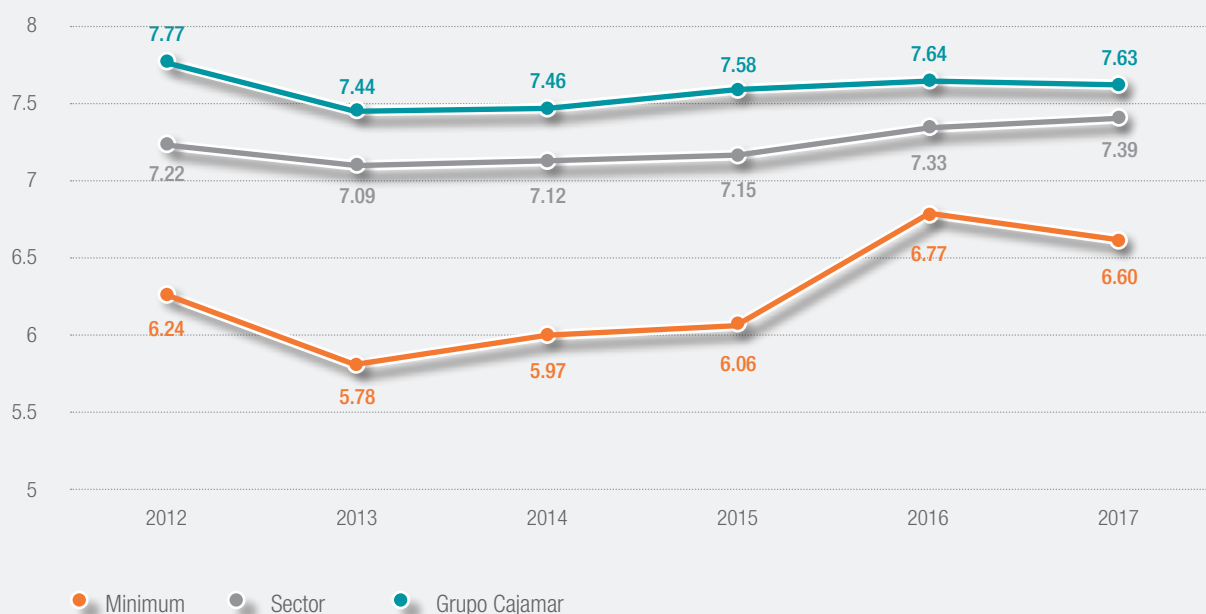
- Customer service
- Complaints and claims
- Quality policy
- MiFID
- Order execution and management policy
- Conflicts of interest management policy
- Security in online banking

disputes in a satisfactory manner for both parties. At the end of 2017, the Group had over 1.4 million cooperative partners and 3.5 million customers.

The sectoral satisfaction studies conducted by Stiga show a positive evolution, maintaining and reinforcing Grupo Cooperativo Cajamar's position in the sector.

43

### Global satisfaction with the Group



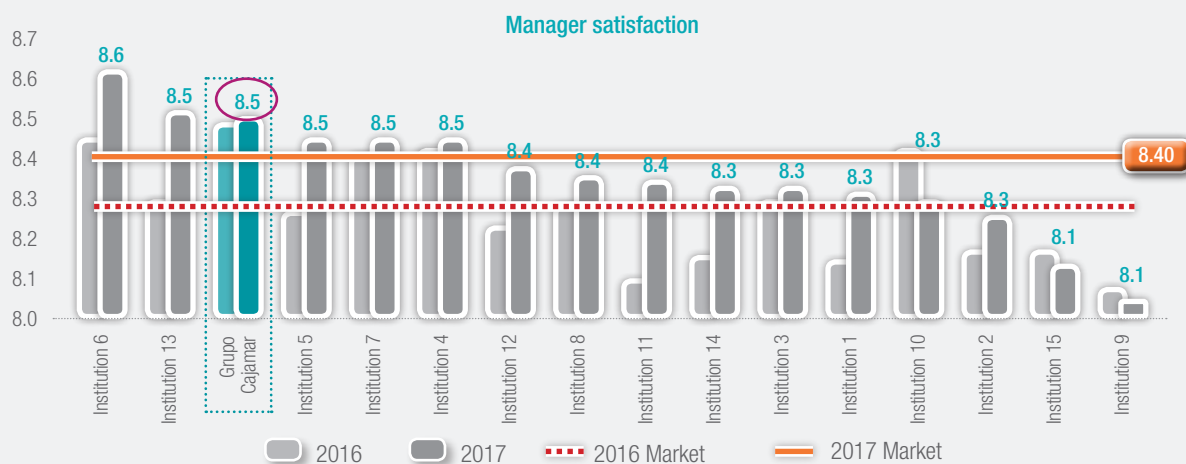
Source: Stiga Report 2017

When compared to the sector, Grupo Cooperativo Cajamar shows high satisfaction levels, in general, especially as a result of its social commitment and

proximity, making its customers feel known and recognised and offering them a personalised treatment.

### Highlighting personalised attention and service to our customers through the Manager

The Group holds the 3rd position of the satisfaction ranking in the sector

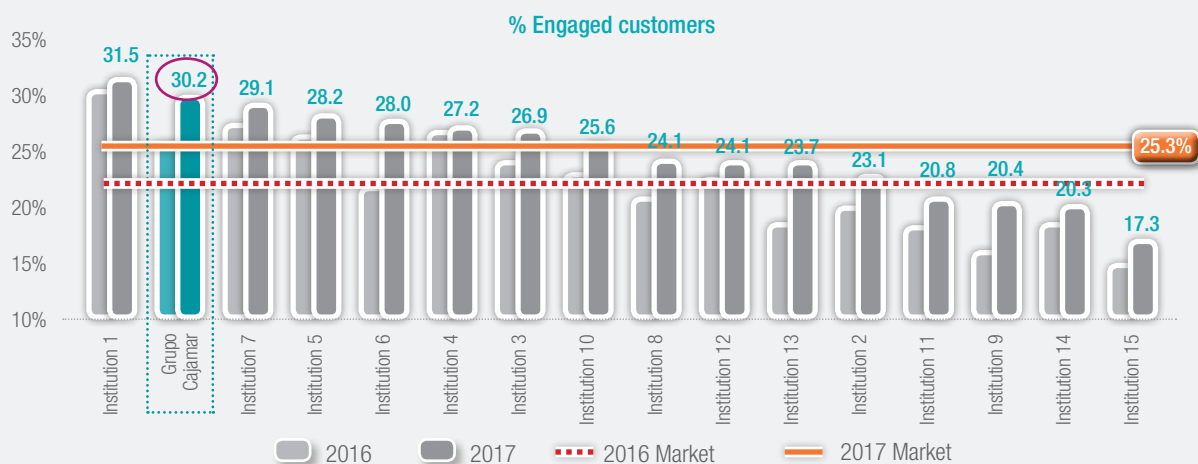


Note: Satisfaction is measured in average values and is referred to the satisfaction with respect to the Manager. Question: Is there any person in the Institution who is aware of their affairs with the entity? In global terms, rate your Satisfaction with your usual partner in...

Source: Customer Satisfaction Survey 4Q 2017 STIGA. Without considering Banca March

### Building a unique customer experience which nurtures stronger customer loyalty

The Group is located in 2nd position in the engaged customer ranking



Note: An engaged customer is one who is certain will repurchase from, continue being a customer of, and recommend GCC, i.e. a customer who has answered these three questions with scores of 9 or 10

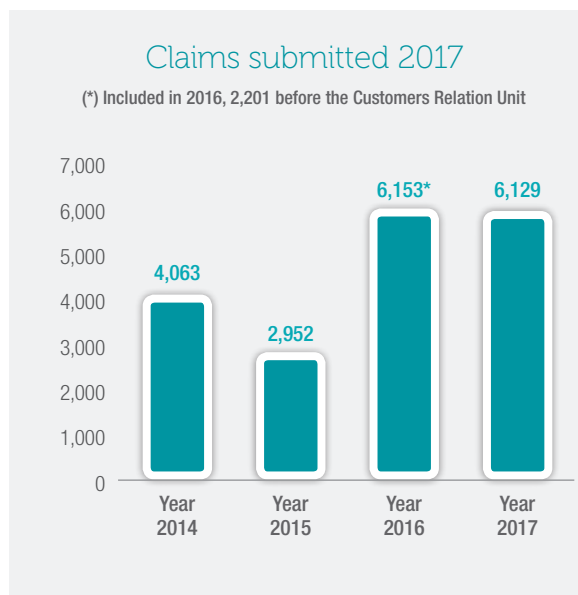
Source: Customer Satisfaction Survey 4Q 2017 STIGA. Without considering Banca March

## Defence of customers

In accordance with Act 44/2002 of November 22, known as Financial System Reform Measures, Cajamar Group has an internal and independent Customer Service Department (CSD) to deal with and resolve the complaints and claims submitted by our customers. Of the information included in this section, a new development with respect to previous years is that the statistical information corresponding to claims about the expenses and collar clauses has been anonymised. Specifically, in the case of the latter, only those in accordance with the out-of-court complaints procedure set forth in Royal Decree-Act 1/2017 of 20 January on urgent measures to protect consumers regarding collar clauses (hereinafter, RD-A). The reason for this is that during financial year 2017, an unprecedented claim process has been initiated for these two reasons, which if we had not carried it out this way, it would have been difficult to present the statistical information without contaminating the comparisons with historical series of previous years.

As a consequence, putting aside the 20,830 claims due to the expenses clause, including 887 before Banco de España and the 2,019 forwarded due to the collar clause in accordance with RD-A, a total of 6,129 claims were submitted: 5,907 were presented directly to the SAC, 218 before Banco de España and 4 before the Comisión Nacional del Mercado de Valores (CNMV). The SAC admitted 5,145 (87.1%).

With respect to the previous year, there is no increase of claim on a global level. Those received include, on the one hand, the Customer Relations Unit up to 31/07/2016, date on which it was inte-



grated into the SAC, plus those registered by the SAC in the financial year (in total, 6,153) and, on the other hand, those registered in 2017 (6,129).

The number of claims submitted before the Claims Department of the Banco de España dropped by 9.5% with respect to 2016 (218 vs 241). With regard to those submitted before the CNMV's claims department, a 20% drop was registered for 2017 with respect to 2016 (4 vs 5).

During 2017, without counting the 19,817 decisions taken on the expenses clauses, including 370 by the Banco de España and 2,213 on the collar clause in accordance with RD-A, 5,093 claims were closed, including 221 by the Banco de España and 4 by the CNMV, settling 56% in favour of the institutions, leaving 23% without a decision, ruling 20% in favour of the claimant and the rest (1%) were disregarded.

Finally, without taking into account the 809 cases related to the expenses clause (517 before the Banco de España), the number of pending claims at 2017 year-end amounted to 363, including 48 corresponding to the claims departments of Banco de España (46) and CNMV (2).

#### Protection against the commercial policy.

Grupo Cooperativo Cajamar's commercial communication policy is based on ethical principles and internal rules governing the relationship with its customers. In 2017 there were no non-compliances of regulations or voluntary codes concerning information and labelling of products and services or of regulations concerning marketing communications, including advertising, promotion and sponsorship. All products and services marketed by the Group were assessed in order to guarantee consumer protection. However, in 2017 two penalties were imposed by the Consumer Service of the Regional Government of Andalusia for 360 and 600 euros, respectively, due to non-compliance of measures or requirements from the Administration.

In addition a penalty of 400 euros and another of 240 euros were imposed due to not receiving a claim form. In 2017 no claims were forwarded regarding the confidentiality of the customers' personal data.

**Customer training.** The financial crisis has again made clear that financial education and culture are crucial in personal development and in fighting the

ethically reprehensible situations and imbalances that have taken place in the economic-financial scope in recent years. In 2008 Grupo Cooperativo Cajamar joined the Banco de España and Comisión Nacional del Mercado de Valores' initiative aimed at involving the financial institutions in the promotion of financial education and culture among different groups, especially among schoolchildren. Since then, the Group has broadened its training offer by designing and developing teaching materials and educational actions with schools in order to promote financial education.

**Accessibility.** Accessibility is a major concern in the modern and complex societies of our time, which are increasingly diverse and inclusive. This concept and right is becoming more and more regulated, as in Spain, for example, there are around 2.5 million people with disabilities. It is socially a very sensitive subject due to its implications in the quality of life of people, especially of those with a limitation, deficiency or physical, sensoral, technical or cognitive difficulty, and it is essential for creating a fairer, more equitable and more caring society.

In 2017 Grupo Cooperativo Cajamar defined its accessibility policy based on the principles of safety, comfortability, personalisation, independence and an omnichannel approach. This policy considers the main guidelines to implement the principles described in the elimination of architectural barriers, adaption of street furniture and web accessibility.



### 5.1.5 Technological change management (expectation E.5)

Technological development and investment are and will be essential in financial institutions. They provide the pioneering institutions a temporary competitive advantage over the rest, but all institutions will adopt and improve these innovations. The technological development is a necessary and essential element in reaching an acceptable level of competency. In a world where competition has become global, and in which technology and knowledge flow freely through frontiers, the only way of achieving a genuine competitive advantage is through our human capital.

Transformation in this environment essentially involves a global change: from the current branch model, which caters to all these needs and continues to be a reference for our customers, to processes and incorporation of technology, while obviously including the people, which is the spine of any necessary change.

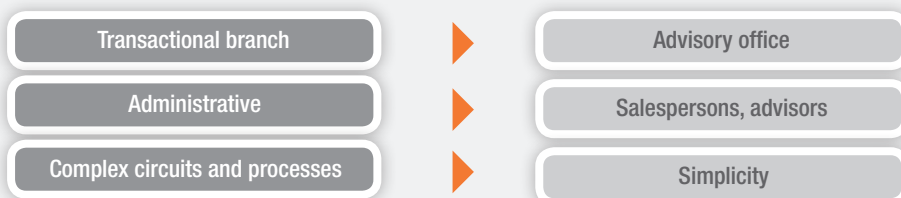
Digital transformation has led to a considerable growth of online and mobile banking in recent years. These channels are being integrated together and are complementary in the Group's commercial relationship with its customers, while branches are the main channel for generating business, production and sales.

However, times change and an effort to adjust is required. Customers demand more services, more agility and better prices in an extremely competitive environment; and the Group's objective consists in satisfying all their needs and improving its efficiency, without sacrificing a personalised care.

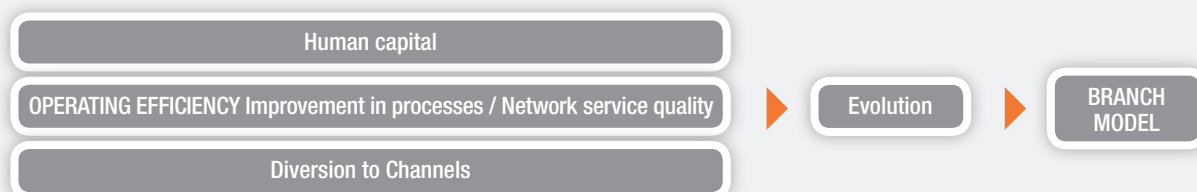
In 2017 a total of 432 branches of Grupo Cooperativo Cajamar were provided with extraordinary measures for self-service, which has been implemented in the new model of branches (beyond the existing traditional cashpoints). At 2017 year-end, all branches had tablets to sign contracts, and they were included in all customer service points.

## Technological change in banking distribution

### Challenges



### Necessary levers



This involves establishing a different commercial relationship, as many of the operations carried out in a personalised manner must be diverted to the different available resources, and these must have the maximum efficiency, usability and experience for the customer.

We are convinced that all of this will involve a significant advance and that this new branch model will enable us to serve our customers with greater specialisation and privacy, increasing our knowledge about them and thus providing a suitable advisory service, all of which will be aimed at improving Grupo Cooperativo Cajamar's commercial efficiency and, as a result, the branch's profitability.

### Transformation becomes a reality in the new branch model

The branch's transformation from a model concentrating on operations and transactions towards a model centred on advisory and specialised services involves a deep revision of the relationship with the customers.

From a physical point of view, the branch's distribution is focused on generating confidential customer service spaces and an environment that favours commercial activity. The areas destined to cash management and administrative operations become less important and are transformed into posts aimed at providing further commercial service. In addition, self-service gains further importance in the new branch model, becoming one of the conduits of change.

Grupo Cooperativo Cajamar's commitment towards digital business is urgent. In fact, approximately 19% of its customers are online banking users. The digital business improves the revenue structure, incorporates new accessibility opportunities and allows universalising the banking services.

The change of behaviour of the user of banking services has also involved a significant change in the contractual documentation. In 2017, considerable progress has been made in migrating physical contracts to digital contracts with a monthly average of 80,000 documents signed digitally via the Digitised Signature System. The current target is to migrate 90% of the document to this system by 2018.



- 1 million credit and debit cards
- 650,000 thousand online banking customers
- 1,462 cashpoints
- 50,000 POS systems in establishments



This commitment also involves significant advances in cybersecurity programmes aimed at preventing possible technological risks. The protection of information is crucial for Grupo Cooperativo Cajamar, and significant advances have taken place in 2017 in the entire process of digital transformation.

With regard to 2017, the investment carried out in the transaction system is also particularly worth mentioning, thus improving and updating the applications that support it as well as everything related to the new commercial system based on salesforce technology, which is the most advanced CRM management cloud.

### Wefferent: Grupo Cooperativo Cajamar's proposal for digital customers



*Wefferent* is without a doubt an important milestone for the Group insofar as it highlights the institution's capacity for innovation and customer service, positioning it among the sector's most competitive offer in the development of new business tools and strategies.

In spite of the Group's online banking being a benchmark for many years and highly valued among the best in Spain, with *Wefferent* it intends to maintain and take care of a segment of customers that demand dynamic financial

services associated with new technological platforms. It is therefore a door that opens for users that prefer to relate and carry out their transactions through the devices provided by the new technologies.

*Wefferent* is a versatile and studied system that has been implemented to complement the activity carried out at the Group's branches, with a specific Business Unit to also ensure proximity with customers that require a special service and with the advantage of a lack of fees due to operating online.

When launched in 2017, *Wefferent* had 90,000 customers and 272 million input of business.

### Wejoin: the new communications channel for our digital customers



*Wejoin* provides Group customers the possibility of submitting suggestions and actively participating through the *Wefferent* application. *Wejoin* helps being closer to customers, and their experiences, preferences and financial needs. Thanks to the suggestions, the institution can improve the app's usability,

format and functions, as well as help open its doors to the customers, which are increasingly demanding, participatory and trained to do so. Their needs will become the new products that the Group must incorporate to their value proposal.

### 5.1.6 Global supplier management (expectation E.6)

Grupo Cooperativo Cajamar's Ethical Management System establishes responsible purchasing as one of its pillars, and it believes that its relations with suppliers, and with the supply chain in general, must be based on the principles of co-responsibility and transparency.

Grupo Cooperativo Cajamar is aware of the importance of supervising the supply chain in order to determine its social-environmental impact, identify real costs and risks, and offer a quality service to its customers. To reach this target of cost and risk reduction, as well as the strategic objectives, the Group has identified different categories of suppliers according to their connection with its main business and the associated environmental, social and economic risks. The Group applies supervisory protocols suited to their connection with its business and to the potential social-environmental impact that they can generate according to their activity. The main categories are:

- Perimetrical / Partnership: Supplier with which it shares capital structures or formal strategic partnerships
- Essential: Service provider whose deficiency or anomaly can either affect significantly the institution's capacity to permanently comply with the conditions and obligations arising from its authorisation and the scheme established by

Total number of suppliers suitable for approval: 542<sup>1</sup>  
94.3% with the process concluded

Turnover (thousands of euros)	Year
Total turnover	127,397
Turnover resident companies <sup>2</sup>	124,364
% turnover resident companies over total turnover	97.6
Turnover non-resident companies	3,033
% turnover non-resident companies over total turnover	2.4

<sup>1</sup> In 2017 there were a total of 38 non-resident suppliers.

<sup>2</sup> National suppliers are considered local suppliers (residents).

the current regulation applicable to its activity as a credit institution or in the provision of investment services, or affect its financial performance, solvency, soundness or continuity of its activity

- Critical: Service provider whose deficiency or anomaly can affect the business' continuity
- Unique: Supplier of a service that is very difficult to replace in terms of access or costs (monopoly, oligopoly, entry/exit barriers, etc.)
- Approved: Supplier that must pass the institution's approval process
- Strategic: Supplier relevant to achieving Grupo Cooperativo Cajamar's strategic objectives

- Significant: Supplier which due to its recurrence or business volume has a significant relationship with Grupo Cooperativo Cajamar
- With access to sensitive information: Supplier with access to confidential information and/or linked to personal data protection

With the purpose of continuing to develop these principles and in spite of the fact that in 2017 there have been no significant negative environmental or social impacts, or any related to the labour practices in the supply chain or to Human Rights, the Group has applied the policies, measures and instruments established in the Code of Ethics and best practices for suppliers, collaborators and subcontractors, prepared in 2015. This new code of ethics explicitly defines six supplier commitments that are related to the aspects that appear in the box at the page footer.

This document complements and reinforces the Group's commitment towards the United Nations' Principles of the Global Compact, which was already established in the approval process. Among the established commitments, the following are explicitly included:

**Related to human rights and workers' rights.** Grupo Cooperativo Cajamar requires from its suppliers that they hire their workers complying with the current legislation, and it shall not operate with those of which it has knowledge of having violated internationally acknowledged human rights, especially those related to child labour or forced or coerced labour. Furthermore, the Group requires from its suppliers that they do not hire any irregular labour, they respect the legislation on working hours, and they provide remunerations in accordance with the labour and wage regulations in force.

## Commitments in the approval of suppliers

Human rights and  
workers' rights

Corruption and  
conflicts of interest

The environment

Product / service  
quality, reliability and  
safety

Confidentiality

Subcontracting and  
transfer to the supply/  
value chain

**Related to corruption and conflicts of interest.** The Group does not contract suppliers when it is aware of them having bribed public authorities or civil servants with the aim of obtaining any benefit, privilege or advantage, and it does not associate with suppliers or subcontractors involved, charged or convicted in and for crimes of corruption, especially including extortion and bribery.

The suppliers and subcontractors must not offer gifts, presents or privileges to the institution's employees and executives and these will refrain from accepting them. The Group employees and executives may not provide suppliers preferential treatment.

**Related to the environment.** The Group, in its relationship with suppliers, especially requires them to respect the environment and the environmental regulations, as well as to minimise the ne-

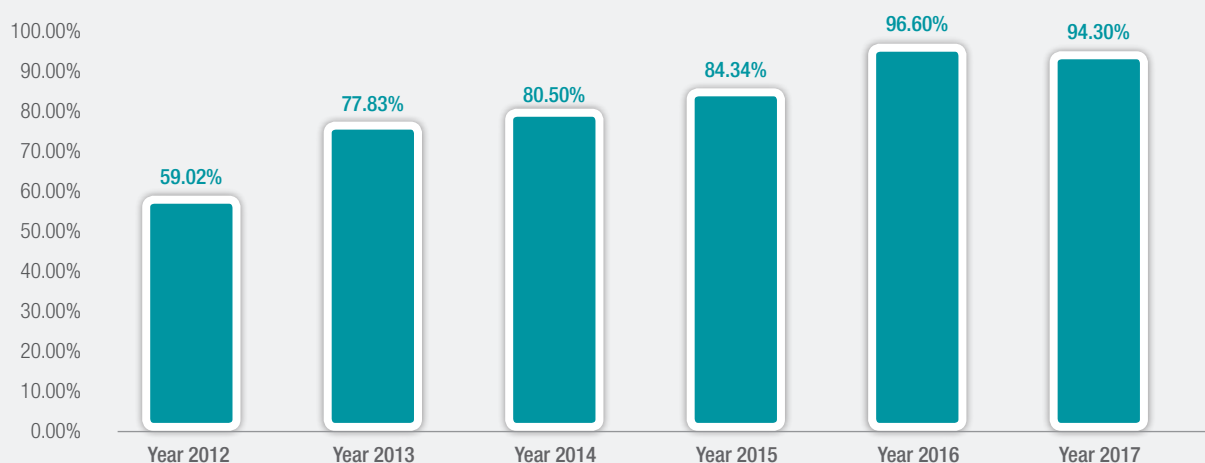
gative externalities and the environmental impact arising from the activities they carry out.

**Approval process of suppliers.** The objective of the Approval Process of Suppliers is to establish the optimum levels to ensure that a supplier meets the quality and suitability requirements established by Grupo Cooperativo Cajamar, and among of which is included the commitment to the compliance with the United Nations' Ten Principles of the Global Compact.

100% of the approved suppliers have signed their commitment to the compliance with the Principles of the Global Compact and have been assessed in human rights, labour practices and commitment towards the environment.

In 2017, 26 suppliers were rejected due to not complying with the approval process.

Percentage of approved suppliers



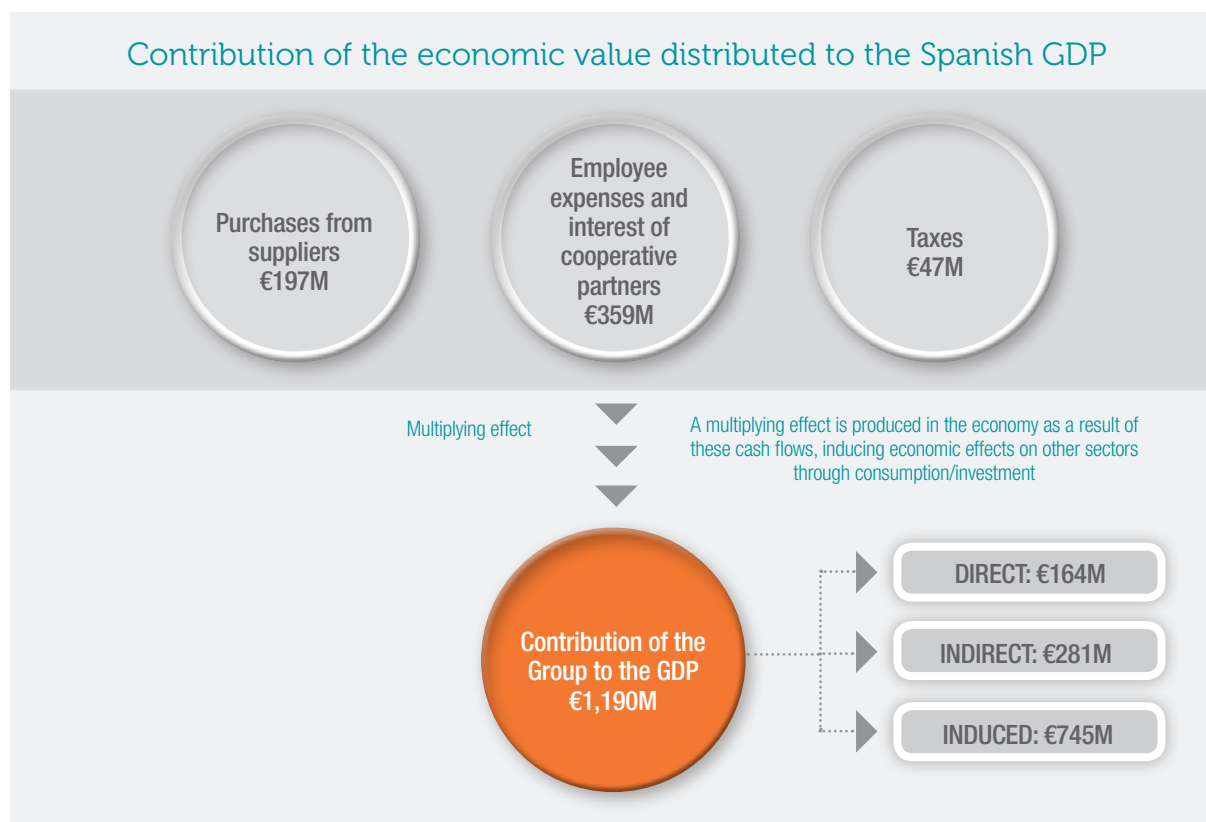
## 5.2 Social dimension

### 5.2.1. Financial solutions aimed at economic development and social progress (expectation S.1)

The economic development and social progress of partners and the environment in which Grupo Cooperativo Cajamar carries out its activity is part of its *raison d'être* and the best way to contribute to the achievement of the SDG.

### Contribution to the Spanish GDP

The Group carries out its activity in Spain, and it provides economic value to the economies in which it operates. This contribution is quantified considering the Group's spending in suppliers of goods and services, the spending carried out by employees using their salaries, the spending carried out by the partners using the interest they have received, and the taxes received by the different Administrations as a result of the Group's activity. These impacts comprise the representative amount with which the institution contributes to the Spanish GDP.



To the generation and distribution of economic value, the economic impacts arising from the credit business must be added. For this purpose, we have calculated the proportion of Grupo Coope-

rativo Cajamar's credit business over Spain's total, measuring the leverage effect on the generation of wealth in GDP terms.

Productive sector	Financing of financial institutions to productive sectors (M€) <sup>3</sup>	Proportion of the total productive activities in Spain (%)	Financing of the Cajamar Group to productive sectors (M€)	Proportion of the total financing of productive activities in the Group (%)
Farming	20,023	3.4%	2,695	16.9%
Industry	108,971	18.5%	2,155	13.5%
Construction	35,450	6.0 %	2,110	13.2%
Services	423,183	72.1%	9,005	56.4%
<b>Total</b>	<b>587,628</b>	<b>100 %</b>	<b>15,965</b>	<b>100 %</b>

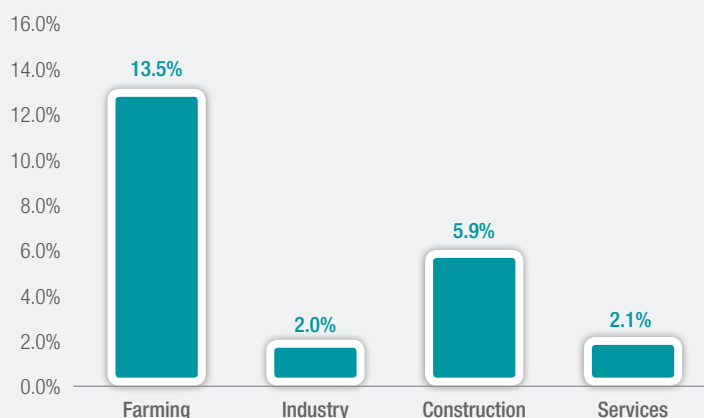
Source: Prepared by the authors with data from the INE, Banco de España and Grupo Cooperativo Cajamar.

<sup>3</sup> Data for all the financial institutions for the third quarter 2017

## Estimation of the total contribution to the Spanish GDP

### Proportion of the financing of the Group's productive sectors over the sector's total in Spain 2017 (%)

The Group, via its financing activity in the productive sectors, contributed to the GDP with €9,484M (0.8%)



## Employment creation

The Group's activity dynamises the economy and favours employment creation and social progress.

The Group's spending in purchases from suppliers and expenditure in payments made to the Public administration via direct and indirect taxes; its partners' remuneration; and the spending made by its employees using the salaries received from the Institution favour indirect and induced employment creation in different business sectors.

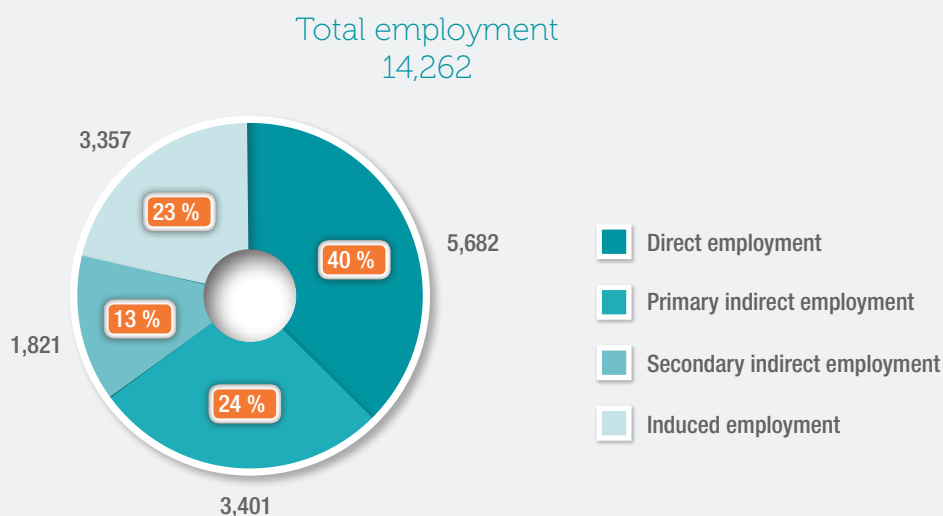
The Group's activities provide direct employment, most of it for workers residing in the community where it performs its business. This proves the high level of local employment creation.

The Group also creates indirect and induced employment via its expenditure in the supply chain, the spending of its employees' salaries and the payment of taxes to the Public Administration.

The purchase of goods and services from national suppliers, which amounts to 97% of the total purchases, involves a significant injection of funds that promotes employment creation, especially in areas where the Institution is most present. Grupo Cooperativo Cajamar's first level of suppliers induces economic activity in their own suppliers, thus dynamising the entire supply chain.

As a result, the impact is diversified across a wide variety of activities, the main sectors being business, telecommunications and retail trade, among others.

Grupo Cooperativo Cajamar also induces economic activity via Group workers spending their salaries and the taxes that the Group pays or transfers to the Public Administrations in the different Autonomous Communities in which it operates. These activities have an impact on the equivalent employment created by purchasing from suppliers, which gives rise to indirect and induced employment creation.



## Strategy for Entrepreneurship and Youth Employment

Grupo Cooperativo Cajamar adhered to the Strategy for Entrepreneurship and Youth Employment set forth by the Ministry of Employment and Social Security in 2014. The strategy is built around four specific objectives:

- 1) Contributing to improve the employability of youth
- 2) Increasing the quality and stability of youth employment
- 3) Promoting equal opportunities
- 4) Promoting entrepreneurship

In this framework for action, the Group's institutions will develop a set of measures aimed at promoting and providing resources for entrepreneurship and youth employment:

- Measures for Financing: Línea de Financiación Emprende (Financing Line for Entrepreneurs) will enable self-employed and micro-companies to undertake new projects and consolidate existing ones, paying special attention to social economy and the agro-food sector
- Measures aimed at the agro-food sector's research and transfer activities: The agro-food sector is part of the DNA of the Group's institutions; therefore, the aim is to contribute to its development through the practical training of young people who are conducting vocational training activities in two of the Group's experimental centres with the purpose of facilitating their access to the labour market. At the same



time, they are encouraged and supported in the starting-up of business projects

- Measures aimed at the university world: This group of measures includes a Scholarship Programme for University Students and the Chair Networks. Here is reflected the relevance of the university world and the importance of incorporating business experiences and approaches to the training of young people. Moreover, as a unique initiative, a programme of dual training University-Company is being developed
- Measures aimed at the Economy and Local Development. In addition to providing support by means of financing lines, entrepreneurship is promoted with special emphasis in rural areas, through collaboration with social economy companies, cooperatives, local development associations and local public entities



### 5.2.2 Financial solutions adapted to different life cycles (expectation S.2)



Related information

- Product creation and development process<sup>4</sup>

Grupo Cooperativo Cajamar offers value solutions tailored to the life cycle of each person and aims to go beyond his/her financial needs. It wishes to grow with its customers and accompany them in the most important moments thanks to financial solutions that meet their particular situation and, especially, those supporting the development and progress of people.

In recent years, we have encountered difficult situations caused by an economic crisis that has generated a high unemployment rate and a significant rise of poverty and inequality in Spain.

In these times of particular difficulty is when it truly makes sense to talk about responsibility, mutual aid and solidarity. All these cooperative values together comprise our corporate culture.

It is a task that involves acting with special sensitivity towards families and small and medium-sized enterprises, to which Grupo Cooperativo Cajamar intends to respond with honesty, transparency and social responsibility.

This situation has led to thousands of families, partners and customers of the Group finding difficulties to meet their payment obligations regarding housing mortgages.

#### Financial solutions for providing feasibility to families and individuals

Year 2017	
Number of transactions	Amount (thousands of euros)
3,989	71,076

#### Solutions for students

However, the unemployment situation also presents an aspect that is directly related to the studies of younger people, who have been forced to search for financial solutions that enable them to continue their education and training before entering the labour market due to the decrease of the family unit's income.

"Crediestudios" is a product that offers a solution to the financing of expenses related to studies, enrolment fees, textbooks and study materials arising from regulated courses from the Ministry of Education, Culture and Sport.

<sup>4</sup> There have been no incidents in 2017 arising from the non-compliance of regulations or voluntary codes related to the impacts of products and services on health and safety during their life cycle.

“Financiación postgrado” (Postgraduate financing) is a solution for those students that decide to continue their university studies by enrolling in public examinations, masters, PhD courses and specialisation courses.

### Financial solutions for financing studies

Year 2017	
Number of transactions	Amount (thousands of euros)
1,432	24,629

However, the completion of studies does not guarantee finding a job, and for this reason, financial solutions have been developed for those who decide to set up a new company or business activity.

### Financial solutions for self-employed workers

Year 2017	
Number of transactions	Amount (thousands of euros)
9,692	268,905

The agro-food sector is a strategic sector for Grupo Cooperativo Cajamar due to its commercial and territorial deployment. Within this area, the support

to young farmers is paramount in order to guarantee the continuity of holdings and make the sector appealing to the new generations.

### Financial solutions for young agro-food entrepreneurs

Year 2017	
Number of transactions	Amount (thousands of euros)
98	10,574

The cycle is not complete without the possibility of providing a solution to those who decide to become independent by renting or buying a house. For those who decide to rent, the Group is collaborating with the Ministry of Public Works. For those who decide to buy a house, Grupo Cooperativo Cajamar offers its “Hipoteca Vivienda Bonificada” mortgage product with a term of up to 40 years.

### Financial solutions for the financing of housing

Year 2017	
Number of transactions	Amount (thousands of euros)
3,609	344,172

### 5.2.3 People management and adaptation to change (expectation S.3)

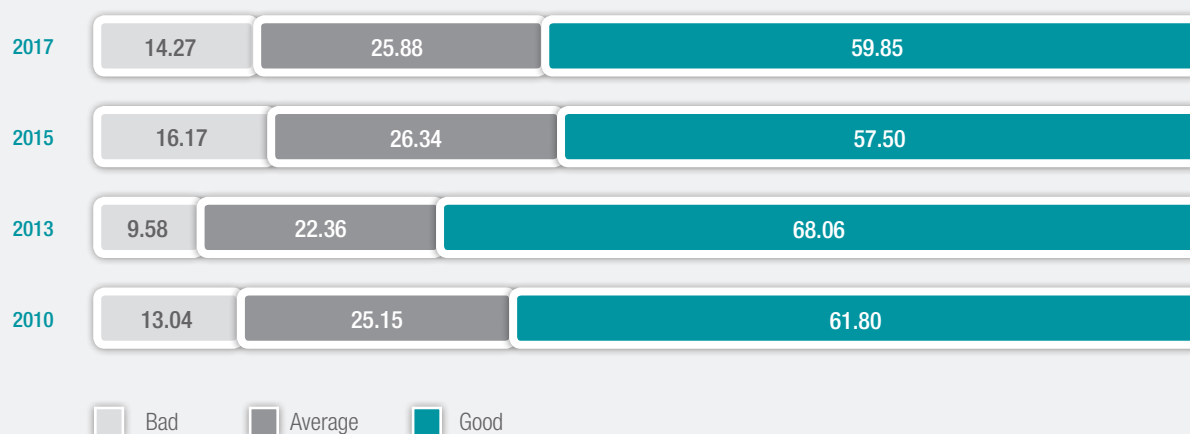
The main aim of Grupo Cooperativo Cajamar's Directorate General for Human Resources is to provide the Group institutions with the processes, procedures and policies that guarantee an optimum management of knowledge within a healthy environment, focusing primarily on the motivation and professional development of all the people part of it. A survey on labour environment is provided periodically to all the staff. The last survey was conducted in 2017, in which a level of employee general satisfaction of 3.63 (over a maximum rating of 5) was obtained.

#### Staff recruitment

Staff recruitment in Grupo Cooperativo Cajamar is based on the principles of confidentiality, responsibility and equal opportunities, and it is a rigorous,

transparent and objective process that exclusively attends to the skills and personal, professional and academic merits of the candidates, as well as the specific needs or profiles required by the positions to cover. The application of criteria of independence and neutrality shall be guaranteed in the recruitment processes, thus the following may not intervene in the recruitment team in terms of reaching decisions regarding the candidate: relatives, friends, people linked by emotional or work-related ties. From the moment a candidate approaches one of the Group institutions for employment, his talent (knowledge, skills and attitude) becomes part of the exchange of knowledge between the Cajamar Group and the future participant. After the employee is incorporated, a follow-up process is initiated during which his integrity is safeguarded, seeking the guarantees of a correct performance of his position, his involvement, suitability, etc., thus ensuring a successful recruitment process and the final incorporation of the best possible human resource.

#### Evolution of the global index of the labour environment study



### Staff selection criteria

Merit and  
capacity

Equal  
opportunities

Proximity to the  
home address and  
reconciliation

Knowledge and  
connection with the  
environment

The onboarding process goes beyond the recruitment. It begins with the first contact and it continues until the employee is perfectly integrated in his professional setting. His contribution to his colleagues, his office, the partners and the customers will be a process of growth and exchange that will remain throughout his career.

The recruitment process goes beyond the responsibility of ensuring a suitable and excellent coverage of the vacancies arising in the Group. Its aim is to define, contrast, agree and achieve the most appropriate and best adjusted balance possible between the amount of human resources available and the present and future (in the short, mid and long term) results obtained and pursued by the Group. The ultimate aim is to guarantee that the Group institutions have at all times the most suitable human

resources to obtain the defined commercial and management results associated with the mission.

The staff recruitment policies shall pay particular attention to the presence of women in positions of responsibility. Therefore, it will try to apply to its policies similar percentages in those positions in which there is minor representation.

### Professional development, talent management and adjustment to change

Professional growth and development in Grupo Cooperativo Cajamar is present in the continuous creation of measures and the anticipation of the Group's training and professional development needs that converge with the professional expectations and the development of the employees.

"People are the primary goal in Grupo Cooperativo Cajamar; therefore, the institution commits to promoting employees within each organisation exclusively on the basis of their merits and professional value, thus developing careers that are suited to their profiles and functions. It shall also adopt specific policies to retain and promote talent". (*Code of Conduct*)

The implementation of the talent management programme, known as Cultiva, has continued in 2017. One of the main aims of this professional development system, which considers the principles and values of Grupo Cooperativo Cajamar's Ethical System, is to define career plans with more stringent criteria and build the evaluation model that allows laying down development plans. This system establishes a new model of professional classification. Cultiva is the Group's reference project for professional development, talent management and adjustment of people to change and to the new challenges that the institution has to face. Cultiva intends to adapt the traditional performance assessment to a changed reality, and it was initiated with the main aim of designing the Group's global model for professional development. The project's ultimate goal is the design of career plans, which shall take shape once the personal profile of each professional has been analysed. Meanwhile, continuous training is still a pillar for the Group's professionals when it comes to training and adapting to change. In fact, a total of 528,722 training hours were given to 5,895 employees in 2017.

The first stage was completed in 2015, in which over 180 office and central services workers par-

ticipated in the workshops, and in 2016 a second stage was initiated through the Conversations Model for Development. This model stems from the self-diagnosis of individual perception and the assessment of the rest of the team in ascending and descending order. It is based on the importance of holding conversations between managers and team members about how the year has progressed, the performance, the team's situation, the fulfilment of expectations, generation of future commitments, etc. In short, to talk and find out what can be improved. To learn about and value the present, to commit to a way forward, starting at a point in which the current performance will help achieve a better personal and professional development in the work within the Institution. To this end, shared commitments are established, creating professional growth itineraries.

Grupo Cooperativo Cajamar is aware of the importance of its professionals' qualifications and the need for specialisation and continuous training. In this respect, it is worth noting the significant work carried out by the Group's School of Financial Training, which is responsible for preparing, examining and qualifying the Group's employees in the different levels.

### Hours of the Group's trained employees by professional category and gender (404-1)

	Professional Category (No. of participants)				Gender (No. of employees)		Training expenses on EAT
	Executives	Pre-executives	Technicians	Other	Men	Women	
Number of employees	1,380	1,651	623	2,241	3,011	2,884	
Training hours	129,711	185,932	33,397	179,683	265,985	262,738	3.04%
Average hours	93.99	112.62	53.61	80.18	988.37	91.10	

### Number of participants trained in skills management and continuous training programmes (404-2)

School of Finance (Savings)	Year 2015		Year 2016		Year 2017		Total certified employees
	Certificates	% over total	Certificates	% over total	Certificates	% over total	
Basic level	1,692	26.36%	34	0.55%	5	0.08%	4,247
Essential level			1,652	26.84%	1,645	27.91%	
Intermediate level	1,386	21.60%	1,590	25.83%	2,027	34.37%	
Advanced level	484	7.54%	473	7.68%	540	9.16%	
Specialist level			15	0.24%	30	0.51%	
<b>Total</b>	<b>3,562</b>	<b>55.50%</b>	<b>3,764</b>	<b>61.14%</b>	<b>4,247</b>	<b>69.40%</b>	

School of Finance (Financing)	Year 2015		Year 2016		Year 2017		Total certified employees
	Certificates	% over total	Certificates	% over total	Certificates	% over total	
Level I	118	1.84%	430	6.99%	533	9.04%	2,991
Level I+II	1,356	21.13%	1,931	31.37%	2,458	41.69%	
<b>Total</b>	<b>1,474</b>	<b>22.97%</b>	<b>2,361</b>	<b>38.35%</b>	<b>2,991</b>	<b>50.73%</b>	

The 2017 calculations were based on a monthly average of staff, which amounted to 5,895 employees.

The qualification obtained is a key element, as it will determine the type of service that can be provided on the basis of the customer's segmentation and the characteristics and potential risks inherent to the product.

Grupo Cooperativo Cajamar considers of paramount importance to raise awareness on and train all the staff in sustainability, responsible banking and corporate social responsibility. Therefore, in 2017 the implementation of the CSR module con-

tinued, including training on the Ethical Management System, sustainability and the Group's reference ethical codes.

In regards to the sum of public aid received for training through Fundación Tripartita, it amounted to a total validated credit of 810,782.92 euros and a subsidised total of 612,581.40 euros (75.5% of subsidised financing) in 2017 to carry out 376 training action sets with a total of 6,156 students (2,878 employees).

Course	Year 2015		Year 2016		Year 2017	
	Employees	% over total	Employees	% over total	Employees	% over total
Data protection (Personal Data Protection Act)	1,480	23.10%	3,595	58.40%	1,701	28.85%
Prevention of money laundering and FT <sup>5</sup>	1,991	31.00%	2,535	41.18%	2,139	36.28%
Occupational risk prevention	1,219	19.00%	3,369	54.73%	2,355	39.95%
Market abuse	264	4.10%	280	4.55%	43	0.73%
Code of Conduct			2,562	41.62%	5	0.08%
Criminal risks					2,497	42.36%

The 2017 calculations were based on a monthly average of staff, which amounted to 5,895 employees.

<sup>5</sup> In this Report it is not broken down by professional category.

## Non-discrimination, equality and reconciliation

Grupo Cooperativo Cajamar declares its commitment towards the equality of rights and opportunities and non-discrimination with the establishment and development of policies that integrate equal treatment, rights and opportunities between men and women, without discriminating directly or indirectly on grounds of gender, as well as towards the promotion and encouragement of measures to achieve real and effective equality in this organisation, establishing equal opportunities between men and women as a strategic principle.

This strategic principle not only responds to the obligation set forth in Act 3/2007 of 22 March on effective equality of men and women, but also to the management's commitment towards, on the one hand, making visible and standardising specific measures already applied by the institution and that contribute to encouraging an effective equality between men and women and, on the other hand, detecting, diagnosing and especially preventing any potential situations of indirect or subtle discrimination.

Grupo Cooperativo Cajamar's greatest potential is the people who integrate it. The participation of men and women in a working environment with the same conditions will result in greater job satisfaction and thus in a greater quality of working life.

Due to our cooperative nature, we cannot ignore that equality and equity are two of the basic coo-

perative values, accepted internationally, and that without a doubt have always influenced our way of doing things. The Group proactively establishes policies, measures and instruments that foster equal opportunities between men and women and initiatives aimed at extending the principles of non-discrimination, equality and reconciliation. To achieve an efficient management of the human resources' processes, the perspective of gender equality has been integrated, transversally, into all the internal management processes, which will help in the change towards a culture of equality.

As Grupo Cooperativo Cajamar's leading institution, BCC expresses and formalises, through its Framework Policy for Equal Rights and Opportunities and Non-discrimination, its commitment and strategic position with the aim of achieving equal rights and opportunities, respect for differences and non-discrimination in all processes relating to the management of people, from both a gender and diversity perspective.

BCC's Framework Policy for Equal Opportunities applies to all the rural banks that are part of Grupo Cooperativo Cajamar. This Policy is approached from three perspectives:

- Culture of equality: Generate values of gender equality
- Equality management: Transversality of the equality perspective in internal management processes

- People management: Strategic HR policies that foster and stimulate the principle of equality and non-discrimination

All of this under compliance with Act 3/2007 on effective equality of opportunities between men and women (LOIEMH in Spanish).

The Equality Committee is the body with competencies in equality and reconciliation for the BCC and the rest of the Grupo Cooperativo Cajamar. It is made up of company and union representatives in equal representation, and it is governed by internal regulation, which establishes its composition, functions, competencies and performance. In June 2016 the Staff of Policies for Equality and Reconciliation, which is a specific internal unit dealing with matters of equality that reports to the Directorate General for Human Resources.

Beforehand, the Equality Office was established in May 2015. It is in charge of coordinating the Plan's monitoring and will act as a channel of communication between the Directorate and the staff and will attend any matter posed to others.

In May 2017 Grupo Cooperativo Cajamar, as part of its commitment against gender violence, became a member of the Initiative "Companies for a Society free of Gender Violence" by entering a collaboration agreement with the Ministry of Health, Social Services and Equality aimed at collaborating



Seal  
"Igualdad en la empresa"  
(Equality in the company)

in the dissemination of gender violence awareness and protection campaigns, at both an internal and external level of the institution.

In August 2017 the Ministry of Health, Social Services and Equality, at the initiative of the Instituto de la Mujer y para la Igualdad de Oportunidades (Institute for Women Affairs and Equality of Opportunities) granted the 2016 seal "Igualdad en la empresa" to Cajamar and Banco de Crédito Social Cooperativo, which is Grupo Cooperativo Cajamar's leading institution. It is a recognition of excellence in the application and development of equality and opportunities measures in our society within the framework of the companies' equality policies and plans.

There is no record of claims filed by employees in 2017 regarding discriminatory attitudes or significant legal claims on working conditions.





#### 5.2.4 Avoiding financial exclusion (expectation S.4)

**Financial inclusion policy.** The role of financial inclusion and an inclusive financial system is vital to poverty reduction, the improvement of the people's well-being, the efficient management of financial resources, the elimination of inequalities, the encouragement of a formal economy and economic growth. In short, financial inclusion is a central element towards achieving social inclusion and the harmonious development of societies, providing families, regardless of their income, as well as to micro, small and medium-sized enterprises, access to varied, tailor-made, reliable, quality financial services and products.

The changes in the financial sector over recent years in Spain, mainly as a consequence of the economic crisis and the restructuring of the banking system, have resulted, among other things, in an increasing financial exclusion. The high bancarization rates in our country have not been sufficient to counter this phenomenon due to the appearance of other factors that explain the new situation relating to financial inclusion.

Grupo Cooperativo Cajamar promotes a model of sustainable and inclusive business in accordance with its mission, vision and values. It is capable of generating a positive impact on society by removing barriers and offering diverse, adapted, trustworthy, quality financial products and services to the different segments of the population, especially

to families, regardless of their income, and to micro, small and medium-sized enterprises. With the aim of achieving this objective, it has expressly defined a financial inclusion policy based on a business model that includes the following lines of action, which due to their cross-cutting nature must be considered by the entire Organisation:

- Designing products and services suited to the different groups of population based on experience in and knowledge about the market and the needs and expectations of the users
- Designing product and price policies that allow for an offer with a satisfactory price-quality ratio
- Innovating in distribution channels that allow for a sustainable presence in the rural environment
- Developing literacy, education and financial training initiatives
- Developing and implementing credit granting processes and methodologies that avoid debt overhang
- Developing second-chance mechanisms that are feasible for debtors acting in good faith
- Developing a multi-channel approach
- Achieving a feasible and financial balance between personal and in rem rights in credit operations



- Eliminating the architectural barriers and encouraging the creation of technological interfaces that allow interacting with disabled users
- Continuously improving the design and functioning of customer protection mechanisms and instruments, especially for those customers that have less financial education

Developing and coordinating Grupo Cooperativo Cajamar's Financial Inclusion Policy is the responsibility of the Committee of Ethics Management and Social Responsibility, and it requires the active involvement of all human resources through coordinated work. In this sense, the Group commits to creating an optimum environment in order to develop and execute it, and it will encourage training among its employees in this area.

**Protective measures for the mortgage debtor.** Grupo Cooperativo Cajamar is not alien to the socio-economic situation that many Spanish families are experiencing due to their particular vulnerability to or the risk of financial exclusion. The alarming situation of mortgage launches in our country, caused by the economic crisis, as well as by the massive job destruction and lack of opportunities, has resulted in a parallel increase of the different social agents and Public Administration's sensitivity towards the situation of evictions from main residences. In this sense, Grupo Cooperativo Cajamar has been especially proactive in searching for po-

tential generic and case-by-case solutions to avoid evictions among its customers.

The legislation has significantly advanced in matters of protection for the mortgage debtor in Spain since 2012, introducing mandatory and voluntary legal elements. Within the voluntary actions, an example is the Code of Best Practices for the viable restructuring of mortgages on main residences referred to in Royal Decree-Act 6/2012 of March 9 on urgent protective measures for mortgage debtors without resources (amended by Act 1/2013 of May 14 on measures to reinforce the protection of mortgage debtors debt restructuring and social rented housing). Grupo Cooperativo Cajamar has been adhered to this Code since its publication, promoting policies, measures and instruments aimed at protecting its debtors in unexpected situations of loss of employment, precariousness and social vulnerability.

Having proactively taken important measures to protect mortgage debtors without resources and at risk of financial exclusion (refinancing, social rent, in lieu of payment), the Group added 80 properties to its Social Housing Fund in 2013, which has been maintained in 2017. The housing in said Fund was destined to renting at subsidised prices (social rented housing) for families in a special situation of social vulnerability and evicted from their main residence as a consequence of foreclosure during the economic crisis that we are experiencing.

Support measures for the debtor	No. of transactions
Purchase/in lieu of payment (main residence)	642
Out of which with rent	104
Social Housing Fund (transferred housing)	80

In 2017 Grupo Cooperativo Cajamar made a total of 642 purchase-sales transactions or in lieu payments of main residences to families in difficulties that had taken out a mortgage with the Group. Of all of them, a total of 104 tenancy agreements for social rented housing were entered with the borrowers so that they could remain in their previous property. The total cancelled debt amounted to 77 million euros.

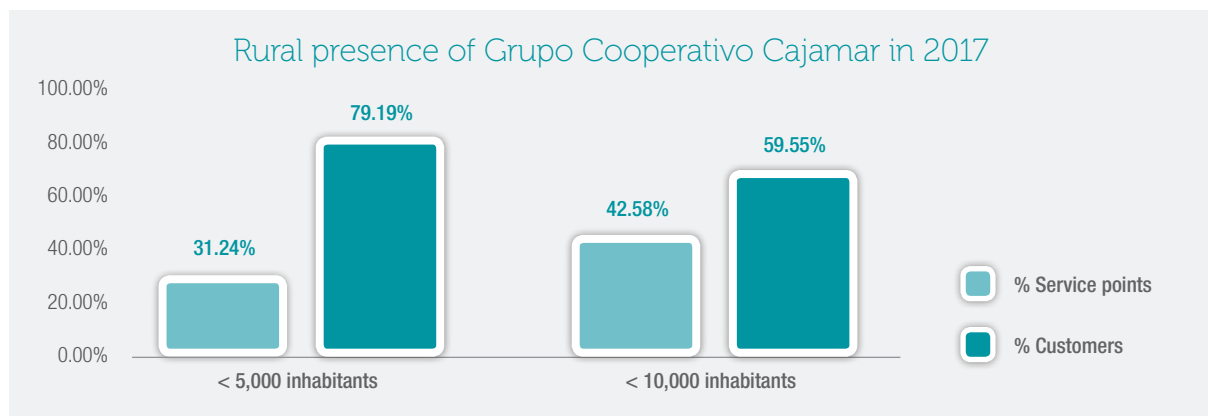
**Financial exclusion in the rural world.** In recent years the restructuring and banking concentration process has progressed at great speed. One of the most relevant negative aspects arising from this, from a socio-demographic point of view, is the reduction of financial services and products provided in sparsely populated municipalities and, therefore, in the rural environment. In this sense, we must bear in mind that an important part of the depopulation in rural areas is due to problems related to credit access or any other form of financial exclusion.

Precisely, the rural environment has been and continues to be a strategic area for Grupo Cooperativo

Cajamar due to its nature -the Group is formed by 19 Rural Banks and a cooperative-social bank-, and its vocation towards the agricultural sector and, as an extension, towards the agricultural ancillary industry and the agro-food industry.

The Group acknowledges that it must find innovative formulas to manage the business in sparsely populated municipalities and to reconcile the search for higher levels of efficiency with effective measures against financial exclusion. Proof of this are the institution's three mobile offices (travelling vehicles) that initiated their activity in 2017, covering 29 villages in Almería, Alicante, Valencia and Castellón and providing service to 17,785 inhabitants of towns with a low population density in which most of them Grupo Cajamar is the only institution that still provides a banking service, thus guaranteeing access to financial services in the rural world in terms of access (technology and proximity), range (variety of products and services) and quality (meeting their expectations).

Its model of a close bank branch, which is deeply rooted in the area, helps reconcile efficiency and economic-financial sustainability with its social commitment in favour of the development of rural communities. This contributes to keeping people in the area, fighting against depopulation, creating jobs and promoting local development.



Branches, correspondents or agents are included in terms of offices; In terms of customers, only branches. The customers' information is not attributed to correspondents or agencies, but to the main branch they report to. Source: Cajamar Group and INE

Likewise, 31.24% of Grupo Cooperativo Cajamar's service points are located in towns/villages with less than 5,000 inhabitants, especially in areas where its activity is carried out. This distribution network, with a deeply rooted rural tradition, reaches 79.19% of the population based in these villages.

rganisations, are key elements that complement the positive effects of its financial activity on sustainable local development. In addition, its actions are in line with a model of social action that stems from the social responsibility and solidarity fundamentals inherent to the principles and values of cooperatives and social economy.

### 5.2.5 Social and cultural action (expectation S.5)

The encouragement and promotion of social and cultural development in the communities in which Grupo Cooperativo Cajamar carries out its business, either directly or in collaboration with organisations part of the third sector or other social or-

**Cultural activities.** Eln the realm of cultural activities promoted by Grupo Cooperativo Cajamar in 2017 the Educateatro programme stands out, which in the 2016/2017 edition held a series of performances in the educational scope by using theatre as an educational resource of great interest for teachers. 49,248 children (342 educational centres) benefited from this activity with 193 performances.



**Support for sports.** Encouraging and promoting sport is also part of the Group's social action. Among other activities, the Provincial Sports Games stands out. Its educational nature is directly linked to the development of complementary and transversal contents of sport practice itself. In total 12,975 people participated in these games in 2017, including children and young people, and it involved different meetings and workshops, educational leagues, and promotion circuits.

**External collaborations.** Through external collaborations, Grupo Cooperativo Cajamar is in touch with the real problems of its partners and customers, as well as the socio-economic environment in which it carries out its business. In 2017, 34 projects were supported with a total contribution of 82,635 euros; these were promoted by civil society organisations and aimed at different especially vulnerable social groups. In total, 84,525 people benefited from these collaborations (56,441 directly and 28,084 indirectly).

**Corporate volunteering.** In 2017 the mobilisation of talent and the encouragement of social awareness among employees through PROVOCA (Cajamar's Corporate Volunteering Programme) and the Solidarity Team (a teaming initiative), respectively, had a very positive impact. These two initiatives expressly pursue an active involvement of the employees in the transfer of the Group's values and expectations. A total of 333 employees participated in the Group's volunteering programme. Furthermore, 1,948 employees participated in the solidarity team at the end of 2017. In this year a total sum of 33,484 euros were donated

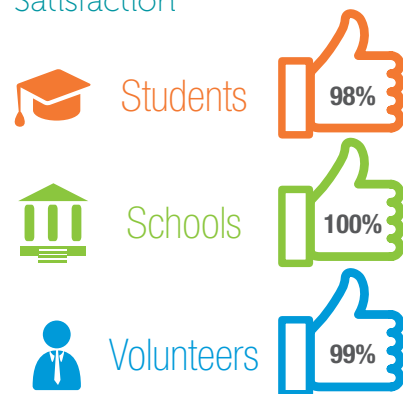
to different third sector organisations. Throughout the life of the Solidarity Team (2008-2017), a total of 376,663.68 euros have been donated to 29 non-profit organisations.

**Finances that help you grow: almost 4,500 students participated in our financial education programme in the 2016/2017 academic year**

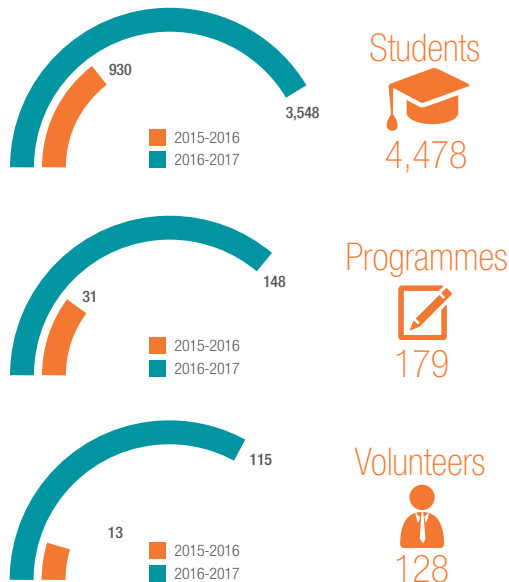
In recent years, within the scope of its social action, Grupo Cooperativo Cajamar has carried out several financial education programmes aimed at students with different levels of education. Specifically, in 2015 the Group initiated a specific programme under the name "Finances that help you grow", delivered by fellow volunteers, aimed at improving the financial culture of young secondary education students and providing them with the tools, skills and knowledge to make their financial decisions appropriately.

Since the programme was initiated, it has been very successful, and the Group channelled its efforts and resources to extend it nationwide.

## Satisfaction



## Results



### 5.2.6 Contributing to Sustainable Development Goals (expectation S.6)

September 2017 marked two years since the approval of the Sustainable Development Goals (SDG). The 2030 Agenda is a very ambitious and complex programme by means of which the United Nations expects to guarantee the future and development of people, the environment and economies. The SDG is its backbone, insofar as it gathers all the challenges of sustainable development.

However, in spite of the communicative effort invested, society's lack of knowledge is one of the main challenges faced by the organisations.

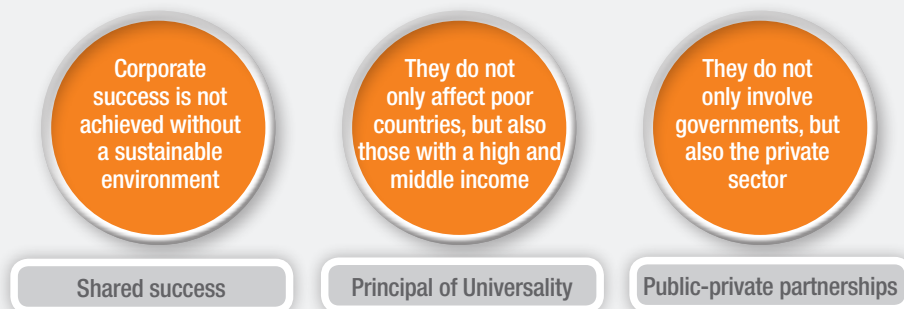
An annual edition of the programme has been delivered reviewing and extending its contents every year.

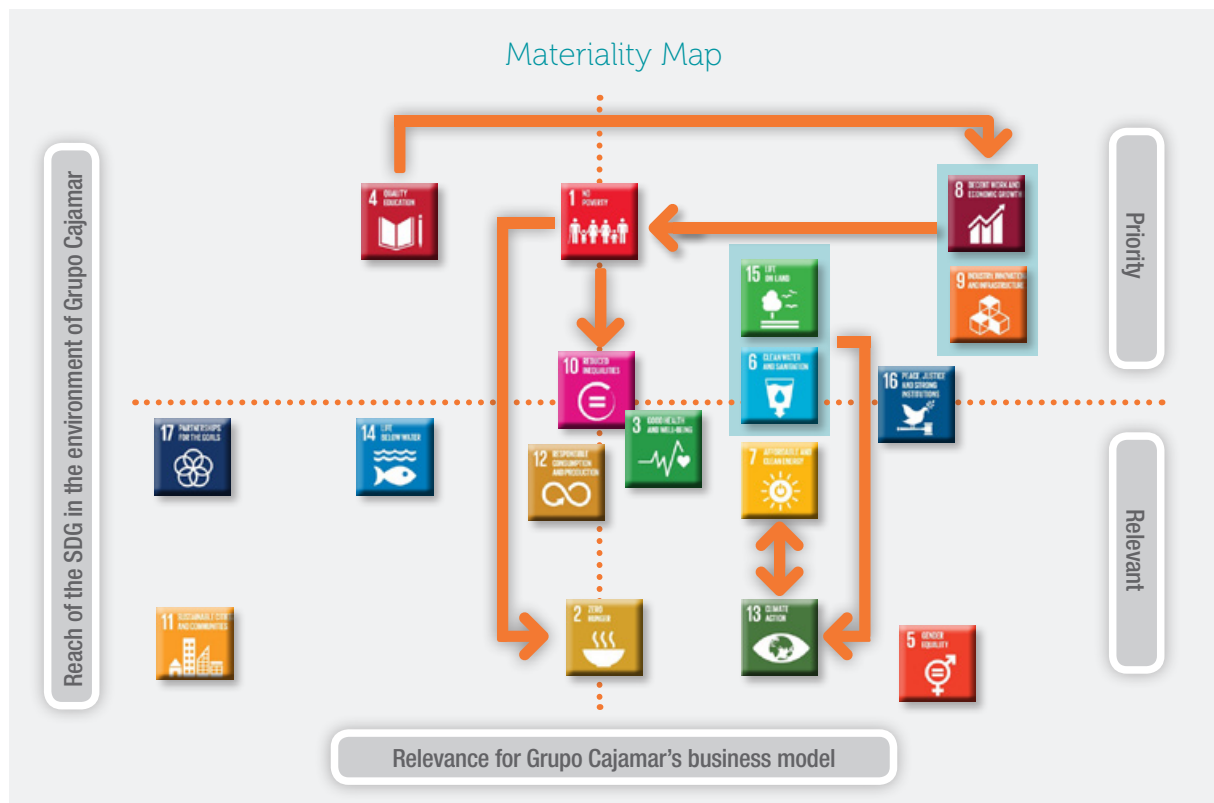
In the past academic year 2016/2017, 4,478 students participated in this initiative thanks to the 128 volunteers, which delivered a total of 371 session in 66 educational centres.

The surveys conducted in the last edition show again success in terms of satisfaction.

As a result, Grupo Cooperativo Cajamar has joined the initiative #COMPANIES4SDGs, a communication campaign that provides companies and their employees' knowledge, awareness and guidelines aimed at complying with the Sustainable Development Goals (SDG). The campaign is implemented by Voluntariado y Estrategia and supported by the Spanish Network of the United Nations Global Compact; it is also supported by Impact 2030, a private initiative that in collaboration with the United Nations gathers the corporate volunteers to achieve the SDG.

## Transversal new developments in the Sustainable Development Goals.





## The SDG in Grupo Cooperativo Cajamar

Grupo Cooperativo Cajamar has integrated the SDG and the sustainability agenda into its strategy, business model and reporting mechanisms, aware of the fact that it is an opportunity to assume a sustainable development strategy that is shared with the rest of the social and economic agents. This strategy will allow incorporating indicators and measuring tools to calculate the level of achievement of the goals and targets set forth. In addition, the incorporation of SDG in the business strategy allows setting priorities, anticipating regulatory and legal advances, reducing the exposure to global risk, progressing with new CSR approaches and offering

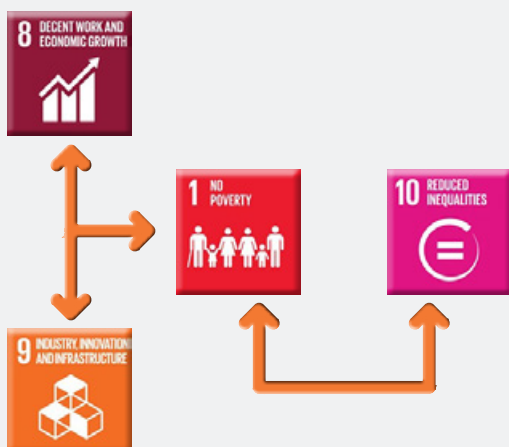
products and services with a positive socio-environmental impact.

In pursuit of this sustainability strategy, Grupo Cooperativo Cajamar has carried out its materiality map analysing the trajectory of the different SDG in the environment in which it carries out its financial activity and their relevance in its business model.

## Contribution to the employment and economic growth goals

In the past decade we have seen especially difficult situations caused by a financial-economic crisis that has had enormous ramifications in terms of social

Economic growth and employment creation are two important levers for eradicating poverty and reducing inequality in our country



exclusion, unemployment, and an increase in poverty and inequality in Spain. It is in this situation when corporate social responsibility, mutual aid and solidarity acquire a special relevance, all of which are cooperative values that comprise Grupo Cooperativo Cajamar's corporate and business culture.

<div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>The Group's contribution to Goal 8</div> </div>	
Generating wealth from distributed economic value	
Contribution of the distributed economic value to the GDP	1,190
Total employment generated	14,262
Generating wealth from the financing activity	
Contribution to the GDP	9,485



### The Group's contribution to Goal 9

#### Funding small and medium-sized enterprises

Improvement of the SMEs' competitiveness	29,450 transactions	2,979 million
Entrepreneurs agro-food	98 transactions	10.6 million

### Contributing to Sustainable Development Goals

ESustainable development is one of the principles over which Grupo Cooperativo Cajamar's raison d'être is structured. Its vocation of leadership in the agricultural and agro-food sector acquires special relevance insofar as agriculture is the most transversal economic sector in the SDG. In addition, the good practices in the agricultural sector are essential to achieve the objectives related to climate change established in the Paris Agreement.

The commitment towards sustainable development is the key to designing a long-term viable business model and a more efficient risk management





Combating desertification, restoring degraded land, drought and floods are phenomena that affect the primary sector and local development in the sphere in which Grupo Cooperativo Cajamar operates. On the other hand, water shortage and the improvement of energy efficiency are two important priorities to which Grupo Cooperativo Cajamar intends to contribute with knowledge and financial solutions through its business and its transfer of know-how and its agricultural R&D&I investment in the Group's experimental centres.



Financing for the improvement of efficiency (agricultural sector)	20,630 transactions	2,584 million
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In 2017 100% of Grupo Cooperativo Cajamar's power consumption originated from renewable energy sources



Financing under extreme weather incidents (floods, drought, etc.)	142 transactions	4.3 million
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## Socially Responsible Investment (SRI) as a strategy to achieve the SDG

Sustainability affects the entire society; perhaps it is for this reason that we can see in all the surveys how concern is growing for the climate change, the environmental issues, the ways in which companies treat their workers and the corporate social responsibility.

In the world of investment, these concerns are usually linked to Socially Responsible Investment (SRI), and a growing number of investors are interested in including SRI criteria in their investment portfolios.

For many, their interest is based on values. They want to invest in companies whose activities reflect their concerns regarding sustainability.

For others, among them many asset managers that are now incorporating SRI in their investment processes, the interest is aimed at minimising economic-financial risks with a social or environmental nature; the reputational risk is always present collaterally in these issues.

Since Grupo Cooperativo Cajamar approved its Ethical Management System and decided to encourage Socially Responsible Investment, a set of criteria has been established when it comes to managing investment funds, among of which the following are worth mentioning:

- Not investing in companies that have a low social, environmental and governance performance

- Not using tax havens to manage resources, whether they are own resources or they belong to partners or customers

Since then, a set of processes and a methodology has been developed by means of which, through its managing company TREA, 97.9% of the total assets managed in investment funds now include Socially Responsible Investment criteria.

Grupo Cooperativo Cajamar, as a member of Spain-sif, is part of the reference meeting platform for sustainable and responsible investment in Spain, whose main mission is to encourage the integration of environmental, social and good governance criteria in investment policies.

## 5.3 Environmental dimension

### 5.3.1 Commitment towards the environment (expectation A.1)

Grupo Cooperativo Cajamar is committed to the social, economic and environmental setting in which it interacts. Therefore, in spite of the specific nature of its activity generating a minimum environmental impact, it has committed to sustainable development in its business model, which not only considers the direct impacts, but also the indirect impacts that result from its financing activities, asset management and supply chain management.

This commitment is evidenced, in general, through the Group's Environmental Policy, which sets the sustainability principles and criteria for all the en-



Related information

- Environmental policy
- Energy saving and efficiency plan
- Plan for reducing paper and cardboard consumption
- Plan for reducing water consumption
- Climate change

ties that comprise it. The Environmental Policy is the framework that defines the Environmental Management System, which is the set of instruments and resources that the organisation has and are aimed at contributing to environmental sustainability: energy efficiency and optimisation of the use of materials. Finally, thanks to the Eco-efficiency Plan, which includes the Energy Saving and Efficiency Plan, the material aspects aimed at savings and increasing efficiency in terms of energy and the use of materials with a negative environmental impact have been identified.



Grupo Cooperativo Cajamar is part of the Climate Change Cluster established by Forética in 2016. The Cluster has reinforced its role as a high-level business group in terms of climate change, transferring the main tendencies and conversations occurring at a global level regarding this topic from a business perspective to the Spanish context, collaborating with public administrations and opinion leaders and developing a leading position as a Spanish benchmark in this issue.

**Eco-efficiency plan 2015-2020.** During 2016, work has continued on each of the elements associated with the Eco-efficiency Plan, reviewing some of its terms. This plan was defined for a period of five years (2015-2020), and its main aim is to set the savings and efficiency measures for power consumption and the use of materials. It mainly focuses on the following aspects:

**Energy Savings.** With regard to the increase of energy savings and efficiency, it is worth highlighting the installation of automatons, LED lighting systems and the replacement of office air-conditioning equipment with R22 refrigerant and On-Off control for Inverter machines with R410 ecological gas. With regard to power sources, the contract with the supplier was modified in the second half of the year of 2015, and the Group started to consume power only from renewable sources. Thanks to the investments made in the three aforementioned elements

External power consumption (data in Gj)	Year 2017
Commuting	9,417
Business trips (train and plane)	5,889
Fleet of vehicles	6,158
<b>Total consumption</b>	<b>21,464</b>

related to energy, energy savings registered above 900 gigajoules in 2017.

In 2017, the Group implemented the ISO 50001 standard, the objective of which is to maintain and improve a energy management system in the organisation, allowing for a continuous improvement of energy efficiency, security, use and consumption with a systemic approach. At the end of 2017, the implementation process was in its final stage: in the stage of resolving any non-conformities.

#### Investment and energy savings in 2017 (Eco-efficiency plan)

Energy saving lines	Annual actions (units)	Investment (€)	Energy Savings (Gj)
Air conditioning	35	343,327	315.18
LED systems	14	42,913	124.26
Automatons	93	312,945	461.35
<b>TOTAL</b>	<b>142</b>	<b>699,185</b>	<b>900.79</b>

## Investment and energy saving expectations in 2018 (Eco-efficiency plan)

Energy saving lines	Annual actions (units)	Investment (€)	Energy Savings (Gj)
Air conditioning	40	500,000	248.11
LED systems	50	75,000	252.00
Automatons	90	90,000	334.85
<b>TOTAL</b>	<b>180</b>	<b>665,000</b>	<b>834.96</b>

## Other Investment and energy saving activity in 2018 (Eco-efficiency plan)

Energy saving lines	Annual actions (units)	Investment (€)
Gateway+sensor	400	272,000
Technical signals	1	8,000
Capacitor banks	11	17,500
Illumination	16	180,000
<b>TOTAL</b>	<b>428</b>	<b>477,500</b>

The increase of self-service devices has had a direct effect on power consumption

76

Internal power consumption (data in Gj)	Year 2015	Year 2016	Year 2017	Var. Abs.	Var. %
Electricity	101,797	95,442	96,573	1,131	1.18
<b>Total consumption</b>	<b>101,797</b>	<b>95,442</b>	<b>96,573</b>	<b>1,131</b>	<b>1.18</b>
Intensity of power consumption (data in Gj/employee)	Year 2015	Year 2016	Year 2017	Var. Abs.	Var. %
Electricity	15.86	15.50	16.38	0.88	5.69

Diesel consumption in years 2015, 2016 and 2017 has not been considered significant.

**Paper and toner consumption.** This aspect continues to be stressed in a positive way via the digitalisation of processes and documents.

In addition, our business' digital transformation process is contributing very positively.

Intensity of consumption (data in tons)	Year 2015	Year 2016	Year 2017	Var. Abs.	Var. %
Paper	665.72	626.18	561.96	-64.42	-10.29
Paper recycling (%)	26.16%	31.28%	25.12%	-6.16	-19.70

Note: The Institution does not consume recycled paper (301-2)

### Water consumption and other materials (IT equipment and waste).

The actions aimed at meeting the Eco-efficiency

Plan's objectives are mainly related to use, maintenance plans and the adjustment of the systems and facilities' efficiency.

Water consumption	Year 2015	Year 2016	Year 2017	Var. Abs.	Var. %
Water (m <sup>3</sup> )	44,242	34,686	41,284	6,598	19.02
Water consumed per employee	7.27	7.12	7.00	-0.12	-1.64

The total consumption of water comes from the urban supply network. The 2015 and 2016 data belong to Cajamar Caja Rural, while the 2017 data belong to Grupo Cooperativo Cajamar

Hazardous waste managed	Year 2015	Year 2016	Year 2017	Var. Abs.	Var. %
Toner (units)	21,785	21,784	20,320	-1,464	-6.72
Electrical equipment (Kg)		744	1,496	752	101.07
Bulbs and lamps (units)		631	1,312	681	107.92
Electronic equipment (Kg)	165,741	134,919	100,019	-34,900	-25.87

Cajamar Caja Rural's data for electrical equipment, bulbs and lamps and electronic equipment. The Company does not use recycled toner; it uses refurbished toner (301-2)

### Calculation of direct and indirect CO<sub>2</sub> emissions.

Grupo Cooperativo Cajamar has been calculating its carbon footprint within each of the three scopes for

years. In addition, it voluntarily reports this information, as well as the measures it is adopting to reduce it, to the CDP (Carbon Disclosure Project).

### Emissions from leakage of refrigerants in 2017

Refrigerant gas	Recharge (Kg)	tn of CO <sub>2</sub> equivalents (*)
R407C	150.04	266.05
R410A	100.49	209.82
R427A	1.50	3.21
R407A	0.00	0.00
R434A	0.00	0.00
R422D	27.20	74.23
R422A	0.00	0.00
<b>TOTAL</b>	<b>279.23</b>	<b>553.31</b>

(\*) Gas equivalences have been calculated based on the GWP over 100 years, according to information included in Annex I, they are ARG4, from the IPCC Fourth Assessment Report.

In mid-2015 a very important step was taken in reducing greenhouse gas emissions, especially due to the changes in the electricity supply contract. This has led, in 2017, the item of indirect emissions of CO<sub>2</sub> from power consumed, that is, the most significant item of the Group's emissions, to register a value of zero.

Direct - Scope 1	Ton. CO <sub>2</sub> e
Fleet of vehicles	457
Refrigerant gas	553
<b>Total Direct Emissions</b>	<b>1,010</b>

Indirect - Scope 2	
Electricity	0

Indirect - Scope 3	
Commuting	699
Business trips (train and plane)	459
<b>Total Indirect Emissions</b>	<b>1,158</b>

Intensity of CO <sub>2</sub> emissions / employee Ton. CO <sub>2</sub> e	Year 2017
Direct - Scope 1	0.17
Indirect - Scope 2	0.00
Indirect - Scope 3	0.20
<b>Total</b>	<b>0.37</b>

In 2017, there have been no fines or penalties for non-compliance of laws or regulations regarding environmental aspects, performance in society or the supply and use of products and services that may be significant in relation to the equity, financial situation and the consolidated results.



### 5.3.2 Financial solutions with positive environmental impact (expectation A.2)



- Principles of Sustainable Agriculture and Businesses

Reducing the power and water consumption associated with the increase of productivity in agricultural activities is one of the lines of collaboration that Grupo Cooperativo Cajamar offers through its financing lines, which include, among others, the following types of investments:

- Agricultural machinery. Power consumption is due mainly to the use of tractors to cultivate the land. Therefore, the variation in power consumption will be determined both by the variation of the surface to be cultivated in Spain, the nature of these crops, the number of tractors in use and their energy efficiency. To a greater extent, the improvement of energy efficiency comes from the minimum tillage techniques by direct seeding, as well as the renewal of tractors, both naturally and as encouraged by the Administration
- Irrigation. It involves the reform and modernisation of pumping systems, consisting in the improvement of the performance of pumps and the adjustment of their powers to the load variation, as well as the migration of spraying systems to localised irrigation systems

- Agricultural holdings. The replacement of installations used in greenhouses and agricultural and livestock farms for more efficient systems is especially important

#### Financing for improving efficiency in the agricultural sector

Number of transactions	Amount (thousands of euros)
20,630	2,583,537

### 5.3.3 Support for innovation and research (expectations A.3)



- Agricultural Innovation
- Las Palmerillas Experimental Station
- Experimental Centres in Paiporta
- Cajamar Network of Chairs
- Studies and Publications
- School of Directors

Both the farming sector and the industrial reach of its activity within the processing industry, which we call the agricultural sector, constitute as a whole a strategic and cross-cutting sector for the Spanish economy, contributing to support the territory, preserve rural areas, fight against desertification, tie capital and population to the territory and create employment. This strategic importance is even more pronounced in the case of Grupo Cooperativo Cajamar. Due to its history, its position and its vision, the agricultural sector is essential in the

Group's business model and its strategic approach. The agricultural sector becomes particularly important in the local productive systems in which Grupo Cooperativo Cajamar is present and gives financial cover.

Grupo Cooperativo Cajamar's impact on the primary sector and the agro-industry is projected via two clearly differentiated lines, but deeply integrated since the Group's origins: the banking activity (financing and management of agricultural credit risk), and research, development and innovation (R&D&i). The deep understanding of the sector, which is a result of the many years linked to it (mainly through cooperativism and social economy), has enabled it to create a costs and risks analysis model for agricultural holdings that is currently the benchmark in the banking industry. This model, in turn, has enabled the sector to access funding in very favourable conditions. On the other hand, R&D&i and the generation of knowledge in the agricultural sector has

not only reinforced the above-mentioned management model, but it has also contributed, via knowledge transfer, to improving the competitiveness of agricultural holdings and companies.

The results from the R&D&i projects conducted in Grupo Cooperativo Cajamar's experimental stations are projected to the productive fabric and the territory via the transfer of technology. The systematic organisation of technical sessions, seminars, conferences and the educational visits to these centres are the main tools that the Group has for the farmers, and the agro-food sector in general, to benefit from the technological and cultural advances aimed at increasing their holdings' yield, competitiveness and efficiency while reducing the possible negative impact on the environment, and minimising the use of natural resources.

The purpose of Grupo Cooperativo Cajamar's agro-food innovation model is to encourage the sector's

## Lines of Research



Agricultural

[See projects](#)



Food and health

[See projects](#)



Bioeconomy

[See projects](#)



Greenhouse  
technology

[See projects](#)



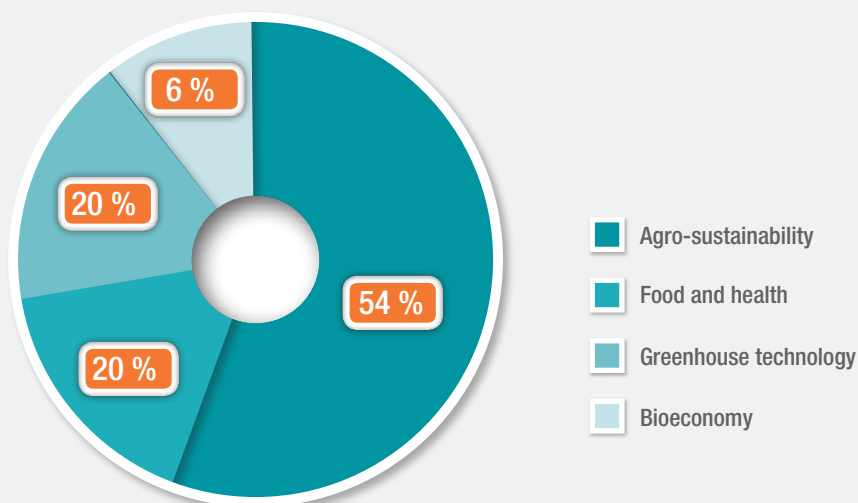
economic, social and environmental sustainability through permanent contact with all the actors in the value chain and by incorporating technology, professional training and sustainable practices.

During 2017, 46 projects were open in these experimental centres. They had a varied scope and impact on society. The vast majority were developed by the Group's own researchers, and others were developed in collaboration with different Spanish and foreign companies, technological centres and

universities. The partnership with companies and research centres is essential to improving research efficiency and, in turn, multiplying the positive impact of research for the agricultural sector, the environment and society as a whole.

**Greenhouse technology (9 projects).** This R&D&i development area of Grupo Cooperativo Cajamar stems from the idea that the new developments in protected crops should be based on a sustainable agricultural system that must be efficient in

Project distribution by prevailing purpose



the consumption of resources (water, energy, etc.) and that diversifies both the production schedules and the variety of crops. The experimentation prior to the incorporation of new technological developments to the protected agriculture sector is an essential and valuable tool when it comes to efficiently incorporating technology to the agro-food sector. In this sense, the Group's experimental stations contribute to the technological developments reaching their expected results, which is to improve the sector's competitiveness. The main lines of research are as follows:

- Greenhouse structures, water and nutrient use in systems without soil
- Plastics for agriculture and climate control and management
- Renewable energies applied to intensive farming
- Computer simulation tools and robotics, mechanisation and computerisation

**Food and health (9 projects).** The new changes of tendency in consumers' expectations, which are increasingly concerned about their health, impose further nutritional information on the products that they consume, especially in the fresh fruit and vegetables sector. From this perspective, Grupo Cooperativo Cajamar's experimental stations, through research and experimentation, intend to promote food safety, quality and range, with the purpose of meeting the consumer's needs and demands. The main lines of research are as follows:

- Post-harvest, quality and healthy nutrition
- Bioactive components / Use of by-products in fruits and vegetables
- Microorganism biotechnology and alternative and value crops

**Agricultural sustainability (25 projects).** This R&D&i area has a great potential for development, both due to the regulatory requirements, which are increasingly more demanding and strict, and due to the expectations of the different agents that comprise the agro-food sector. The projects conducted within this scope in Grupo Cooperativo Cajamar's experimental stations are related to the analysis of the impact of agriculture and its ancillary industry on the natural environment. The main lines of research are as follows:

- Water and nutrient management in crops
- Comprehensive management of plagues and diseases
- Growing techniques, ecological farming and new plant-based materials
- Modernisation of agriculture and application of ICTs to production

**Bioeconomy (3 projects).** This recently-implemented R&D&i area has a great potential for development. Bioeconomy proposes a new productive model based on innovation, an intensive application of knowledge and technology to the productive

processes and the maximisation of the use of raw materials and energy sources, giving priority to a responsible use of those which are renewable. In Grupo Cooperativo Cajamar's experimental centres we are exploring the use of microorganisms with the aim of obtaining value products and making the most of agricultural waste, animal feed and effluents (circular economy).

Agriculture is probably the human activity most vulnerable to the climate change; therefore, work is being carried out to facilitate the adaptation of agricultural practices to the new global scenario by optimising the productive processes and minimising the carbon and water footprint.

In addition, the agro-food sector has a great potential for using renewable energies. Technology enables us to obtain clean energy and some essential sub-products for farming, such as carbon dioxide. In the case of intensive production, the recovery and use of biomass not employed in commercial activities is another major challenge.

Grupo Cooperativo Cajamar's R&D&i activity is mainly channelled through two agro-food experimental centres.



Las Palmerillas Experimental Station.



Experimental Centre in Paiporta

### 5.3.4 Transfer of knowledge (expectation A.4)



Related  
information

- Cajamar Network of Chairs
- Studies and Publications
- School of Directors

The Group's support to generating relevant knowledge for the productive fabric, and, in general, society as a whole, as well as encouraging research and innovation in the agro-food sector, involves the existence of suitable channels to transfer the obtained results. The main channels and instruments through which this transfer is materialised are as follows:

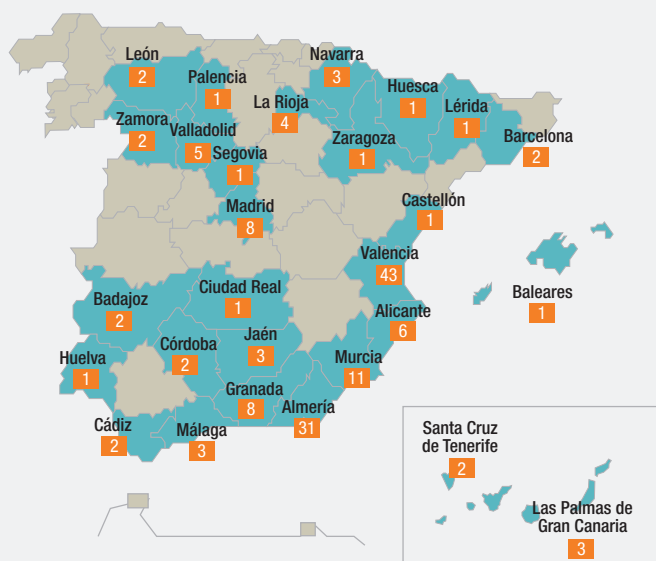
**Transfer of agro-food technology.** The results from the R&D&i projects conducted in the Group's

experimental stations are projected to the productive fabric via the transfer of technology.

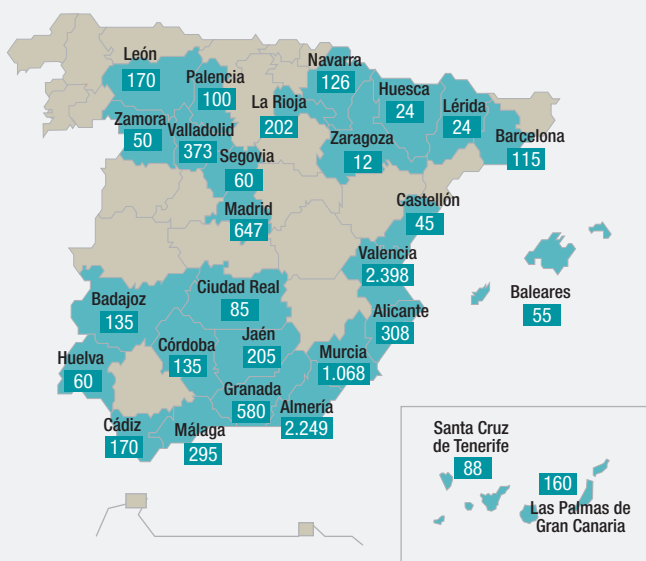
The systematic organisation of technical sessions, seminars, conferences and the educational visits to these centres are the main tools that the Group has for the farmers, and the agro-food sector in general, to benefit from the technological and cultural advances aimed at increasing their holdings' yield, competitiveness and efficiency, while reducing the possible negative impact on the environment, and minimising the use of natural resources.

Throughout 2017, Grupo Cooperativo Cajamar has organised, in 25 different provinces, 151 activities, between seminars, professional conferences and courses, for the transfer of training, knowledge and technology to the agro-food sector.

#### Activities



#### Attendees



These informative and technical events have been attended by more than 9,000 professionals linked to the sector: technicians, farmers, researchers, etc. In addition, nearly 3,000 people, comprising investigators, farmers and students of all educational cycles, have visited Grupo Cooperativo Cajamar's experimental centres in Almería and Valencia.

9,147  
professionals  
attended

2,678  
visitors to  
experimental centres

**School of Cooperative Directors.** The main purpose of the School of Cooperative Directors is to train the governing council members of agro-food cooperatives in different management areas. Its activity is mainly aimed at improving the organisations' competitiveness. In 2017 the Group delivered 6 training programmes in this field and 60 cooperative representatives participated.

6  
programmes

60  
beneficiaries

**Cajamar Network of Chairs.** Cajamar Network of Chairs is an initiative by means of which different research, training and knowledge transfer projects are regularly conducted through agreements with different universities, with the main purpose of bringing together certain scopes of knowledge, developed by Spanish universities, and the productive fabric and needs of the real economy. This public-private partnership's networking involves sharing research objectives and cooperating in a multidisciplinary environment that is in line with Grupo Cooperativo Cajamar's strategic objectives: social economy and cooperativism; the agricultural sector and its ancillary industry; bioeconomy; the agro-food industry; and the environment. Cajamar Network of Chairs is an initiative with seven chairs located in different Spanish universities.





Improvement in the efficiency of water and fertiliser use in agriculture



Synthetic analysis of the agro-food sector of Andalusia



Economy and marketing of olive oil Factors and perspectives for the Spanish leadership of the global market



Brexit and the agro-food sector. Where we are and where are we going



**Studies and Publications.** A new volume of Colección Mediterráneo Económico (Economic Mediterranean Collection) has been published in 2017, which is a multidisciplinary monographic series aimed at publishing knowledge related to topics that are especially relevant to our environment and the public opinion. This copy dealt with the issues regarding the future of the banking sector El futuro del sector bancario español tras la reestructuración (coordinated by the professor of Economic Analysis at the University of Valencia Deputy Director of IVIE, Joaquín Maudos).

Furthermore, within the Series temáticas collection, many studies have been published in 2017. These address different issues related to the agricultural and agro-food system.

**Investment technical reports.** Grupo Cooperativo Cajamar has an analysis unit specialising in the agro-food sector whose purpose is to evaluate the agricultural holdings in order to report about the investment transactions and reduce the credit risk. This unit issues technical reports that help define the technical-technological viability of the holdings in the short, mid, long term.

These reports also serve as a knowledge transfer tool for borrowers when it comes to planning the technological renewal of their premises. In 2017, 293 of these reports were prepared (15.35% more than in the previous year), which were associated with an investment volume of 384 million. In addition, this unit prepares technical reports on greenhouse structures for insurance operations. In 2017, 2017 reports were prepared, that is, 3.45% more than in the previous year.

## 6. Future prospects of Grupo Cooperativo Cajamar

The globalisation process and the technological changes continue to significantly affect all areas of our life. This has led to new behavioural patterns that companies and economies must cater satisfactorily. The banking sector is aware of this situation, which is noted for its uncertainty and the emergence of new risks. The regulatory pressure, capital requirements and the new management models and styles are accelerating the process of adjustment to a new scenario in which banking institutions must be more sound, solvent, credible and, especially, more flexible. Undoubtedly, this involves costs and risks, but also new opportunities and challenges in order to fulfil our mission and meet the needs and demands of our partners and customers.

The digital transformation process in which we are involved is mutating the organisational processes and systems and the way of understanding the banking channels and distribution.

That is, we have to adapt to the new requirements of our customers with a closer, higher quality and



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CEO  
BCC-Grupo Cooperativo  
Cajamar

more reliable service by means of new working methods. In this sense, we are aware of the fact that new technologies are our allies when it comes to providing added value to our customers, partners and shareholders. They also ensure that nobody is left behind thanks to the financial inclusion and that our objective of growing together with our environment is fulfilled by supporting the local productive systems, especially those based on agro-food, local development, social economy and cooperativism.

Our branches, one of our main assets, are in the process of evolution to gradually address the requirements of the new scenario to which we are converging. Therefore, we have to turn our branches into advisory, asset management and investment centres, training our people to work in a very different professional context than in the past, though maintaining our values and our commitment towards the customers. This involves providing a continuous training that allows periodically updating our knowledge, qualification and validity to perform this essential advisory work, which today is the epicentre of the financial business and

the new regulatory framework arising from the coming into effect of MiFID II. The objective of this new branch model is to provide added value to our partners and customers, and we also aspire to a better balance between physical distribution and the different channels. With this approach, based on a lower branch density, but more operational and technologically advanced, we intend to reach a greater territorial balance and be homogeneously more present in Spain.

Our strategic levers have been very well defined to comply with the new regulatory requirements and the new social and environmental demands. Under the supervision of the Single Supervisory Mechanism, made up by the ECB and competent national authorities, Grupo Cooperativo Cajamar addressed the requirements presented in 2017, demonstrating once again its strength, solvency and capacity to absorb any external impacts, such as the new judgements that have affected the banking activity.

Without a doubt, the year 2018 will also be marked by strong regulatory pressure and a much more complicated financial environment. Grupo Coope-

rativo Cajamar has the necessary means and resources to face this scenario, maintaining its singularity, vocation, independence and autonomy, as well as its position of institution of reference in the Spanish cooperative banking world. Our challenges for 2018 still remain the same: improve the quality of our assets, reduce the non-performing loans so the Group is subjected to fewer requirements and improve our rating in the monitoring exercises.

In an environment of very low interest rates, the financial intermediation process becomes a challenge when it comes to covering the structure of Spanish banking institutions. Therefore, our Group's main challenge is to adapt to this financial reality by redefining our banking practices and responding with a high added-value business model that provides good service and advice to our customers. The aim of our new 2018-2020 Strategic Plan is to continue reinforcing Grupo Cooperativo Cajamar's economic-financial situation, providing it with the necessary organisational, material, financial and human resources to face this new reality and make the most of the opportunities arising from our differentiating elements and competitive advantages.



## 7. Report's contents

### Linking of corporate material aspects with the GRI management approach (GSSB)

Category	Management approach	Corporate material aspect	Coverage	Scope
Impact of products and services	Impact of products and services	E.4, S.1, S.2, A.2, A.3	Mixed	GCC
	Audit	E.1, A.1	Mixed	GCC
	Active ownership	E.1, S.1, S.5	Mixed	GCC
	Labelling of products and services	E.4, S.4	Mixed	GCC
Economic dimension	Economic performance	E.2, E.3, S.3	Internal	GCC
	Market presence	E.1, S.3	Mixed	GCC
	Indirect economic consequences	E.2, S.1, S.2, S.4, S.5, S.6	Mixed	GCC
	Procurement practices	E.5	Mixed	GCC
Environmental dimension	Materials	A.1	External	GCC
	Energy	A.1	External	GCC
	Water	A.1	External	GCC
	Biodiversity	Non-material	Not applicable	Not applicable
	Emissions	A.1	External	GCC
	Effluents and waste	A.1	External	GCC
	Environmental compliance	A.1	External	GCC
	Environmental assessment of suppliers	E.5	Mixed	GCC
	Employment	S.3	Internal	GCC
	Relations employee-company	S.3	Internal	GCC
	Health and safety at work	S.3	Internal	GCC
	Training and education	S.3	Internal	GCC
Labour practices and decent work	Diversity and equal opportunities	S.3	Internal	GCC
Human rights	Assessment of the supplier's labour practices	E.5	Mixed	GCC
	Evaluation of human rights	E.1	Mixed	GCC
	Non-discrimination	S.2, S.4	External	GCC
	Freedom of association and collective bargaining	S.3	Internal	GCC
	Child labour	Non-material	Not applicable	Not applicable
	Forced labour	Non-material	Not applicable	Not applicable
	Safety measures	Non-material	Not applicable	Not applicable
	Rights of the indigenous population	Non-material	Not applicable	Not applicable
Society	Social evaluation of suppliers	E.5	Mixed	GCC
	Local communities	S.4, S.5, S.6	External	GCC
	Anti-corruption	E.1	Mixed	GCC
	Public policy	E.1	Mixed	GCC
	Unfair competition	E.1	Mixed	GCC
	Social-economic compliance	E.1	Mixed	GCC
	Social evaluation of suppliers	E.5	Mixed	GCC
	Health and safety of customers	E.4	Mixed	GCC
	Labelling of products and services	E.4	Mixed	GCC
	Marketing communications	E.1, E.4	Mixed	GCC
Product responsibility	Customer privacy	E.1, E.4	Mixed	GCC
	Regulatory compliance	E.1, E.4	Mixed	GCC

## 7.1 International framework for the drafting of Integrated Reports

Cajamar Group considers the need to report on relevant issues affecting its ability to create value in the short, medium and long term. To this end,

the Group has adopted the international reference framework for the drafting of integrated reports that has been developed by the International Integrated Reporting Council. The integrated report is the most advanced and exhaustive model for integrating and reporting financial and non-financial information.

## INTEGRATED REPORTING <IR>

Aspects included in the integrated report, according to IIRC's content requirements.

	Aspects requested	Pages
Description of the organisation and environment	General description	6-7
	Vision, mission and values	8-9
	Structure	6-7
	Positioning in the financial sector	6-7
	Description of the environment	103-112
Corporate Governance	Bodies and mechanisms of governance	12-13
	Decision-making process	12-13
	Reflection of the culture in the use of capital and its effect	16
	Compensation and value creation	8-9; 12-13; 29-36
Business Model	Value chain	14-16
	Materiality	23
	Stakeholders: identification, selection and management.	20-23
	Creation of shared value	14
Opportunities and Risks	Identification of opportunities and risks	17; 103-114
	Probability of occurrence and opportunity for improvement	18-19; 113-114
Strategy and resource allocation: performance	Objectives and actions developed to achieve them	24-28
	Resource allocation	24-28
	Measurement of achievements and aims	24-28
Future prospects	Expectations of the organisation on the environment and impact on the organisation	87-88
	Preparation of the organisation regarding future prospects	87-88

## 6.2 Global Compact and GRI














Banco de Credito Cooperativo, as leading institution of Grupo Cooperativo Cajamar, is adhered as signatory of the United Nations Global Compact since 2006 and it is committed to implementing the ethics, social responsibility in the company and the sustainability principles, as well as annually reporting on its performance regarding its ten Principles. Through this report, Grupo Cooperativo Cajamar addresses the information requirements established in the Progress Report related to 2017.



### Aspects included in the integrated report, according to the Global Compact's content requirements

Aspects requested		Equivalence in GRI Standards
Human Rights	<b>Principle 1 Companies and Human Rights</b> Companies must support and respect the protection of recognised fundamental human rights	406-1; 407-1; 408-1; 409-1; 413-1
	<b>Principle 2 Violation of the Human Rights</b> Companies must make sure that their companies are not complicit in human rights violations	406-1; 407-1; 408-1; 409-1
Labour Standards	<b>Principle 3 Companies and freedom of association</b> Companies must support the freedom of association and the effective recognition of the right to collective bargaining	102-41, 402-1; 407-1
	<b>Principle 4 Companies and the forced labour and coercion</b> Companies must support the elimination of all forms of forced or compulsory labour	409-1
	<b>Principle 5 Eradication of child labour</b> Companies must support the effective eradication of child labour	408-1
	<b>Principle 6 Discrimination in employment</b> Companies must support the elimination of discrimination in employment and occupation	102-8; 406-1; 414-1 y 414-2
Environment	<b>Principle 7 Companies and the environment</b> Companies must maintain a precautionary approach that favours the environment	301-1 and 301-3; from 302-1 to 302-5; from 303-1 to 303-3; from 304-1 to 304-4; from 305-1 to 305-7; from 306-1 to 306-5; 307-1; 308-1 and 308-2
	<b>Principle 8 Initiatives to respect the environment</b> Companies must encourage initiatives promoting greater environmental responsibility	301-1 and 301-3; from 302-1 to 302-5; from 303-1 to 303-3; from 304-1 to 304-4; from 305-1 to 305-7; from 306-1 to 306-5; 307-1; 308-1 and 308-2
	<b>Principle 9 Dissemination of green technologies</b> Companies must encourage the development and spreading of environment-friendly technologies	301-1 and 301-3; from 302-1 to 302-5; from 303-1 to 303-3; from 304-1 to 304-4; from 305-1 to 305-7; from 306-1 to 306-5; 307-1; 308-1 and 308-2
Anti-corruption	<b>Principle 10 Companies and corruption, extortion and bribery</b> Companies must work against corruption in all its forms, including extortion and bribery	From 205-1 to 205-3; and 415-1

## 6.3 Sustainable Development Goals and GRI (GSSB)

Target	Correspondences with GRI
	202-1; 203-2; FS3; FS6; FS7; 413-1
	201-1; 203-1; 203-2; 413-1
	203-2; 305-1; 305-2; 305-3; 305-6; 305-7; 306-1; 306-2; 306-3; 306-4; 403-2; 404-1
	102-27; 403-3; 404-1
	102-22; 102-24; 201-1; 202-1; 203-1; 406-1; 401-1; 401-3; 403-1; 404-1; 404-3; 405-1; 405-2; 414-1
	303-1; 303-2; 303-3; 306-1; 306-2; 306-3; 306-5
	201-1; 302-1; 302-2; 302-3; 203-1
	201-1; 202-1; 202-2; 203-2; 301-1; 301-2; 302-1; 302-4; 302-5; 303-3; 301-3; FS6; FS7; 102-8; 102-41; 406-1; 407-1; 401-1; 401-2; 401-3; 402-1; 403-1; 403-2; 403-3; 403-4; 404-1; 404-2; 404-3; 405-1; 405-2; 414-1; 414-2
	201-1; 203-1; FS6; FS7
	203-2; FS1; FS2; FS3; FS4; FS5; FS7; FS10; FS11; FS15; FS16; 405-2
	203-1; FS7
	301-1; 301-2; 302-1; 302-2; 302-3; 303-3; 305-1; 305-2; 305-3; 305-6; 305-7; 301-3; 417-1
	201-2; 302-1; 302-2; 302-3; 302-4; 302-5; 305-1; 305-2; 305-4; 305-5
	305-1; 305-2; 305-3; 305-4; 305-5; 305-7; 306-1; 306-3; 306-5
	305-1; 305-2; 305-3; 305-4; 305-5; 305-7; 306-3; 306-5
	307-1; 102-21; 102-22; 102-23; 102-24; 102-25; 102-29; 102-37; 102-16; 102-17; 406-1; 408-1; 410-1; 414-1; 414-2; 416-2; 417-2; 417-3; 418-1; 419-1; 205-1; 205-2; 415-1; 206-1; 419-1
	203-2



## Annex I. GRI content index

GRI Standard	Content	Page/ Omission	Scope	Review
GRI 101: Fundamentals, 2016				
<b>Organisation's Profile</b>				
GRI 102: General content, 2016	102-1 Organisation's name	6	GCC	123-124
	102-2 Activity, brands, products and services	6-7	GCC	123-124
	102-3 Location of the registered office	7	GCC	123-124
	102-4 Location of the operations	6-7	GCC	123-124
	102-5 Ownership and legal form	6-7	GCC	123-124
	102-6 Markets served	6, 53-55	GCC	123-124
	102-7 Organisation's size	6, 7, 50, 61-62	GCC	123-124
	102-8 Information about employees and other workers	115-119	GCC	123-124
	102-9 Supply chain	50-52	GCC	123-124
	102-10 Significant changes in the organisation and its supply chain	7	GCC	123-124
	102-11 Precautionary focus or principle	8-11	GCC	123-124
	102-12 External initiatives	8-9, 56, 74	GCC	123-124
	102-13 Membership in associations	9, 70	GCC	123-124
<b>Strategy</b>				
GRI 102: General content, 2016	102-14 Statement of senior executives responsible for decision-making	4-5, 86-88	GCC	123-124
	102-15 Main impacts, risks and opportunities	17-19, 24-28, 103-114	GCC	123-124
<b>Ethics and integrity</b>				
GRI 102: General content, 2016	102-16 Values, principles, standards and codes of conduct	9-14	GCC	123-124
	102-17 Advisory mechanisms and ethical concerns	10-12, 14, 20-21	GCC	123-124

GRI Standard	Content	Page/ Omission	Scope	Review
<b>Governance</b>				
GRI 102: General content, 2016	102-18 Governance structure	10-13	GCC	123-124
	102-19 Delegation of authority	7, 10-13	GCC	123-124
	102-20 Executive responsibility on economic, environmental and social issues	10-13, 74	GCC	123-124
	102-21 Consultation among stakeholders regarding economic, environmental and social issues	20-21	GCC	123-124
	102-22 Composition of the supreme governing body	10-12	GCC	123-124
	102-23 President of the supreme governing body	13	GCC	123-124
	102-24 Nomination and selection processes of the supreme governing body	10-13	GCC	123-124
	102-25 Conflict of interest	10-12	GCC	123-124
	102-26 Functions of the supreme governing body in selecting objectives, values and strategy	10-13	GCC	123-124
	102-27 Collective knowledge of the supreme governing body	10-12	GCC	123-124
	102-28 Assessment processes of the supreme governing body's performance	10-12	GCC	123-124
	102-29 Identification and management of the social, environmental and economic impacts	10-13, 16, 29-30	GCC	123-124
	102-30 Efficiency of the risk management processes	10-13, 39-40	GCC	123-124
	102-31 Assessment of economic, environmental and social issues	10-13	GCC	123-124
	102-32 Functions of the supreme governing body in the preparation of sustainability reports	10-11	GCC	123-124
	102-33 Communication of critical concerns	10-11	GCC	123-124
	102-34 Nature and number of critical concerns	22-23	GCC	123-124
	102-35 Remuneration policies	12	GCC	123-124
	102-36 Process for determining the remuneration	12	GCC	123-124
	102-37 Involvement of stakeholders in the remuneration	12, 22	GCC	123-124
	102-38 Ratio of the total annual compensation	118	GCC	123-124
	102-39 Ratio of the percentage increase in total annual compensation	118	GCC	123-124
<b>Involvement of stakeholders</b>				
GRI 102: General content, 2016	102-40 List of stakeholders	20-21, 28	GCC	123-124
	102-41 Collective bargaining agreements	28, 121	GCC	123-124
	102-42 Identification and selection of stakeholders	20-21	GCC	123-124
	102-43 Focus on the involvement of stakeholders	20-21, 43-44	GCC	123-124
	102-44 Key issues and problems that have been identified	22-23, 43-44	GCC	123-124
<b>Reporting practices</b>				
GRI 102: General content, 2016	102-45 Institutions appearing in the consolidated financial statements	6	GCC	123-124
	102-46 Description of the report's contents and the coverage of each aspect	3, 22, 90-92	GCC	123-124
	102-47 List of material aspects	22	GCC	123-124
	102-48 Restatement of the information	3	GCC	123-124
	102-49 Changes in the preparation of reports	3	GCC	123-124
	102-51 Date of last report	3	GCC	123-124
	102-52 Report preparation cycle	3	GCC	123-124
	102-53 Contact point to forward queries regarding the report	124	GCC	123-124
	102-54 Declaration of preparing the report in conformance with GRI standards	102	GCC	123-124
	102-55 GRI content index	93-102	GCC	123-124
	102-56 External verification	3, 123-124	GCC	123-124

GRI Standard	Content	Page/ Omission	Scope	Review
<b>ECONOMIC DIMENSION</b>				
<i>Economic performance</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	15	GCC	123-124
	103-2 Management approach and its components	15	GCC	123-124
	103-3 Evaluation of the management approach	15	GCC	123-124
GRI 201: Desempeño económico, 2016	201-1 Direct economic value generated and distributed	15	GCC	123-124
	201-2 Economic consequences and other risks and opportunities arising from climate change	19, 41-42, 112-114	GCC	123-124
	201-3 Obligations deriving from the defined performance plan and other retirement plans	120	GCC	123-124
	201-4 Financial aid received from the government	62	GCC	123-124
<i>Market presence</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	116-118	GCC	123-124
	103-2 Management approach and its components	116-118	GCC	123-124
	103-3 Evaluation of the management approach	116-118	GCC	123-124
GRI 202: Market presence, 2016	202-1: Ratio of initial salary by gender and local minimum salary	118	GCC	123-124
	202-2: Percentage of senior management from the local community	117	GCC	123-124
<i>Indirect economic consequences</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	53-58	GCC	123-124
	103-2 Management approach and its components	53-58	GCC	123-124
	103-3 Evaluation of the management approach	53-58	GCC	123-124
GRI 203: Indirect economic consequences, 2016	203-1: Infrastructure investments and supporting services.	53-58	GCC	123-124
	203-2: Significant indirect economic impacts	15, 53- 55,72-73	GCC	123-124
<i>Procurement practices</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	50-52	GCC	123-124
	103-2 Management approach and its components	50-52	GCC	123-124
	103-3 Evaluation of the management approach	50-52	GCC	123-124
GRI 204: Procurement practices. 2016	204-1: Proportion of expenditure in local suppliers	50	GCC	123-124
<i>Anti-corruption</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	10-11, 31-32	GCC	123-124
	103-2 Management approach and its components	10-11, 31-32	GCC	123-124
	103-3 Evaluation of the management approach	10-11, 31-32	GCC	123-124
GRI 205: Anti-corruption, 2016	205-1: Operations assessed for corruption-related risks	10-11, 31-32	GCC	123-124
	205-2: Communication and training on policies and procedures relating to anti-corruption	10-11, 31- 32, K	GCC	123-124
	205-3: Confirmed cases of corruption and measures adopted	11	GCC	123-124
<i>Unfair competition</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	36	GCC	123-124
	103-2 Management approach and its components	36	GCC	123-124
	103-3 Evaluation of the management approach	36	GCC	123-124
GRI 206: Unfair competition, 2016	206-1: Claims for unfair competition, practices that are monopolistic or anti-competitive	123-124	GCC	123-124

GRI Standard	Content	Page/ Omission	Scope	Review
ENVIRONMENTAL DIMENSION				
<i>Environmental performance</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	76-77	GCC	123-124
	103-2 Management approach and its components	76-77	GCC	123-124
	103-3 Evaluation of the management approach	76-77	GCC	123-124
GRI 301: Materials, 2016	301-01: Materials by weight or volume	77	GCC	123-124
	301-2: Recycled supplies	76-77	GCC	123-124
	301-3: Materials used that are recycled materials	76-77	GCC	123-124
<i>Energy</i>				
GRI 302: Energy, 2016	103-1 Explanation of the material aspect and its Coverage	74-76, 79-84	GCC	123-124
	103-2 Management approach and its components	74-76, 79-84	GCC	123-124
	103-3 Evaluation of the management approach	74-76, 79-84	GCC	123-124
GRI 302: Energy, 2016	302-1: Internal power consumption	76	GCC	123-124
	302-2: External power consumption	75	GCC	123-124
	302-3: Energy intensity	76	GCC	123-124
	302-4: Reduction of energy consumption	74-76, 79-84, a 74-76	GCC	123-124
	302-5: Reductions in power requirements for products and services	74-76	GCC	123-124
<i>Water</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	77	GCC	123-124
	103-2 Management approach and its components	77	GCC	123-124
	103-3 Evaluation of the management approach	77, b	GCC	123-124
GRI 303: Water, 2016	303-1: Water extraction by source	77	GCC	123-124
	303-2: Water sources that have been significantly affected by water extraction	b	GCC	123-124
	303-3: Recycled and reused water	b	GCC	123-124
<i>Biodiversity</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage		GCC	123-124
	103-2 Management approach and its components		GCC	123-124
	103-3 Evaluation of the management approach		GCC	123-124
GRI 304: Biodiversity, 2016	304-1: Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		GCC	123-124
	304-2: Significant impacts of activities, products, and services on biodiversity		GCC	123-124
	304-3: Habitats protected or restored		GCC	123-124
	304-4: IUCN Red List species and national conservation list species with habitats in areas affected by operations		GCC	123-124



GRI Standard	Content	Page/ Omission	Scope	Review
<b>Emissions</b>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	77-78	GCC	123-124
	103-2 Management approach and its components	77-78	GCC	123-124
	103-3 Evaluation of the management approach	77-78	GCC	123-124
GRI 305: Emissions, 2016	305-1: Direct emissions of greenhouse gases (Scope 1)	77-78	GCC	123-124
	305-2: Indirect emissions of greenhouse gases in generating energy (Scope 2).	77-78	GCC	123-124
	305-3: Other indirect emissions of greenhouse gases (Scope 3)	77-78	GCC	123-124
	305-4: Intensity of greenhouse gas emissions	77-78	GCC	123-124
	305-5: Reduction greenhouse gas emissions	c	GCC	123-124
	305-6: Emissions of ozone depleting substances	d	GCC	123-124
	305-7: Nitrogen oxides (NOX), Sulphur oxides (SOX), and other significant air emissions	e	GCC	123-124
<b>Effluents and waste</b>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	76-77	GCC	123-124
	103-2 Management approach and its components	76-77	GCC	123-124
	103-3 Evaluation of the management approach	76-77, j	GCC	123-124
GRI 306: Effluents and waste, 2016	306-1: Total discharge of water, by quality and destination	f	GCC	123-124
	306-2: Waste by type and disposal method	77	GCC	123-124
	306-3: Significant spills	g	GCC	123-124
	306-4: Transport of hazardous waste	h	GCC	123-124
	306-5: Water bodies affected by discharges and/or runoff	i	GCC	123-124
<b>Effluents and waste</b>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	77-78	GCC	123-124
	103-2 Management approach and its components	77-78	GCC	123-124
	103-3 Evaluation of the management approach	77-78	GCC	123-124
GRI 307: Environmental compliance, 2016	307-1: Non-compliance with environmental laws and regulations	77-78	GCC	123-124
<b>Environmental assessment of suppliers</b>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	50-52	GCC	123-124
	103-2 Management approach and its components	50-52	GCC	123-124
	103-3 Evaluation of the management approach	50-52	GCC	123-124
GRI 308: Environmental assessment of suppliers, 2016	308-1: New suppliers that were screened using environmental criteria	50	GCC	123-124
	308-2: Negative environmental impacts in the supply chain and measures taken	50-52	GCC	123-124

GRI Standard	Content	Page/ Omission	Scope	Review
<b>SOCIAL DIMENSION</b>				
<i>Employment</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	116-120	GCC	123-124
	103-2 Management approach and its components	116-120	GCC	123-124
	103-3 Evaluation of the management approach	116-120	GCC	123-124
GRI 401: Employment, 2016	401-1: New recruitment and rotation of employees	116-117	GCC	123-124
	401-2: Social benefits for full-time employees, not offered to temporary or part-time employees	120	GCC	123-124
	401-3: Parental leave	119	GCC	123-124
<i>Relations employee-company</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	22-23, 70, 116	GCC	123-124
	103-2 Management approach and its components	22-23, 70, 116	GCC	123-124
	103-3 Evaluation of the management approach	22-23, 70, 116	GCC	123-124
GRI 402: Relations employee- company, 2016	402-1: Minimum periods of notice for operational changes	70, 116	GCC	123-124
<i>Health and safety at work</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	117-119, 121	GCC	123-124
	103-2 Management approach and its components	117-119, 121	GCC	123-124
	103-3 Evaluation of the management approach	117-119, 121	GCC	123-124
GRI 403: Health and safety at work, 2016	403-1: Employees represented on management-employee health and safety committees	118	GCC	123-124
	403-2: Type and rate of injuries, work-related illnesses, lost days, absenteeism and number of fatalities related to work	117-119	GCC	123-124
	403-3: Workers whose activity has a high incidence or risk of illness	118	GCC	123-124
	403-4: Health and safety issues covered in formal agreements with trade unions	118	GCC	123-124
<i>Training and education</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	59-62, 117	GCC	123-124
	103-2 Management approach and its components	59-62, 117	GCC	123-124
	103-3 Evaluation of the management approach	59-62, 117	GCC	123-124
GRI 404: Training and education, 2016	404-1: Annual average training hours per employee	61	GCC	123-124
	404-2: Programmes to improve the skills of employees and programmes supporting the transition	61-62, 117	GCC	123-124
	404-3: Percentage of employees receiving regular assessment on performance and career development	59-62	GCC	123-124

GRI Standard	Content	Page/ Omission	Scope	Review
<i>Diversity and equal opportunities</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	63-64, 117-118	GCC	123-124
	103-2 Management approach and its components	63-64, 117-118	GCC	123-124
	103-3 Evaluation of the management approach	63-64, 117-118	GCC	123-124
GRI 405: Diversity and equal opportunities, 2016	405-1: Diversity in governance bodies and employees	13-117-118	GCC	123-124
	405-2: Ratio of basic salary and remuneration of men and basic salary and remuneration of women	117-118	GCC	123-124
<i>Non-discrimination</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	10-12, 62-64	GCC	123-124
	103-2 Management approach and its components	10-12, 62-64	GCC	123-124
	103-3 Evaluation of the management approach	10-12, 62-64	GCC	123-124
GRI 406: Non-discrimination, 2016	406-1: Number of cases of discrimination and corrective actions taken	62-64	GCC	123-124
<i>Freedom of association and collective bargaining</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	121	GCC	123-124
	103-2 Management approach and its components	121	GCC	123-124
	103-3 Evaluation of the management approach	121	GCC	123-124
GRI 407: Freedom of association and collective bargaining, 2016	407-1: Operations and suppliers in which freedom of association and right to collective bargaining may be violated	121	GCC	123-124
<i>Evaluation of human rights</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	70-73	GCC	123-124
	103-2 Management approach and its components	70-73	GCC	123-124
	103-3 Evaluation of the management approach	70-73	GCC	123-124
GRI 412: Evaluation of human rights, 2016	412-1: Operations that have been subject to human rights reviews or impact assessments	70-73	GCC	123-124
	412-2: Employee training on human rights policies or procedures	62	GCC	123-124
	412-3: Significant investment agreements and contracts that include derechos human rights clauses or that underwent human rights screening	70	GCC	123-124
<i>Local communities</i>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	71-74	GCC	123-124
	103-2 Management approach and its components	71-74	GCC	123-124
	103-3 Evaluation of the management approach	71-74	GCC	123-124
GRI 413: Local communities, 2016	413-1: Operations where development programmes, impact evaluations and local community participation	65-69	GCC	123-124
	413-2: Operations with significant negative effects, potential and actual, on local communities	65-73	GCC	123-124

GRI Standard	Content	Page/ Omission	Scope	Review
<b>Social evaluation of suppliers</b>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	50-52	GCC	123-124
	103-2 Management approach and its components	50-52	GCC	123-124
	103-3 Evaluation of the management approach	50-52	GCC	123-124
GRI 414: Social evaluation of suppliers, 2016	414-1: New suppliers that were selected based on criteria relating to social impact	50-52	GCC	123-124
	414-2: Significant negative impacts in the supply chain, and measures adopted	50-52	GCC	123-124
<b>Public policy</b>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	11	GCC	123-124
	103-2 Management approach and its components	11	GCC	123-124
	103-3 Evaluation of the management approach	11	GCC	123-124
GRI 415: Public policy, 2016	415-1: Contributions to parties and/or political representatives	11	GCC	123-124
<b>Health and safety of customers</b>				
GRI 416: Health and safety of customers, 2016	103-1 Explanation of the material aspect and its Coverage	45-46	GCC	123-124
	103-2 Management approach and its components	45-46	GCC	123-124
	103-3 Evaluation of the management approach	45-46	GCC	123-124
GRI 416: Health and safety of customers, 2016	416-1: Evaluation of the health and safety impacts of the categories of products and services	45-46	GCC	123-124
	416-2: Number of incidents derived from non-compliance relating to health and safety impacts of the categories of products and services	45-46	GCC	123-124
<b>Marketing and labelling</b>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	10-12, 45-46	GCC	123-124
	103-2 Management approach and its components	10-12, 45-46	GCC	123-124
	103-3 Evaluation of the management approach	10-12, 45-46	GCC	123-124
GRI 417: Marketing and labelling, 2016	417-1: Information required and the labelling of products and service	45-46	GCC	123-124
	417-2: Number of infringements relating to information on and labelling of products and services	45-46	GCC	123-124
	417-3: Number of infringements relating to marketing communications	45-46	GCC	123-124
<b>Customer privacy</b>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	10-12, 45-46	GCC	123-124
	103-2 Management approach and its components	10-12, 45-46	GCC	123-124
	103-3 Evaluation of the management approach	10-12, 45-46	GCC	123-124
GRI 418: Customer privacy, 2016	418-1: Claims based on the infringement of privacy and the leaking of customer details	45-46	GCC	123-124
<b>Social-economic compliance</b>				
GRI 103: Management approach, 2016	103-1 Explanation of the material aspect and its Coverage	46	GCC	123-124
	103-2 Management approach and its components	46	GCC	123-124
	103-3 Evaluation of the management approach	46	GCC	123-124
GRI 419: Social- economic compliance, 2016	419-1: No-compliance of laws and regulations in the social and economic scope	46	GCC	123-124

GRI Standard	Content	Page/ Omission	Scope	Review
SPECIFIC CONTENTS OF THE FINANCIAL SECTOR				
<i>Impact of products and services</i>				
FS1	Policies with specific environmental and social aspects applied to business lines	10-11, 50-51	GCC	123-124
FS2	Procedures for evaluating and monitoring social and environmental risks in business lines	39-40, 74	GCC	123-124
FS3	Processes to monitor the implementation by customers of the social and environmental requirements included in contracts or transactions	39-40	GCC	123-124
FS4	Processes to improve employee competence for implementing environmental and social policies and procedures applied to the business lines	61-62	GCC	123-124
FS5	Interactions with customers/investee companies/business partners relating to environmental and social risks and opportunities	20-21, 46	GCC	123-124
FS6	Percentage of the portfolio for business lines	38-39, I	GCC	123-124
FS7	Monetary value of the products and services designed to provide specific social benefits for each line of business broken down according to its purpose	56-58, 72- 73, 79-84	GCC	123-124
FS8	Monetary value of the products and services designed to provide a specific environmental benefit for every itemised line of business according to its intention	56, 77	GCC	123-124
<i>Audit</i>				
FS9	Audit coverage and frequency to assess the implementation of environmental and social policies and risk assessment procedures	m	GCC	123-124
<i>Active ownership</i>				
FS10	Percentage and number of companies in the institution's portfolio with which the organisation has interacted on environmental and social topics	39-40	GCC	123-124
FS11	Percentage of assets subject to both positive and negative environmental or social controls	39-40	GCC	123-124
FS12	Voting policies for environmental or social issues in participations over which the organisation holds the right to vote or voting recommendation	74, n	GCC	123-124

GRI Standard	Content	Page/ Omission	Scope	Review
<i>Local communities</i>				
FS13	Access to financial services in unpopulated/disadvantaged areas by access type	65-68	GCC	123-124
FS14	Initiatives to improve access for people with disabilities or impairments	47-49, 65-67	GCC	123-124
<i>Labelling of products and services</i>				
FS15	Fair trade policies of financial products and services	46	GCC	123-124
FS16	Initiatives to enhance financial culture, broken down by type of beneficiary	85	GCC	123-124

Note:

- (a) Grupo Cooperativo Cajamar has not established the power consumption reduction in 2017; therefore, this information is not available. It is planned to be established in the Eco-efficiency Plan's five-year period
- (b) The institution's offices are in urban centres; therefore, water is both drawn from and discharged via the urban network
- (c) Grupo Cooperativo Cajamar has not established the reduction of greenhouse gas emissions in 2017; therefore, this information is not available. It is planned to be established in the Eco-efficiency Plan's five-year period
- (d) Given the institution's activity, substances that deplete the ozone layer are not generated
- (e) Given the institution's financial activity, significant emissions into the air are not produced
- (f) The Institution draws water from and discharges it to the urban network
- (g) The Institution's offices are located in urban centres, and its activity does not generate spills
- (h) The Institution does not transport waste
- (i) The Institution's offices are located in urban centres; therefore, it has no impact on protected natural areas and/or biodiversity
- (j) This information is not relevant given the Institution's financial activity
- (k) The information related to the distribution by professional status is not available. The Group will establish the internal procedures to provide the information in the medium term
- (l) The information related to the breakdown of the portfolio for lines of business by region is not published for confidentiality reasons
- (m) Currently unavailable - Cooperative Group Cajamar is working on identifying the social and environmental risks, as well as developing actions aimed at implementing audits that assess these risks. The Group will establish the procedures to provide the information in the medium term
- (n) Regarding voting intentions of Cooperative Group Cajamar on environmental issues, all decisions adopted, both internally and related to adhered institutions and investee companies, will follow the action guidelines established in the Environmental Policy of the Group

**This report has been drawn up in accordance with the GRI Standards: Comprehensive Option**

Cooperative Group Cajamar supports the GRI initiative, the main objective of which is to promote among the organisations the production of sustainability reports containing the measurement, disclosure and accountability with respect to all its stakeholders of the performance and the objective of sustainable development. Therefore, the Group has prepared this report under the guidelines set out in the "Guide for the Preparation of GRI Sustainability Reports", in its new STANDARDS version, and under the criteria set forth in the financial supplement.

## Annex II. Analysis of the environment

### Political environment

The year 2017 was noted for a clear situation of political instability in Spain. The political tension in Catalonia, arising from the institutional conflict, has had a noticeable repercussion on the regional economy and the entire Spanish economy in terms of consumption and investment in general and in business relocation in particular. The regional elections held in December 2017 were not decisive in terms of resolving many of the uncertainties generated by the independence process and its defiance of the State. Therefore, the uncertainty and instability will continue to be the main characteristics of the political situation. In addition, the problem of corruption, as well as the existence of a central government that governs in minority with a fragmented parliament, has a further negative impact on Spain's political instability.

On the other hand, the international political situation in 2017 was mainly affected by the Jihadist threat, including the Barcelona attacks in August, the war in Syria and the rise in tensions between the USA and North Korea. The Trump Administration is maintaining its political proposal based on a new protectionism, bilateralism and denialism (climate change). A tax reform was initiated in 2017 that will involve substantial tax reductions aimed at benefiting companies, and it will have significant potential effects on inequality and tax collection. The European Union has corrected the effects arising from the Brexit, the year 2017 being a decisive year for

laying the foundations to reconfigure the relations between the United Kingdom and the European Union in a new more fragmented and complex political scenario. The EU's economic growth and stability has helped revitalise the Euroscepticism that had resurfaced during the crisis.

#### Trends of the political environment

Political uncertainty and instability

Lack of international consensus,  
conflict and tension

Protectionist rise and changes  
in international relations  
and bilateral emergence

103

### Economic environment

The world economy's behaviour has stabilised in 2017 registering a significant growth mainly favoured by the economic-business confidence and, in general, due to the proliferation of neutral or expansive tax policies in the different geographical areas in the world. In spite of the political uncertainty, the world economic growth is generally in positive figures, in both the more advanced and emerging countries, with the aid of stabilising elements such as China's growth, Brazil's or Russia's recovery, the

depreciation of the US dollar, the drop in energy costs and the favourable behaviour of the financial markets. These financial markets have high levels of liquidity without having any complex effects on the inflation levels. However, the central banks, among them the ECB, have gradually started to eliminate monetary stimuli with the aim of adapting to the new economic situation and avoiding any overreaction in the markets. This gradual withdrawal of stimuli and reduction of monetary facilities will most likely result in a low or negligible rise of interest rates for 2018 and a more significant increase in 2019. A moderate increase will alleviate in the medium term the financial institutions' narrow margins and the loss of profitability in the conventional financial intermediation.

On the other hand, the Spanish economy grew above 3% in 2017 for the third consecutive year. This increase again exceeds the European economy's growth and has been negatively affected by the institutional situation in Catalonia. The Spanish economic recovery, which is benefiting from the world and EU economic growth, has been supported by the customised monetary policies with an expansion of the monetary offer, a clear fiscal easing and the existence of favourable financial conditions to stimulate economic activity. Exports have not been a defining element in Spain's economic growth. However, the favourable environment for economic growth contrasts with the short-term inflationary signs, though predicting a deflationary environment.

The growth is positively influencing employment creation and unemployment rates. In addition, it is

allowing for a greater margin to achieve the deficit target, although public debt is at all-time highs and the Social Security and the pensions scheme is undergoing certain imbalances due to the decapitalisation of the Reserve Fund.

The year 2017 has left a positive balance for the financial markets, which have shown generally a clear upward trend in the last quarter, without any concerning signs of volatility compensated by a stabilisation of the euro exchange rate following its appreciation in the first nine months of the year.

In spite of having an effect in the oil's appreciation, the OPEC's demand and offer restrictions do not seem to be a problem that will influence the economy's trajectory due to the efforts made in diversifying energy and the existence of alternative productions resulting from the price rise.

### Trends of the economic environment

Consolidation of growth and employment, although tending towards moderation

Gradual withdrawal of monetary stimuli with little signs of inflation

Financial markets with growth and little volatility



## Sectoral environment

On the other hand, the economic growth and the markets' positive financial situation are laying the foundations for an increased banking activity aimed more at the productive activity and growth than to restructuring and adjustments. However, the effects of the financial crisis, in addition to the very low interest rates, has continued accelerating the structural changes in the banking sector, which has been subject to a prudential regulatory pressure without precedent in recent times and where the market rules have changed significantly. These changes are being advanced due to the narrow margins and the deep changes that are occurring in financial intermediation and that are disrupting the traditional business model. This traditional model increasingly requires much more flexible institutions, in both technological and organisational terms, that are able to integrate new ways of working, as well as regulations, new competences and a more modern risk management. And all of this, while placing the customer (protection and experience) in the centre of the strategic analysis.

An environment of low interest rates calls for new business formulas, and the sector must face its main challenge: the search for income and profitability. Therefore, more loans should be granted, further profitability must be generated and the environment must be influenced positively, with the purpose of regaining the strength, credibility and reputation that the Spanish banking industry has lost in recent years. However, reducing the existing capacity and improving the management of channels (an omni-channel approach) will have a positive effect on the traditional institutions' transformation costs.

The current cost structure, the reduction of margins and the emergence of new competitors (technological groups, distribution groups that carry out financial disintermediation functions, fintech groups and neobanks, among others) is further aggravating the situation of the traditional banking model and accelerating the digital transformation process, which should also result in an improvement of the customers' experience.

### Trends of the sectoral environment of the banking industry

Very narrow margins

New customer protection environment MiDIF II

Moderate reactivation of lending and the real estate activity

Reduction of the existing capacity

105

The situation of certain European institutions in 2017, in which for the first time the Single Resolution Board had to intervene as a result of a decision by the Single Supervisory Mechanism (SSM) to resolve an institution's solvency situation, has once again highlighted the weaknesses of a still inconclusive EU Banking Union that is still missing a third component to complement the other two (SSM and SRM): the European Deposit Guarantee Scheme (EDGS).

## Legal and regulatory environment

In 2017, changes in the legal, jurisprudence and regulatory environment that directly affect the banking sector have intensified again. These changes mainly focus on adopting prudential measures in terms of governance; providing financial stability and information; readjusting the regulatory capital, risk management and the sector's general order; encouraging the access to financing by companies and families; and guaranteeing the protection of the user of banking services. International regulations, such as the MiFID II, the General Data Protection Regulation (GDPR), the PSD2 and the IFRS9, have forced banks to adapt to the new patterns and rules within the scope of client protection and empowerment, bank payments and accounting provisions, respectively. These regulations will have a transversal impact on the banking industry, and it will have to readjust its business models in terms of efficiency, costs, moral risk reduction and information symmetry.

It can be said that the changes in the legal and regulatory environment continue to focus on mechanisms and controls that are even more stringent and more exhaustive in evaluating and classifying risks, guaranteeing that the institutions have the suitable regulatory capital and provisions, assessing and guaranteeing best practices in corporate governance and enabling the users to access loans in stricter conditions of information symmetry and balance in the contractual rights and obligations. This tendency, without a doubt, will involve further regulatory and operational costs for

all institutions, as well as a greater reduction of margins in a context of especially adverse interest rates for the sector that has still not become the decisive leverage to stimulate a productive economy and economic growth.

### Trends of the legal and regulatory environment

Further regulatory pressure, capital and costs

Adaptation of the business models in terms of efficiency and cost reduction

Governance, sustainable finances and non-financial information

Information symmetry, customer protection and financial inclusion

Throughout 2017, the focus on customer protection did not only involve the regulatory scope. Specifically, jurisprudential interpretations and initiatives took place giving rise to the possibility of new risks and potential costs for the banking sector, which span from identifying unfair terms (e.g. collar clauses, mortgage-related formalisation expenses, etc.) to the partial invalidity of certain products due to a lack of transparency, such as the nullity declaration by the Supreme Court regarding the multicurrency mortgage.

The decision of the Court of Justice of the European Union at the end of year 2016 on the limited retroactive application of the so-called “cláusulas suelo” (collar clauses) in mortgage operations forced Grupo Cooperativo Cajamar to cover the potential cost of the reimbursement of customers. However, the impact has been measured and controlled, as in 2013 Grupo Cooperativo Cajamar took the necessary preventive and mitigating measures in terms of its contracts (elimination of the controversial collar clauses) and its provision (provision for the risk) so it could face a ruling of this nature with guarantees.

In this sense, the relationships between governance, risk management and user protection are increasingly closer. This, necessarily, forces the development of policies, measures and instruments by the banking institutions based on robust methodologies and strategies that guarantee the economic-financial feasibility at a short, mid and long term, as well as the encouragement of stable and fair relationships with the users. As a result, the Group has assessed all its products throughout their life cycle with the aim of guaranteeing the consumer’s protection.

On another note, it is important to highlight that in 2017 there has been a qualitative leap in non-informational reporting, that is, reporting on the social and environmental activity of organisations since the establishment of Royal Decree 18/2017 of 24 November on the dissemination of non-financial information, which transposes EU Directive 2014/95. On the basis of this provision, large institutions have to include in their Integrated report information about their non-financial policies, measures

and instruments. This involves changing the reporting model in this country, shifting from the concept of communicating performance to the concept of accountability while reinforcing the objective of creating added value. In this respect, Grupo Cooperativo Cajamar has been reporting financial and non-financial information in its Integrated report since 2014, which complements the information contained in the Group’s Director’s Report.

The European Union, through the HLEG (High Level Expert Group on Sustainable Finance), is analysing how to integrate sustainability and the financial activity in order to deal with the upcoming challenges we face in fighting against the climate change. Specifically, the Act on Climate Change and Energy Transition has been drafted throughout 2017, which will become a key tool to guarantee the achievement of the commitments made by Spain to the EU in relation to the Paris Agreements. The European Union deems especially important to gather public and private resources in order to achieve the climate change objectives, where the financial sector will have a particular relevance therein.

Finally, without entering into detail, a legislative milestone was reached in 2017 that will affect the banking industry’s commercial offer and product catalogue significantly. Royal Decree 19/2017 of 24 November on basic payment accounts, account switching and comparability of payment account fees involves the incorporation into the Spanish legal system of EU Decree 2014/92 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features, with the

following main objectives: i) facilitate the access of potential customers to the basic banking services; ii) improve the transparency and comparability of payment account fees; and iii) improve the transfer of payment accounts. Ultimately, it involves launching a new tool in the scope of financial inclusion that consists in guaranteeing universal access to a basic payment account.

## Technological environment

In 2017 the banking sector experienced major developments in the digital transformation process. The extensive change that the banking industry is experiencing in its costs and revenues structure, which is fuelled by the low interest rates, is forcing to assume visible changes in the culture, changes in the ways of doing things, changes in the value chain, changes in the way of relating with the customer, and, thus, changes in the management of resources. The digital transformation process has put the focus on the customer, and the customer is the first player to benefit in terms of accessibility, information, support, customisation and customer experience. The customisation and perception of proximity will be essential in successfully implementing this entire process.

Without a doubt, we are before a new technological paradigm that will change the approach to banking, with the appearance of new financial and non-financial operators, as well as of new products

and banking and banking-related services. The number of customers that interact with the institutions via digital channels is continuously increasing, but so has the depth and intensity of this interaction, forcing the institution to adapt the channels to the disabled people. We are before a situation that the Internet had already anticipated: a rise in the number of operators, which on the other hand is occurring at the same time as an obvious disintermediation process with implications in the pricing, design, communication and distribution policies. This process is currently further aggravated by the digital transformation and the indiscriminate increase of mobile devices and interfaces.

Indeed, the new technological intermediaries/operators that are offering banking services (fintech), on many occasions, are favouring the non-bankarization of strategic customer sectors, such as is the case of the youth (the so-called Millennials), whose expectations in terms of the relationship are very different to the traditional model. Therefore, banking institutions must operate by strategically integrating the financial activity, the payment systems and the new technologies in a new business model that requires further regulation and a more certain transactional horizon. In this sense, Grupo Cooperativo Cajamar has established within this scope a strategy of realistic balance between its commitment towards innovation and the upcoming regulatory proposals. All of this must be carried out with one eye on how the market and the user's behaviour evolves, with the aim of

providing efficient, reliable and secure financial solutions.

This new approach must be compatible with the so-called open architecture, with new needs in terms of cybersecurity and with the new concept that started to acquire force in 2015: the omnichannel approach.

The omnichannel approach is a conceptual advance with significant strategic consequences. If the multichannel approach involved a major development in the complementarity of the different physical and digital channels, the omnichannel approach involves the strategic and combinatorial integration of all the Institution's channels. Grupo Cooperativo Cajamar has developed its strategic concept of omnichannels from a transactional and operational vision to a vision based on customer proximity (360 approach) and financial advisory services.

### Trends of the technological environment and of digital transformation

*Cybersecurity*

*Big digital transformation*

*Omnichannel approach*

*New customer experience*

The process of adapting to these extensive changes involves managing technology, change and the priorities that will help make compatible the benefits of a traditional banking model, which is sufficiently proven, reliable and scalable, with a new, more innovative way of approaching banking, but which entails new challenges and opportunities in a much more collaborative environment. The implementation of the following two especially innovative, cross-cutting and customer-oriented projects in 2016 is an example of this commitment towards the business' projection via digital transformation: the International Platform, aimed at providing the micro, small and medium-sized enterprises access to the international markets; and the Public Aid Platform, which is aimed at providing companies and entrepreneurs information about subsidies and public aid for entrepreneurship, the improvement of competitiveness and internationalisation.

The importance that big data is acquiring within the scope of business and, especially, in the banking industry is worth mentioning. The Institution currently applies big data in four areas as a concept, methodology and/or tool: i) Global risk management; ii) Business intelligence; iii) Cost saving and efficiency; and iv) Storage of historical data. Grupo Cooperativo Cajamar decided to design in 2015 the technological infrastructures that it would employ, and in 2016 and 2017 it gradually applied them to the aforementioned four lines. In the upcoming year it has planned to open new lines in which it will be applied according to new needs that are emerging from the different functional units.

Finally, in 2017 Grupo Cooperativo Cajamar started to analyse blockchain technology with the aim of identifying possible future applications for the banking industry and its business model.

## Environmental setting

As in previous years, 2017 has been a year in which there has been concern regarding the assumption of global environmental policies and measures, especially those related to the climate change. The climate summits of Marrakech (COP22) and Bonn (COP23) of 2016 and 2017, respectively, followed the 2015 summit in Paris with the aim of delving further into the agreements, measures and policies required to slow down the inertia of global warming and to mitigate the effects on the economic systems.

### Trends of the environmental setting

Greater regulation

Uncertainty of the measures to be taken against climate change

Increase of the stakeholders' environmental requirements

The European Union is the driving force in the fight against climate change, although the Trump

Administration's recent position is hampering the substantial progress resulting from the commitments assumed by the USA and China, which are the countries that pour most greenhouse gas emissions to the atmosphere. The current approach to climate change forces upon countries very significant reductions in greenhouse gas emissions, which will make companies and organisations invest more time calculating the carbon footprint, fine tuning and becoming stricter in the calculations, as Grupo Cooperativo Cajamar is currently doing. In addition, everything points towards legislation being increasingly more decisive and restrictive in order to face the change of the production model towards a low-carbon economy. Therefore, greater commitment will be demanded from organisations in terms of mitigation, reduction and compensation of greenhouse gases.

As mentioned beforehand, the European Union, through the HLEG (High Level Expert Group on Sustainable Finance), has initiated a complex process that will involve both the public agents and the private financial agents, trying to integrate the objectives related to climate change and financial activity

## Social environment

In 2017 the population continued to show a decreasing trend. In fact, since 2009 the Spanish population was below 46 million for the first time, although currently, as in the previous year, this deterioration is slowing down in absolute and relative figures. The

socio-economic crisis, the decrease in demographics and the population's gradual ageing process, together with the current high unemployment and low employment rates, continue to intensify the structural problem of Spanish demographics, and consequently, the social protection system.

The general economic recovery is currently not enough to significantly improve the levels of precariousness and poverty of a large number of families, especially due to the degradation of the Welfare state and the social policies. This translates into greater inequality and a significant rise of the increasingly concerning cases of social and/or financial exclusion. Faced with this situation, the legislator continues to substantially extend the requirements for the banking sector in terms of protecting the mortgage debtor and the user of banking services, as well as in terms of accessing basic banking services. In fact, in 2017 the provisions established in the EU Decree 2014/92 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features, which guarantee citizens the availability of a basic bank account, have been developed in the Spanish regulation.

The concern of the Spanish people in 2017 focused on the recurring themes of recent years marked by the economic crisis, as well as the specific issue of the Catalan conflict, which has taken on particular importance in the last months of the year and which the elections were not able to solve.

The main topics that concern the Spanish people are, in this order, unemployment, political corruption and the economic situation. With respect to the perception of the banking sector, despite the loss of reputation in recent years, the Spanish people do not consider it a major issue.

### Trends of the social environment

Unemployment and lower  
quality employment

Poverty, inequality  
and exclusion problems

Ageing of the population and tensions  
in the situation of the public social  
protection system

## Risk factors identified from analysing the macro-environment

Macroenvironment	Political	<ul style="list-style-type: none"> <li>Political uncertainty and instability</li> <li>Lack of consensus, conflict and tension</li> <li>Protectionist rise and changes in international relations and bilateral emergence</li> </ul>	R5 R11 R6 R9
	Economic	<ul style="list-style-type: none"> <li>Consolidation of growth and employment, although tending towards moderation</li> <li>Gradual withdrawal of monetary stimuli with little signs of inflation</li> <li>Financial markets with growth and little volatility</li> </ul>	R1 R4 R7 R11 R2 R5 R8 R3 R6 R9
	Sectoral	<ul style="list-style-type: none"> <li>Very narrow margins</li> <li>New customer protection environment MiDIF II</li> <li>Moderate reactivation of lending and the real estate activity</li> <li>Reduction of the existing capacity</li> </ul>	R1 R4 R7 R10 R2 R5 R8 R11 R3 R6 R9 R12
	Legal regulatory	<ul style="list-style-type: none"> <li>Further regulatory pressure, capital and costs</li> <li>Adaptation of the business models in terms of efficiency and cost reduction</li> <li>Governance, sustainable finances and non-financial information</li> <li>Information symmetry, customer protection and financial inclusion</li> </ul>	R3 R10 R5 R12 R9
	Technological	<ul style="list-style-type: none"> <li>Cybersecurity</li> <li>Big Data and blockchain</li> <li>Omnichannel approach</li> <li>New customer experience</li> </ul>	R10 R12
	Environmental dimension	<ul style="list-style-type: none"> <li>Greater regulation</li> <li>Uncertainty of the measures to be taken against climate change</li> <li>Increase of the stakeholders' environmental requirements</li> </ul>	R1 R9 R10
	Social	<ul style="list-style-type: none"> <li>Unemployment and lower quality employment</li> <li>Poverty, inequality and exclusion problems</li> <li>Ageing of the population and tensions in the situation of the public social protection system</li> </ul>	R1 R4 R9

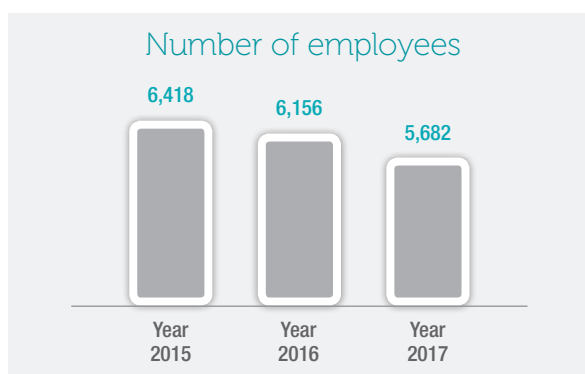


## Annex III. Material risks, definitions and risk appetite framework

Material risk	Definition for the Group	Group's appetite framework
R1 Credit risk	Credit risk is the possibility of incurring in losses due to the default in loans granted to customers.	Financing the business activity carried out by the Group involves a medium credit risk, which is mitigated by the financing of individuals, especially in the segment of mortgage loans. Overall, the Group's credit risk is medium-low, requiring it to adopt maximum diligence in granting risk and the existence of policies and controls that mitigate this exposure
R2 Business risk	Business risk is the possibility of not generating sufficient earnings due to idiosyncratic or systemic factors.	The Group's business strategy involves that the main sources of income generation are the differential between the interest rates paid to customers for their deposits and those collected from credit investment, which is made visible in the net interest income, and the services provided to customers that entail fees. The nature of retail banking, close to the customer and the deployment territory means that it has to renounce to other banking business lines, such as investment banking. This business model generates a stable recurrent margin, but on the other hand is more sensitive to the evolution of certain key variables, such as interest rates or the economy's general trend, which have an influence on the cost of NPLs. To mitigate these risks, the provision of an excellent customer service, the individual diversity in assets and liabilities and the existence of a consistent price policy that also ensures the assignment of a suitable price for each of the products and services offered to our customers is essential. This maintains a low-medium business risk for the Group
R3 Financing and liquidity risk	Financing and liquidity risk is the possibility of incurring in further financing costs or in losses from a shortage of liquid funds when they are required or the difficulty of maintaining the desired financial structure.	GCC's financing structure must be coherent with its business model, and it must therefore revolve around traditional financing through demand and term deposits. The customers are the main source of the Group's value generation, and the liability positions are the best example of their loyalty. This profile should be completed with a moderate activity in the wholesale financing markets, which, in accordance with the relative size and importance of the Group, allows diversifying sources and having presence in and the capacity to access the markets and optimising the Group's capital cost. The Group's treasury management must guarantee a comfortable liquidity position with a conservative profile that includes an efficient use of the funds with a low liquidity risk. To this end, the Group must maintain a sufficient level of liquid assets to respond to its liabilities and closest maturities with a high level of confidence. As a result the financing and liquidity risk is medium-low
R4 Property risk	Property risk is part of the credit concentration risk and it involves the risk of property devaluation.	In spite of the credit exposure to the property segment being limited by our Credit Risk Manual to 15% of the total credit exposure, the property risk is medium-low due to our vocation towards retail banking, where mortgages are the most important factor
R5 Market risk	Market risk is the possibility of incurring in losses in portfolio positions due to the effect of adverse movements in market prices	The Group has a medium-low market risk, and the objective is to 1) diversify and complement the generation of results from banking services and 2) attend its activity's operational and regulatory needs

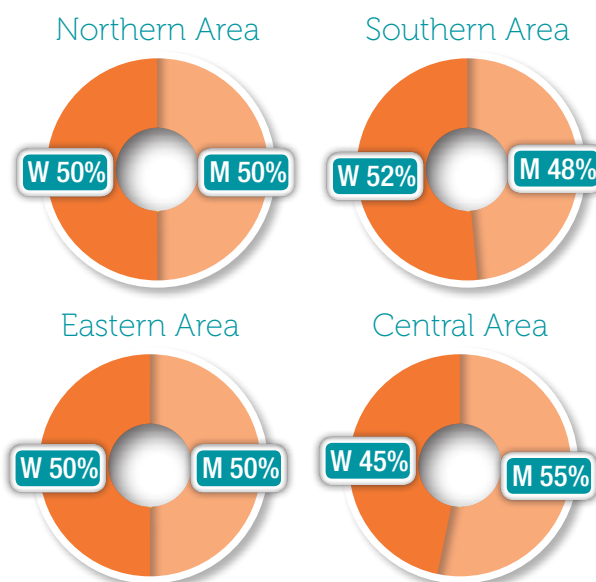
R6 Sovereign and macroeconomic risk	Sovereign and macroeconomic risk is the risk associated with resident debtors of a country due to circumstances other than those of common commercial risk, measured in terms of exposure concentration by country and in terms of evaluation/assessment of the sovereign exposure in the country of residence.	In spite of not being part of the institution's strategy to generate business assuming speculative exposures that involve exposure to sovereign risk, such as reflected by our limit to credit exposure with public authorities established in our Credit Risk Manual to 15% of the total credit exposure, the new liquidity regulatory requirements are forcing institutions to permanently hold high quality liquid assets (mainly cash and sovereign debt). As a result, we must maintain this type of exposures and, consequently, our sovereign and macroeconomic risk should be considered medium-low
R7 Concentration risk	The possibility of the credit risk worsening due to the accumulation of credit exposure in few customers, geographical areas or economic sectors.	Applicable to the appetite framework specified in the Credit risk (medium-low)
R8 Interest rate risk	The interest rate risk is the possibility of suffering losses due to the potential impact of changes in interest rates on the institution's profits or the net value of its assets.	In relation to this risk, which is inherent to the activity, the Group must implement a financial and commercial policy with minimum exposure to interest rate risk, thus maintaining its medium-low risk in terms of economic value and financial margins
R9 Reputational risk	Reputational risk is the possibility of business or economic losses arising from adverse news or conflicts with customers.	The organisation must provide an excellent service to its customers and partners and invest efforts in a solid and sound balance structure as a way to maintain the reputational risk within a medium-low range. In addition, the Group's cooperative nature has a specific impact on this risk, due to partner-customer figure and our strong involvement and integration in the social and economic environment of our main business areas, especially those related to the agro-food sector.
R10 Operational risk	Operational risk is the possibility of suffering losses as a consequence of errors in processes, systems, and technical and human resources, including internal and external fraud and legal risk.	The operational risk is low, and all the areas or internal branches are required to adopt measures in order to prevent or mitigate any significant operational risks, for which a decentralised operational risk management system has been implemented; it is coordinated from the Operational Risk Control Office. Risk prevention or mitigation must be established as a priority through preventive controls, and these can be complemented implementing mitigating controls
R11 Exchange risk	This risk is the possibility of suffering losses stemming from adverse fluctuations in the exchange rates of the currencies in which the Group's off-balance-sheet assets, liabilities and transactions are expressed.	The Group carries out its activity in Spain; it essentially takes position in foreign currency as strictly necessary to help in the operating requirements of its customers. As a result, GCC's exchange risk is medium-low
R12 Technological risk	Technological risk is the possibility of incurring in losses due to damages, interruptions, alterations or failures resulting from the use of or dependency on information technologies when providing banking services.	Technology has become an essential part of the banking business, and it is subject to a continuous innovation and development that occurs at an increasing pace. Among its greatest achievements, in addition to its operational and information processing achievements, is the possibility of establishing further interactivity between the organisation and its stakeholders. Its broad scope exposes the organisation to system failures and cyberattacks. The process of Overall Technological Risk Management (ICT) is the process by means of which the company establishes its level of appetite and tolerance to these risks, identifies and mitigates the potential risks, and prioritises the risk tolerances and internal controls of the business' different initiatives. The ultimate goal of risk management is its optimisation in terms of acceptable level of residual risk vs opportunity; as the Group cannot completely mitigate this risk, it tries to maintain it within a medium-low range. Having reliable and secure technological services is an essential condition to the institution operating properly

## Annex IV. Staff profile



### Employment stability

Employees with permanent contracts	97.55%
Full-time employees	97.94%



### Distribution of Cooperative Group Cajamar's staff by employment contract and gender

Gender	Year 2015		Year 2016		Year 2017	
	Permanent Contract	Temporary Contract	Permanent Contract	Temporary Contract	Permanent Contract	Temporary Contract
Men	3,302	100	3,129	78	2,781	62
Women	2,964	52	2,884	65	2,762	77
Total	6,266	152	6,013	143	5,543	139

### Distribution of Cooperative Group Cajamar's staff by type of working day

Gender	Year 2015		Year 2016		Year 2017	
	Complete working day	Reduced working day	Complete working day	Reduced working day	Complete working day	Reduced working day
Men	3,308	94	3,148	59	2,818	25
Women	2,916	100	2,847	102	2,747	92
Total	6,224	194	5,925	161	5,565	117

### Geographical distribution<sup>1</sup> of Cooperative Group Cajamar's staff

Area	Year 2015		Year 2016		Year 2017	
	M	W	M	W	M	W
North	17	16	15	15	18	18
South	1,254	1,184	1,178	1,188	1,039	1,113
East	1,789	1,552	1,682	1,484	1,471	1,450
Central	342	264	332	262	315	258
Total	6,418		6,156		5,682	

1) The northern area includes data from the regions of Galicia, Asturias, Cantabria, Basque Country and Navarra; the central area includes data from La Rioja, Aragon, Castilla y Leon, Madrid, Castilla-La Mancha and Extremadura; the Eastern area includes data from Catalonia, Valencia, Murcia and the Balearic Islands; and the Southern area includes data from Andalusia, the Canary Islands, Ceuta and Melilla.

### Breakdown of GCC's staff distributed by groups of age, gender and geographical area - 2017

Area	Age up to 35 years old			From 36 to 55 years old			> 55 years old			Total		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
North	5	4	9	13	14	27	0	0	0	18	18	36
South	91	179	270	893	926	1,819	55	8	63	1,039	1,113	2,152
East	97	230	327	1,345	1,214	2,559	29	6	35	1,471	1,450	2,921
Central	45	67	112	257	188	445	13	3	16	315	258	573
<b>Total</b>	<b>238</b>	<b>480</b>	<b>718</b>	<b>2,508</b>	<b>2,342</b>	<b>4,850</b>	<b>97</b>	<b>17</b>	<b>114</b>	<b>2,843</b>	<b>2,839</b>	<b>5,682</b>

### Evolution of new recruitments

New continuing recruitments	41	89.13%
New recruitments who stop working	5	10.87%

Mobility: In the event of a period of posting longer than three months, the advance notice should not be less than 5 working days..  
In addition, in the event of a transfer or a substantial change in the working conditions, the advance notice may not be less than 30 days.

### No. and % of new recruitments in GCC distributed by age, gender and geographical area - 2017 (401-1)

Area	Age up to 35 years old				From 36 to 55 years old				> 55 years old				Total			
	M	Proportion	W	Proportion	M	Proportion	W	Proportion	M	Proportion	W	Proportion	M	Proportion	W	Proportion
North	0	0.0%	0	0.0%	0	0.0%	1	7.1%	0	0.0%	0	0.0%	0	0.0%	1	5.6%
South	4	4.4%	4	2.2%	8	0.9%	2	0.2%	2	3.6%	0	0.0%	14	1.3%	6	0.5%
East	5	5.2%	6	2.6%	4	0.3%	2	0.2%	1	3.4%	0	0.0%	10	0.7%	8	0.6%
Central	2	4.4%	0	0.0%	3	1.2%	1	0.5%	1	7.7%	0	0.0%	6	1.9%	1	0.4%
<b>Total</b>	<b>11</b>	<b>4.6%</b>	<b>10</b>	<b>2.1%</b>	<b>15</b>	<b>0.6%</b>	<b>6</b>	<b>0.3%</b>	<b>4</b>	<b>4.1%</b>	<b>0</b>	<b>0.0%</b>	<b>30</b>	<b>1.1%</b>	<b>16</b>	<b>0.6%</b>

### Number and % of leaves in the GCC distributed by age, gender and geographical area - 2017 (401-1)

Area	Age up to 35 years old				From 36 to 55 years old				> 55 years old				Total			
	M	Proportion	W	Proportion	M	Proportion	W	Proportion	M	Proportion	W	Proportion	M	Proportion	W	Proportion
North	1	20.0%	0	0.0%	1	7.7%	0	0.0%	0	0.0%	0	0.0%	2	11.1%	0	0.0%
South	5	5.5%	16	8.9%	94	10.5%	64	6.9%	60	109.1%	13	162.5%	159	15.3%	93	8.4%
East	6	6.2%	20	8.7%	159	11.8%	72	5.9%	87	300.0%	15	250.0%	252	17.1%	107	7.4%
Central	1	2.2%	4	6.0%	16	6.2%	11	5.9%	14	107.7%	1	33.3%	31	9.8%	16	6.2%
<b>Total</b>	<b>13</b>	<b>5.5%</b>	<b>40</b>	<b>8.3%</b>	<b>270</b>	<b>10.8%</b>	<b>147</b>	<b>6.3%</b>	<b>161</b>	<b>166.0%</b>	<b>29</b>	<b>170.6%</b>	<b>444</b>	<b>15.6%</b>	<b>216</b>	<b>7.6%</b>

### Distribution of Cooperative Group Cajamar's staff by professional category, age and gender (405-1)

Positions	Age up to 35 years old				From 36 to 55 years old				> 55 years old				Total			
	M	Proportion	W	Proportion	M	Proportion	W	Proportion	M	Proportion	W	Proportion	M	Proportion	W	Proportion
Executives	53	60.2%	35	39.8%	920	74.7%	312	25.3%	21	87.5%	3	12.5%	994	74.0%	350	26.0%
Pre-executives	63	30.0%	147	70.0%	619	44.2%	780	55.8%	10	90.9%	1	9.1%	692	42.7%	928	57.3%
Technicians	40	36.4%	70	63.6%	250	51.2%	238	48.8%	7	100.0%		0.0%	297	49.1%	308	50.9%
Other	82	26.5%	228	73.5%	719	41.5%	1,012	58.5%	59	81.9%	13	18.1%	860	40.7%	1,253	59.3%
<b>Total</b>	<b>238</b>	<b>33.1%</b>	<b>480</b>	<b>66.9%</b>	<b>2,508</b>	<b>51.7%</b>	<b>2,342</b>	<b>48.3%</b>	<b>97</b>	<b>85.1%</b>	<b>17</b>	<b>14.9%</b>	<b>2,843</b>	<b>50.0%</b>	<b>2,839</b>	<b>50.0%</b>

### Other indicators of the diversity of Cooperative Group Cajamar's staff (405-1)

Positions	Foreigners				LISMI (Act on Social Integration of People with Disabilities) in BCC				LISMI in Cajamar Caja Rural			
	M	Proportion	W	Proportion	M	Proportion	W	Proportion	M	Proportion	W	Proportion
Executives	2	0.1%	1	0.1%		0.0%	1	0.1%	10	0.2%	1	0.0%
Pre-executives	1	0.1%	4	0.2%	1	0.1%		0.0%	11	0.2%	13	0.3%
Technicians	4	0.7%	1	0.2%	3	0.4%	4	0.5%		0.0%		0.0%
Other	3	0.1%	7	0.3%		0.0%	1	0.1%	24	0.5%	31	0.7%
<b>Total</b>	<b>10</b>	<b>0.2%</b>	<b>13</b>	<b>0.2%</b>	<b>4</b>	<b>0.5%</b>	<b>6</b>	<b>0.8%</b>	<b>45</b>	<b>1.0%</b>	<b>45</b>	<b>1.0%</b>

BCC employees 787

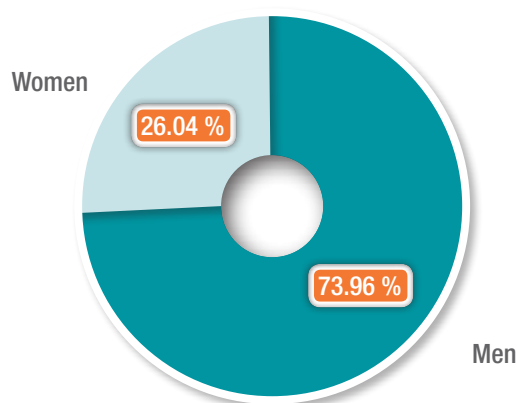
Cajamar Caja Rural employees 4,505

### Women-men salary ratio by professional category and institution (405-2)

Positions	BCC			Cajamar Caja Rural			Resto de entidades		
	%	Seniority		%	Seniority		%	Seniority	
		M	W		M	W		M	W
Executives	73.61%	18.29	16.52	90.15%	17.20	15.77	92.67%	20.43	20.50
Pre-executives	92.87%	19.04	15.60	94.50%	17.06	15.31	96.56%	21.90	20.88
Technicians	92.06%	16.13	13.36	83.54%	19.07	15.32	86.34%	21.11	16.25
Other	128.96%	18.85	21.73	91.89%	18.48	15.03	98.27%	17.86	16.58

The difference in Women-men salary ratio is directly related to seniority in the professional category. It is therefore a salary difference resulting from supplements rather than base salary, since the base salary by professional category is equal for men and women. This egalitarian relationship is maintained in all institutions of Grupo Cooperativo Cajamar.

## Women executives



### Distribution of the Group's employees with promotion broken down by gender

	Staff		Promotions	
	Number	%	Number	%
Men	2,843	50.04%	425	43.28%
Women	2,839	49.96%	557	56.72%
Total	5,682	100.00%	982	100.00%

### Medical examinations carried out in Group Cooperative Cajamar institutions

	Year 2015	Year 2016	Year 2017
Initial	0	0	19
Periodical	1,680	3,563	3,147
Total	1,680	3,563	3,166

None of the professionals who perform their work in Grupo Cooperativo Cajamar is exposed to work-related illnesses, since the sector in which Grupo Cooperativo Cajamar operates has not recognised such illnesses in RD 1299/2006 of November 10.

100% of the staff of the institutions adhered to SPM (Joint Prevention Service) is represented in different Committees of Occupational Health and Safety, as well as by the workers' representatives performing the role of Prevention Delegates in the absence of the Committee.

### Occupational accidents of Grupo Cooperativo Cajamar's employees, by gender and region (403-2)

	Men					Women					Total
	North	South	East	Central	Total	North	South	East	Central	Total	
Total accidents	0	12	13	4	29	0	20	28	7	55	84
Accidents not entailing medical leave	0	8	7	1	16	0	10	21	4	35	51
Accidents entailing medical leave	0	4	6	3	13	0	10	7	3	20	33
Total working days lost entailing leave	0	473	115	5	593	0	125	429	23	577	1,170

### Volume and type of employee absenteeism in Cooperative Group Cajamar, by gender and region (403-2)

	Men					Women					Total
	North	South	East	Central	Total	North	South	East	Central	Total	
Total leaves	4	249	304	46	603	11	458	518	103	1,090	1,693
New leaves	4	219	278	44	545	11	416	470	94	991	1,536
Additions	4	232	281	41	558	8	416	473	89	986	1,544
Total working days lost	25	6,618	8,205	1,102	15,950	241	11,139	13,961	2,709	28,050	44,000
Rate of accidents	0.000	0.012	0.009	0.013	0.010	0.000	0.018	0.019	0.027	0.019	0.015
Rate of days lost due to accidents (1)	0.000	0.002	0.000	0.000	0.001	0.000	0.000	0.007	0.000	0.001	0.001
Rate of absenteeism (2)	0.005	0.023	0.019	0.013	0.020	0.055	0.038	0.037	0.041	0.038	0.028

Note 1: Days lost due to accidents / No. business days of the entire staff in the area.

Note 2: Total working days lost / No. business days of the entire staff in the area

Total working days of the entire staff	4,747	292,234	83,522	423,310	803,813	4,353	296,061	65,556	380,359	746,329	1,550,142
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### Cajamar Cooperative Group's employees entitled to maternity or paternity leave (401-3)

	Hombres	Mujeres
No. of employees entitled to leave	102	154
No. of employees who exercised that right	97	154
No. of employees who have not finished their leave	6	38
No. of employees who are on extended leave after exercising that right	0	15
No. of employees who returned to work after exercising that right	91	90
Percentage that return to work after exercising the right to leave	100.00%	89.11%

### Percentage of retention of Grupo Cooperativo Cajamar's employees after maternity or paternity leave, by gender (401-3)

	Hombres	Mujeres
No. of maternity / paternity leaves last year	130	166
No. of employees who returned to work	128	109
No. of employees who remain in the company 12 months later	124	154
Percentage retained	95.38%	92.77%

In 2016 no labour practice claims have been filed, addressed and resolved through formal grievance mechanisms.

## Social benefits (401-2)

	Permanent (full- or part-time)	Temporary	Comments
Life insurance	Yes	Yes	
Medical insurance	No	No	Not paid by the institution. Included in the flexible remuneration, borne by the employee
Coverage for incapacity or disability	Yes	Yes	
Maternity or paternity leave	Yes	Yes	
Pension fund	Yes	Yes (minimum 2 years of work)	
Stock / Shares	Yes	Yes	Possibility of contracting contributions to the institution's share capital
Study grants	Yes	Yes	
Flexible remuneration	Yes	Yes	In the case of temporary employees, provided that the duration of the contract is at least the same as the duration of the service (nursery, insurance, etc.).
Professional development and training	Yes	Yes	
Holidays, paid leave, permissions and leave of absences	Yes	Yes	
Flexible working day and hours	Yes	Yes	
Social financing	Yes	No	
Business culture	Yes	Yes	
Equality plan	Yes	Yes	
Aid scheme for employees with disabled children	Yes	No	

(\*) The Employees' Pension Plan Control Committee agreed as mandate to apply ethical, social, environmental and corporate governance criteria in the Employment Fund's management. Likewise, it shall comply at all times with the Principles of Responsible Investment of the UN. At 31 December 2017, the number of Pension Plan participants is 7,387, the number of beneficiaries is 576 and the equity constituted amounts to €151,364,169. The pension plans are defined contribution and benefit pension schemes. There are groups with solely defined pension schemes and mixed groups (with contribution and benefit schemes). All obligations are outsourced, either in the occupational pension schemes or in insurance policies.



## Annex V. Trade union relations

Grupo Cooperativo Cajamar believes that freedom of association and worker representation are rights that must be preserved, guaranteeing that the representational and defence functions of workers can be carried out in a suitable environment that enables, through means of negotiation, the improvement of their conditions by creating shared value. In this sense, the Directorate General for Human Resources provides the necessary and sufficient information for the social agents to swiftly and effectively perform their functions of representation and defence of the interests of Grupo Cooperativo Cajamar's employees, maintaining a permanent and continuous dialogue between the different institutions that comprise it and the union representation.

According to the labour regulations, the employees are represented by trade unions, which constantly inform them on any changes and agreements that take place within the organisation. Likewise, Grupo Cooperativo Cajamar makes available to such trade union representation all the appropriate means to perform its activity. In addition, our internal communication channels are always updated in order to provide information to the Group's entire staff.

Currently, Grupo Cooperativo Cajamar has a structure, from a trade union viewpoint, of three trade union sections constituted at Group level; therefore, they have the power of representation and negotiation of any employee belonging to it.

There are also another two trade union sections with representation only in Cajamar.

At the representative bodies' level, taking into account all the Institutions comprising the Group and the leading institution, BCC, there are a total of 277 workers' representatives with presence in 33 provinces and spread over 19 workers' committees and 36 provinces with the figure of personnel delegates. All the Group's staff is governed by the twenty-first Collective Agreement for Credit Cooperatives, published in the Official Gazette No. 10 of 20 December 2016, as well as by the labour agreements signed with Grupo Cooperativo Cajamar's trade union representatives since social dialogue is taken into account at all times. Throughout 2017, no situation has put at risk the rights of freedom of association and trade unionism of employees, or of any significant suppliers linked to the institution's business.

Grupo Cooperativo Cajamar's institutions are members of the employers' organisation ASEMECC, an association of companies incorporated to defend the interests of and represent its members in collective bargaining and labour relations. The association's corporate purpose is to represent its members in collective bargaining and labour relations, as well as perform the complementary and related activities required to achieve the aforementioned purpose.

## Annex VI. Business Continuity Management System

During 2017, Grupo Cooperativo Cajamar's Business Continuity Management System has continued adapting to the changes in the organisational structure, and it has been formally enlarged with the purpose of dealing with the cybersecurity threats inherent to the digital transformation. The solutions presented in previous years have proven to be valid to maintain its life cycle, in terms of the threat to the availability of the infrastructures, people and the technological support provided for both of these within the Business Continuity Plan, but a step further has been taken within the technological scope by formalising the Technological Continuity Plan. In doing so, we can deal with new scenarios in which the threats and contingencies affect technology, including new cybersecurity scenarios. This is all managed comprehensively by conducting coordinated simulations with the participation of the teams that would deal with a real contingency: crisis management committees, support and recovery teams, and the response team for technological incidents, one of them under a scenario of a contingency resulting from cybersecurity threats.

The Business Continuity Management System continues to fulfil the new and existing legal requirements under the supervision of the Banco de España, the European Central Bank and the requirements of the CNMV. In addition, the regulations and best practices on this matter continue

to be applied, which have been established by the DRII (Disaster Recovery International Institute), BSI (British Standards Institution), BCI (Business Continuity Institute), AENOR (Spanish Association for Standardisation and Certification), ISO 27001 and ISO 27002, ISO 22301 (Societal security – Business continuity management systems – Requirements), ISO24762 (Information technology - - Security techniques - - Guidelines for information and communications technology disaster recovery services), Basel II, PCI-DSS Visa/MasterCard and MiFID (Markets in Financial Instruments Directive), and the NIST Institute (with respect to planning in the event of contingencies in the organisations and in IT systems).

As we can see, the Business Continuity Management System is in a permanent process of improvement in line with the evolution of Grupo Cooperativo Cajamar's institutions and their business requirements, and it is ready to respond to and recover from the diverse potential threats in an efficient and coordinated manner. All of this is carried out under a continued preventive monitoring, including risk management and analysis, applying corrective measures and incorporating the different lessons learnt to mitigate the possibility of the different threats from materialising. Similarly significant are the training plans of the different teams involved, which are developed and reviewed annually.



## Annex VII. PwC Verification Report



**Free translation from the original in Spanish.  
In the event of a discrepancy, the Spanish language version prevails**

### **INDEPENDENT LIMITED ASSURANCE REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY INDICATORS**

To the Management of Grupo Cooperativo Cajamar,

We have carried out our work to provide limited assurance on the Corporate Social Responsibility indicators contained in "Annex I – GRI content index" of the 2017 Sustainability Report (hereinafter "CSR Indicators") of Banco de Crédito Cooperativo and its subsidiaries (hereinafter Grupo Cooperativo Cajamar) for the year ended 31 December 2017, prepared in accordance with the content proposed in the GRI Standards of the Global Reporting Initiative (GRI) (hereinafter GRI Standards) and Financial Services Sector Disclosures of the GRI Guidelines version G4 (hereinafter Financial Services Sector Disclosures).

#### **Responsibility of the Management**

The Management of Grupo Cooperativo Cajamar is responsible for the preparation, content and presentation of the Integrated Report in accordance with the Comprehensive option of the GRI Standards and Financial Services Sector Disclosures. Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the CSR indicators are free from any material misstatement due to fraud or error.

The Management of Grupo Cooperativo Cajamar is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CSR indicators is obtained.

#### **Our responsibility**

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (Reviewed) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than the scope of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with Grupo Cooperativo Cajamar's personnel from various units who have been involved in the preparation of the 2017 Sustainability Report.
- Analysis of the procedures used for obtaining and validating the data presented in the CSR indicators.

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1

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- Analysis of the Grupo Cooperativo Cajamar's CSR indicators adaptation to the requirements established by the GRI Standards for the preparation of sustainability reports and to the Financial Services Sector Disclosures.
- Verification, through random sampling tests revisions and substantive tests on the information used to determine Grupo Cooperativo Cajamar's CSR indicators. We have also verified whether they have been appropriately compiled from the data provided by Grupo Cooperativo Cajamar's sources of information.

#### **Our Independence and Quality Control**

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

124

#### **Limited assurance conclusion**

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that Grupo Cooperativo Cajamar's CSR indicators, for the financial year ending 31<sup>st</sup> December 2017, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the GRI Standards and Financial Services Sector Disclosures.

#### **Use and Distribution**

Our report is only issued to the Management of Grupo Cooperativo Cajamar, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Grupo Cooperativo Cajamar's Management.

PricewaterhouseCoopers Auditores S.L.

Mª Luz Castilla Porquet

June 15, 2018

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