



## CaixaBank, S.A. Audit and Control Committee Activity Report 2019

December 2019

## Contents

<b>1. REGULATION</b> .....	<b>3</b>
<b>2. COMPOSITION</b> .....	<b>3</b>
<b>3. FUNCTIONING OF THE COMMITTEE</b> .....	<b>5</b>
3.1. Preparation.....	5
3.2. Attendance.....	5
3.3. Conduct of the meetings.....	7
3.4. Reporting to the Board of Directors.....	7
<b>4. FULFILMENT OF DUTIES</b> .....	<b>7</b>
4.1. Financial and non-financial information .....	8
4.2. Risk management and control .....	10
4.3. Regulatory compliance.....	10
4.4. Internal Audit .....	11
4.5. Relationship with the financial auditor.....	11
4.5.1. Independence of the financial auditor.....	12
4.5.2. Assessment of the work of the financial auditor .....	12
4.6. Related party transactions .....	12
4.7. Communications with regulatory bodies.....	13
4.8. Other issues.....	13
<b>5. MAIN DEVELOPMENTS REGARDING THE 2018 ASSESSMENT</b> .....	<b>13</b>
<b>6. ANNUAL ASSESSMENT OF THE COMMITTEE'S FUNCTIONING</b> .....	<b>13</b>

This Activity Report, addressed to the shareholders of CaixaBank, S.A. (hereinafter referred to as “CaixaBank” or the “Company”), was prepared by the Audit and Control Committee (hereinafter referred to as the “Committee”) on 18 December 2019, in compliance with the Corporate By-laws and the Rules of the Board of Directors, and will be submitted for approval by the Board of Directors of CaixaBank in its meeting held the following day.

During the financial year 2019 the Committee has further developed and consolidated the fulfilment of its duties, acting at all times within the framework of its responsibility, adopting all the necessary resolutions and issuing all the relevant reports in accordance with current legislation or as expressly required from it.

## 1. REGULATION

The Committee was created in September 2007 by resolution of the Board of Directors. Its powers and functioning are described in Article 40 of the Company By-laws and specifically developed in Article 14 of the Rules of the Board of Directors<sup>1</sup>.

Until now, CaixaBank has not deemed it necessary for the Committee to have its own regulations governing its organisation and functioning, as all the Committee’s characteristics are governed in sufficient detail by the regulations included in the Rules of the Board of Directors.

This regulation specifies the composition, functioning and responsibilities of the Committee in accordance with applicable legislation and following the principles and recommendations established in the Code of Good Governance for Listed Companies issued by the National Securities Market Commission of February 2015 (hereinafter referred to as “Code of Good Governance”); “Corporate Governance Principles for Banks” issued by the Basel Committee on Banking Supervision in July 2015. the Guidelines on internal governance EBA/GL/2017/11 (hereinafter referred to as “Guideline on internal governance”), approved by the European Banking Authority on 26 September 2017 in development of Directive 2013/36/EU; as well as the Technical Guideline 3/2017 of the CNMV on Internal Audit Committees of Public Interest Bodies (hereinafter referred to as the “Technical Guide”), whose criteria and basic principles, together with recommendations of the Code of Good Governance applicable to the Committee were fully incorporated to the functioning of the Committee during 2018 and 2019.

## 2. COMPOSITION

**A diverse committee, made up of 3 members; all of whom are non-executive directors and most of whom are independent, including its Chairman, with suitable knowledge and experience to perform their duties.**

At December 2019 the composition of the Committee was as follows:

	Position	Status*	Committee member since**
Koro Usarraga Unsain	Chairwoman	Independent	27 October 2016
José Serna Masiá	Member	Proprietary	23 March 2017
Eduardo Javier Sanchiz Irazu	Member	Independent	1 February 2018

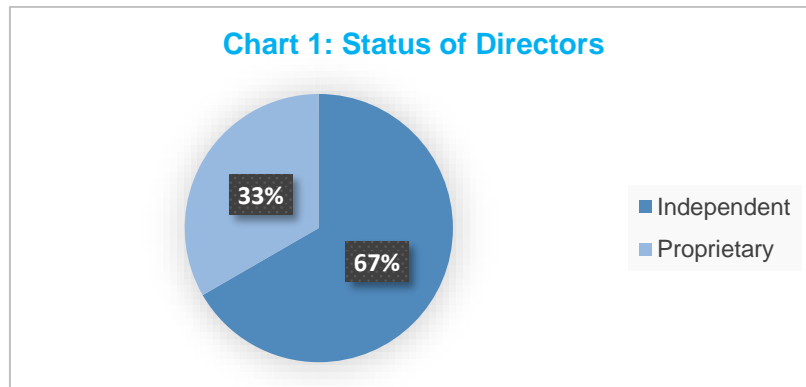
\* Chart 1

\*\* Chart 2

The Committee is composed exclusively of non-executive Directors, with a majority of independent members. Its members have been chosen and appointed taking into account their knowledge, aptitude and experience in economics, accounting and/or auditing and risk management. As a whole, they have

<sup>1</sup> Both documents are available on the Company's corporate website: [www.caixabank.com](http://www.caixabank.com)

the pertinent technical knowledge in relation to the activity of CaixaBank, in accordance with Article 40.3 of the Corporate By-laws and Article 14.1 of the Rules of the Board of Directors.

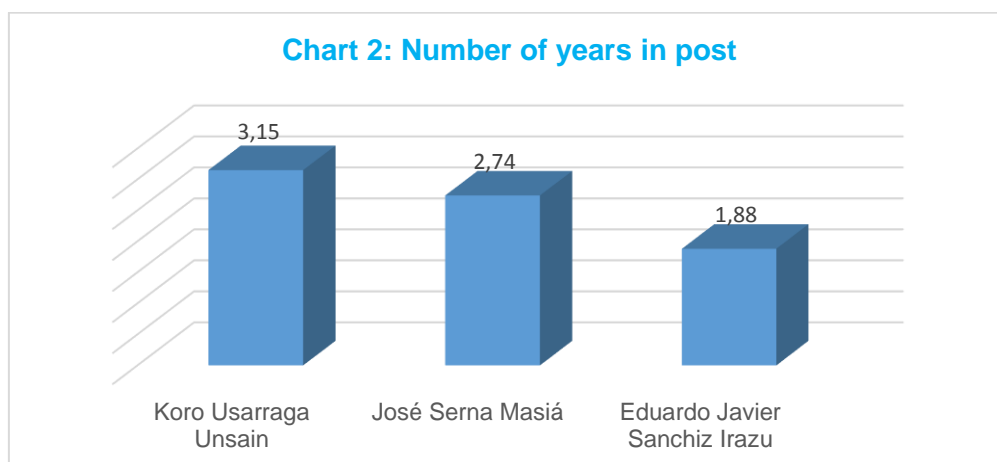


The following changes have taken place in the composition of the Committee in 2019:

The term of Director Mr. Alain Minc expired on 5 April 2019, taking effect in the Ordinary Annual General Meeting of CaixaBank, ceasing in the Audit and Control Committee. It should be noted that Mr. Alain Minc was a member of the Committee for 11 years and 6 months, since 20 September 2007, and was also its Chairman since 21 May of 2015.

The Board of Directors of CaixaBank held an extraordinary meeting after the aforementioned Ordinary Annual General Meeting held on 5 April and approved the current composition of the Committee, reducing in one the number of its members. As set forth in the By-Laws and the Rules of the Board, on the same date the Audit and Control Committee agreed to appoint Ms. Koro Usarraga Unsain as Chairwoman of the Committee, taking in consideration the suitability assessment report issued by the Appointments Committee, as well as her knowledge and experience.

Mr. Eduardo Javier Sanchiz Irazu and Ms. Koro Usarraga Unsain are also members of the Risk Committee of CaixaBank, which enhances the interaction between the two committees.



On the Company's corporate website, [www.caixabank.com](http://www.caixabank.com), provides the professional career of each of the Committee members.

The position of non-member Secretary of the Committee, an advisory position, is held by the Secretary General and of the Board, who is also the Secretary General of CaixaBank, thus facilitating a smooth, efficient and dynamic relationship with the Company's different Departments, which must offer their collaboration or provide the Committee with information. The position of Deputy Secretary, an advisory position, is held by the First Deputy Secretary of the Board of Directors. During 2019, the First Deputy Secretary of the Board of Directors has acted as Secretary of the Committee.

### 3. FUNCTIONING OF THE COMMITTEE

#### **Approval of an Activity Plan for the financial year 2019; frequent and fluid contact with key staff involved in CaixaBank's governance and management of CaixaBank and liaison with the Risk Committee.**

As a novelty from the previous year and from then on, at the end of each year the Committee will establish an Activity Plan for the following year, in accordance with the Technical Guide's recommendations, with the aim of ensuring it would achieve its objectives and perform its duties as efficiently as possible.

The Activity Plan approved for 2019 has been a flexible working document that has been adapted and completed during the year in accordance with the needs of the Company, either due to regulatory requirements, requests by the supervisory body or due to circumstances of the business.

The Activity Plan includes both an initial proposal for a calendar of activities and meetings and the structure, preparation and attendance of the meetings and also the main goals of the Committee, which are developed in Section 4 of this report, which describes the duties drawn up by the Committee during the year.

#### 3.1. Preparation

With the aim of preparing Committee meetings, its members are provided with the documentation for the meeting (draft agenda, presentations, reports, minutes of the previous meetings and any other supporting documentation) sufficiently in advance of each meeting, for which purpose computer tools and channels are used to ensure the confidentiality of the information.

Additionally, the Chairwoman of the Committee has held preparatory meetings before each session with the heads of Internal Audit, Financial Reporting and the Secretary of the Committee, as well as with the heads of Compliance and the managers when appropriate regarding the matters to dealt with at the Committee meetings.

#### 3.2. Attendance

The meetings of the Committee are held as many times as summoned by the Chairman, on requested by the Chairman of the Board or by two members of the Committee itself. The Committee shall meet at least quarterly in order to review the mandatory financial reporting, as well as the information to be approved by the Board of Directors and included in the mandatory public documentation.

In accordance with the Activity Plan, during 2019 the Committee met on 17 occasions, of which eleven have been ordinary sessions, three have been extraordinary and three were held jointly with the Risk

Committee. There has been one resort to the voting procedure in writing and without holding a session during the year.

Attendance of its members during the year was as follows:

<b>Number of meetings</b>	<b>17</b>
Koro Usarraga Unsain	17/17
José Serna Masiá	17/17
Eduardo Javier Sanchiz Irazu	17/17
Alain Minc	4/17*

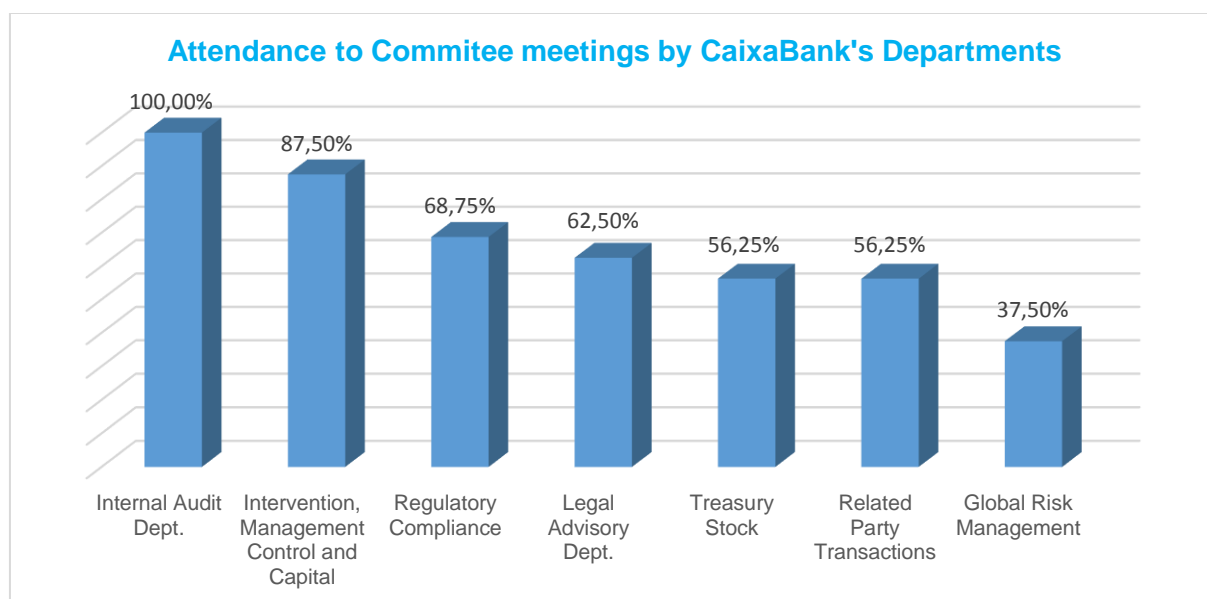
(\* ) Member until April 2019

The Committee has maintained fluid and constant contact with the Management Team of CaixaBank and held various work sessions on specific issues with the heads of Internal Audit, Financial Reporting and Fiscal Consultancy.

In general terms, the Committee has established that the Executive Director of Internal Audit should attend all its meetings as the main point of connection with the Company.

In accordance with the Annual Planning and by invitation from the Chairwoman, there has been normal attendance by the persons responsible for the matters planned as fixed sections at the meetings; that is, Financial Department, Management Control and Capital, for the provision of financial and non-financial reporting; Internal Audit; Regulatory Compliance; Treasury stock; Related Party Transactions and External Audit. These Managers limited their attendance to the points in the agenda they are called for.

Additionally, other members of the Management Team with knowledge or responsibility of the points included in the agenda have been invited on several occasions to provide the Committee with explanations regarding their duties. Meetings were attended by the heads of Legal Advice and Global Risk Management and the presence of managers was limited to the points in the agenda they were called for.



On certain occasions, heads of Finance were also invited (21 February, 21 March and 18 July 2019), Resources (23 May and 29 October 2019), Control of Business (21 February and 25 September 2019) and Human Resources (31 January and 21 February 2019), as well as managers of investee companies, such as VidaCaixa and BPI, with the aim of receiving explanations on particular matters included in the agenda.

Additionally, Committee meetings have been attended by external experts during the year for the appropriate performance of their duties.

The Committee holds joint meetings periodically with the Risk Committee to exchange information and effectively supervise all the risks that affect the Group. Three joint meetings were held in 2019 (on 24 April, 18 July and 25 September 2019).

### 3.3. Conduct of the meetings

The Committee's system determines quoracy of the meetings when the majority of its members are present in person or represented by proxy. Members may delegate their proxy representation to another member. Resolutions are adopted by majority vote of the members attending in person or by proxy, and minutes are taken of the resolutions adopted at each meeting.

After approving the minutes of previous meetings, the Committee proceeds with each of the matters included in the agenda, each of which is presented by the person responsible for the matter to be discussed, who replies to questions by Committee members and abandons the meeting once the matter is dealt with.

Participation, dialogue and discussion between members of the Audit and Control Committee are constant in all the matters dealt with in the Committee, during which the various viewpoints of the Directors are provided.

### 3.4. Reporting to the Board of Directors

The Committee's Chairwoman provides an account of the activity and work performed by the Committee, in the course of Board of Directors meetings.

In addition, the minutes of Committee meetings and their annexed documents are placed at the disposal of all the Directors, thereby making these available to the plenary session of the Board of Directors.

## 4. PERFORMANCE OF FUNCTIONS

**The committee set and pursued its objectives for 2019, as per its Activity Plan and focusing on the task of supervising the financial and non-financial reporting that the Company is required to release; supervising the effectiveness of the internal control and risk control system, in coordination with the Risk Committee, especially the internal capital adequacy and liquidity assessment processes (ICAAP and ILAAP), the Recovery Plan, the confidential consulting and whistle-blowing channel; and monitoring the Company's most significant subsidiaries.**

In accordance with the provisions of Article 14.1 of the Rules of the Board of Directors of CaixaBank, the Committee has the basic following duties:

- Informing the Annual General Meeting on the matters that are posed and are responsibility of the Committee and, in particular, on the result of the audit.

- Supervising the process for the preparation and presentation of mandatory financial reporting to the Company and, where appropriate, to the Group.
- Ensuring that the Board of Directors submits the Annual Accounts to the Annual General Meeting without restrictions or conditions in the audit report;
- Previously informing the Board of Directors on the financial and non-financial reporting included and that the Company must make public.
- Overseeing the internal control systems.
- Overseeing the internal audit.
- Establishing and supervising a mechanism that allows Company employees to report any irregularities that may have important consequences.
- Supervising the effectiveness of the financial and non-financial risk management systems in coordination with the Risk Committee.
- Making recommendations to the Board of Directors regarding the selection, appointment, reappointment and replacement of the financial auditor.
- Obtaining information on the audit plan and its execution from the financial auditor on a regular basis, as well as preserving its independence in the exercise of its duties;
- Serving as a channel of communication between the Board of Directors and the auditors;
- Establishing the appropriate relationships with the external auditor in order to receive information on any matters that may pose a threat to their independence.
- Issuing, prior to the presentation of the annual audit report, a report expressing an opinion on the independence of the financial auditor.
- Supervising compliance with the audit contract.
- Ensuring that the external auditor holds an annual meeting with the Board to inform it of the work carried out and the developments in the Company's situation.
- Conducting a final assessment regarding the auditor's work.

There follows a description of the main matters dealt with at the Committee's meetings in 2019.

#### 4.1. Financial and non-financial reporting

The committee paid particular attention to overseeing the process of drawing up the mandatory financial reporting and other relevant information for the year and releasing it to the market, as well as the non-financial reporting. The persons responsible for drawing up the information attended 15 of the 17 Committee meetings held in 2019, enabling the Committee to become fully familiar with the process of drawing up the interim financial reporting with sufficient prior notice, as well as the separate and consolidated annual financial statements.

The committee has known and approved the principles, assessment criteria, judgments and estimates and accounting practices applied by CaixaBank and has verified that all such matters are compliant with accounting regulations and criteria established by the competent regulatory and supervisory bodies. All this to ensure the integrity of the accounting and financial reporting systems, including financial and operational control, and compliance with prevailing legislation.

In the sessions of 21 February, 29 April, 24 July and 29 October 2019, the Committee informed favourably on the financial statements of 31 December 2018, 31 March, 30 June and 30 September 2019, respectively, prior to their formulation by the Board of Directors.

The Committee was also informed on the verification of the non-financial reporting, which must be performed by an independent provider of verification services to determine that the information included is the information established by Law 11/2018; as well as on the corporate model for reporting non-financial reporting and the status of non-financial reporting included in the Management Report, on which the Committee informed favourably to the Board of Directors on 21 February, together with the annual accounts.



It should be noted that the Committee expressed a favourable assessment of the governance Action Plan and the control environment for non-financial reporting that was submitted to it, designed to enhance compliance with the provisions of Law 11/2018, of 28 December that modifies the Commercial Code, the Corporate Enterprises Law and the Accounts Auditing Law, with regard to non-financial reporting and implementing an appropriate control environment for non-financial reporting.

The Committee has supervised the operation of the controls carried out internally in order to provide reasonable security for the reliability of the financial reporting that CaixaBank provides to the market. The head of Internal Control of Financial Reporting presented their quarterly reports on the operation of the Financial Information Internal Control System (FIICS). The conclusions have been that the Company avails of the adequate procedures and controls necessary to configure a robust system that has worked efficiently during the year. The FIICS is also reviewed by both the internal auditor and the external auditor.

The Committee has been informed of the scope and application of the Global Corporate Policy of risk management of intangible asset and deferred tax asset impairment.

The Committee has informed favourably on the review of the Policy on Disclosure and Verification of Financial Information; the Corporate Policy of the FIICS; the Impairment Policy; the Corporate Policy of guarantees and assessment of foreclosure real estate assets and the Classification and Measurement of Financial Assets Policy.

The Committee has been informed on and positively assessed the Action Plan to formalise the corporate nature of accounting policies, the aim of which is to strengthen the corporate role in the Accounting Policies Function in the CaixaBank Group.

In addition, the Committee has carried out continuous monitoring of the performance of the main figures of the profit and loss account and the balance sheet, as well as the details of the Group's situation of liquidity and solvency. In particular, the 2019 Reports on Internal Capital Adequacy Assessment (hereinafter referred to as "ICAAP") and Internal Liquidity Adequacy Assessment (hereinafter referred to as "ILAAP") of CaixaBank Group were presented, together with the Prudential Reporting (PR), in the Committee meeting held on 21 March 2019, after being informed in previous sessions of the status of its preparation and the conclusions reached. In this regard, and in accordance with the Pillar III Disclosure Standard, in addition to the annual verification by the Committee of the RP report, the Committee has been presented with the selection of the relevant information of Pillar III that is published quarterly.

The Committee has been presented the main accounting figures, the various audit tests and the update of the situation at all times in relation to the restructuring plan, the pension commitments of CaixaBank and BPI and the contribution to the Deposit Guarantee Fund.

It should be mentioned that during the year, the Committee has been periodically informed of the monitoring activities of the Single Supervision Mechanism, including the annual conclusions of the Supervisory Review and Evaluation Process (SREP) that the European Central Bank carries out on the principal financial entities subject to its supervision.

The Committee has also been informed on the relations with the Single Resolution Mechanism, including, the conclusions on the Plan of Resolution; the requirements and compliance with the Minimum Requirement of Eligible Liabilities (MREL) by CaixaBank; the contribution to the Single Resolution Fund; as well as the preparation of the Bail-in Playbook document, at the request of the Single Resolution Mechanism, which specifies the operational steps to carry out by CaixaBank to implement a *bail-in*, developed through a sectorial project with the collaboration of various external experts' collaboration and which has been sent to the regulator.

Additionally, the head of Internal Financial Control, as a Second Line of Defence, has reviewed the process used to generate the 2019 Budget, the opinions and estimates used in the assessment reports

of the relevant participants, as well as on the ICAAP; it has stated that the IRP of 2018 was prepared in accordance with internal control processes; it has updated the Policy on the Disclosure and Verification of Financial reporting; it has reviewed the Recovery Plan; the recalibration of parameters of provisions under IRFS9; the Bail-in Playbook and the assessment of invested companies, among others, all of which have been reported to the Committee.

#### 4.2. Risk management and control

In accordance with the regulations introduced by Law 10/2014, of 26 June, on organisation, monitoring and solvency of credit institutions, CaixaBank has a Risk Committee whose function is to propose to the Board and risk management and control policies and strategies and advise on the global exposure to risk, current and future, of the Company, including the assessment of the risk of regulatory compliance within the scope of its activities and decision-making.

Furthermore, the Audit Committee supervises the effectiveness of the Company's internal control and risk management systems. To carry out its duties properly during 2019, the Risk Committee and the Audit and Control Committee have continued to consolidate interaction and coordination in all the aspects related to risk monitoring.

Thus, both Committees have held joint meetings during the financial year, where they have reviewed the Recovery Plan, the main scenarios of *stress testing* that CaixaBank carries out, including the ICAAP, the ILAAP, as well as the conclusions of the second and third lines of defence as regards the former.

During the year, the Committee was informed of the review of the Internal Control Policy, prepared in compliance with the Guideline on internal governance of the European Banking Authority (EBA), on which the Committee has informed favourably to the Board of Directors. The Internal Control Policy is the result of the project on the implementation of the Three Lines of Defence model, which details the guidelines of CaixaBank's Internal Control Framework, in accordance with the regulatory framework of the supervisory body and best practices of the sector.

During the year, the Company also approved the Policy on Business Return Risk Management, on which the Committee informed favourably to the Board of Directors and was informed about the Action Plan on internal control of business areas, the aim of which is to improve the formal nature and documentation of the control environment.

#### 4.3. Regulatory Compliance

The Committee performs continuous supervision work in all areas that are related to the regulatory compliance of the Company.

The Committee was presented the closing report of the corporate targets of Regulatory Compliance for 2018. Similarly, the Committee has analysed the reports, both internal and external, that have been submitted to it from this function. To highlight among the internal reports, a review of the quarterly reports on application of the Internal Rules of Conduct relating to the stock market and on the Internal Code of Conduct on the EURIBOR/EONIA Contribution Process. Among the external reports, the annual report on the System for Prevention of Money Laundering and Financing of Terrorism should be highlighted. Similarly, the Committee has followed in detail the interaction of the function with the various regulators and supervisors.

The Committee has been informed periodically about the situation of the requirements submitted by the various regulators and supervisors, as well as the inspections and supervision activities and the progress of the conduct and compliance recommendations.

The Committee has also been informed of the activities and action plans that are being carried out in BPI and BPI Switzerland in the field of compliance.

Lastly, the Committee has received information on the operation of the Company's mechanisms for the confidential communication of possible irregularities, included financial and accounting issues, which may be detected in the organisation, as well as the details of volumes of inquiries and claims received.

#### **4.4. Internal Audit**

The Committee has been informed of the 2018 Report on Internal Audit Activities.

The Committee has also been informed on the Internal Audit Strategic Plan for 2019-2021, which was accepted and whose principles have marked and will continue to mark its activity in that period, as one of the main pillars of good governance as a Third Line of Defence.

As a result of the ongoing improvement of the Audit Methodology, a review of the Internal Audit Charter was presented to the Committee, on which the Committee informed favourably to the Board of Directors.

The Internal Audit function also submitted its Internal Audit Annual Plan for 2019 to the Committee and to the Board of Directors, which included the degree of compliance of the 2018 Plan. Internal Audit has informed regularly on the progress of the Plan, as well as on the new tasks included during the financial year, derived from the Corporate Risk List, sectorial or individual requirements, established by regulators and supervisors and requests from both Management and the Committee itself.

The Committee has been provided regularly with information on the progress of the execution of the Internal Audit Sizing Project in 2019, as well as on the strategic vision of that Project for the period 2017-2019. Similarly, the Committee has monitored and analysed the Internal Audit function in accordance with international good practices.

The Committee has received information on the audits and reports carried out, the defined action plans and the monitoring and degree of implementation of the recommendations made by Internal Audit; including the actions carried out with regard to the Group, as a corporate perimeter function and that contributes a systematic approach in the assessment and improvement of the risk management processes and controls in all the activities and businesses performed by the Group. In that sense, the regular monitoring of Internal Audit activities of BPI should be highlighted.

On 21 February 2019, the Committee received the Declaration of Independence of the Internal Audit Foundation of CaixaBank, prepared in compliance with the provisions of the Internal Audit Statute of the Company. This indicates that the Management and personnel of the Audit department have not been responsible for the activities that are susceptible to audit, that they have had full, free and unlimited access to all persons and information necessary for the performance of their functions and that they are free from conditions for the scope and execution of the work and for the communication of the results.

Finally, the Committee has been notified of the level of achievement of the goals of the Internal Audit function set for the previous year and has assessed the compliance and development of the function favourably and approved the challenges to be developed in 2019.

#### **4.5. Relationship with the financial auditor**

The auditor PricewaterhouseCoopers Auditors, S.L. (hereinafter referred to as "PwC") was designated by the Annual General Meeting as auditor of CaixaBank and of its consolidated Group for the financial years 2018, 2019 and 2020.

The relationship of the Committee with CaixaBank's external auditor, PwC, has been constant and fluid during 2019.

In the session of 21 February 2019, the auditor presented its definitive conclusions on the individual and consolidated annual accounts of the previous fiscal year, indicating its forecast to issue a report with a favourable opinion; it delivered the declaration of its independence, as well as the information on additional services provided and the corresponding fees received during 2018. It also presented

additional Reports (individual and consolidated) for the Committee corresponding to 2019, as stipulated in Law 22/2015 on Account Auditing, (hereinafter referred to as "LAC").

The external auditor PwC also submitted to the Committee an annual plan on the execution of the audit work, including the calendar and approach, specifying the activities and validations to carry out.

In accordance with the established schedule, the managers of the PwC external auditor team have attended 8 of the 17 sessions held. At least once a year, the Committee members meet with the external auditors without the presence of Company Management to learn the opinion of the auditors regarding the working methods of the various persons that they interact with at CaixaBank, their opinion on the Company's performance and to assess whether the relations have been appropriate.

In the sessions prior to the formulation of the mandatory financial reporting, PwC informed the Committee of its preliminary conclusions, together with all of the significant aspects which the Committee must be informed of, in accordance with the regulatory standards of the account audit activity.

#### **4.5.1. Independence of the financial auditor**

During 2019, the Committee established suitable relations with the audit company and team of auditors in order to receive information on matters that, where appropriate, could put their independence at risk.

The Committee also received its independence statement, corresponding to the previous year, in which the company stated that the team in charge of the audit, the audit company and, where appropriate, other people belonging to the audit company and, if required, other companies of the network, with the applicable extensions, have complied with applicable requirements of independence in accordance with the provisions in the LAC and the Regulations (EU) no.537/2014, of 16 April.

During the financial year, the Committee has also analysed and authorised, where appropriate, the provision by the account auditors of different audit services, after taking into consideration, among other aspects, the nature of the services, the legally applicable quantitative limits, as well as those voluntarily established by the Committee, and the existence, where appropriate, of threats to their independence and the safeguards adopted.

As a result of the above, in its meeting on 21 February and prior to the issuance of the audit report of annual accounts of 2018, the Committee approved the Report on the independence of the auditors, in which expresses its favourable opinion on their independence.

#### **4.5.2. Assessment of the Auditor's work**

In the meeting on 21 March 2019, a positive assessment of the activity of PwC as accounts auditor during 2018 was presented to the Committee, in relation to the quality of the audit and its contribution to the integrity of the financial reporting.

Among other parameters, this assessment took into account, the transition, the broad spectrum of matters covered by the auditors, their ability to adapt to the Company and optimise processes and their independence.

#### **4.6. Related party transactions**

One of the Committee's duties is to supervise compliance with the regulations governing related party transactions and inform the Board of Directors of these transactions in advance.

During 2019 the Committee provided information on asset transactions carried out with the Company by members of the Board of Directors, by Senior Management or by persons related to them, as well as on transactions carried out with significant shareholders or Group companies, including the transmission of shares within the framework of company operations, the purchase of premises for the development of the Company's business or the sale of properties, always in line with the social interest. In these

transactions, each of the external supervisors and/or experts provided the Committee with information about the market conditions of the transactions and their ordinary nature, where applicable.

#### **4.7. Communications with regulatory bodies**

The Committee has been informed periodically during the year about the developments regarding information and requirements from regulators and supervisors, as well as the meetings held by the various managers with the supervisors. The Committee has also been informed about the meeting held between the Chairwoman and the Joint Supervisory Team in which the functioning of the Committee, the Company's internal control system and other matters concerning regulatory developments were discussed, among other matters.

#### **4.8. Other issues**

The Committee has received information on reviews of the processes in place for the preparation of the Annual Corporate Governance Report and the Annual Remunerations Report for Directors of Listed Companies.

During the year and in accordance with its Activity Plan, the Committee has also received periodical information on tax-related developments, including those contained in the National Budget Law of 2019, the Draft Bill on the Financial Transactions Tax, the Draft Bill on the Digital Services Tax and concerning the fiscal management of the Company.

The Committee has also received information on the main lines of the Business Control activity in 2018 and the fulfilment of its action plan, as well as the priorities for 2019 and the control activities carried out over the course of the current year, in line with the Annual Planning and the requirements of the Company's various control bodies.

### **5. MAIN DEVELOPMENTS REGARDING THE 2018 ASSESSMENT**

The following developments can be highlighted, referenced to the goals and challenges defined by the Committee in its Activity Plan, as well as general recommendations and assessments:

- Optimisation of information flows to improve early notice and the quality of the information and preparatory work of the Board of Directors and the Committee.
- The Committee has examined issues concerning the Group within the scope of its responsibilities.
- Coordination has continued with the Appointments Committee to enhance interaction in matters of corporate governance, as well as joint work with the Risk Committee in all aspects related to the monitoring of risks.
- Reporting to the Committee by Internal Audit has been improved.
- Monographic sessions have been carried out.

### **6. ANNUAL ASSESSMENT OF THE COMMITTEE'S FUNCTIONING**

#### **Favourable assessment of the quality and efficiency of the Committee functioning, carried out in 2019**

During the financial year, the Committee has exercised the responsibilities and duties entrusted to it, maintained a fluid dialogue in its internal discussions and with the persons it interacts with on a regular basis, and has received the advice of experts when deemed necessary.

The Committee has also held an appropriate number of meetings, has been provided with sufficient and adequate documentation on the various issues discussed in these meetings, which have been explained correctly, all of which has strengthened the quality of the discussions between its members and enhanced solid decision-making.

In conclusion, the Committee has attained the objectives and challenges set for the year and the quality and efficiency of its functioning are considered positive, as well as the effective performance of the duties assigned to it in the Corporate By-laws and the Rules of the Board of Directors.

Barcelona, on 18 December 2019

**The Audit and Control Committee of CaixaBank, S.A.**