



## **CaixaBank, S.A. Audit and Control Committee Activity Report 2020**

December 2020

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This Activity Report is aimed for the shareholders of CaixaBank, S.A. (hereinafter “**CaixaBank**” or the “**Bank**”), it was drawn up by the Audit and Control Committee (hereinafter referred to as the “**Committee**”) on 16 December 2020, as stipulated in the Company By-laws and the Rules of the Board of Directors, and will be submitted for approval by the Board of Directors of CaixaBank at its meeting that is scheduled to be held on 17 December 2020.

During the financial year 2020, the Committee has furthered and consolidated the performance of its functions, acting within the scope of its responsibility at all times, adopting all the necessary resolutions and issuing all the relevant reports in accordance with current legislation or as expressly required.

## 1. REGULATIONS

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 the Committee’s functioning is governed in sufficient detail by the regulations included in Rules of the Board of Directors.

Said regulations detail the composition, functioning and powers of the Committee in accordance with applicable legislation and following the principles and guidelines established by the supervisory and regulatory bodies. In particular, the Good Governance Code of Listed Companies of the National Securities Market Commission (hereinafter the “Good Governance Code”), Technical Guide 3/2017 of the National Securities Market Commission on Audit Committees at Public-Interest Entities (hereinafter the “Technical Guide”), the Corporate Governance Principles for Banks of the Basel Committee on Banking Supervision dated July 2015 and the Guidelines on internal governance EBA/GL/2017/11 (hereinafter the “Guideline on internal governance”), approved by the European Banking Authority on 26 September 2017.

## 2. COMPOSITION

**This is a diverse Committee, made up of four members; all of whom are non-executive Directors and are mostly independent Directors, including its Chairwoman, and they have suitable knowledge and experience to perform their duties.**

At December 2020, the Committee’s composition was as follows:

	Position	Status*	First appointment**
Ms. Koro Usarraga Unsain	Chairwoman	Independent	27 October 2016
Ms. Cristina Garmendia Mendizábal	Member	Independent	22 May 2020
Mr. Eduardo Javier Sanchiz Irazu	Member	Independent	1 February 2018 <sup>2</sup>
Mr. José Serna Masiá	Member	Proprietary	23 March 2017

**Table 1. Composition of the Audit and Control Committee**

(1) Appointed as Chairwoman on 5 April 2019

(2) Reappointed on 6 April 2018

\* Chart 1

\*\* Chart 2

The Committee is made up exclusively of non-executive Directors, most of whom are independent Directors. These members have been chosen and appointed taking into account their knowledge, strengths and experience in economics, accounting and/or auditing and risk management, and as a

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

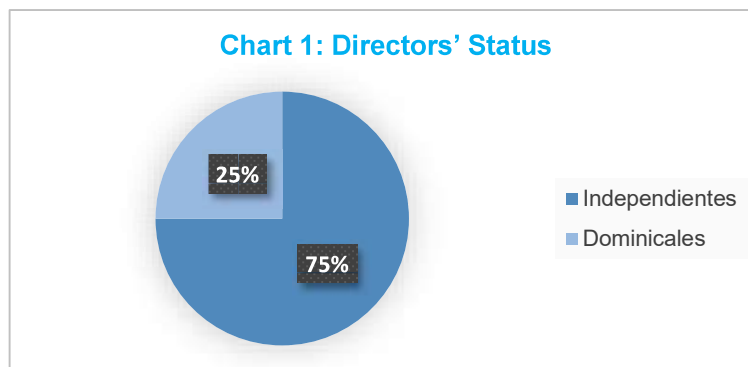
whole, have the relevant technical knowledge in relation to CaixaBank's business, as established in Article 40.3 of the Company By-laws and Article 14.1 of the Rules of the Board of Directors.

The Bank's corporate website, [www.caixabank.com](http://www.caixabank.com), provides the detailed profiles of each of the members of the Committee, explaining their knowledge and experience acquired throughout their professional careers.

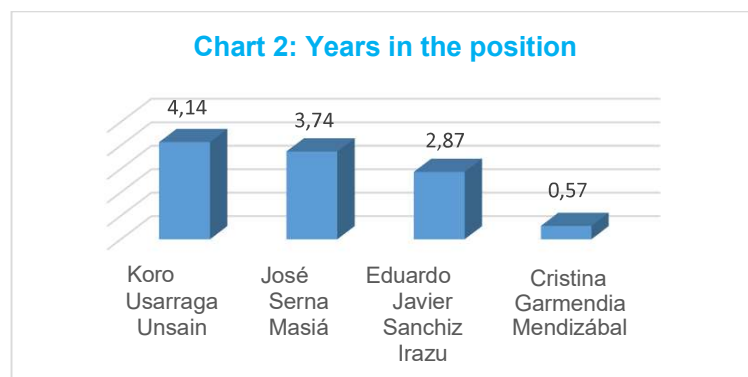
In 2020, the following changes were made to the Committee's composition:

The Board of Directors of CaixaBank, at its meeting held on 20 February 2020, at the request of the Appointments Committee, agreed to include Ms. Cristina Garmendia Mendizábal as a new member of the Audit and Control Committee, increasing the number of members of the Committee by one, effective as of the Ordinary General Shareholders' Meeting. On 22 May 2020, after said Ordinary General Shareholders' Meeting was held, the Board of Directors ratified the agreement adopted on 20 February 2020 and approved the current composition of the Committee.

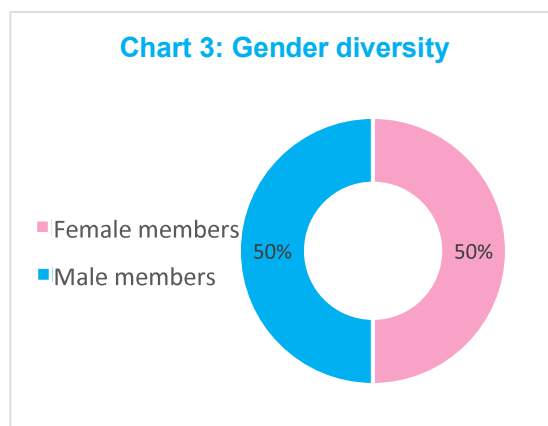
It should be noted that, with the incorporation of Ms. Cristina Garmendia Mendizábal as a new member of the Audit and Control Committee, the percentage of members of the Committee who are independent Directors has reached 75%, as can be seen in the following chart.



On the other hand, the following chart reflects the seniority of the Directors who hold positions on the Committee.



As regards gender diversity, the following chart reflects the percentage of female members on the Committee.



As regards cross-participation of Committee members, Ms. Koro Usarraga Unsain and Mr. Eduardo Javier Sanchiz Irazu are also members of CaixaBank's Risk Committee, with the latter holding the position of Chairman of the same, thus favouring interactions between the two committees. In addition, Ms. Koro Usarraga Unsain is also a member of CaixaBank's Executive Committee and, for her part, Ms. Cristina Garmendia Mendizábal is a member of the Remuneration Committee and of the Innovation, Technology and Digital Transformation Committee.

The post of non-member Secretary of the Committee, an advisory post, 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 various departments, which must offer their collaboration and provide the Committee with information. The post of Deputy Secretary, an advisory post, is held by the First Deputy Secretary of the Board of Directors. In 2020, the First Deputy Secretary of the Board of Directors acted as Secretary of the Committee.

### 3. THE COMMITTEE'S FUNCTIONING

**Approval of an Activity Plan for the financial year 2020; fulfilment of the Committee's functions during the year despite the situation caused by the COVID-19 pandemic; frequent ongoing contact with key staff involved in CaixaBank's governance and management and liaison with the Risk Committee.**

2020 has been determined by the international pandemic caused by the COVID-19 virus, which is causing a major health crisis, in addition to severe impact on the economic and social spheres, both in Spain and across the globe.

In this context, Royal Decree 463/2020 was approved on 14 March, declaring the state of alarm for managing the health crisis caused by the COVID-19 virus, which was successively extended until 21 June 2020. Recently, new measures have required adoption, due to which the Government has approved Royal Decree 926/2020, of 25 October, declaring a new state of alarm, which has been extended until 9 May 2021, although it will not affect the various sectors and activities in the same manner as the one that was declared in March 2020. In the framework of this situation, during 2020, the Government approved a series of economic and social measures to face the challenges arising from the pandemic.

The expansion of the COVID-19 virus has had significant impact on CaixaBank's activity as a facilitator of credit flow for families and businesses and of support for their development. In the same manner, the functioning and activity of the Committee has been affected by this new environment, in particular as

regards the type of matters dealt with and to which the Committee has paid special attention, as explained further on in this report.

As in every financial year, the Committee establishes an Activity Plan for the period, in accordance with the Technical Guide's recommendations and with the aim of ensuring it achieves its goals and performs its duties as efficiently as possible.

The Activity Plan approved for 2020 is a working document that has been adapted and completed during the financial year in accordance with the various circumstances and needs arising from regulatory requirements, requests from the supervisor, business circumstances, such as the merger by absorption of Bankia and the health crisis situation caused by the COVID-19 pandemic.

The Activity Plan included both an initial proposal for scheduling the work and meetings and the structure, preparation, and attendance of the meetings, and also the Committee's main objectives, which will be developed in further detail in section 4 of this report. In this sense, it should be noted that, without prejudice to the exceptional circumstances that the company has endured during 2020, the Committee has been functioning as normal, fulfilling its Activity Plan as foreseen, and monitoring the new context caused by the COVID-19 situation, within the scope of its functions, through the various reports drafted by the Board.

### 3.1. Preparation

In order to prepare the Committee's 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. Computer tools and channels are used for this purpose to ensure the confidentiality of the information.

Additionally, prior to each meeting the Committee Chairwoman has continued to hold preparatory meetings with the persons ultimately responsible for Internal Auditing and Financial Reporting and the Secretary of the Board, and with the Directors considered necessary at each time with regard to the issues dealt with at the Committee meetings.

### 3.2. Attendance

The Committee meetings are held as often as summoned by its Chairwoman, at the request of the Chairman of the Board or two members of the Committee itself, and they are held at least on a quarterly basis, with the purpose of reviewing the mandatory financial reporting and the information to be approved by the Board of Directors and included in the mandatory public documentation.

In this sense, and in accordance with the Activity Plan, during 2020 the Committee has held 20 meetings, of which 11 have been ordinary meetings, seven have been extraordinary meetings and two have been held jointly with the Risk Committee, with a view to facilitating the exchange of information and the effective supervision of all the risks that affect the Group. To this regard, two joint meetings were held in 2020 (on 23 April and 16 July 2020).

The attendance of their members was as follows:

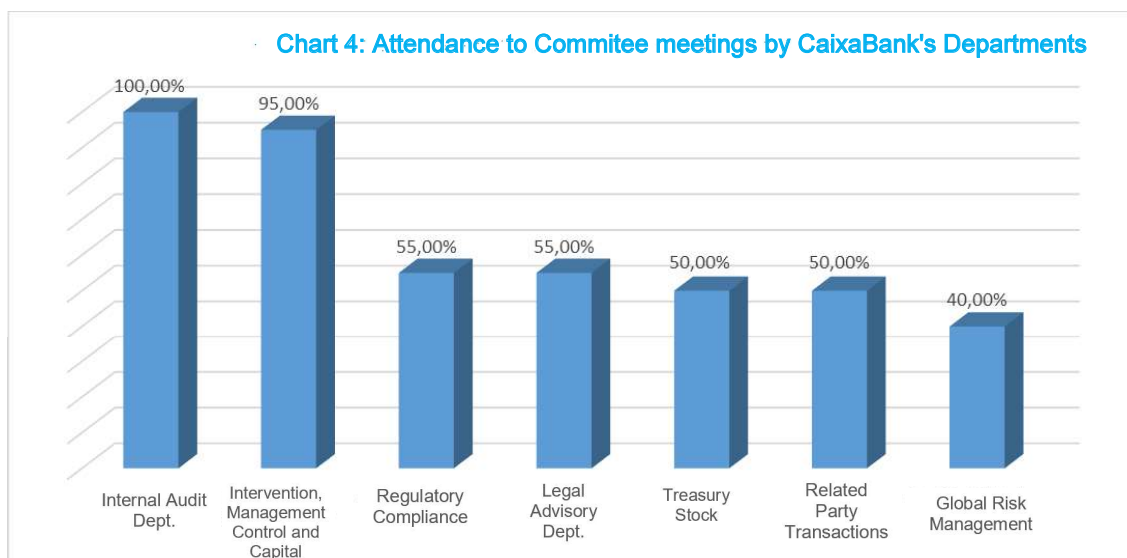
<b>No. of meetings in 2020</b>	<b>20</b>
Ms. Koro Usarraga Unsain	20/20
Mr. José Serna Masiá	20/20
Mr. Eduardo Javier Sanchiz Irazu	20/20
Ms. Cristina Garmendia Mendizábal	13/13 <sup>(1)</sup>

(1) Joined as a member of the Committee on 22 May 2020

On the other hand, the Committee has maintained constant, ongoing contact with CaixaBank's Management Team. In this sense, the Committee has established that, in general, the Executive Director of the Internal Audit Department will attend all its meetings as the main bridge with the Company, without prejudice to the discussions held by the members of the Committee without the presence of the Company's Directors and of the preceptive meetings held solely with the external auditors.

Thus, in accordance with the Annual Planning and at the invitation of the Chairwoman, the meetings have normally been attended by the managers responsible for the matters planned as fixed sections at the meetings, i.e., Intervention, Management Control and Capital, for financial and non-financial reporting, Internal Auditing, Regulatory Compliance, Treasury Stock, Related Party Transactions and the external auditor. These Managers limited their attendance of the meetings to the agenda items to which they have been invited.

Other members of the Management Team with knowledge of or responsibility for aspects figuring on the agenda have also been regularly invited to the meetings, to aid the Committee in carrying out its duties. Similarly, they have been attended by the Managers of the Legal Advisory, Business, Corporate Development and Global Risk Management departments, whose attendance was also limited to the agenda items to which they were invited. Chart 4 included below reflects the departments that regularly attend the Committee meetings.



Invitations have also been extended to the Managers of the departments of Finance (25 March, 23 April and 16 July 2020), Tax Consultancy (25 March and 28 October), Business Control (28 April and 18 November 2020), Business (18 November 2020) and Human Resources (29 January and 19 February 2020), as well as to directors of subsidiary companies, such as Banco BPI, S.A. with the aim of receiving explanations regarding certain matters included in the agenda.

During the year and when deem necessary, the Committee meetings have also been attended by external experts to ensure the appropriate performance of their functions.

### 3.3. Conduct of meetings

The Committee's system determines the valid constitution of this, 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 of the resolutions adopted at each meeting are taken.

After approval of the minutes of the previous meetings, the Committee then proceeds to deal with the different agenda items, the person responsible for each matter participates in the discussion on each item of the agenda, answering the Committee members' questions and then leaving the meeting.

There is constant involvement, discussion and debate between the Audit and Control Committee members on all the items dealt with at the Committee meetings, thus the Directors provide their different views of each matter.

During this financial year, as a consequence of the COVID-19 pandemic, the Audit and Control Committee meetings have mostly be held remotely, telematically or over the telephone (11 meetings), ensuring those in attendance have been identified and there is real-time interaction and intercommunication and, therefore ensuring the unity of the meeting, in accordance with the provisions of Article 16.4 of the Rules of the Board of Directors of CaixaBank and of Article 36.4 of the Company By-laws. It should be noted that, despite this situation, the Audit and Control Committee has operated normally throughout the financial year.

### **3.4. Reporting to the Board of Directors**

The Committee, through its Chairwoman, explains the activity and work it performs, during the meetings held by the Board of Directors.

Likewise, the minutes of the Committee meetings along with the appended documents are made available to all Directors, therefore providing all pertinent explanations at the Board of Directors' meetings.

## **4. PERFORMANCE OF FUNCTIONS**

**The Committee has established and pursued its objectives for 2020, in accordance with its Activity Plan and adapting at all times to the situation caused by the COVID-19 pandemic. Highlighting the supervision of financial and non-financial information that is to be published, monitoring the effectiveness of the internal and risk control systems, where appropriate, in coordination with the Risk Committee, in particular regarding evaluation processes relating to the suitability of internal capital and liquidity (ICAAP and ILAAP) and of the Recovery Plan; monitoring the confidential consultation and whistle-blower channels, as well as the merger by absorption operation planned by the Company during the second semester of the year.**

In accordance with Article 14.1 of the Rules of CaixaBank's Board of Directors, the Committee has the following basic functions:

- Informing the General Shareholders' Meeting of matters raised that are within the Committee's remit, particularly with regard to audit results.
- Overseeing the process of drawing up and submitting the mandatory financial reporting of the Company and, where the case may be, of the Group.
- Ensuring that the Board of Directors endeavours to submit the Annual Accounts to the General Shareholders' Meeting with no limitations or reservations in the audit report;
- Informing the Board of Directors in advance of the financial reporting and the related non-financial reporting that the Company must publicly disclose.
- Overseeing the effectiveness of the internal control systems.
- Overseeing the effectiveness of the internal auditing.
- Establishing and overseeing a mechanism enabling the Company's employees to notify of any potentially significant irregularities.



- Overseeing the effectiveness of the financial and non-financial risk management systems, in coordination with the Risk Committee.
- Submitting proposals to the Board of Directors concerning the selection, appointment, reappointment and replacement of the account auditor.
- Regularly gathering information from the auditor on the Audit Plan and its implementation, in addition to preserving the auditor's independence for performing its functions.
- Serving as a communication channel between the Board of Directors and the auditors.
- Establishing a suitable relationship with the external auditor in order to receive information on any matters that may pose a threat to its independence.
- Issuing an annual report on the auditor's independence, prior to the issue of the Audit Report.
- Ensuring compliance with the audit contract.
- Ensuring that the external auditor holds an annual meeting with the Board of Directors to report on the work carried out and the evolution of the Company's situation.
- Making a final assessment of the auditor's work.
- Provide the Board of Directors with advance notice of any operations regarding structural and corporate modifications that the Company may plan to carry out, their financial terms and their accounting impact and, in particular, where the case may be, of the proposed equation of exchange.

There follows a description of the main issues dealt with at the Committee meetings in 2020.

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

The Committee has particularly focused on overseeing the process of drawing up and submitting the mandatory financial reporting, the corporate reporting, and the non-financial reporting. The departments responsible have attended 18 of the 20 meetings held by the Committee in 2020, enabling the Committee to obtain prior knowledge sufficiently in advance on the process of drawing up the interim financial reporting and the individual and consolidated annual accounts.

The Committee acknowledged and approved the principles, valuation criteria, judgements and accounting calculations and practices applied by CaixaBank, overseeing their correct adaptation to the accounting standards and to the criteria established by the competent regulators and supervisors. All of which has been carried out with the purpose of ensuring the integrity of the accounting and financial reporting systems, including financial and operational control, and compliance with the applicable legislation.

It is worth mentioning that the Committee has been informed of the recommendations and criteria issued by the regulators on the financial and non-financial reporting, so as to enable investors to identify the current and expects impacts arising from the COVID-19 pandemic affecting the financial situation, performance and cash flows, as well as the main risks and uncertainties derived, with particular emphasis placed on the statements of the European Security and Markets Authority (ESMA), which have been gathered and implemented by the Company when drawing up its reports.

At the meetings held on 19 February, 28 April, 29 July and 28 October 2020, the Committee reported favourably on the respective financial statements at 31 December 2019 and 31 March, 30 June and 30 September 2020, prior to these being drawn up by the Board of Directors.

The Committee oversaw the functioning of the internal controls carried out in order to reasonably assure the reliability of the financial and non-financial information provided by CaixaBank to the market. The Internal Financial Control Manager submitted its quarterly reports on the functioning of the Financial Information Internal Control System (FIICS). It was concluded that the Company has adequate procedures and the necessary controls to create a robust system, which worked efficiently throughout the financial year. The FIICS was also reviewed by both the internal and external auditors.

Furthermore, the Committee has also been informed of the implementation of a specific control environment relating to non-financial information (NFIICS) and of the outcome of the first internal upstream certification to that regard, which enabled to evaluate the fulfilment and effectiveness

regarding the implementation of the key controls by the responsible parties who intervene in the processes affecting the generation and preparation of relevant Non-Financial Information included in the Management Report, reaching a positive conclusion.

The Committee has reported favourably to the Board regarding the new Write-off Policies and the new Corporate Policy for the management of Financial Information Reliability Risk (which combined the content of the previous Corporate Policy on Disclosure and Verification of Information and Corporate Policy of the FIICS).

In addition to this, the Committee continuously monitored the evolution of the main figures for the profit and loss account and the balance sheet, and the details of the Group's liquidity and solvency situation. In particular, the Reports corresponding to the 2020 financial year on Capital Self-Evaluation (hereinafter "ICAAP") and on Liquidity Adequacy (hereinafter "ILAAP") of the CaixaBank Group, as well as the Information of Prudential Relevance (PR). In this regard, in accordance with the Pillar III Disclosure Standard, the selected relevant Pillar III information published on a quarterly basis is also submitted at the Committee meeting, in addition to the Committee's annual verification of the PR report.

The Committee has been informed of the main accounting figures, the different audit evidence, the pension commitments of CaixaBank and BPI; the contribution to the Deposit Guarantee Fund; the situation update, at all times, in relation to the accounting impact arising from the situation caused by the COVID-19 pandemic, in particular relating to the calculation of provisions associated to the COVID-19 pandemic, as well as allocation for insolvencies. The Committee has also overseen the procedure and methodology followed for determining the impact, among other matters.

It should be noted that the Committee has been informed of relationships with the Single Resolution Mechanism, the supervisor's priorities for 2020, and CaixaBank's requirements and fulfilment of the *Minimum Requirement of Eligible Liabilities* (MREL).

Additionally, the Internal Financial Control Manager has, as Second Line of Defence, reviewed the 2020 Budget generation process, the reasonableness and suitability of the valuation methodology of the holding impairment risk, as well as the comparison of the hypotheses and the obtained valuation and the robustness of the valuation models for said risk. Having also reviewed the judgements and calculations used in the model for utilisation of deferred tax assets, as well as those used in the valuation and goodwill impairment test reports. The Second Line of Defence has also reviewed the process used for generating the ICAAP and ILAAP prior to its approval, the PR for 2019; the Recovery Plan; the update of the recalibration provisioning parameters (IFRS 9) and *backtesting*, in particular having been informed of the impact and the pertinent adjustments derived from the COVID-19 situation, among others. All of these matters have been reported to the Committee.

#### 4.2. Structural and corporate modifications

The Audit and Control Committee, in accordance with the Rules of the Board of Directors of CaixaBank, has analysed and reviewed the financial terms, accounting impacts and, in particular, the proposed swap equation regarding the merger by absorption operation of Bankia, S.A., by CaixaBank.

In this sense, the Committee has analysed in several meetings the forecast operation, examining the documentation, the due diligence work and the reports drawn up.

#### 4.3. Risk Management and Control

In accordance with the regulations introduced by Law 10/2014, of 26 June, on regulation, supervision and solvency of credit institutions, CaixaBank has a Risk Committee whose function is to propose the risk control and management policies and strategies to the Board and provide counselling on the Company's current and future global risk appetite, including assessment of regulatory compliance risk within its sphere of action and decision-making.

The Audit Committee also oversees the effectiveness of the Company's internal control and risk management system. Thus, with the aim of adequately performing their functions in 2020, the Risk Committee and the Audit and Control Committee continued with their consolidation strategy regarding their liaison and coordination in all aspects of risk monitoring.

Similarly, both committees have held two joint meetings during the year, in which they have reviewed the Recovery Plan, the risk scenarios and the concise statement issued by CaixaBank on the *Internal Capital Adequacy Assessment Process* (ICAAP) and the conclusions of the second and third lines of defence, the concise statement of the *Internal Liquidity Adequacy Assessment Process* (ILAAP), along with the conclusions of the second and third lines of defence, as well as the specific presentation on the *Credit Value Adjustment*, particularly how it was reflected in the valuation and its treatment and accounting impacts.

Similarly, the Committee has reported favourably to the Board on the review of the Policy on risk management for investee companies.

To conclude, it is also worth noting that the Committee has been informed of the macroeconomic scenarios by the supervisor and regulators, including the Bank of Spain, as well as of the scenarios contemplated by the Company, confirming its situation.

#### 4.4. Regulatory compliance

The Committee performs a continuous supervisory function for matters relating to the Company's regulatory compliance.

During the financial period, the Committee has been presented with the closure of the Regulatory Compliance corporate challenges for 2019. Similarly, the Committee has studied the internal and external reports submitted to it by this function. Among the internal reports, of note are the periodic reports on the implementation of the Internal Code of Conduct regarding the Securities Market (ICC); the reports on compliance with the internal Policy and Rules of conduct of the interest rate reference index contribution process and the reports of the Confidential consultation and whistle-blower channel. As regards external reports, the most relevant ones are the Annual Report drawn up by external experts on Money Laundering and Terrorist Financing Prevention System. The Committee has also closely followed the function's negotiation with the different regulators and supervisors.

The Committee particularly focuses on issues relating to the prevention of money laundering and terrorist financing. Thus, during the financial year, the Committee has monitored the progress of the initiatives undertaken, by means of the reports provided by the department responsible for the compliance function, which enabled it to be aware of and oversee the update of the Group's money laundering and terrorist financing prevention system.

Likewise, the Committee was kept regularly informed of the situation regarding the requirements sent by the different regulators and supervisors, the inspection and supervisory actions, and the evolution of the conduct and compliance recommendations.

The Committee has been informed of the functioning of the Company's mechanisms for ensuring confidential communication of possible irregularities, including those of financial and accounting natures, which may be noticed, in particular regarding the characteristics and implementation of a new management model for consultations and whistle-blowing. Reporting has also been provided during the financial year as regards the volume of consultations and complaints received.

#### 4.5. Internal Audit

Among other functions, the Committee has been entrusted with supervising the efficacy of the internal audit, ensuring the optimal functioning of the information and internal control systems, as well as their independence and the appropriate risk-oriented focus of their working plans. To this end, the Committee has been informed of the Internal Audit Activity Report for 2019 and of the progress made in relation to

the Internal Audit 2019-2021 Strategic Plan, whose principles have and will continue to guide its action during said period, as one of the fundamental pillars of good governance as is the Third Line of Defence.

Due to the outcome of the continuous improvements in the Auditing Methodology, the Committee was presented with the updated Internal Audit Charter, regarding which the Committee has reported favourably to the Board of Directors.

The Committee was also presented with the Internal Audit Function's Annual Internal Audit Plan for 2020, which also reported on the degree of compliance of the 2019 Plan. The Internal Audit Department regularly reported on the Plan's progress and the new tasks incorporated over the year, deriving from the Corporate Risk List and concerned sectoral or individual requirements made by regulators and supervisors and requests by either the Management or the Committee itself, and regarding the situation caused by the COVID-19 pandemic. In this sense, taking into consideration the exceptional situation and its impact at all levels, the Internal Audit Department has closely supervised the potential appearance of new risks and the criticality of existing risks, on which it has issued a monthly report to the Committee since April.

The Committee also received information on the audits performed and reports drawn up. The report provided to the Committee incorporated specific reviews carried out on a single control environment, including the Company's remuneration policy, cybersecurity and inTouch remote personal management system; the defined actions plans, monitoring and degree of implementation of the Internal Audit Department's recommendations, and on the actions carried out with regard to the Group, as a function with a corporate scope providing a systematic approach to the assessment and improvement of the risk management and control processes for all the Group's activities and business. In this sense, noteworthy is the periodic monitoring of the BPI Internal Audit activities.

On 29 January 2020, the Committee received the Declaration of Independence of CaixaBank's Internal Audit Function, drawn up in compliance with the Group's Internal Audit Charter.

The Committee was also informed of the degree of achievement of the Internal Audit Function's targets set for the previous year, considering that it satisfactorily complied with and performed this function and approving the targets for 2020.

Finally, the Committee was informed of the meeting held between the Internal Audit Department and ECB, within the framework of recurrent contacts with the Supervisor, during which they mainly discussed the actions performed by the Internal Audit Department in relation to the COVID-19 pandemic.

#### **4.6. Auditor relationship**

The auditor PricewaterhouseCoopers Auditores, S.L. (hereinafter referred to as "PwC"), was appointed by the General Shareholders' Meeting as the new auditor for CaixaBank and its consolidated Group for the financial years 2018, 2019 and 2020. This auditor has also been re-appointed by the General Shareholders' Meeting for the financial year 2021, after having evaluated its work and its independence, objectivity, professional skills and quality, which are legally required for public-interest entities and also internally by the Company. The Committee's relationship with CaixaBank's external auditor, PwC, was constant and problem-free throughout the financial year 2020.

In turn, PwC submitted to the Committee an annual plan for the performance of the auditing tasks, including the schedule and approach, detailing the activities and validations to be performed.

In accordance with the established schedule, the managers of the PwC external auditor team have attended 11 of the 20 meetings that have been held. Also, at least once a year, the Committee members hold a meeting with the external auditors that is not attended by any of the Company Directors, with the aim of finding out how the auditors perceive the working approach of their different contact persons at CaixaBank and the Company's evolution, and to assess whether the relationship has been satisfactory.

At the meeting held on 19 February 2020, the auditor submitted its final conclusions on the previous year's individual and consolidated accounts, indicating that it expected to issue a favourable opinion in its report, and it also submitted its Declaration of Independence and information on the additional services provided and the corresponding fees received in 2019. It has also submitted the Additional Reports corresponding to the financial year 2020 foreseen in Law 22/2015, on Account Auditing (hereinafter "LAC").

At the meetings held prior to drawing up the mandatory financial reporting, PwC notified the Committee of its preliminary conclusions, together with all significant aspects of which the Committee must be informed, in accordance with the regulatory guidelines for account auditing work.

Furthermore, in the framework of the merger by absorption transaction of Bankia by CaixaBank, the Committee has reported on the verification of the Company's merger balance by the account auditor, in accordance with the law, and on the Special report issued by the external auditor on the compilation of the pro-forma consolidated financial information included in the descriptive document of the merger by absorption transaction of Bankia by CaixaBank.

#### **4.6.1. Auditor independence**

In 2020, the Committee established a satisfactory relationship with the firm and the auditing team for the purpose of receiving information on any matters that could pose a risk to the latter's independence, where the case may be.

Furthermore, the Committee has received its declaration of independence for the previous financial year, in which the firm has stated that the engagement team, the audit firm and, where appropriate, other persons belonging to the audit firm, and where appropriate any other firm within the network, with the applicable scope, were compliant with the applicable requirements for independence, pursuant to the provisions of the LAC and Regulation (EU) No. 537/2014, of 16 April.

Similarly, during the year, the Committee analysed and, where the case may be, authorised, the auditors' provision of non-audit services, after having taken into consideration aspects including the nature of the services, the legally applicable quantitative limits and those voluntarily established by the Committee, and the existence, where the case may be, of any threats to its independence and the safeguarding measures adopted.

Thus, at its meeting held on 19 February 2020, prior to the issue of the audit report on the annual accounts for the financial year 2020, the Committee approved the Report on the Auditors' Independence, in which it expressed its favourable opinion on their independence.

#### **4.6.2. Evaluation of the auditor's work**

At its meeting held on 19 February 2020, the Committee was presented with the positive evaluation of the work carried out by PwC as the account auditor for the financial year 2019, with regard to the quality of the auditing and its contribution to the integrity of the financial reporting.

This evaluation took into consideration, among other parameters, the broad scope of matters covered by the auditors, the strictness of its criteria, the planning and implementation of audit procedures, the management of requests and effective communication, as well as the optimisation of processes and its quality and independence.

#### **4.7. Related party transactions**

One of the Committee's functions is to oversee compliance with the regulations on related party transactions and to inform the Board of Directors of all such transactions before they are carried out.

In 2020, the Committee reported on the asset transactions carried out with the Company by the members of the Board of Directors, by Senior Managers or related parties. These have, in all cases,

been transactions for which the Committee was provided with information related to the market conditions of such transactions and their ordinary nature, where appropriate.

#### **4.8. Regulator communications**

The Committee has been periodically informed during the financial year of the developments regarding communications and requirements established by the regulators and supervisors, and of the meetings held by the various managers with the supervisors. Furthermore, information has also been provided regarding the meeting held by the Chairwoman with the Joint Supervisory Team (JST).

#### **4.9. Other issues**

The Committee received information on the reviews of the processes for drawing up the Annual Corporate Governance Report and the Annual Remuneration Report for the Directors of Listed Limited Liability Companies.

Furthermore, and in accordance with its annual Activity Plan, the Committee met periodically with the Tax Department, which reported, among other matters, on the tax developments proposed by the new Government for 2020, the regulatory modifications and their implementation, as well as the Company and its Group's relationship with the regulators and supervisors, the details of the tax report included in the Management Report appended to the Company's annual accounts, the informative disclosures, the presentation of which is pertinent to the work performed during 2019 and which include, among other tasks, the monitoring of the developments to be implemented by the Tax Agency, the Company's tax management and the main figures of the 2019 tax information. Likewise, the managers have also informed the Committee on the improvements implemented within the department, with a view to continuing the alignment of their practices with the market improvements, in relation to governance and tax control.

In accordance with Article 15.1 of the Rules of the Board of Directors, the Committee's functions include submitting to the Board of Directors the proposal concerning the appointment of new members to the Appointments Committee. To this end, during 2020 the Committee has submitted to the Board of Directors the proposal to appoint Mr. Eduardo Javier Sanchiz Irazu as a new member of the Appointments Committee.

The Committee also received information relating to the main lines of activity of the Business Control Department, along with the achievement of its action plan, its priorities for 2020, the control activities performed throughout the current year, in line with the Annual Planning and the monitoring of its achievement.

### **5. MAIN PROGRESS IN COMPARISON TO THE ASSESSMENT FOR 2019**

Taking as reference the objectives and challenges defined by the Committee in its Activity Plan, as well as the general recommendations and assessments, the following progress is to be noted:

- The number of members comprising the Committee has increased, as has the percentage of members who are independent directors.
- The joint work with the Risk Committee has continued as regards all aspects related to risk monitoring.

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

**Favourable report on the quality and efficiency of the Committee's functioning, drawn up in 2020**

During the year, the Committee has carried out the responsibilities and functions entrusted to it, adapting at all times to the recommendations and regulations arising from the situation caused by the COVID-19 pandemic, maintaining smooth communication regarding its internal deliberations and with its frequent persons of contact, and has had access to expert advice when deemed necessary.

The Committee has also held a suitable number of meetings, it has been provided with sufficient, accurate documentation on the various matters it has discussed, and these matters have been correctly presented, all of which has reinforced the quality of the debates among its members and its sound decision-making.

It has therefore been concluded that the Committee has achieved the goals and targets set for the year and the quality and efficiency of its functioning are considered positive, as is the effective performance of the functions assigned to it by the Company By-laws and the Rules of the Board of Directors.

Barcelona, 16 December 2020

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