



02 Cecabank governance structure and practices

Annual Report 2014

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2.1. Ownership structure

Cecabank has several shareholders, of which CECA is the largest (89.08%)

2.1.1. Shareholders

The institution's shareholders are:

Shareholders	No. shares	% Shareholding
CECA	100,000,000	89.08
CAIXABANK, S.A.	3,059,729	2.73
BANKIA, S.A.	2,148,106	1.91
KUTXABANK, S.A.	1,352,325	1.20
LIBERBANK, S.A.	888,958	0.79
IBERCAJA BANCO, S.A.	765,561	0.68
ABANCA CORPORACIÓN BANCARIA, S.A.	712,677	0.63
BANCO MARE NOSTRUM, S.A.	700,086	0.62
BANCO DE CAJA ESPAÑA, SALAMANCA Y SORIA, S.A.	669,866	0.60
CATALUNYA BANC, S.A.	644,683	0.57
UNICAJA BANCO, S.A.	629,574	0.56
BANCO SABADELL, S.A.	574,171	0.51
C.A. Y M.P. ONTINIENT	57,920	0.05
CAIXA D'ESTALVIS DE POLLENÇA	52,884	0.05
TOTAL	112,256,540	100.00

2.1.2. Relationships between major shareholders and the institution

Cecabank's main shareholder is CECA.

CECA has signed a contract for the provision of services with Cecabank. The purpose of the contract is to govern the basic principles of the relationship between CECA and Cecabank. Among other points, this includes:

- ▀ **delimiting** Cecabank's priority areas of action
- ▀ identifying the services Cecabank provides and will provide to CECA, and setting the general criteria for conducting

operations or providing intragroup services under market conditions, and

- ▀ determining the mechanisms to achieve the flow of information necessary between both parties to comply with management requirements and obligations vis-à-vis the various regulators and so that CECA has full information about Cecabank.

In this contract both entities reaffirm that their dealings are subject to provisions on conflicts of interest, dealings with major shareholders, related-party transactions and insider dealing, among other matters, as laid down in the legislation in force.

2.1.3. Restrictions on voting rights, and on the purchase or transmission of shareholdings

The entity has not established restrictions on the exercise of voting rights.

As regards restrictions on the free transferability of shares, Article 9 of the the entity's Articles of Association stipulates that in the event of any form of transfer of the company's shares, its shareholders will have a right of first refusal over these shares.

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2.2. Shareholders' General Assembly

Cecabank's shareholders' general assembly is responsible for appointing and dismissing directors, discharging the accounts and the distribution of earnings

2.2.1. Quorum

Cecabank's General Assembly of Shareholders comprises all the shareholders entitled to attend, either in person or through their proxies. The General Assembly has the powers vested in it by the Articles of Association, including the appointment and dismissal of directors, discharging the Annual Accounts, and the distribution of earnings. The ordinary General Assembly must meet within the legally stipulated time limits, and extraordinary meetings must be held whenever called by shareholders owning at least 5% of the share capital.

The General Assembly, whether ordinary or extraordinary, will have a quorum at its first or second session when the shareholders present either in person or by proxy hold the legally established percentage of voting shares.

Quorum will be determined with regard to each of the resolutions to be adopted, and, where applicable, the agenda will be limited to those matters for which quorum exists.

Without prejudice to the foregoing, the General Assembly will have a quorum as a general shareholders' meeting if all the holders of all the capital are present either in person or by proxy and the attendees unanimously agree to hold the meeting and to its agenda.

2.2.2. Rules for the passing of corporate resolutions

Attendees of the General Assembly will have one vote for each share they hold or represent. The Assembly's resolutions will be passed if the holders of the majority of the capital vote in favour, either in person or by proxy. This shall not apply in any cases in which the law stipulates a larger majority.

2.2.3. Resolutions passed by the General Assembly in 2014 and percentage of votes with which they were passed

In 2014 Cecabank's General Assembly of shareholders met at a single ordinary session on 25 March and passed, among others, the following resolutions:

- Discharge of the Annual Accounts, Management Report, and application of earnings, and management of the Board of Directors, all corresponding to the financial year ended 31 December 2013.

The share capital represented by its holders or their proxies was 99.37%, and the resolutions were passed unanimously.

2.2.4. Address and form of access to the corporate governance website

Cecabank maintains a website at www.cecabank.es, with up-to-date information including a specific section on the institution's corporate governance accessible from the site's main menu.

"Information about Cecabank's corporate governance can be found on-line at www.cecabank.es"

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2.3. The institution's administrative structure

The Board of Directors is responsible for CECA's management and representation

2.3.1. Board of Directors

The Board of Directors is responsible for the management and representation of Cecabank. It is therefore the institution's governing and management body, and represents it in all matters concerning its ordinary business and in any litigation, exercising the powers expressly conferred on it by CECA's Charter.

Under CECA's Charter, Board meetings are called by the chairman and it must meet at least six times a year.

In 2014 the Board of Directors met eleven times, at the behest of its Chairman.

The institution's general secretary, acting as non-director deputy secretary, attended the meetings as an observer.

2.3.1.1. Maximum and minimum number of directors envisaged in the statutes

Cecabank's board of directors comprises the number of members determined by the General Assembly, which may not be less than 5 or more than 15 (in compliance with recommendation no. 9 of the Unified Code of good governance for listed companies).



2.3.1.2. Composition of the Board

The composition of the Board of Directors on 31 December 2014 was as follows:

	Post	Last Appointment
Antonio Massanell Lavilla (Chairman)	External proprietary	13-03-2013
José Luis Aguirre Loaso (Deputy Chairman)	External proprietary	13-03-2013
Antonio Ortega Parra (member)	External proprietary	13-03-2013
Francisco Javier García Lurueña (member)	External proprietary	13-03-2013
Manuel Azuaga Moreno (member)	External proprietary	13-03-2013
Joaquín Cánovas Páez (member)	External proprietary	13-03-2013
Jesús Ruano Mochales (member)	External proprietary	13-03-2013
José Manuel Gómez de Miguel (member)	External independent	13-03-2013
María del Mar Sarro Álvarez (member)	External independent	13-03-2013
Santiago Carbó Valverde (member)	External independent	13-03-2013

Fernando Conlledo Lantero is Secretary of the Board of Directors but is not a director.

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2.3.1.3. Members of the Board

who hold management or executive positions with other entities belonging to the institution's group:

José María Méndez Álvarez-Cedrón, Director - Chief Executive Officer of Cecabank, is also the Chief Executive of CECA.

2.3.1.4. Number of female directors

on the board of directors and its committees. Change over the last four years.

Name of Body	Number of female directors (%)	
	2014 Financial Year	2013 Financial Year
Board of Directors	9.09%	9.09%
Appointments and Remuneration Committee	0%	0%
Audit Committee	33.3%	33.3%
Risk and Solvency Committee	25%	25%

2.3.1.5. Aggregate compensation of directors accruing during the financial year

Compensation item	Thousands of Euros	
	Individual	Group
Allowances	178	-
Other remuneration	-	-
TOTAL	-	-

2.3.1.6. Total remuneration accruing to senior management during the year

Name	Post
José María Méndez Álvarez-Cedrón	As Chief Executive Officer
Fernando Conlledo Lantero	General Secretary-Director of the Legal and Fiscal Advisory Dept
Jorge Gil Lozano	Assistant General Manager - Operations-Finance Area
Ainhoa Jáuregui Arnaiz	Director of the Planning Area
Agustín Márquez Dorsch	Assistant General Manager of the Technology Area and Global Business Coordinator
Andrés Martín Pintor	Director of the Risks Area
Antonio Romero Mora	Assistant Director - Association Services and Audit Area
Ana María Raposo Ferreira	Director of the Resources Area and ESCA
Francisco Javier Planelles Cantarero	Head of Operations Division
José Manuel Villaverde Parrado	Director of the Financial Division
José María Verdugo Arias	Deputy General Manager - Head of Financial Division
Total top management remuneration (thousands of euros)	4,101

2.3.1.7. Directors' term of office

Board members hold their offices for six years and may be re-elected once or twice for periods of equal length. Alternate directors may be appointed should any director cease to hold his office for whatever reason.

Coopted directors shall hold their offices until the next General Assembly.

2.3.1.8. Mechanisms established to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies

The external auditor has issued a report on its independence from the entity, which has been examined by the Audit Committee. Based on this report, the Audit Committee has prepared a document taking note of it.

The entity has a protocol for its dealings with rating agencies, approved by the Steering Committee, which aims to ensure ratings adequately reflect the entity's situation and outlook, and transmit accurate information to the market.

2.3.2. Board Committees

2.3.2.1. Bodies

Name of body	No. members	Main functions
Appointments and Remuneration Committee	3	Supervising and reporting on the policy for the allowances, remuneration and incentives paid to directors and employees of the institution, and ensuring compliance with the requirements established in the Articles of Association for the exercise of the office of member of the Board, of the Committees, and of CEO
Audit Committee	3	Oversee the effectiveness of the company's internal control, internal audit where applicable, and risk management systems
Risk and Solvency Committee	4	Regularly ascertain and analyse the institution's risk, solvency and liquidity position, and inform the Board of Directors about any relevant regulatory developments

2.3.2.2. Appointments and Remuneration Committee

This committee's activities are regulated by Article 39 of Cecabank's Articles of Association and the committee's own internal regulations, approved by the Board of Directors on 23 January 2013.

The functions of the Appointments and Remuneration Committee are the following:

- Ensure compliance with the requirements of the Articles of Association for the exercise of the office of member of the board of directors, and, where applicable, of the Committees, and the requirements for the post of CEO.
- Report on the appointment of senior managers of the institution.
- Report on the policy of allowances, remuneration and incentives for members of the




board of directors and senior managers, periodically review the structure and amount of these remunerations and incentives and on compliance with this policy.

- Directly oversee the remuneration of senior managers entrusted with risk management and with compliance functions.
- Report on incentive plans for executives or employees linked to the institution's earnings and/or other indices/variable components.

The Appointments and Remuneration Committee may also report on any issues submitted to it on the subject of the remuneration and compensation system, amounts and updates, applicable to the members of the board of directors, executive directors, and management staff.

In 2014 the Appointments and Remuneration Committee met on three occasions, at which it discussed, among other topics, the 2103-2014 remuneration process, the assessment of directors' suitability, the committees' allowances, and the policy on the target for representation of the least-represented sex on the Board of Directors.

The members of the Appointments and Remuneration Committee on 31 December 2014 were:

-  José Luis Aguirre Loaso
Chairman
-  Jesús Ruano Mochales
Member
-  Antonio Ortega Parra
Member

2.3.2.2. Audit Committee

The Audit Committee is regulated by Article 38 of Cecabank's Articles of Association and its own internal regulations, approved by the Board of Directors on 23 January 2013.

The Audit Committee has the following functions:

- ✓ Informing the shareholders' General Assembly on issues raised by shareholders on matters over which it has competence.
 - ✓ Overseeing the effectiveness of Cecabank's internal control, internal auditing, and, where applicable, its risk-management systems, and discussing with the auditors any significant weaknesses in the internal control system detected during auditing.
- The person in charge of the internal audit function will submit an Internal Audit Plan to the Committee for approval and submit the annual report on internal audit activities to it at the end of each financial year.
- ✓ Supervising the preparation and submission of regulated financial information.

- ✓ Proposing the appointment of the account auditor to the Board of Directors, for submission to the General Assembly.
- ✓ Liaising with the auditors as appropriate to obtain information on issues that may affect their independence, for this information to be reviewed by the Committee, and any issues relating to the audit process, and other communications envisaged in the legislation and standards on auditing. In any event, it must receive from the auditors annual written confirmation of their independence from the institution or entities directly or indirectly linked to it, and information on any additional services of any kind provided to these entities by the auditors, or by persons or entities linked to them, pursuant to account auditing legislation.
- ✓ Issue a report expressing an opinion on the independence of the account auditors annually prior to the issuing of the audit report. This report must in all cases state any additional services provided, as referred to in the preceding section.
- ✓ Any other tasks that may be assigned to it at any time by the Board of Directors.

The Committee will report in a timely way to the Board of Directors on its activity and the work done, and it will draw up an annual report on the activities carried out during the financial year.

The Audit Committee met on four occasions in 2014, discussing issues such as the control function and its annual reports, the internal audit plan, the expert report on the prevention of money laundering and terrorist financing, the implementation of the institution's code of ethics, the external audit, and the risk-tolerance framework.

On 31 December 2014 the members of the Audit Committee were:



María del Mar Sarro Álvarez
Chair



Francisco Javier García Lurueña
Member



Manuel Azuaga Moreno
Member

2.3.2.4. Risk and Solvency Committee

The Risk and Solvency Committee pays special attention to the risk and solvency management issues essential for the running of the institution. It was created under Article 36 of the Articles of Association, which envisages the possibility of setting up committees of directors with whatever remit the Board sees fit, and its activities are governed by its internal regulations, approved by the Board of Directors on 28 May 2013 and amended by the Board of Directors on 11 December 2013, coming into force on 1 January 2014, in order to comply with European legislation on the matter.

It has been assigned the following duties:

- ✓ Advising the Board of Directors on the institution's overall current and future risk appetite and its strategy in this area, and assisting the board in setting the institution's target levels of solvency.
- ✓ Assisting the Board of Directors on monitoring the application of the institution's strategy by top management.
- ✓ Regularly ascertaining and analysing the institution's solvency, liquidity, and its risks, in general.

✓ Informing the Board of Directors on regulatory developments regarding solvency, liquidity and risk management that may have an impact on Cecabank.

✓ Analysing the Internal capital adequacy assessment report and the Information of Prudential Relevance prior to submission to the Board of Directors.

✓ Examining whether the prices of assets and liabilities offered to the institution's customers take the business model and its risk strategy fully into account. If these prices do not reflect the risks adequately, in line with the business model and risk strategy, the committee will submit a plan to correct them to the Board of Directors.

✓ Working with the Appointments and Remuneration Committee to establish sensible remuneration policies and practices. To this end, it will examine whether the incentives in the remuneration system take into account the risk, capital, liquidity and likelihood and timeliness of the benefits.





✓ Any other matters entrusted to it by the Board of Directors in relation to solvency and risks.

The Committee will report to the Board of Directors on its activity and the work done.

Over the course of 2014 the Risk and Solvency Committee met on five occasions, at which it examined, among other issues, the institution's risk and solvency position, the system of provisions for operational risks affecting the depositary business, the Internal capital adequacy assessment report and the Information of Prudential Relevance, the capital target, the Risk-tolerance framework, and the framework for the reporting of risks to the Committee and the Board.

In order to ensure coordination between the two committees, the Chair of the Audit Committee is also a member of the Risk and Solvency Committee.

On 31 December 2014 the members of the Risk and Solvency Committee were:

-  José Manuel Gómez de Miguel
Chairman
-  Joaquín Cánovas Páez
Member
-  Santiago Carbó Valverde
Member
-  María del Mar Sarro Álvarez
Member

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2.4. Related-party transactions

(See note 40 of Cecabank's Annual Accounts)

2.5. Control Systems and Risk Management

(See notes 22, 23, 24 and 25 of Cecabank's Annual Accounts)

2.6. Other relevant information

The Steering Committee is the highest body supporting Cecabank's management

2.6.1. Steering Committee

In the the information on Cecabank's internal governance it is essential to mention the bodies that articulate the main decision-making processes. Information is therefore given here about the Steering Committee, as a body assisting the Chief executive officer, and the Assets and Liabilities Committee (COAP), which is the highest body responsible for information, management, oversight and control over the institution's financial risks. We will also refer to other bodies, such as the Compliance Committee, the Operational Risks Committee, and the Global Security Committee.

The Steering Committee is the highest body supporting Cecabank's management. As well as this function, the Steering Committee also has the following basic responsibilities, notwithstanding any additional responsibilities assigned to it by the Board of Directors:

- /// Deciding on matters put before it directly by the Board of Directors.
- /// Deciding on matters put before it by the CEO ahead of their approval by the Board of Directors.



- /// Deciding on matters put before it by the CEO on his own initiative.
- /// Approving the rules of conduct and internal standards of the institution, where not subject to approval by the Board of Directors.

The Committee comprises the institution's main executives. Nevertheless, other employees of the institution may attend, and speak, but not vote, when so required by the chairman of the Committee.

The CEO is the chairman of the Steering Committee. The secretary of the Committee is the Institution's General Secretary, who is to take minutes of the matters discussed at meetings.

The Steering Committee has its own internal regulations, which were approved in February 2007.

The Steering Committee meets prior to the meetings of the Board of Directors and as often as it is called by its chairman. In 2014 it met on 21 occasions.

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The Executive Committee is the body to which the Steering Committee delegates its most important functions

3.6.2. Executive Committee

The Executive Committee is a strategic support body for senior management. It may also take on the main functions of the Steering Committee, as a result of the urgency or nature of the matter, or when the institution's CEO sees fit.

The Executive Committee is chaired by the chairman of the Steering Committee, and also comprises the institution's assistant general managers and assistant directors. The Executive Committee met on 12 occasions in 2014.

The role of the COAP is to approve, report, manage, monitor and control Cecabank's financial risks

3.6.3. Assets and Liabilities Committee

The role of the Assets and Liabilities Committee

(COAP) is to approve, report, manage, monitor and control the institution's financial risks. The COAP also puts into practice the policies established by the Board of Directors in the financial area, defining the tasks and functions to be carried out in the institution.

The risk-control policies, methods, procedures and systems for the risks to which the institution is exposed are set out in the COAP manual, which is approved by the Board of Directors and is subject to annual review. The latest update to the manual was approved by the Board of Directors on 20 February 2013.

Under the aforementioned responsibilities, the COAP's functions include the following:

- // Studying and issuing general policies in the framework of the risks assumed by the institution, and establish procedures and methods for the management, monitoring and control over credit risks, market risks (interest rate, spread, exchange rate, price and volatility risks) and structural balance sheet risk (interest rate and liquidity).
- // Studying and issuing specific one-off policies on significant balance sheet items.
- // Measuring the risks deriving from the likely change in the balance sheet figures and market developments, and assess their influence on the institution's economic value and financial margin accordingly.
- // Monitoring and analysing the institution's balance sheet, assessing the implicit risk in its structure, depending on monetary, economic and exchange-rate variables, in accordance with the policies issued by the Board of Directors.
- // Deciding on the investments in the institution's equity capital, and monitoring the profitability and risks of this portfolio.
- // Evaluating the market situation and analysing changes in public data.
- // Tracking changes in treasury positions in euros and foreign currency.

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El COAP se reúne cuando cualquier contingencia en los mercados o la marcha de la entidad lo requieran

- ✓ Preventing strains on liquidity and approving the corresponding liquidity contingency plans.
- ✓ Authorising valuation criteria and methodologies for financial instruments.
- ✓ Approving changes to settlement rates for transactions in options and futures requested by the institution's customers.
- ✓ Approving changes to the interest rates applicable to the institution's accounts receivable.
- ✓ Resolving on transaction proposals and credit risk limits that exceed the authority delegated to the Risk Committee, and taking note of those authorised by the committee within the framework of its delegated authority.
- ✓ Monitoring the activities and agreements approved, where applicable, by the various committees supporting the COAP.
- ✓ Monitoring and analysing, and, where applicable, authorising, any new financial product or activity that the institution wishes to undertake or carry out.
- ✓ In relation to the process of the internal self-assessment of the adequacy of the capital available, according to the risks incurred, the COAP will be responsible for ensuring that the

procedures and methodologies used in the capital self-assessment process are appropriate to the institution's risk profile.

- ✓ Approving the Risk Area's Risk-Management Policies and Procedures Manual associated with the activities of the Operations-Finance Area (the "Risk Manual").
- ✓ Approving the New Financial Products Committee's manual.
- ✓ Reviewing the manual annually, and where applicable, proposing to the Board any amendments that are to be approved by it.
- ✓ Any other responsibilities associated with the above objectives.

The COAP is chaired by the institution's CEO, with the Assistant general manager of the Operations-Finance Area acting as deputy chairman. It has six members and the head of the Legal Advisory Department is its coordinator and secretary.

The COAP holds ordinary meetings once a month and also meets whenever any market contingency or development affecting the institution so requires, following its being convened by the chairman through the secretary.

In 2014 the COAP met on 19 occasions (11 ordinary meetings and 8 extraordinary meetings).

In order to meet its objectives, the COAP has the following support committees:

- ✓ The Risk Committee, which has the objectives of ensuring that the institution's risk exposure is within the tolerance established by the Board of Directors and the COAP: permanently adapting the risk management procedures to growing market sophistication and aligning them with the capital requirements in force at all times; and permanently adapting the valuation methodologies to best market practice and the needs of the institution.

Additionally, in order to give the institution more flexibility and specialisation in its decision-making, the COAP has delegated authority over credit-risk operations to the Risk Committee up to certain limits ("Framework of authority delegated to the Risk Committee").

The committees supporting the COAP include the Risk Committee, the Financial Committee, the New Products Committee, and the Liquidity Contingency Committee

The Regulatory Compliance Committee promotes the implementation of compliance risk control in the institution

The Risk Committee met on 11 occasions in 2014.

✓ The Financial Committee is responsible for the ordinary management of market risks, according to the policy approved by the Board and the COAP's guidelines, submitting the information necessary for decision-making to it. Likewise, in accordance with the COAP's resolutions, it entrusts the management and monitoring of investments and divestments of equity, debt and various account balances on the institution's balance sheet, submitting the relevant information to the COAP. The Financial Committee met on 20 occasions in 2014.

✓ The New Financial Products Committee has the objective of ensuring that, in relation to its market operations and financial products, the institution:

- Has full knowledge of the risks it is running.
- Has the necessary infrastructure for their management, control and administration.
- Makes progress on the standardisation of financial products in which it operates, from the systems and procedures point of view.

The New Financial Products Committee met on five occasions in 2014.

✓ The Liquidity Contingency Committee has the following basic objectives:

- Evaluating any possible liquidity crisis and deciding whether to trigger the contingency plan in the light of the quantitative and qualitative indicators, and where applicable, classifies the degree of intensity of the crisis.
- Assessing the specific reasons giving rise to the state of crisis and judges its possible duration and the seriousness of the liquidity problem.
- Defining the strategy to manage the situation, determining the relevant areas in which to intervene.
- Coordinating the areas involved in the execution of the plan and making any necessary adjustments to it, so as to update it in line with the market situation.

The Liquidity Contingency Committee met on 11 occasions in 2014.

3.6.4. Regulatory compliance

The regulatory compliance function has specific rules and guidelines for action laid down in the compliance policy passed by the Board of Directors.

To ensure appropriate coordination of all the institution's units involved in managing compliance

risk, and to ensure an efficient system for the flow of information, the institution has a two-tier structure of committees:

✓ The bottom tier comprises subject-specialised committees: the Anti-money Laundering and Counter Financing of Terrorism Committee, the Securities Market Rules of Conduct Committee, and the Data Protection Committee.

✓ The upper tier comprises a Compliance Committee with cross-cutting competences over compliance risk matters. The members of this committee are appointed by the Board of Directors.

The Compliance Committee has the following powers and responsibilities:

- ✓ Promoting the implementation of compliance risk control in the institution.
- ✓ Identifying and evaluating, with the assistance of the Regulatory Compliance Department, issues

The functions of Regulatory Compliance include overseeing the management of reputational risk

The Operational Risk Committee proposes procedures and systems to mitigate latent operational risks

relating to compliance risk, and plans for their management. In the framework of this process:

- It performs regular monitoring of compliance risk management. To do so, the Compliance Committee meets at least once a quarter.
- It reviews the ordinary management of compliance risk by the Regulatory Compliance Department.

To this end, it analyses the information and supervises the documentation on the management of compliance risk submitted to it by the Regulatory Compliance department.

- ✓ Ensuring the compliance policy is followed. This includes the responsibility of encouraging competent units to adopt corrective measures if compliance failures are detected.
- ✓ Raising the internal rules and codes on regulatory compliance that are required by the applicable legislation and standards to the Steering Committee, for their proposal, where appropriate, to the Board of Directors (such as the management framework for Criminal Liability Risk, the Code of Ethics or the Protocol for the contribution to setting the Euribor, Eonia and Eurepo indices).

- ✓ Proposing to the Steering Committee the procedures and plans of action for the management of the institution's compliance risk.
- ✓ Informing the competent body at least once a year through the head of the Regulatory Compliance Department, such that this body can form an informed judgement on the effectiveness of compliance risk management.
- ✓ Supervising reputational risk management.
- ✓ Executing the guidelines and adopting the measures concerning regulatory compliance that are established by the Chief executive officer.

The Compliance Committee met on three occasions in 2013.

3.6.5. Operational Risk Committee

The operational risk management system defined in the control framework envisages an Operational Risk Committee among the bodies taking direct responsibilities. This Committee is responsible for regular monitoring of its management, annually informing the Steering Committee and the Audit Committee about changes in this risk and the measures taken.

It also analyses information received from the Operational Risk unit on the management of operational risk and proposes risk transfer procedures and systems (insurance, guarantees, outsourcing, etc.), in order to mitigate latent operational risks.

It also carries out the following functions:

- ✓ Promoting the implementation of operational risk control in the institution.
- ✓ Supervising the documentation facilitated by the Operational Risk Unit on operational losses and the institution's risk profile.
- ✓ Supervising the degree of compliance with the control framework.
- ✓ Approval of procedures for the institution's operational risk management.
- ✓ Approval of the maximum limits allowed (degree of tolerance) in relation to the residual operational risk value.
- ✓ Supervising the minimum information necessary to substantiate compliance with the requirements of Circular 3/2008 for application of the standard method.

To perform these functions, the Operational Risk Committee has an Operational Risks Identification Work Group, whose main responsibility is to detect the operational risks inherent in the institution's processes, products, and systems. Its objective is to obtain and update an inventory of operational risks and to select the risk and management indicators for the appropriate monitoring of operational risks.

The Operational Risk Committee met on two occasions in 2014.

3.6.6. Global Security Committee

The institution has a "Security Policy" approved by the CEO to establish and communicate in official form the guidelines the organisation is to follow to manage its security and comply with regulatory and client requirements.

The security policy encompasses both fiscal and logical security, and the institution has equipped itself with a structure enabling the guidelines issued by management to be followed. The various elements of this structure include the Global Security Committee, whose objectives, competences and powers are described below.

The Committee's objectives are:

- To propose security policies to the Steering Committee for approval.
- To develop the standards necessary to comply with the institution's security policies.
- To approve specific security policies that, for legal or regulatory reasons, are developed by particular departments and may not be considered to be encompassed by the institution's global security policy.
- To report to the Steering Committee and/or senior management on significant issues relating to the institution's security.

- To ensure compliance with the institution's global security policy, and departments' or business processes' specific security policies.

Its competencies are:

- Establishing initiatives considered appropriate for the updating of the institution's global security policy.
- Evaluating security policies addressing issues such as their implications, viability, regulations and cost/benefit analysis.
- Promoting the dissemination of security standards and policies across the institution through the relevant bodies.
- Undertaking and coordinating action plans aiming to resolve specific issues relating to the institution's global security.
- Gathering and endorsing the decisions taken in the delegate committees (Data Protection Committee, and others that may be created in relation to security).
- Following up tests and updates of partial continuity plans and the institution's global continuity plan.
- Holding meetings at least every four months to analyse any issues considered to be significant for the institution's global security.

- Holding extraordinary meetings whenever necessary to analyse specific issues that may affect the institution's global security as a whole.

The Committee has the power to:

- Require members of the Global Security Committee and the institution's heads of division to provide any documentation considered necessary to guarantee compliance with the global security standards and policies that have been established.
- Request first-hand information directly from managers of projects or departments linked to security tasks, when considered necessary.
- Request reports from internal or external specialists aimed at verifying compliance with global security policies and standards.
- Examine internal and external audit reports on issues in relation to compliance with global security policies and standards.

The Global Security Committee met on 2 occasions in 2014.