



Institut Català  
de Finances

2022

# Corporate Governance Annual Report

**DETAILS OF ISSUER**

DATE END OF YEAR: 31.12.2022

TAX ID (CIF): Q5855055 I

Company name:

**INSTITUT CATALÀ DE FINANCES**

Registered address:

Gran Via de les Corts Catalanes, 6a. planta. Barcelona

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**APPENDIX: EXTERNAL AUDIT REPORT**

## A. OWNERSHIP STRUCTURE

A.1 List the direct and indirect holders of significant ownership interests in your organisation at year-end

Tax ID No.	Name or corporate name of the owner	% of share capital
S0811011G	GENERALITAT DE CATALUNYA	100.0%

A.2 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities.

Not applicable

A.3 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company, unless they are insignificant or arise from ordinary trading or exchange activities:

Not applicable

A.4 Indicate, where applicable, any restrictions as to voting rights together with any restrictions on the acquisition or transfer of holdings in the share capital:

Yes  No

Description of the restrictions

## B. GENERAL MEETING OR EQUIVALENT BODY

B.1 List the quorum of the general meeting or equivalent body as established in the bylaws. Describe any differences from the quorum provisions in the Capital Companies Law (CCL) or applicable regulations.

The ICF, the parent company of the ICF Group, is a public company subject to private sector law wholly owned by the Catalan Regional Government, the Generalitat de Catalunya. In accordance with its specific legal status, since the entity is not a capital company, it does not have a General Meeting in the strict sense of the term. The Generalitat is the sole holder of its share capital and acts in a manner similar to a General Meeting.

The Entity's highest decision-making body is the Supervisory Board, which can be likened to a board of directors.

B.2 Explain the system for adopting resolutions. Describe how it differs from the system envisaged in the CCL, or any applicable regulations.

The chief regulation governing the ICF is Legislative Decree 1/2022 of 26 July enacting the recast text of the Law on the Institut Català de Finances. This Legislative Decree replaces the one in force until then, 4/2002, which had been amended several times in order to ensure that the ICF's governance bodies comply with the CRD IV directive,

emphasising the presence of independent members and stipulating that the ICF is subject to the specific regulations for credit institutions.

The system for adopting resolutions is similar to that of any capital company collegiate body: resolutions are adopted by a majority of votes with special emphasis on the pre-eminence of the quorum of independent members in the case of the Supervisory Board and the Executive Committee.

B.3 Briefly describe the resolutions adopted in the general meetings or equivalent bodies held during the year referred to in this report and the percentage of votes with which said resolutions have been adopted.

As mentioned above, there is no General Meeting in the strict sense of the term and the Generalitat carries out its duties *mutatis mutandis* the sole owner of the share capital, and approves the annual accounts of the ICF as the only significant resolution of the year.

B.4 Indicate whether at general meetings or the equivalent held during the year there have been any items on the agenda that have not been approved by the shareholders.

All items on the agenda have been approved.

B.5 Indicate the address and way to access information about corporate governance on the entity's website.

<http://www.icf.cat/ca/qui-som/organs-govern/>

<http://www.icf.cat/ca/informacio-corporativa/>

B.6 Indicate whether there have been meetings of syndicates, if there are any, of the holders of securities issued by the organisation, the purpose of the meetings held during the year referred to in this report and the main agreements adopted.

Not applicable.

## C. MANAGEMENT STRUCTURE

### C.1 Board of Directors or governing body

Pursuant to Decree Law 1/2022 of 28 July, which enacts the second recast text of the Law on the Institut Català de Finances, the body that performs the duties similar to those of a board of directors is the Supervisory Board, which is authorised to create decentralised bodies, commissions and executive committees and investment committees which can participate in governing the Entity within their remit.

This Decree Law also states that the Supervisory Board must set up all the commissions and committees required by the regulations on credit entities, in particular the Joint Audit and Control Committee and the Appointments and Remuneration Committee. Furthermore, it may freely create any others as it sees fit, delegating whatever powers are agreed to be appropriate.

The Bylaws of the ICF, which regulate its governing bodies, were approved by the Board on 2 October 2014, with subsequent amendments on 15 October 2015, 28 April 2016, and 10 October 2017. As regards decision-making, they provide that:

- The Supervisory Board will be deemed validly held when over half of its members are in attendance, either present or by proxy, using one of the means of communication referred to in the previous article, and among them are a majority of independent members, as specified in Article 13.1 of the Bylaws. (Article 11.1)
- The resolutions of the Supervisory Board shall be adopted by a majority of those present or represented, each member having one (1) vote. In the event of a tie, the Chair has the casting vote. (Article 11.4).

The appointment of new members of the Supervisory Board is the responsibility of the Generalitat, pursuant to the Law on the ICF, and is subject to a favourable report by the Appointments and Remuneration Committee.

The main resolutions adopted by the Supervisory Board during 2022, all by a unanimous vote at thirteen meetings, are as follows:

- Supervisory Board meeting (30/03/2022): 2021 ICF Financial Statements. Agreement to submit to the Generalitat for approval the ICF's annual financial statements, the notes thereto and the director's report for 2021, together with the proposed allocation of profits for the year totalling 36.4 million euros to reserves. Approval of the 2021 Corporate Governance Annual Report.
- Supervisory Board meeting (30/03/2022): 2022 Budget update approval.
- Supervisory Board meeting (27/04/2022): Approval of the Pillar III Disclosure Report.
- Supervisory Board meeting (28/09/2022) Approval of the Strategic Plan 2022-2025.
- Supervisory Board meeting (26/10/2022): Election of the new chair of the Supervisory Board, Mr Josep Maria Vilarrúbia.

Likewise, the Supervisory Board and its delegated committees have regularly monitored the main impacts on the ICF Group of the situation arising from the effects of the Covid-19 pandemic in terms of financial statements, business operations and risk management.

C.1.1 List the maximum and minimum number of directors or other members of the governing body as specified in the bylaws:

<b>Maximum number of directors / members of the body</b>	11
<b>Minimum number of directors / members of the body</b>	7

C.1.2 Complete the table below on the members of the board or governing body and their positions: at 31.12.2022

<b>Name or corporate name of the director / member of the governing body</b>	<b>Post</b>	<b>Last appointment date</b>
JOSEP MARIA VILARRÚBIA TÀPIA (proprietary) (1)	Chair	25/10/2022
JORDI ÒLIVA RITORT (executive) (2)	Chief Executive Officer	02/11/2021
RAFAEL ABELLA MARTIN (independent)	Member	13/12/2016 (*)
JOAN B. CASAS ONTENIENTE (independent)	Member	05/10/2021
ALBERT CASTELLANOS MADUELL (proprietary)	Member	09/10/2018
NÚRIA CUENCA LEÓN (proprietary)	Member	05/10/2021
JOSÉ LUIS PEYDRÓ ALCALDE (independent)	Member	18/09/2018 (**)
FRANCESC XAVIER PUIG PLA (independent)	Member	05/10/2021
MIQUEL PUIG I RAPOSO (proprietary)	Member	22/11/2022
MARIA PILAR SOLDEVILA GARCIA (independent)	Member	05/10/2021
ALBERT VILUMARA PÉREZ (independent)	Member	19/03/2019

(1) Since 26/10/2022, when by decision of the Supervisory Board he replaced the previous chair Jordi Cabrafiga i Macias.

(2) On 10/01/2023, he was replaced by Vanessa Servera i Planas.

(\*\*) Renewed on 17/12/2020 for an additional period of 4 years

(\*\*) Renewed on 28/09/2022 for an additional period of 4 years

C.1.3 Identify, where applicable, the members of the board or governing body who hold the post of director or executive in other entities that form part of the organisation's group: : at 31.12.2022

Name or corporate name of the director / member of the governing body	Name or corporate name of the group entity	Post
JORDI ÒLIVA RITORT (*)	Instruments Financers per a Empreses Innovadores, SLU (IFEM)	Chair
JORDI ÒLIVA RITORT (*)	Institut Català de Finances Capital, SGEIC, SAU	Chair

(\*) Until 25/01/2023, when by decision of the ICF Supervisory Board as sole holder he was replaced by Vanessa Servera i Planas.

C.1.4 Complete the following table with information relating to the number of female directors who sit on the Board of Directors and its committees and any changes over the last four years (at the end of each year)

	2022		2021		2020		2019	
	No.	%	No.	%	No.	%	No.	%
<b>Supervisory Board</b>	2	18	3	27	4	36	4	36
<b>Executive Committee</b>	0	0	0	0	1	25	1	25
<b>Joint Audit and Control Committee</b>	0	0	0	0	1	33	1	33
<b>Appointments and Remuneration Committee</b>	1	33	1	33	1	33	1	33

C.1.5 Indicate whether the company has policies for diversity in relation to its administrative, management and supervisory bodies with regard to issues such as age, gender, disability, or training and professional experience.

yes  no  partial policies

If so, describe this policy for diversity, its objectives, the measures it involves and the way in which it has been applied and the results in the year. Also describe the specific measures adopted by the governing body and the appointments and remuneration committee to achieve a balanced and diverse presence of directors or administrators.

If the company does not apply a diversity policy, explain the reasons.

The Appointments and Remuneration Committee assesses the suitability of each person, individually, and of each governing body, collectively, in accordance with the Institution's Suitability Policy, as approved by the Supervisory Board on 1 December 2016 and with its own procedures, as approved by the Appointments and Remuneration Committee on 17 November 2016. This evaluation is based on the assessment of three factors: good repute, knowledge and experience, and the ability to implement good governance. With regard to diversity, the Procedure establishes that in the incorporation of new members: *their contribution to the diversity and balance of the membership will be taken into account, together with their ability to contribute value in decision making and plural points of view to discussions on matters within their competence and, overall, having sufficient practical experience in the management of credit institutions.*

Furthermore, in February 2021 the ICF Group's Equal Opportunities Plan was adopted. It provides for gender assessment for the various levels of responsibility and drawing up action plans.

It is, therefore, normal practice as far as possible to ensure a balanced composition of each governing body, especially with regard to gender equality, without this entailing previously established quotas in any case.

C.1.6 Complete the following table regarding the total remuneration of the directors or members of the governing body accrued during the year:

Type of remuneration	Thousands of euros
	ICF
Fixed remuneration (CEO)	118
Other remuneration (independent directors)	165
TOTAL:	283

There are also EUR 29 thousand in provisions for variable remuneration, the settlement of which is subject to evaluation by the Appointments and Remunerations Committee.

C.1.7 Identify the senior management members who are not at the same time directors or members of the executive governing body, and indicate the total remuneration paid to them during the year:

Below is a list of the members of ICF Management that the Appointments and Remuneration Committee considers key personnel at 31 December 2022, excluding those who are also members of the Supervisory Board:

General Management - Loans and Risk
General Management - Finance and Operations (*)
Corporate Management – Audit and Compliance
Management - Credit
Management - Finance
Management – Investment in venture capital funds
Director - Internal audit
Management – Risk Monitoring and Management
Management – Business Development
Management – Treasury and Capital Markets
Management – Technology
Management – Human Resources and Organisation
Management – Product Development
Head – Marketing and Communication

Total remuneration key personnel (thousands of euros)	1,282
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There are also 213 thousand euros in provisions for variable remuneration, the settlement of which is subject to evaluation by the Appointments and Remunerations Committee.

(\*) As of 27 January 2023, the General Finance and Operations Department is renamed the General Administration, Finance and Markets Department

C.1.8 Indicate whether the bylaws or the regulations of the Board establish a limited mandate for directors or members of the governing body:

Yes

No

Maximum number of years in office	4+≤4
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According to the bylaws of the governing bodies, appointment is for a maximum of four years with the possibility of reappointment for up to a further four years.

C.1.9 Indicate whether the individual and consolidated annual accounts presented for approval to the board or governing body are previously certified:

Yes

No

If so, specify which person/persons certified the individual and consolidated annual accounts of the entity, for preparation by the board or governing body:

The individual and consolidated annual accounts are pursuant to the following review circuit prior to their formulation, in accordance with the provisions of the group's accounting policies:

- Internally: Finance Department, Management Committee, Joint Audit and Control Committee
- Externally: review by external auditors, with the submission of a draft audit report prior to formulation

C.1.10 Explain, if any, the mechanisms established by the board or governing body to ensure that the individual and consolidated financial statements prepared by it are not submitted to the general meeting or equivalent body with qualified opinions in the audit report.

The Joint Audit and Control Committee (hereinafter, JACC), pursuant to Article 23 of the Bylaws of the Governing Bodies of the ICF, oversees the effectiveness of the control systems of the entity and the role of its Internal and External Audit, Regulatory Compliance, Global Risk Management and Internal Control, and gives its opinion to the Supervisory Board regarding any financial information to be published. In this regard, as part of its duties:

- It supervises the internal audit activities of the ICF and therefore approves its annual work plan, the budget and annual activity report, ensuring that the main risks are reviewed, together with the internal control systems and procedures.
- It evaluates the degree of development of the audit plans and the implementation of their recommendations.

The Joint Audit and Control Committee also supervises the preparation and presentation of regulatory financial information, ensuring its compliance with legal requirements and the proper application of accounting principles.

C.1.11. Is the secretary of the board or governing body also a director?

Yes

No

C.1.12. Indicate, if any, the mechanisms established to preserve the independence of the external auditor, financial analysts, investment banks and rating agencies, including the way in which legal provisions have been implemented in practice.

The Joint Audit and Control Committee, in addition to proposing the appointment of the accounts auditor, is responsible for establishing appropriate relations with the auditors to receive information on matters which may jeopardise their independence and any other matter related to the auditing process. In any event, the Joint Audit and Control Committee must receive each year from the auditors written confirmation of their independence of the Institute or any entities directly or indirectly related to it, together with information on additional services of any nature rendered to these entities by the aforementioned auditors or related persons or entities in accordance with the provisions of the law on audits.

Regarding rating agencies, the contracting process specifically requires that these be:

- a) Considered eligible for Eurosystem operations with the European Central Bank.
- b) Agencies registered or certified in accordance with Regulation (EC) no. 1060/2009 of the European Parliament and the Council.
- c) On the list of rating agencies registered with the ESMA (European Securities and Markets Authority) and published on its website.

## C.2 Committees of the board or governing body

C.2.1 List the committees of the board or governing body:

At 31 December 2022, the Supervisory Board's delegated committees were as follows:

Name of committee (*)
Executive Committee
Joint Audit and Control Committee
Appointments and Remuneration Committee

(\*) During the year, the Strategy Committee was set up and which was then wound up on completion of its mission of approving the Group's Strategic Plan.

C.2.2 List all the committees of the board or governing bodies, their members and proportion of executive directors, proprietary directors, independent and other external directors (entities lacking the legal status of a capital company must not enter the category of the director in the chart and in the text section they must specify the category of each director in accordance with their legal regime and the manner in which they meet the conditions for being members of the Audit Committee and Appointments and Remuneration Committee):

**EXECUTIVE COMMITTEE (at 31/12/2022)**

Name	Post
<b>JOSEP MARIA VILARRÚBIA TÀPIA (proprietary) (1)</b>	Chair
<b>JORDI ÒLIVA RITORT (executive) (2)</b>	Member
<b>JOSÉ LUIS PEYDRÓ ALCALDE (independent)</b>	Member
<b>FRANCISCO JAVIER PUIG PLA (independent)</b>	Member
<b>ALBERT VILUMARA PÉREZ (independent)</b>	Member

(1) Since 26/10/2022, when he replaced Mr Jordi Cabrafiga i Macias

(2) On 10/01/2023, he was replaced in the post by Vanessa Servera i Planas

<b>% of executive directors</b>	20%
<b>% of proprietary directors</b>	20%
<b>% of independent directors</b>	60%
<b>% of other external directors</b>	-
<b>Number of meetings</b>	10

Explain the duties of this committee, describe its procedures and organisational and operational rules and summarise its most important actions during the year:

The powers delegated by the Supervisory Board (Article 22.7 of the ICF Bylaws) to the Executive Committee are:

- a) To decide on all matters delegated by the Supervisory Board. Specifically and in accordance with the powers currently delegated, to decide on investment proposals, relating to credit risk, or investments in venture capital or financial holdings.
- b) To decide on changes or modifications to the guidelines relating to the definition and creation of the institute's credit products, determining the limits and capabilities of campaigns or the types of products, and, lastly, changes relating to different types of liability and products for attracting deposits.
- c) To propose to the Supervisory Board changes in the capital investment policy of the ICF.
- d) To ensure the actions of the ICF Group are consistent with the risk tolerance framework defined by the Supervisory Board in conjunction with the other governing and management bodies.

**JOINT AUDIT AND CONTROL COMMITTEE (at 31/12/2022)**

Name	Post
<b>RAFAEL ABELLA MARTIN (independent)</b>	Chair
<b>JOSÉ LUÍS PEYDRÓ ALCALDE (independent)</b>	Member
<b>JOAN BAPTISTA CASAS ONTENIENTE (independent)</b>	Member

<b>% of executive directors</b>	-
<b>% of proprietary directors</b>	-
<b>% of independent directors</b>	100%
<b>% of other external directors</b>	-
<b>Number of meetings</b>	7

Explain the duties of this committee, describe its procedures and organisational and operational rules and summarise its most important actions during the year:

In accordance with regulatory provisions, the powers of the Joint Audit and Control Committee (a committee delegated by the Supervisory Board, as stipulated in Article 23.8 of the ICF Bylaws) are as follows:

- To supervise the effectiveness of the control of the entity and the functions of Internal Audit, Regulatory Compliance and Internal Control, Global Risk Management and Risk Management and Information Systems. To approve or amend the bylaws regarding these functions while at the same time guaranteeing their independence and comprehensive nature.
- To give its opinion to the Supervisory Board prior to decisions concerning any matter within its powers together with any financial information to be published, on the creation or acquisition of holdings in entities whose purpose or location is different from those approved in the ICF's policy on investment.
- To supervise the preparation and presentation of regulatory financial information, ensuring its compliance with legal requirements and the proper application of accounting principles.
- To be promptly advised of any monitoring or request for information by a supervisory body, irrespective of the department responsible for complying with such requests.
- To define the entity's tolerance to general risks, ensure that the risk profile remains within the objectives and keep the Supervisory Board informed of the measures adopted to correct any variance that may arise.
- To establish and supervise a mechanism that enables employees to confidentially report any potentially significant irregularities.

**APPOINTMENTS AND REMUNERATION COMMITTEE (at 31/12/2022)**

Name	Post
<b>ALBERT VILUMARA PÉREZ (independent)</b>	Chair
<b>RAFAEL ABELLA MARTIN (independent)</b>	Member
<b>PILAR SOLDEVILA GARCIA (independent)</b>	Member

<b>% of executive directors</b>	-
<b>% of proprietary directors</b>	-
<b>% of independents</b>	100%
<b>% of other external directors</b>	-
<b>Number of meetings</b>	6

Explain the duties of this committee, describe its procedures and organisational and operational rules and summarise its most important actions during the year:

The powers of the Appointments and Remuneration Committee (delegated committee of the Supervisory Board, Article 24.8 of the ICF Bylaws) are as follows:

- a) To propose the criteria and policies to be applied for the composition of the Supervisory Board taking into account the principles of good repute, suitability and good governance.
- b) To assess the proposed appointments of any member of the governing bodies. With regard to executive and key personnel, to carry out an evaluation when so requested by the Chief Executive Officer. *Key personnel* are those employees who can influence the risk profile of the entity as defined in banking regulations.
- c) To supervise the criteria applied for the identification and development of key personnel.
- d) To propose to the Supervisory Board the remuneration policy and the system for awarding, and the amount of, any fixed and/or variable remuneration of the members, executive and key personnel, ensuring it is compatible with the long-term interests of the institution and with appropriate and effective risk management.
- e) To propose to the Supervisory Board programmes aimed at updating the expertise of acting members.
- f) To inform and give its opinion to the Supervisory Board regarding transactions that involve or may involve conflicts of interest in accordance with the Code of Good Practice.
- g) At the request of the Chair of the Supervisory Board, to issue an opinion for the Board to decide on the authorisation for any member of the governing bodies to take up a new office in a different entity or on the early dismissal of an independent member of any governing body of the institute.
- h) To make recommendations to the Supervisory Board for the appointment of a new chairperson or chief executive and, if necessary, make proposals to ensure that the process takes place in an orderly and well-planned manner.
- i) To monitor and follow up cases of bullying and sexual harassment involving key personnel.

## D. RELATED-PARTY AND INTRA-GROUP TRANSACTIONS

D.1 Describe any transactions between the institute or group entities and the shareholders, cooperative shareholders, proprietary rights holders or any others of an equivalent nature.

The ICF Group has engaged in the following transactions with the sole shareholder:

Group company	Nature of relationship	Type of transaction
<b>Institut Català de Finances</b>	Commercial	Loans, transactional credit account and accounts receivable
<b>Institut Català de Finances</b>	Commercial	Management of departmental funds
<b>Institut Català de Finances</b>	Commercial	ICF lease to shareholder of office space

D.2 Describe any transactions between the institute or group entities and the directors or members of the governing body or executives of the institute.

No loan or guarantee operation in favour of the directors or members of the governing body was granted during the year.

There have been no transactions with any member of the governing bodies other than those described in other sections of this document.

D.3 Describe intra-group transactions

Details of intra-group transactions are given in note 35 of the consolidated notes.

D.4 Specify the mechanisms established to detect, identify and resolve possible conflicts of interest arising between the institute or its group and its directors, members of the governing body or executives.

Article 19 of the bylaws of the governing bodies of the ICF make it obligatory for the members of the Supervisory Board to avoid situations that may lead to a conflict of interest between the Institute and the members, defined as a situation in which the decision of a member or members may be influenced by a rationale or justification different to the sole interests of the Institute in accordance with the Group's Code of Good Practice.

The duties of the Appointments and Remuneration Committee include the following:

- To inform and give its opinion to the Supervisory Board regarding transactions that involve or may involve conflicts of interest in accordance with the Code of Good Practice.

## E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the organisation's Risk Management System

The ICF Group's Risk Management System is comprehensive and based on three *lines of defence*, adopting the EBA/GL/2021/05 guidelines on internal governance issued by the European Banking Authority which were applicable as of 31 December 2021 and replace and repeal the previous EBA/GL/2017/11 guideline. This organisational framework separates internal control functions from the business lines they control, thus segregating functions and resources. This distinction is translated into the three lines of defence model which establishes:

- **First line:** This includes business units and committees which are the chief guarantors of the control environment for their own activities.
- **Second line:** This includes risk monitoring and control units and committees which are responsible for designing and upholding the Group's risk model and verifying that it is correctly implemented in all areas.
- **Third line:** This carried out by Internal Audit and Control which conducts an independent review to ensure compliance with and the effectiveness of corporate policies and also oversight of the actions of the first and second lines of defence.

The ICF Group establishes the general lines of the Risk Management System applicable to its consolidated group through its **corporate risk map** which includes both financial and non-financial risks that have a significant impact on the ICF Group and therefore require follow-up and monitoring. This risk map quantifies each of the risks through the control systems and procedures in place, which make it possible to monitor and mitigate the various risks by reinforcing the control environment, reporting them in aggregate in 14 corporate risks to the Joint Audit and Control Committee and the Supervisory Board for their control and oversight. In addition, the ICF Group has drawn up a **risk appetite**

**framework** (RAF) which sets out the entity's risk management policies, procedures, roles and responsibilities. The RAF includes a **risk appetite statement** (RAS) identifying the ICF Group's main financial risks which are assigned a series of metrics and thresholds to quantify, manage and control the various associated risks.

The ICF Group sets out general qualitative principles, specified in the RAF, which apply to risk management and control. These principles fall into six broad categories and state the following:

**1. Risk profile** The ICF Group is to adopt a medium risk profile that ensures the performance of its operations and a countercyclical role without jeopardising its solvency. The risk will be medium-low after discounting the effect of guarantees, aligned in the medium term with the banking benchmark.

**2. Solvency and Hedging:** The Group is to maintain levels of liquidity and solvency that enable it to meet its commitments, including in stress scenarios. It will act in accordance with the principles of prudence in managing its risks.

**3. Concentration:** The Group is to diversify its investment portfolio so that there is no business, customer or sector that could put it at risk.

**4. Sustainability:** The Group's business operations should encourage investments that promote sustainable development.

**5. Compliance:** The Group's operations are to comply at all times with regulations, paying special attention to the specific features applicable to it in relation to state aid regulations and the European System of Accounts (ESA).

**6. Market and interest rate risk:** The balance sheet result should be stable and shaped exclusively by the margin generated from its core business. The Group will not engage in speculative activity

E.2 Identify the bodies in the organisation responsible for drawing up and executing the Risk Management System.

**The business areas and committees** are the first line of defence and are responsible for developing and maintaining effective controls over the risks of their respective businesses. Each area operates within the framework of the risk policies it has defined and approved which enable it to identify, manage and mitigate its risks and operate in an appropriate control environment. The business committees that make up the ICF Group's first line of defence are as follows:

- **The Credit Investment Committee** whose main roles include decisions on lending investments with a risk of more than €1m and less than €8m. Decisions for lower amounts are delegated to technical decision-making bodies.
- **The Capital Investment Committee** whose main roles include decisions on investments or divestments in equity transactions with a risk of less than or equal to €4m.
- **The ICF Capital Analysis Committee** whose roles include the supervision of the evolution of the equity investment portfolio as well as the analysis of investment or divestment operations to be submitted to the Board.
- **The Venture Capital Committee – IFEM** whose roles include recommending investments, amendments and additional or complementary investments.

Of the first-tier management committees, **the Assets and Liabilities Committee** is in the first line of defence. This committee's roles include: supervision of the balance sheet strategy, control and management of balance sheet risks, optimisation of the financial margin, approval of the conditions for contracting borrowing operations and hedging and approval of the cost of funding. The ICF Group also has the following committees in the first line of defence:

- **The Supervisory Committee** whose roles include monitoring the general evolution of the loan portfolio and the credit transactions portfolio to identify incidents which might have an impact on the overall evolution of the entity's credit risk (review of corporate groups exceeding €10 million, decisions on management, accounting classification and allocations by borrower or groups according to their attributions).

- **The Technical Liquidity Committee** whose main function is determining and updating cash needs so that the Treasury area can propose actions to the ALCO.

In risk management, the first lines have to build the risk limits specified in the RAS into their control processes in order to monitor them and keep them within the established thresholds. They are also responsible for drawing up an action plan to mitigate these risks in the event of non-compliance with limits.

- **The Global Risk Control area**, which reports to the Corporate Compliance and Control Department, is the second line of defence and its roles include:
  - Systematically monitoring and analysing the evolution of all relevant risks and check that they are in line with the established policies.
  - Proposing guidelines, methodologies and strategy for the management of all risks.
  - Ensuring the integrity of the information systems and risk measurement techniques used to monitor the Group's risk profile relative to its risk appetite.
  - Regularly reporting the updated position of the various risks and metrics in the RAS to the Joint Audit and Control Committee for review and supervision.

The second tier committees defined in the second line of defence are:

- **The Digital Information Security Committee (DISC)** whose roles include reporting regularly on information security to the Management Committee.
- **The Internal Control Body (ICB)** which is responsible for designing and coordinating AML policies and its roles include the analysis and resolution of AML alerts.

The third line of defence is made up of the Internal Audit and Control unit and the Joint Audit and Control Committee (JACC), the Supervisory Board's delegated body in charge of monitoring and overseeing the ICF Group's risks.

- **The Internal Audit and Control division** has a number of roles including:
  - Preparing internal audit and control plans which are to be reviewed at least once a year. They must take into account the specific requirements of the Joint Audit and Control Committee and be submitted for its consideration and approval.
  - Examining and assessing management systems and procedures, risk assessment and control, and the assessment methods used.
  - Regularly monitoring the compliance, appropriateness and effectiveness of the Group's policies, procedures, information systems and internal control systems, ensuring they conform to laws, standards and regulations. In particular, overseeing the internal financial reporting control system.
- **The Joint Audit and Control Committee (JACC)** is the governing body in the third line of defence. Its roles include the following:
  - Reviewing, overseeing and monitoring the evolution of risks and metrics of the ICF Group's RAS, ensuring compliance with controls and limits.
  - Taking timely action to ensure effective risk management and where necessary mitigating risk exposures, in particular any that exceed the risk appetite.
  - Regularly reporting to the Supervisory Board on the development and control of the Group's risks and advising the Supervisory Board on the Group's current and future overall risk appetite and its risk strategy.
  - It is responsible for the integrity of the RAF, including the identification and escalation of breaches of acquired risk limits and risk exposures.
  - Supervising the preparation and presentation of regulatory financial information, ensuring its compliance with legal requirements and the proper application of accounting principles.

- Analysing and evaluating proposals on the Group's risk management strategy and control policies and submitting them to the Supervisory Board for approval.
- Being familiar with, assessing and following up the observations and recommendations that may be made from time to time by the supervisory authorities in the performance of their duties and those of Internal Audit which have a relevant impact.
- Overseeing the effectiveness of the Group's internal control, any internal audits and risk management systems and also discussing with the auditors any significant weaknesses in the internal control system identified in the course of the audit.

The ultimate responsibility for risk is vested in **the Supervisory Board**. The Supervisory Board is responsible for defining the strategic management of the Group's risk appetite and for regularly reviewing and monitoring the current risk profile and risk limits against agreed levels.

### E.3 Indicate the main risks that may affect the achievement of business goals

The ICF Group has control systems in place that enable it to identify, assess, monitor and measure the financial and non-financial risks to which it is exposed and manage them dynamically. Risks are detected and measured consistently using the methodologies it deems fit on a case-by-case basis.

The main financial risks that may affect the ICF Group are:

- **Credit risk:** the possibility of incurring losses due to a breach of payment obligations on the part of borrowers or impairment of the loan quality of the same.
- **Structural interest rate risk:** the possibility of incurring losses in the ICF Group's net interest margin and equity as a result of changes in the interest rate curve.
- **Solvency and capital risk:** risk of having insufficient regulatory capital to meet unexpected losses in the entity.
- **Business and asset quality risk:** due to failure to meet the Group's asset return and quality targets.
- **Liquidity risk:** the risk of incurring losses due to a lack of sufficient liquid funds or an increase in the cost of financing, which prevents compliance with commitments undertaken as they become due, together with the risk of being unable to unwind a position as a result of market imperfections.
- **Concentration risk:** risk of incurring losses due to excessive concentration in a corporate group.
- **Venture capital activity risk:** possibility of incurring losses arising from a negative impact on the value of a venture capital investment as well as exceeding established thresholds limiting the volume of this activity.

In addition to the aforementioned financial risks, the ICF Group is exposed to a number of non-financial risks which have a significant impact on the ICF Group and therefore call for oversight and monitoring. Here the ICF Group has a **corporate risk map** which includes operational risk, regulatory risk, fraud risk, governance risk, reputational risk, cybersecurity and technological failure risk and sustainability risk.

### E.4 State whether the organisation has a risk tolerance level.

The ICF Group has in place a Risk Appetite Statement (RAS) document to identify, monitor and manage the main risks to which the ICF Group is exposed and also to set tolerance levels for these risks, which are aligned with both the ICF Group's corporate strategy and its financial plan.

Nevertheless, the ICF Group seeks to maintain a balanced ratio in capital, have Risk Management Policies in place and control its exposure to risk.

In this area, the ICF Group assumes a certain degree of risk that is intrinsic to its operations. Consequently, the Group's objective is to achieve a prudent level of risk which enables it to maintain a solvency ratio significantly higher than the statutory minimum required by banking regulations.

#### E.5 Identify any risks that have occurred during the year

Risk is inherent to financial activity and therefore the Group's activities involve risk to a greater or lesser degree. The ICF Group provides detailed risk information in Note 3 to the consolidated annual accounts, which are available on the corporate website.

Risk management in 2022 continued to monitor and control all lending operations and in particular the credit facilities that were implemented during Covid-19, with special attention to the evolution of default incidents in these facilities.

#### E.6 Explain the response and monitoring plans for all major risks of the company, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise.

The risk appetite framework sets out a circuit for the supervision, monitoring and reporting of the entity's main risks. Reporting at the highest level is done through the RAS (risk appetite statement), which is prepared by the global risk control unit and reported to the Joint Audit and Control Committee (JACC), which is responsible for overseeing, validating and submitting the report to the Supervisory Board on a regular basis. The risk appetite framework also establishes a circuit for responding to potential non-compliance.

The risks and thresholds are reviewed annually to identify new needs or adjustments due to changes in the economic environment or changes in the ICF Group's strategy and/or targets.

## F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO FINANCIAL REPORTING (ICFR)

Describe the mechanisms entailed in the risk monitoring and management systems with regard to your entity's process of Internal Control over Financial Reporting (ICFR).

### F.1 The organisation's control environment

Report, pointing out the chief characteristics of at least the following:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of a suitable, effective ICFR system; (ii) the implementation of this system; and (iii) supervision of the same.

The Supervisory Board of the ICF, as defined in Article 9 of the bylaws of the ICF's governing bodies, is responsible for the existence of an adequate and effective ICFR system, and the General Finance and Operations Department(\*) is responsible for its design, implementation and operation. Moreover, the internal control policy for financial information and Article 24 of the Bylaws of the Governing Bodies of the ICF stipulate that the Joint Audit and Control Committee will be responsible for supervising the ICFR system, its chief duties being as follows:

- To supervise the production and integrity of financial information and to review compliance with legal requirements and the proper application of accounting principles.
- To periodically review internal risk control and management systems to ensure the chief risks are identified, managed and reported and to discuss with the auditor any significant weaknesses in the internal control system detected during the audit process.

(\*) As of 27 January 2023, the General Finance and Operations Department is renamed the General Administration, Finance and Markets Department

- To ensure the independence and effectiveness of the Internal Audit function, which under the annual action plan allows evaluation of the ICFR and periodic reporting to the Joint Audit and Control Committee of any weaknesses detected during this work and the corrective measures proposed.
- To establish mechanisms that allow employees to report confidentially, and anonymously if deemed appropriate, any potentially significant irregularities, especially those regarding financial and accounting matters.

The Joint Audit and Control Committee is responsible for the following:

- Approving the Audit Plan, which describes the audits to be made of the ICFR system.
- Determining who will be responsible for evaluating the ICFR system.
- Evaluating the adequacy of the work carried out with regard to ICFR and analysing the results obtained by the various parties involved in supervising ICFR and evaluating the impact on financial information.
- Prioritising monitoring of the corrective action proposed concerning ICFR.

Although the Joint Audit and Control Committee must be proactive in analysing the key areas of ICFR requiring control and supervision, it may entrust the supervision and evaluation of ICFR to other parties which provide support:

- Internal Audit
- External auditors
- Other experts

F.1.2 Whether the following elements exist, especially in relation to the financial reporting process:

- Departments and/or mechanisms tasked with: (i) the design and review of the organisational structure; (ii) clearly defining lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for proper communication within the organisation.

The review and approval of the organisational structure and the channels of responsibility and authority are carried out by the Chief Executive Officer of the ICF, based on the proposals made by the Appointments and Remuneration Committee to the Board regarding the members who are to form part of each of the Institute's commissions and committees. When defining the organisational structure, the setting of clear lines of responsibility and authority and the appropriate distribution of tasks and duties are taken into account.

When preparing financial information the lines of authority and responsibility defined are taken into account. There is a planning process of the tasks to be performed until the information is issued to the market, which, amongst other factors, considers the assignment of tasks and responsibilities, the setting of time frames for delivering information at different stages of preparation and the review processes to which the information is submitted before it is drawn up and subsequently disclosed. This process is documented and adapted to each document issued in accordance with the situation, the initial description of the process and details of its monitoring being periodically reviewed by each of the parties involved.

The ICF's policy for the disclosure of financial information contains details of the financial information to be published in the markets and those responsible for approving it, including the following information:

- Individual and consolidated annual accounts and management report.

These documents must be written clearly and be relevant, reliable and comparable, and include the quantitative and qualitative information necessary for better understanding of the other financial statements published. They must comply with applicable regulations and take materiality, relevance and relative importance into account.

Responsibility for preparing this falls to the Finance Department, which is responsible for coordinating the drafting process with the other areas involved. Supervision of the final drafting is the responsibility of the General Finance and Operations Department(\*) while its preparation (or submission for approval to the Government where applicable) is the responsibility of the ICF's Supervisory Board, subject to a favourable report from the Joint Audit and Control Committee.

- Corporate Governance Annual Report

The responsibility for its preparation and content lies with the Supervisory Board which must expressly approve it. The responsibility in the prior drafting process lies with General Finance and Operations(\*) by way of the Finance Department. The information in certain sections was obtained with the collaboration of the Global Risk Management, Regulatory Compliance and Corporate Governance, Internal Audit and Human Resources departments.

- Pillar III Disclosure Report

Report drawn up in accordance with Circular 3/2008, of 22 May, issued by the Bank of Spain to credit entities concerning the identification and control of minimum capital in accordance with the equity and reporting requirements contained in the resolution adopted by the Basel Committee on Banking Supervision as incorporated in Spanish law.

Responsibility for approval lies with the Supervisory Board, with the Global Risk Management Department coordinating the prior drafting process and the Corporate Compliance and Control Management carrying out the final review of the document in accordance with applicable regulations.

It should also be noted that the Group has an updated organisational chart, published and duly approved.

- Code of conduct, body approving the same, degree of dissemination and instruction, principles and values included (indicating whether there is specific reference to record keeping and financial reporting), the body entrusted with analysing non-compliance and with proposing corrective measures and sanctions.

The ICF has a General Code of Conduct for Group professionals and a Code of Good Practice for the members of the Supervisory Board, which set out the ethical principles that inspire and govern the activities of all employees, executives and members of its governing bodies. The General Code of Conduct for Group professionals is available to all via the corporate intranet.

The values and principles contained in the Code of Conduct and Code of Good Practice are as follows: compliance with the law, professionalism, efficiency, honesty, discretion, equal opportunities and non-discrimination.

The Code of Conduct, which all Group employees are required to sign, provides for a system of sanctions in line with the provisions of the collective agreement in force at the time.

The latest update of the ICF Group General Code of Conduct for Professionals was approved on 15 March 2022.

- A whistle-blowing channel that allows reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as possible non-compliance with the Code of Conduct and irregular activities in the organisation, reporting where applicable if this of a confidential nature. It also has a specific procedure for the prevention of bullying and sexual harassment.

The Ethics and Internal Investigations Channel was implemented in 2015 under the oversight of the Joint Audit and Control Committee and the Appointments and Remuneration Committee. It enables any suspected irregularity or conduct contrary to the general regulatory framework applicable to the ICF Group to be reported. Since 2019, it has also included a Protocol for the prevention of bullying and sexual harassment. It was last updated on 16 July 2020.

It is an internal channel (solely for employees) and visible (it is accessible via various links on the Institute's intranet). Reports are personal and are anonymised for registration, processing and decision-making purposes. Reports received via the Channel are dealt with completely confidentially. The identity of the whistleblower will only be disclosed if it is essential for the investigation and always with their prior consent by court order. Management and monitoring of the Ethics Channel may also be outsourced to an external third party.

(\*) As of 27 January 2023, the General Finance and Operations Department is renamed the General Administration, Finance and Markets Department

- Periodic training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR which address, at least, accounting rules, auditing, internal control and risk management.

The Human Resources Department provides training and periodic refresher programmes for personnel involved in ICFR. These programmes include ongoing training in the fields of accounting, consolidation, risk management and internal control of financial reporting and are intended for those directly or indirectly involved in preparing and issuing financial reports.

The main training sessions in 2022 for personnel involved in preparing and reviewing financial reports, given by prestigious external experts in the sector, were as follows:

Heading	Attendees	Hours
Sustainable and Climate Risk – SCR	2	120
Executive Programme in Sustainable Finance	1	57
Institute of Internal Auditors Conference	1	13
ESG and Sustainability Programme	1	12
Course on State Aid	4	12
LCCI (Mortgage Law)	19	10
IESE Banking	4	10
IRIS In-house Training	34	5
Global Reporting Initiative (GRI).	1	3
VAT and the public sector	4	2
ESG In-house Training	58	1

F.2 Evaluation of financial reporting risks. Provide information on at least:

F.2.1. What the chief characteristics of the risk identification process, including error or fraud, are in relation to:

- Whether the procedure exists and has been documented.

On an annual basis and within the framework of the analysis of the scope of the Financial Reporting Control System, the ICF Group formalises the identification of relevant areas/processes and material risks, using the methodology found in the Internal Standards of the aforementioned system, including risks related to errors or fraud in the process of identification.

The determination of whether the potential impact of those risks is significant to the financial statements thus focuses on identifying the critical management processes used to generate financial data and identifying the areas or sections of the financial statements where the above risks occur.

The analysis considers both quantitative factors (balance, fragmentation, etc.) and qualitative factors (degree of process automation, standardisation of transactions, level of accounting complexity, changes with respect to the previous year, identification of control weaknesses, etc.).

- Whether the procedure covers all the financial reporting objectives (existence and occurrence; completeness; evaluation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.

The aforementioned procedure is defined to address all the financial reporting objectives for each department/process considered significant. The policy is updated on an annual basis and supervised by the Joint Audit and Control Committee.

- The existence of a process to define the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, holding companies or special-purpose organisations.

As part of the accounting policies and principles of the ICF Group there is a process for analysing the consolidation perimeter at least once a year, which defines the criteria for considering investees as part of the Group or as Associates.

- Whether the process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

The process of identifying risks takes into consideration both the most common financial transactions and less common, extraordinary or highly complex transactions, as well as the effect of other types of risks (operational, technological, financial, legal, reputational, etc.).

- Which governing body in the company supervises the process.

The Joint Audit and Control Committee is the body entrusted with annually supervising the risk identification process.

### F.3 Control activities

Report, providing an outline of the main features, if you have at least the following:

F.3.1 Procedures for the review and authorisation of financial information and the description of the ICFR, to be published in the securities markets, indicating those responsible, as well as documentation describing activity flows and controls, (including those relating to the risk of fraud) for each type of transaction that may materially affect the financial statements, including the procedure for closing accounts and a specific review of relevant opinions, estimates, evaluations and forecasts.

As specified in section F.1.2 above, the financial information disclosure policy establishes the main documents subject to disclosure and their characteristics within the control environment and identifies those responsible for verifying data in documents subject to financial disclosure to external parties.

Likewise, the ICF Group has a description of its accounting policies and principles used as a basic guide so that the Group can apply consistent accounting and assessment principles when preparing its financial reports. This document includes accounting policies and other procedures that are generally applicable in the preparation of Group's financial statements, including those related to estimates that may have a significant impact on financial reports, as well as procedures critical to the closing of the financial year and the preparation of annual accounts.

Regarding activities and controls directly related to transactions that may have a material effect on the financial statements, the ICF Group has prepared a series of descriptive documents and risk and control matrices for processes that significantly affect the creation, processing and preparation of financial reports.

For each of the relevant processes, the documents set out the areas involved and those responsible for control, the systems involved and the description of risks and controls. The risk and control matrices include the following fields, among others:

- Description of the risk
- Attribute with which the risk is identified
- Indication of whether or not the risk may involve fraud
- Control activity
- Classification of control: key / standard
- Control category: prevention / detection

- Method: manual / mixed / automatic
- System supporting the control
- Frequency of control
- Proof of control

Below is a description of the relevant processes together with the chief headings of the associated financial statements (distinguishing between business and transversal processes) defined within the scope of the ICFR system. This scope is generally made available to the Joint Audit and Control Committee in the first half of each year in accordance with the Financial Reporting Control System Policy. In 2021, as a result of the migration of the ICF's technological platform to a market core banking system during the first half of the year which has led to reworking the Group's technological and process environment, the adaptation of the Group's risk and control map to this new environment was submitted to the Joint Audit and Control Committee in the last quarter of the year.

Business processes:

Process	Main sections related
Loans and guarantees	Customer loans Impairment of the value or (-) reversal of impairment of the value and gains or losses for changes in cash flows of financial assets not valued at fair value through profit or loss Deposits with credit institutions Interest income Non-current assets held for sale Gains (losses) on non-current assets for sale
Treasury	Deposits with credit institutions Debt securities Interest income Derivative hedging instruments Accumulated other comprehensive income Profit or (-) Losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net Deposits with credit institutions Marketable debt securities Interest expenses
Venture capital	Investments Financial assets at fair value through other comprehensive income – Capital instruments Accumulated other comprehensive income Impairment of the value or (-) reversal of impairment of the value and gains or losses for changes in cash flows of financial assets not valued at fair value through profit or loss

Transversal processes:

- Accounting and tax management
- Human resources management
- Reporting and analysis

The documentation includes:

- Description of the activities related to the process from the onset, indicating the specifics that a particular product or operation may have.
- Identification of relevant risks with a material impact on the financial statements.
- Identification and description of controls and their association with previously identified risks.
- Assessment of the effectiveness of controls.

F.3.2 Internal control policies and procedures for IT systems (including secure access, control and implementation of changes, operational continuity and segregation of duties) giving support to key processes regarding the preparation and publication of financial information.

IT systems are a fundamental part of internal control as they are used directly when preparing and monitoring information. The Corporate Compliance and Control Management, working jointly with the Human Resources Department, and with the support of the Technology Department, maintains control of access to applications and authorisation, ensuring a proper separation of functions.

The ICF has approved its continuity policy from which the Business Continuity Plan is derived and which makes it possible to minimise the impact of the main contingency scenarios that may affect either the computer systems or processes considered critical. In practice, compliance with the measures described in the Plan would allow commercial, financial and operational activity to continue with very little impact on clients, associates and providers.

The ICF has a banking platform service which provides it with fully integrated software fulfilling all the entity's operational and business needs together with hardware which meets the capacity and performance requirements specified. Both components comply with the technical, security and continuity specifications set by the regulatory body.

For the rest of the non-core banking software and supporting infrastructure, the ICF has a data processing infrastructure service which, among other benefits, ensures the continuity of its systems, since this service is delivered through two data processing centres in different locations which are connected with each other and makes it possible to manage technical activity in detail, meet the demand for technical resources quickly and store information with improved media and more frequent backups.

Highly detailed procedures have been established for requesting new functions, changes to IT applications and changes to data. The traceability of these changes and the authorisations required are documented and supported by computer applications.

The information access security policy is gradually being amended from residing in each individual application to being hosted in a centralised directory (LDAP). Once this process has been completed, it will be easier to audit the review and control of the matrix, separating the roles of different users.

We have established and implemented security mechanisms to prevent information leaks, which currently include making it impossible to use unregistered devices via USB connections, burn CD/DVDs or install applications which are not authorised or standardised.

The ICF has approved its information security policy and is developing and implementing procedures and controls to improve cybersecurity management. Based on this policy, all the actions required by the ICF in this respect are being taken to enhance and provide tools and measures to mitigate the risk of potential incidents or attacks.

Audits are regularly carried out on different aspects of IT systems, including technical issues, access and compliance with legislations (GDPR, etc.).

The perimeter security of the information systems is guaranteed. Using different firewall segments, all incoming data requests are filtered and audited to certify that they are not malicious. Internally, the information systems are located in different areas depending on whether they are production systems, development environments or areas for connecting devices belonging to external partners.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

As of 2021, the preparation of the financial statements is based on the new external banking platform, which as mentioned in section F.3.2 complies with the specifications set by the regulatory bodies.

In 2022, the Group has no critical activities subcontracted to third parties with regard to the preparation of the financial statements.

#### F.4 Information and reporting

Report, providing an outline of the main features, if you have at least the following:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

It is the responsibility of the General Finance and Operations Department(\*) to have formal descriptions of the processes and procedures for the generation of financial information. These processes must be designed with the aim of mitigating the risks associated with the different stages of preparing financial information.

In particular, the ICF Group's Accounting Policies and Principles, prepared and updated by the Finance Department under the General Finance and Operations Department(\*), set forth the accounting practices to be followed by the Group in the course of its activity. They include, among other points, procedures and responsibilities with respect to estimates that could have a significant impact on financial reporting, as well as critical procedures associated with closing the accounts and the preparation of the annual accounts.

All group employees are made aware of the accounting principles and policies via the corporate intranet.

F.4.2 Mechanisms in standard format for the gathering and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The accounting data are transferred directly to the financial information and enable full traceability between accounting and the financial statements both individual and consolidated.

For the purpose of formulating the consolidated information, all the Group companies use mechanisms for gathering, analysing and preparing the information in standard format.

In connection with the preparation of annual reports:

- The Accounting Control and Management unit is responsible for preparing notes to the financial statements, based on the following areas:
  - Global Risk Management, responsible for providing information on capital and risk management

(\*) As of 27 January 2022, the General Finance and Operations Department is renamed the General Administration, Finance and Markets Department

- Human Resources, responsible for providing information on personnel.
- The notes are subject to review at different levels. In the case of the parent company of the Group, the notes are subject to revision by the Finance Department, the General Finance and Operations Department(\*), the Steering Committee and the Joint Audit and Control Committee, before being sent to the Supervisory Board to be submitted to the Generalitat for approval.

In connection with the preparation of this report:

- The General Finance and Operations Department(\*), by means of the Finance Department, is responsible for drafting the document, with the support of Global Risk Control, Regulatory Compliance and Corporate Governance, Internal Audit and certain areas of Human Resources.
- This report is subject to review at various levels. Specifically, it is reviewed by the Steering Committee and the Joint Audit and Control Committee, before being brought to the Supervisory Board for approval.

## F.5 System operation supervision

Provide an outline of the main features of at least the following:

F.5.1 The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the Internal Control System, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the entity has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The Joint Audit and Control Committee (JACC) is responsible for supervising the preparation and presentation of regulatory financial information, ensuring its compliance with legal requirements and the proper application of accounting principles. To carry out this supervision, it can entrust the execution of ICFR supervisory and evaluation work to the following parties which provide support:

- Internal Audit
- External auditors
- Other experts

With regard to the oversight activities entrusted to the Internal Audit and Control unit, and based on the provisions of its bylaws, it regularly monitors the compliance, adequacy and effectiveness of the Group's internal control systems, in particular the ICFR. Against this background, on 20 January 2022 the Joint Audit and Control Committee endorsed the Unit's Annual Plan for the current year which included a specific review of the ICFR involving supervision by Internal Audit of the risks and controls of the ICFR in its inclusion in the entity's risk map.

Furthermore, and prior to the preparation of the 2021 accounts, the evaluation and testing of the ICFR controls were submitted to the Joint Audit and Control Committee leading to the appropriate recommendations following those of previous years. Similarly, during the year the Internal Audit and Control unit has also reviewed guarantees for asset operations and the performance of the control functions undertaken by the Unit as part of the ERDF operational programme.

The conclusions of the Internal Audit and Control Department, together with those carried out by the external auditor, have been reported to the Joint Audit and Control Committee to enable it to perform supervision in accordance with the requirements of current regulations. The recommendations arising from the reviews are part of the recommendation monitoring process which the Internal Audit and Control unit carries out each year. Information is also provided to the Joint Audit and Control Committee on the monitoring and the result obtained.

(\* ) As of 27 January 2023, the General Finance and Operations Department is renamed the General Administration, Finance and Markets Department

#### F.6 Other relevant information

There is no other relevant information to report.

#### F.7 Report by the external auditor

Provide information on:

F.7.1. State whether the ICFR information sent to the markets has been reviewed by the external auditor, in which case the company must include the relevant report as an annex. Otherwise, it must justify this.

The ICF Group has submitted the ICFR information for 2022 to the external auditor for review. The report of the external auditor, Ernst & Young SL, is included as an annex to this annual corporate governance report.

The scope of the auditor's review procedures is determined by Circular E01/2012 of 25 January 2012, of the Spanish Institute of Chartered Accountants.

## G. OTHER RELEVANT INFORMATION

If there is any significant aspect of corporate governance affecting the Institute or the Group companies not covered by the other sections of this report, but which should be included to provide more comprehensive and reasoned information on the organisation's or the group's governance structure and practices, detail them briefly.

This section may be used to provide further information, clarifications, or reservations in relation to previous sections of the report; these should be significant and repetition should be avoided.

Specifically, it should be indicated whether the company is subject to legislation other than Spanish legislation in corporate governance matters, and, if this is the case, any information that the company is obliged to provide and that is different from that required in this report should be included.

The Institute may also indicate whether it has adhered voluntarily to other codes of ethical principles or good practice, whether their scope is international, sector or of another type. Where applicable, the code in question will be identified along with the date of the company's adhesion.

The ICF, as a private sector public entity, is also subject to additional external supervision, chiefly that of the Court of Auditors of Catalonia and the General Comptroller of the Generalitat.

This Corporate Governance Annual Report was unanimously approved by the ICF Supervisory Board at its meeting on 29 March 2023.

## APPENDIX: EXTERNAL AUDIT REPORT

Auditor's report on the "Information Relating to the Internal Control over Financial Reporting (ICFR)" of Institut Català de Finances and subsidiaries for the year 2022

*(Translation from the original report in Catalan)*



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*Translation of a report originally issued in Catalan.  
In the event of discrepancy, the Catalan-language version prevails.*

## AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)"

To the Governing Board of Institut Català de Finances:

As requested by the Governing Board of Institut Català de Finances (hereinafter, the Company) and the engagement letter dated 30 September 2020, we have applied certain procedures to the "Information relating to the ICFR" contained in Section F of the attached Annual Corporate Governance Report of Institut Català de Finances and subsidiaries (hereinafter, the Group) for the year 2022, which summarises the internal control procedures of the Company in relation to its annual financial reporting.

The Governing Board is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control and for developing improvements to those, and for preparing and establishing the contents of the "Information relating to the ICFR" contained in Section F of the attached Annual Corporate Governance Report.

It should be noted in this regard, that irrespective of the quality of the design and operating capacity of the internal control adopted by the Company in relation to its annual financial reporting, the internal control can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the 2022 consolidated financial statements of the Group and pursuant to the Auditing Standards generally accepted in Spain, the sole purpose of our assessment of the internal control of the Company was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Group's consolidated financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not extensive enough to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which sets out the work to be performed, the minimum scope of this work, and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Company's annual financial reporting for 2022 described in "Information relating to the ICFR" included in Section F of the Annual Corporate Governance Report. Therefore, had additional procedures been applied to those provided for in the abovementioned Guidelines or an audit or a review of the internal control over the regulated annual financial reporting been performed, other matters or aspects might have come to our attention that would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, we do not express an audit opinion in the terms provided for in that Law.



The procedures applied were as follows:

1. Reading and understanding of the information prepared by the Institution in relation to the ICFR - detailed information included in the Management Report - and assessment of whether this information addresses all the required information that follows the minimum content described in the section F, relating to the description of the ICFR, of the IAGG model as established in Circular no. 5/2013, dated June 12, 2013 of the National Securities Market Commission (CNMV), and subsequent amendments, the most recent being Circular no. 1/2020, dated October 6 of the CNMV (hereinafter, the CNMV Circulars).
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) understanding the process of preparing it; (ii) obtaining the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtaining the information on whether the aforementioned control procedures have been implemented and are in use at the Group.
3. Reviewing the explanatory supporting documentation for the information detailed in point 1 above, including the documentation furnished directly to the personnel in charge of preparing the ICFR descriptive information. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparing the information detailed in point 1 above with the Group's knowledge of the system of ICFR obtained as a result of the procedures carried out as part of the audit of its financial statements.
5. Inspecting the minutes of meetings of the Governing Board, the Audit Committee and of other Group committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.
6. Obtaining the representation letter concerning the work performed, duly signed by the personnel in charge of the preparation of the information detailed in point 1 above.

As a result of the procedures applied to the "Information relating to the ICFR" no inconsistencies or incidents have come to our attention that might affect it.

This report has been prepared exclusively under the framework of the requirements established by article 540 of the Consolidated Text of the Corporates Act (Ley de Sociedades de Capital) and by CNMV for the purposes of describing the system of ICFR in Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

(Signed in the original report in Catalan)

Roberto Diez Cerrato

April 14, 2023