

# CGG

Code of  
recommendations  
**for the good governance**  
of the Caja Navarra



PIONEERS IN CIVIC BANKING



**Code of Recommendations  
for the Good Governance  
of the Caja de Ahorros y  
Monte de Piedad de Navarra**



# Índice

<b>01.</b>	Characteristics of the code.....	7
<b>02.</b>	General Board .....	11
2.1.	Access to the General Board .....	13
2.2.	Personal statute of the general board members .....	14
<b>03.</b>	Supervision Committee and Board of Directors .....	15
3.1.	Appointment and requirements to become a member.....	16
3.2.	Public information.....	18
3.3.	Duties. Diligence, dedication and information .....	20
3.4.	Duties. Loyalty, conflict of interest, related and confidential operations.....	22
3.5.	Operational structure. Types of board members and members of the Supervision Committee .....	24
3.6.	Remunerations.....	27
3.7.	Dismissals .....	28
3.8.	Resignations .....	29
3.9.	President and vicepresident .....	30
3.10.	Secretary.....	31
3.11.	Holding of sessions .....	32
3.12.	Composition, organisation, powers and operation of the Supervision Committee .....	32
3.13.	Authorities of the Board of Directors .....	37
<b>04.</b>	Executive or Delegated Committee.....	39
4.1.	Composition, organisation, authorities and functioning.....	40
<b>05.</b>	Internal committee.....	45
5.1.	Regarding the committees in general .....	46
5.2.	Personnel and remuneration committee .....	48
<b>06.</b>	General Manager .....	50
<b>07.</b>	Social projects.....	55





■ On the occasion of the convening of the General Board of Caja Navarra, held on 22 June 2007, the chairperson of the entity made an institutional declaration before the Board of Directors and the Supervision Committee which, after being ratified by both governing bodies, was passed to the aforementioned General Committee, where it was also ratified. In said declaration, the chairperson proposed a commitment for the establishment of a **basic agreement regarding an agenda of Good Governance**.

To implement the said agenda, the Executive Committee of Caja Navarra created a working group made up of board members, members of the Supervision Committee and third-party experts, who have prepared this **Proposal of a Code of Recommendations for Good Corporate Governance**. Through this, it is hoped to give the governing bodies of Caja Navarra some procedural guidelines in agreement with its character as a national and international operator and that reflects **responsible and strict use of the self-governing authorities** that its statutes granted Caja Navarra.

These recommendations represent self-imposed standards of transparency and a professional approach to the governing structure of Caja Navarra as a **requirement for soundness and credibility** of Caja Navarra **regarding the markets**.

■ The Recommendations for Good Governance have been created to complement the statutes and the Regulations of Organisation and Internal Operation of Caja Navarra, with some procedural guidelines that are in keeping with the singular nature of Caja Navarra as a private founded entity for social good and that act as **procedural guidelines for different social groups and representational guidelines for**

the interests of the General Board, as well as for the members themselves in their governing bodies.



Regarding the procedural guidelines, the Recommendations for Good Governance are inspired **by three basic principles**:

- ▶ **Respect for the character of Caja Navarra** as an entity whose governing structure is based on the characterisation of its General Board as an example of the synthesis of diverse interests (investors, workers, and major public institutions and private entities in financial, cultural and general social fields).
- ▶ **Compatibility** of this model of the General Board, **with the achievement of suitable levels of professionalism, experience and independence of its governing structure** based on the professional qualifications and independence of the members of the governing bodies of Caja Navarra.
- ▶ **Strengthening of social projects** as the essence of identity and of social innovation, through the promotion of client choice and participation, the presentation of accounts, transparency in management and the **commitment to be pioneers in Civic Banking**.



As regards other points, the recommendations, based on their **voluntary nature** and their meaning as **procedural guidelines**, also intend to be used as an element for the evaluation of the commitment **of Caja Navarra to transparency** regarding its regulations of operation and internal organisation.

In this respect and notwithstanding the **Annual Report on Corporate Governance** that Caja Navarra has to prepare in accordance with the Law on Transparency of 2003 and Order ECO/354/2004, it is proposed that **the Board of Directors of Caja Navarra annually prepare** an informative report regarding the degree of fulfilment of these recommendations (**report on the Code of Good Governance of Caja de Ahorros y Monte de Piedad de Navarra**).

■ Also, **in view of the experience from the application of the recommendations** of this code and of the analysis of the limitations observed in the corporate governance regulations included in the statutes of the entity and in the Regulations of Organisation and Internal Operation, **the Supervision Committee may, using the authority granted by this statutory framework, refer any proposals for amendments of the statutes to the Board of Directors** that it considers appropriate. This will enable the contents of these recommendations to be included within the statutory provisions themselves.

In this respect, the greatest margin of regulatory freedom that the independent nature of the statutes of Caja Navarra offers, included in the Law on Reintegration and Improvement of the Autonomous System of Navarra and protected by the Spanish Constitution of 1978, must be used precisely as it was in the last statutory reform of 2004, so that Caja Navarra continues to accept, through its own initiative, greater commitment to the strictest standards of Good Governance.

In this context, the so-called **codes of self-governance constitute a complementary instrument to its own statutes that is especially useful, due to their flexibility and ability to adapt rapidly to circumstances at any given time.**



The General Board, which is the highest governing body of Caja Navarra, reflects the synthesis of a range of legitimate interests that are very diverse (investors, workers, representatives from public institutions or from qualified financial, social or cultural entities), this singular composition being a sign of the identity of Caja Navarra, which has shown itself to be a useful instrument in integrating the aforementioned legal claims and interests.

The General Board also operates as a collegiate body from which the members, or a large part of the members of the Board of Directors and the Supervision Committee are taken. And it is this last aspect, which must be taken into consideration when proposing recommendations that, without questioning or changing the composition of the General Board, facilitate the principle of a connection of the appointees of the different interest groups in the General Board and the achievement of the very highest levels of professionalism, qualification and independence regarding the members of the governing bodies of the organisation.

With this objective, these recommendations are intended to be used to broaden the possibilities of appropriately qualified members joining the board through proposals from the interest groups already represented there, to achieve responsible execution of the Management and supervisory duties entrusted to the governing bodies of a financial entity. In this regard, the interest groups on the General Board must act with a high standards of self-imposed excellence and control when appointing members of the General Board, who, notwithstanding the fact that they have been proposed or appointed by said interest groups, must not always have a direct connection or relation with them, the highest levels of professional knowledge and independence taking precedence as the most important selection criterion.

Together with this, the strict application of appropriate prohibitions and conflicts of interest must enable progress towards higher levels of professionalism in the structure and composition of the governing bodies of Caja Navarra.

## 2.1. Access to the General Board



### Recommendation 1

*“That the various interest groups on the General Board of Caja Navarra, in the exercise of their powers of proposal and appointment, pay special attention to access to the post of board member for people with technical experience, accredited professional experience and other characteristics in keeping with the exercise of the duties that are inherent to the post of general board member.*

*And that, to this end, the interest groups on the General Board act in the interest of Caja Navarra and, in particular, in favour of the necessary professional process of its governing bodies, in such a way that, when proposing or appointing general board members, priority is given to said aspect over the membership to any interest group or sector of the proposing or appointing party”.*



### Recommendation 2

*“That the professional profile and biography of each general board member be made public, on the web site of the organisation and in the Annual Report on Corporate Governance, with an indication of which interest group was responsible for the proposal or appointment”.*



### Recommendation 3

*“That discrimination of any kind is avoided in the proposals and appointments of general board members”.*

## 2.2. Personal statute of the general board members

### ■ Recommendation 4

*“That the provisions of the statute of the organisation be executed in a regulatory manner, so that the personal statute of the general board contains, at least, the following aspects:*

- ▶ *A list of prohibitions and restrictions that effectively guarantee the safeguarding of the interest of the organisation, especially in situations of conflict of interest of the general board members and the relevant person or group related to them.*
- ▶ *A list of rights and duties that specifically includes a right/duty to access to the information needed for the holding of posts, a duty of diligence and active participation in the functions of the organisation and a duty of loyalty that includes the loyalty of interest to the organisation, of keeping any non-public information to which they have had access confidential, of notifying situations of conflict of interest, of abstaining from decisions that affect them, of not using privileged information, and, when appropriate, of resigning when permanent conflicts of interest arise.*
- ▶ *A communication system prior to the authorisation of any operations that may be entered into between Caja Navarra and general board members or people or groups related to them.*
- ▶ *A principle of responsibility for actions that are damaging to the organisation*
- ▶ *A system of grounds for dismissal that includes and the dismissal due to justified grounds in the opinion Supervision Committee or the Board of Directors”.*

CODE OF  
RECOMMENDATIONS  
FOR THE GOOD GOVERNANCE

03

**Supervision  
Committee  
and Board of  
Directors**

Without prejudice to the management, administration and representation powers of the Board of Directors, the statutorily established governance model of Caja Navarra means that both the Supervision Committee and the Board of Directors act as supervisory bodies to the ordinary and permanent Management of the organisation, entrusted to the General Manager and the senior management team. This essentially joint duty allows the establishment of a set of joint recommendations for both bodies and their members that are complemented by specific recommendations specifically for the Supervision Committee and the Board of Directors.

### **3.1. Appointment and requirements to become a member**

The current system in the field of savings banks for becoming a member of the governing bodies of the entities especially considers access to the Board or General Assembly, through pre-established interest groups (founding entities, investors, employees, public institutions and general interest entities) and other bodies (Board of Directors and Supervision Committee) through the groups established in the General Board in such a way that, as a rule, the members of the Supervision Committee and of the Board of Directors must be members of the General Board, except in cases of minor appointments of third parties that do not need to fulfil this condition. This limitation does not help savings banks to implement recommendations related to selection and appointment processes in the manner that they have been standardised in national and international reports regarding Good Corporate Governance. In fact, within the field of savings banks, there is not one authority that moderates the autonomy and discretionary nature of the groups on the

General Board or Assembly when proposing its candidates as members of other bodies. The Supervision Committee, except for strictly legal aspects, does not hold this function either. It is therefore especially useful to make as much progress as possible through the standards of Good Governance based on self-regulation, in favour of demands for qualifications, experience and knowledge held by those who wish to become members of the Supervision Committee or of the Board of Directors. In this respect, and regarding Caja Navarra, the authority for members of governing bodies to be appointed by public entities (the Government of Navarra, the Parliament of Navarra and the Municipal Corporations of Pamplona and Tudela), constitute a guarantee of public participation in the general interests in an entity of such profound social importance as Caja Navarra. However, in turn, it is essential to have a balanced and responsible use of this appointment authority that limits the presence of public/political posts on the Board of Directors and the Supervision Committee and makes it possible to guarantee the essential professionalism, independence and qualifications of those appointed to join those bodies.



### **Recommendation 5**

*“That regulations be established that consider requirements for access to posts, regarding technical experience and other appropriate characteristics for the use of authorities of the members of the Supervision Committee or of the Board of Directors, making provisions so that proposals for the appointments submitted to the General Board are motivated by these, each proposed candidate for the Board of Directors or Supervision Committee having to be evaluated, according to the type of members of either body, as referred to in Recommendation 12.*”

*That at the same time, and dispensing with the ex-officio members of the of members of the Board of Directors and of the Supervision Committee by the General Board hold a public/political post, be limited to 15%.*

*For the purposes of the contents of the above paragraph, public/political posts will be understood as:*

- ▶ *Members of the Government, general managers and other senior posts included in the relevant field, both from the 5/2006 Act of 10th April and from the Autonomous 19/1996 Act of 4th November, and in other autonomous regulatory norms regarding restrictions and conflicts of interest for senior posts of public administrations.*
- ▶ *The representatives, senators and members of the European Parliament.*
- ▶ *Members of the autonomous community parliament and members of other autonomous legislative chambers.*
- ▶ *Members of the Municipal Corporations of Pamplona and Tudela and the mayor/presidents of local towns with over 5,000 inhabitants.*
- ▶ *The presidents, general secretaries and other members electoral coalitions with parliamentary representation”.*

### **3.2. Public information about posts**

So that the markets, investors and clients in general can have up-to-date information about the people who hold the main posts in the organisation, and without prejudice

to the fact that this information may be recorded in the corresponding public registers, it is considered advisable that the most relevant information regarding the members of the Board of Directors and the Supervision Committee be disclosed, through easily accessible and easy-to-find media, such as the web site of the organisation.

### ■ Recommendation 6

*“That regulations be established that ensure personalised information is made public regarding Supervision Committee, which is then repeated containing at least the following information:*

- *Professional profile and biography.*
- *The interest group to which they belong on the General Board and the procedures followed for their joining.*
- *Type or level of board member or member of the Supervision Committee, in accordance with the contents of Recommendation 12.*
- *Other duties that they carry out in Caja Navarra and their Group, including presence in companies that Caja Navarra has stakes in, foundations or other entities that are related in any way to Caja Navarra and its group.*
- *When the members accepted the post, indicating the number of times they have been re-elected and in what capacity.*
- *Other members of the board or equivalent bodies to which they belong in entities not related to Caja Navarra and its group”.*

### 3.3. Duties. Diligence, dedication and information

The duties of those who hold the capacity of members of the governing bodies constitute one of the most important aspects of the proposals for Good Corporate Governance of an entity, being separated for these purposes into the field of diligence, which also includes dedication and information, and loyalty.

#### ■ Recommendation 7

*“That the duty of diligence, which must be observed by the members of the Supervision Committee and the Board of Directors be established generally and expressly in the statutes or regulations under the parameter of the responsible businessman and loyal representative.*

*That this general parameter of diligence also be implemented specifically regarding the duty to be sufficiently informed about matters that are the competence of the body to which members belong, the development of regular orientation and updating programmes being planned, to be offered to members of each body depending on the duties entrusted to them in the holding of their posts, as well as special programmes that are given to all members at the time of their joining the bodies, for rapid and sufficient knowledge about the organisation and its rules of corporate governance and for better knowledge regarding important aspects for the optimum execution of their duties.*

*Especially that it be provided for so that each member of the Board of Directors and of the Supervision Committee must have an effective right to receive information from those that have it, to process it or expand it in a complementary way without hindering the management of the organisation and*

*to contrast it with the aid of internal and external experts when there are special circumstances that make it necessary. To do this the appropriate channels will be chosen, always related to matters that are the competence of the body, requests being sent to the president, who will pass them to the correct channels via the general secretary. The recorded interest of the organisation, due to reasonable causes of opportunity, may be the only reason not to provide a certain piece of information temporarily”.*



### **Recommendation 8**

*“That as part of the contents of the duty of diligence, the duty to attend meetings of the bodies to which they belong be expressly included in the statutes or regulations, along with the duty of participating actively in the debating of their matters, of using their right to vote in the exclusive interest of the organisation and of adopting the appropriate initiatives including, as the case may be, requests for a new selection process and even objections to the resolution if necessary in defence of the interest of the organisation.*

*That the necessary dedication embodied in the time, attention to detail and effort needed to carry out their respective duties efficiently be demanded of the members of the Board of Directors and of the Supervision Committee within this same scope of the duty of diligence. And that, in this regard, each member must notify their membership of other boards of directors or equivalent bodies and other professional obligations and activities that could interfere with the dedication demanded of the post in writing. Any change that occurs during their term must also be notified*

*That this information be passed to the Supervision Committee so that this body can monitor the existing situations”.*

### 3.4. Duties. Loyalty, conflict of interest, related and confidential operations.

The structure and composition of the governing bodies of Caja Navarra make it particularly advisable to insist on the duty of loyalty to the organisation regarding connections with the interest groups or sectors present on the General Board that propose the appointment of any members of the Supervision Committee or of the Board of Directors. In this context it is recommendable to prioritise the basic criteria that make up the general duty of loyalty to the interests of the organisation, as well as the more specific duties of loyalty and confidentiality and finally, the handling of conflicts of interest and of related operations.



#### Recommendation 9

*“That it be established in the statutes or regulations that, without prejudice to the membership of the group or sector of the General Board responsible for their appointment, the member of the Committee or Board will act confidentially in the interest of Caja Navarra, independently, regardless of criteria and without any imperative mandate that for these purposes links them to the original group. And that, in the exercise of their duties, the application of a standard be prepared that demands corporate honour and ethics, mainly displayed by loyal behaviour in the holding of their posts”.*



#### Recommendation 10

*“That the definition in the statutes or regulations of the duty of royalty regarding members of the Board of Directors and the Supervision Committee include at least the following rules of conduct:*

- *Strict compliance with norms of any kind, aimed at avoiding the use of posts members’ own benefits or for*

*related persons, obtaining special favourable assistance from Caja Navarra or from companies in which it has a stake or related to it.*

- ▶ *The prohibition of the use of the name of the organisation or the invocation of capacity as member of a body in order to carry out operations for themselves.*
- ▶ *Abstention from using privileged information for their own benefit or for related persons.*
- ▶ *The obligation to notify any activity, post, duty or stake that could affect their positions in the organisation, as well as any situation of conflict of interest, either direct or indirect through a related person, with Caja Navarra and of abstaining in any decisions that must be adopted.*
- ▶ *The obligation to notify and not to enter into any operations with Caja Navarra or related entities that, as the case may be, are entered into under market conditions without prior authorisation.*

*And also that provisions be made so that situations of conflict of interest and of related operations are recorded in the Annual Report on Corporate Governance”.*



### **Recommendation 11**

*“That an express duty of confidentiality be established in the statutes or regulations, even after leaving their posts, regarding non-public information known as a consequence of holding the post. Under no circumstances whatsoever can this be communicated to third parties or disclosed, all of this without prejudice to the duty to declare information when legally appropriate”.*

### **3.5. Operational structure. Types of board members and members of the Supervision Committee**

The composition of the Board of Directors and of the Supervision Committee complies, by statutory mandate, with a distribution of posts among the various interest groups and sectors present on the General Board. Notwithstanding the above, three board members are also part of the Board of Directors who are not members of the General Board and whose appointment is made based on their specific professional knowledge and experience in matters related to the activity of Caja Navarra. The statutes of Caja Navarra, as they regulate the appointment of general board members by the Autonomous Government and the founding entity the Government of Navarra, make a distinction between appointees, between those who at the time of their appointment held a post in the autonomous government or were members of the Government of Navarra and, based on this distinction, give them specific grounds for leaving their posts, related to the loss of their parliamentary capacity or membership of the government.

For these purposes it is considered important that both the clients of the organisation and the markets in general be aware of the operational structure of the Supervision Committee and the Board of Directors, by making public which of its members are also members of the General Board and through which representative sector and which limit their connection to simple membership of the Board of Directors, without participating in the decisions of the General Board.

It also seems important to define which of the general board members from public authorities hold the capacity of ex-officio members and those others that, appointed by the

Government of Navarra or the Autonomous Parliament, maintain a direct relationship with these authorities due to their capacity as members of the parliament or government.

Because of the above, it is proposed to distinguish between sectorial and non-sectorial members of the governing bodies and, based on this first classification, differentiate between sectorial members from private authorities and those from public authorities. Finally, it is proposed to keep a record of members proposed or appointed from public authorities that maintain a direct relationship with them.

Also, and in line with the contents of Recommendation 5 above, it is proposed to encourage, as far as is possible, the addition of people to the Board of Directors and the Supervision Committee who have the ideal experience, knowledge and training and do not hold public posts that connect them directly to the authorities that appoint them, thereby reducing the risk of an excessively strong connection and dependence between public authorities on the General Board and strengthening the level of professionalism and independence of the members of the governing bodies.

### ■ **Recomendación 12**

*“That provisions are made in the statutes or the regulations so that members of the Supervision Committee and of the Board of Directors are classified as either sectorial members or board members or non-sectorial members or board members depending on whether they hold the post of general board member or not, respectively.*

*That also, within the sectorial board members or members, a distinction be made between those from interest groups or pri-*

*vate authorities on the General Board (employees, investors or financial interest or general social entities), and those that will be known as sectorial board members or members from private authorities and those others from public authorities present on the General Board (Municipal Corporations, the Government of Navarra and Parliament of Navarra), to those that will be known as sectorial board members or members from public authorities.*

*That finally, from these three latter groups, a distinction be made between those that maintain a direct connections to the public authorities that proposed or appointed them, by being either the president of the Government of Navarra, mayor of Pamplona city council, a member of the Government of Navarra, or a member of the autonomous parliament or corporation of the Pamplona and Tudela city councils. That the classification under the different levels or types referring to members of board members be carried out on the General Board at the time of appointments, making this public on the web site of the organisation and, insofar as is permitted by its official format, also in the Annual Report on Corporate Governance”*

■  
**Recommendation 13**

*“That in order to achieve fulfilment of Recommendation 5 above - which proposes a maximum limit of members of the Board of Directors and of the Supervision Committee that hold public/political posts - the founding entity the Government of Navarra and the Autonomous Parliament use their authority to propose and appoint members of the General Board, ensuring that people with training and experience in matters related to the activity of Caja Navarra are appointed, and do not maintain a direct connection with the public authorities that propose or appoint them”.*

### 3.6. Remunerations

The remunerations have been the subject of broad attention in the context of the standards of Good Corporate Governance that are applicable to public limited companies, particularly regarding the use of certain remuneration methods to administrators, such as profit-sharing, stock options, or remunerations or contributions to pension plans that are outside the field of application of Caja Navarra, where, in contrast there are no executive board members that receive remunerations linked to the exercise of executive duties, apart from that inherent to the post of administrator. Consequently, in Caja Navarra the rule is that, without prejudice to any payment in kind that, in accordance with the contents of current tax regulations may represent coverage of the contingencies of usual insurance (life, accidents, civil liability), the only remunerations to be received by its administrators are those derived from attendance expenses, which will include both activity on boards and representative activity.



#### **Recommendation 14**

*“That provisions be made in the statutes or regulations for attendance expenses for the members of the Supervision Committee and of the Board of Directors that includes their activity on boards and representative activity.*

*The remuneration of the members of each body will be accounted for in the Annual Report on Corporate Governance and in the Annual Report, which will be made public through the web site of the organisation”.*

### 3.7. Dismissals

The principle of irrevocability of the characteristic appointments of the members of the governing bodies in savings banks leads to an objective evaluation of the causes for dismissal: due to the expiry of time periods, due to incompatibility, or due to resignation or dismissal with just cause demonstrated in actions that are prejudicial to the prestige or good name of the organisation. This principle, also applicable in Caja Navarra, entails, together with its undeniable advantages, one disadvantage arising from the fact that this strict treatment of dismissal, in contrast to the free resignation of company administrators, can result in situations of over-protection due to a lack of initiative in substantiating just causes for dismissal. For this reason it is especially advisable to have a balanced but fair development of the concept of just cause.

#### ■ Recommendation 15

*“That the circumstances that could constitute just cause for dismissal or resignation be developed as far as possible in the regulations, especially due to material or repeated breach of the inherent duties of posts, insofar as this affects the operation of the organisation or prejudices its prestige and that, this having taken place, the Board of Directors on its own initiative and, when appropriate, after a request from the Supervision Committee within its jurisdiction of control of the corporate ethics, adopts the initiative to propose a dismissal to the General Board, including calling an extraordinary meeting if it considers it necessary.*

*That, without prejudice to the above, that provision be made in the regulations for that when situations arise that could affect the good name and reputation of the organisation as a consequence of actions by one of the members of the Board or*

*the Supervision Committee, especially if they are incur criminal proceedings or result from a serious administrative breach, the member in question must immediately inform the president of the Supervision Committee or of the Board so that the body to which the member in question belongs can examine the case as quickly as possible and, in view of the specific circumstances, can decide if it is appropriate that the member in question continue in his/her post or present his/her resignation, giving a justified account of this in the Annual Report on Corporate Governance”.*

### 3.8. Resignations

Resignations from posts are individual powers that all members may exercise of their own free will and for several reasons. However, given the nature of the decision, it is advisable to establish criteria that to some degree regulate the decision to resign, as well as its presentation, (justified and in writing) and notification, in line with what has been proposed in the Good Corporate Governance Reports.

#### ■ Recommendation 16

*“That provision is made in the statutes or regulations so that in the event of resignations before the end of a term, the person in question, unless resigning for personal reasons, must explain the reasons for the resignation in writing to the president of the Board or of the Supervision Committee, notifying the resignation as a relevant fact”.*

### 3.9. President and vicepresident

The figure of the president of the Board and of the Supervision Committee is essential for the good operation and promotion of compliance with the duties of supervision and control entrusted to both bodies and their committees. They must also oversee the inherent rights held by members of both bodies. For its part, the president of the Board, insofar as he or she is the president of the organisation, must hold broad institutional and representative authority, also being guaranteed an adequate structure of connections between the Board that he or she chairs and the General Management, as the person ultimately responsible for the ordinary management and running of the organisation.

■

#### Recommendation 17

*“That the presidency of the Board is given broad institutional or representative authority in the statutes or regulations as president of the organisation, as well as being given a scope of initiative, coordination and promotion for the activity of the board that make the president responsible for the operation of the Board, also presiding over the Delegated or Executive Committee, coordinating the relationship of the Board with its committees and ensuring a direct, continual relationship between the Board and its Executive Committee with the general manager as a guarantee of its efficient control and supervision insofar as the president is responsible for the ordinary management and running of the organisation”.*

■

#### Recomendación 18

*“That the presidents of the Board or of the Supervision Committee be defined in the statutes or regulations as the responsible parties for the efficient operation of the respective bodies, as such having to ensure that their members receive com-*

*plete and appropriate information about matters being dealt with, thereby encouraging debate and active participation in them during sessions and safeguarding their freedom to take positions and express opinions.*

*That the figure of vicepresident or vicepresidents of the body be granted the authority to replace the president in the event of dismissals, resignations or prohibitions”.*

### 3.10. Secretary

The post of secretary is particularly important for the good operation of the governing bodies, facilitating the execution of sessions, advising on questions related to applicable Good Governance regulations and practices and by acting independently and professionally.



#### **Recommendation 19**

*“That the secretary of the governing bodies be given, either in the statutes or the regulations, the duty of especially ensuring that the actions of each body and of its members are in accordance with the Law or the statutes of the organisation and, when appropriate, with the internal regulations and the recommendations for Good Governance contained herein, in this regard acting with a right to speak but not to vote.*

*That in order to safeguard the independence, impartiality and professionalism of the secretary, that the appointment and dismissal be approved by the plenary session of the body in question, having, in the case of the Board and the Supervision Committee, the preliminary report regarding the candidate’s suitability for the post, issued by the Personnel and Remuneration Committee. The secretary must also match the professional requirements and have the necessary experi-*

*ence and knowledge for the execution of the duties, being able to act as the secretary both of the Supervision Committee and of the Board of Directors and, as the case may arise, of the internal committees of any body, thereby contributing to the due coordination between various bodies and their committees.*

*That the professional profile and biography of the secretary of each governing body be made public on the web site of the organisation”.*

### **3.11. Holding of sessions**

Both the Supervision Committee and the Board of Directors must meet as often as is necessary for real and effective fulfilment of their duties, also having to ensure in the annual planning of their sessions, that they are dealing with all the matters within their authority.



#### **Recommendation 20**

*“That the governing bodies should meet either by requests provided for in the statutes or regulations as often as is necessary to carry out their duties effectively, following the agenda of dates and matters that is established at the beginning of the financial year for the ordinary sessions, the convening of a session being able to be proposed by a certain number of members”.*

### **3.12. Composition, organisation, powers and operation of the Supervision Committee**

The granting of the management and ordinary running tasks of the organisation to the general management and

members of senior management and the structuring of the Board as the general and permanent supervision body of said ordinary management, places the Supervision Committee not only within the field of general supervision, but also in specialised supervision, insofar as it is basically focused on certain financial or equity aspects, regarding regulatory compliance and supervision of the management of social projects. These powers are specifically included in the statutes in the analysis of the economic and financial management of the organisation, the inspection of its accounts, the report to the General Board regarding budgets and provision for social projects and its power to propose the suspension of resolutions of the Board of Directors and the Executive Committee. It should also be added that the Supervision Committee assumes responsibility regarding the supervision of regulatory compliance and internal supervision, which makes it the highest control authority of the organisation and, finally, it is responsible for guaranteeing the legality of the selection processes for members of the governing bodies of the organisation.

That is why it is necessary that the statutes and internal regulations of Caja Navarra specify the duties relating to the Supervision Committee and the coordination relations with the other bodies with which it must liaise in the execution of the supervision, clarifying the content of the specialised supervision that it is assigned and establishing, as far as possible, composition and access rules aimed at ensuring the qualification of its members.

In this context, it is understood that the creation of an Audit Committee within the Supervision Committee is necessary, to which the supervision duties of the internal auditing areas and regulatory compliance, knowledge of financial information systems and internal control of the organisa-

tion and relations with external auditing can be entrusted. Finally, insofar as the Supervision Committee has been assigned supervision and regulatory compliance duties, both regarding financial regulations and regarding the system applicable to the appointment processes of members of bodies of Caja Navarra, it should also be assigned specific supervision duties regarding the fulfilment of internal codes of conduct and the rules of corporate governance.



#### **Recommendation 21**

*“That the Supervision Committee be organised as a specialised, independent own duties that are distinguished from those of the Board of Directors.*

*And that, in this regard, coordination mechanisms be established the Board of Directors in the execution of their respective duties, and avoiding overlaps in the performance of their duties”.*



#### **Recommendation 22**

*“That regarding the composition of the Supervision Committee and of the selection of its members, provision be made in the statutes or regulations whereby, still respecting the procedures and proportionality established in the statutes among the groups on the General Board, the correct qualification, assessed in terms of professionalism, experience and technical knowledge above all regarding accounting, auditing, regulatory compliance and risk management be especially taken into account as far as possible for a better execution of the duties assigned to the Committee”.*



#### **Recommendation 23**

*“That provision be made in the statutes or regulations for the power of the Supervision Committee to establish internal advi-*

*sory committees and organs of support including the possible participation of third party experts on them, in order to achieve improved execution in keeping with its powers”.*



### **Recommendation 24**

*“That the listing of the supervision duties of the Supervision Committee be considered in the regulations as the following:*

- ▶ *Monitoring of the economic-financial management of the organisation.*
- ▶ *Supervision of compliance with legal and statutory regulations, as well as application regulations, including their interpretation, specifically supervising compliance with conduct and in general with the rules of corporate governance of the organisation.*
- ▶ *Ensuring compliance with the statutes by the members of the bodies of the organisation and observation of the parameters of corporate ethics in the interest of the organisation.*
- ▶ *Budget monitoring and of social project management.*
- ▶ *Supervision of the selection and appointment process for the members of the governing bodies”.*



### **Recommendation 25**

*“That the Audit Committee be created within the Supervision Committee and that the following provisions be made in the statutes or regulations:*

- ▶ *That the entity has functions and internal areas of regulatory compliance and auditing, responsible for*

*ensuring the correct working of information systems and internal supervision.*

▶ *That the people responsible for these internal areas present their annual work plan to the Audit Committee and inform it directly of any incidents that have occurred in its execution and submits an activities report to it at the end of each financial year.*

▶ *That the risk control and management policy identifies at least: the different types of risk (operational, technological, financial, legal and regulatory compliance, affecting reputation etc.) faced by the organisation, the setting of the risk level that the organisation considers acceptable, the planned measures to mitigate the impact of the identified risks in the event that they occur and the information and internal supervision systems that are used to control and manage the aforementioned risks.*

*That the Audit Committee also be assigned the following duties in the regulations:*

▶ *Supervising compliance with internal codes of conduct, rules of Good Corporate Governance and, in particular, those that affect the rights of the clients of the organisation.*

▶ *Regarding the information systems and internal control:*

- *Ensure the independence and efficiency of the internal areas of Regulatory Compliance and Auditing, supervising the appointment, reselection and dismissal of those responsible for these internal areas, receiving regular information about their activities and verifying that senior*

*management takes the conclusions and recommendations from their reports into account.*

- *Regarding the external auditor:*
  - *Refer the report about the selection appointment, reselection and replacement of the external auditor, as well as its contracting conditions to the Board of Directors for its submission to the General Board.*
  - *Regularly receive information about the audit plan and the results from its execution from the external auditor and check that senior management takes its recommendations into account.*
  - *Oversee the independence of the external auditor”.*



### **Recommendation 26**

*“That in the situations in which there are reservations in the auditors report, provision be made in the regulations so that both the chairperson of the Audit Committee and the general manager must explain the content and reach of said reservations to the General Board on the occasion of the presentation of the accounts”.*

## **3.13. Authorities of the Board of Directors**

The progress of the Board of Directors of savings banks in general and also of Caja Navarra in particular towards its structuring as a general supervisory body of the management entrusted to the general manager and to senior management, recommends a differentiation between the "a priori preventative supervisory duties" (definition of the general policies and strategies of the organisation and definition of the corresponding management guidelines and definition of general budgets) and the "a posteriori or con-

tinued supervisory duties" (that basically include the continual monitoring of management in the compliance with management guidelines, budgets and strategic plans established by the Board), which must be prepared and specified in the statutes or regulations.



### **Recommendation 27**

*“That notwithstanding their full authorities that they are granted to decide on any matter that is not assigned to the General Board or to the Supervision Committee, that it be provided for in the statutes or regulations that the Board of Directors, as a general rule, focuses its activity on the general duty of supervising the ordinary management and running of the organisation entrusted to the general management and to the members of senior management, as well as on the consideration of those matters of particular importance for the organisation. That as a core of its duty of supervision, the Board of Directors assumes the preparation of the general lines of the action plan, budgets and strategy of the organisation for their presentation to the General Board, supervising and ensuring that the general management tailor their activities to the established objectives.*

*That the Board of Directors must also be informed by the Investment Committee about the strategic and long-term investments and divestments that the organisation makes, whether directly or through entities in the Group, analysing their financial viability and their alignment with current legal provisions, budgets and strategic plans of the organisation”.*



## **4.1. Composition, organisation, authorities and functioning**

The progress that large listed limited companies have undergone, which have also happened to the administration model of savings banks, with Boards of Directors preferring to focus on supervisory and management control duties, has meant that the Executive or Delegated Committee has also undergone a transformation and an evolution in its duties, going from what once was essentially a decision-making authority (as it was under the Board of Directors management model), to a support authority to the operation of the Board of Directors. Firstly, it carries out more continual and direct monitoring of the execution of the decisions of the Board, as well as continually supervising or controlling the ordinary running of the organisation between plenary sessions of the Board, in this sense operating as a kind of smaller Board. Secondly, it receives the initiatives or proposals from the executive line (the general manager and senior management team) for their referral and presentation to the plenary Board, thereby making a preliminary analysis and assessment of them. Therefore, the Executive or Delegated Committee must play the role of intermediate authority between the Board of Directors and the general manager, acting as a filter for proposals, initiatives and decisions that are submitted to the control and decision of the Board from the Management. That is why it is especially advisable to regulate relations and flows between the Board, its Executive or Delegated Committee and the general manager and the senior management team of the organisation.

Also, regarding the composition of the Executive or Delegated Committee, it is recommended that the president and secretary of the Board of Directors join it, in order to guarantee due coordination between both bodies, along with those members of the Board that have the most

appropriate knowledge, skills and experience for the duties assigned to this Committee. That is why, without prejudice to what is established in the statutes regarding its composition, it is recommended that the existing proportion on the Board of Directors between board members chosen by different representative sectors on the General Board does not have to be strictly maintained, thereby enabling the appointment of those board members that, in the opinion of the Board itself, have better profiles and qualifications for the required duties.

### ■ Recommendation 28

*“That the creation, under the authority of the Board of Directors, of an Executive or Delegated Committee be provided for in the statutes or regulations to which the continual supervision duties be assigned from the Management of the organisation in compliance with the guidelines on Management, budgets and strategic plans set by the plenary Board of Directors, along with the preliminary study and analysis of any proposals made to the Board of Directors.*

*That this Committee also be granted the authority to approve any operations that the organisation performs with the members of any of its governing bodies or with people or entities connected to them, always after a favourable report from the risks committee or any other technical authority of the organisation that has been assigned the duty of notifying”.*

### ■ Recommendation 29

*“That the structure of relations between the Board of Directors, the Executive or Delegated Committee, the general manager and the senior management team of the organisation be provided for in the regulations based on the following principles:*

- ▶ *The Board of Directors must always be aware of the decisions made by the Executive or Delegated Committee.*
- ▶ *The Executive or Delegated Committee must deal, in a preliminary way, with the proposals and initiatives that the General Management intends to submit to the Board of Directors. The general manager must attend the meetings of the Executive Committee and the Board of Directors, with the right to speak but not to vote”.*

### ■ **Recommendation 30**

*“That regarding the organisation and working of the Executive or Delegated Committee, that the following rules be established in the statutes or regulations of the organisation:*

- ▶ *That the selection of the members of the Board of Directors that must make up the Executive or Delegated Committee be made taking into account their knowledge, skills and experience regarding the duties assigned to it, taking the sector(s) by which they have been selected to form part of the Board into consideration.*
- ▶ *That necessarily the president and secretary of the Board of Directors join the Executive or Delegated Committee and that they assume the duties of president and secretary, respectively, thereby ensuring the necessary coordination between the Board and its Executive or Delegated Committee.*
- ▶ *That regarding the working of the Executive or Delegated Committee, the possibility that senior managers of the organisation may attend its meetings when its members consider it necessary be provided for:*

▶ *That a calendar of ordinary sessions and matters to be dealt with be approved at the beginning of each financial year (with continual supervision of the Management), both for ordinary matters and as decided by the Board of Directors so that they can first be studied by the Executive Committee”.*



CODE OF  
RECOMMENDATIONS  
FOR THE GOOD GOVERNANCE

05

**Internal  
Committees of  
the Board of  
Directors and its  
Executive or  
Delegated  
Committee**

## **5.1. Regarding the Committees in general**

Based on the recommendations of Good Governance adopted in neighbouring countries, it is considered advisable to grant the Board of Directors and its Executive or Delegated Committee with the power to create boards or committees to which they may grant powers to analyse, study and make proposals prior to the adoption of resolutions on certain matters. The basic objective of this recommendation is to improve the adoption process of decisions taken by the Board and the Executive or Delegated Committee, by introducing preventative mechanisms of preliminary control and analysis. For these reasons, the remuneration, investment and audit committees have been created, even when, regarding the latter and given the nature and contents of its duties, it could be more convenient to be part of and report to the Supervision Committee.

Consequently, it is recommended that, apart from the legally established committees, that the Board of Directors be granted the authority to establish the advisory boards or committees that it considers most appropriate for the execution of its duties.

Also, given the advisory tasks and the studies, analyses and proposals made by these committees, it is recommended that they be comprised of members of the Board of Directors, selected based on their technical ability and professional experience, without taking into consideration the sector or group that has proposed their appointment. In the same regard, it may be advisable to make provisions for the possibility that some natural persons may also join them with the right to speak but not to vote who are not members of the Board of Directors but who enjoy recognised standing and experience in the matters of the committee.

### ■ Recommendation 31

*“That the power of the Board to create advisory boards or committees as it considers necessary for the best fulfilment of its duties be provided for in the statutes or regulations, it being the responsibility of the Board of Directors to appoint its members and define their number.*

*That provisions also be made so that the Board and/or its Executive or Delegated Committee must deliberate the proposals and reports from their Committees, having to give an account of the contents and actions taken in them in the session after their meetings”.*

### ■ Recommendation 32

*“That the appointment rules of the members, powers, posts and working of the advisory committees include, among others, the following provisions:*

- *That the selection of the members of the Board of Directors that are going to make up the advisory committees is made taking into consideration their knowledge, skills and experience regarding the duties assigned to each committee.*
- *That the inclusion as members with the right to speak but not to vote in the advisory committees of up to two external advisors of recognised experience and knowledge of the matters of the committee be provided for.*
- *That the committees must notify the Board of Directors and/or the Executive or Delegated Committee of their reports and proposals in general during the course of the first session held by these bodies.*

- ▶ *That the Board of Directors and/or its Executive or Delegated Committee must debate the proposals and reports prepared by the advisory committees and, in the event that they decide not to follow or not to comply with the proposals prepared by the advisory committee, supply and make a record of the reasons that justify their decision.*
- ▶ *That minutes be taken of the advisory committees' meetings.*
- ▶ *That the committees, through their secretaries, can collect as much information as they consider necessary for the correct execution of their duties from the Management through the president of the Board.*
- ▶ *That provisions be made so that board members and officers of the organisation can attend their meetings, when the committee itself so agrees.*
- ▶ *That the organisation must make the necessary resources available to the committees so that they can fully execute their duties”.*

## **5.2. Personnel and remuneration committee**

Within the power to create support committees and boards included in the above recommendations, it is considered necessary for the Board to establish a personnel and remuneration committee that will report to the Board and/or the Executive Committee regarding the internal corporate structure of the organisation and its changes; the remuneration and incentives of management personnel, as well as the expenses system applicable to the

members of the governing bodies. In accordance with the current system, the Board of Directors is the competent body to appoint the general manager (also being empowered to dismiss or remove the general manager), without prejudice to the necessary information supplied to the Bank of Spain, to the Department of Economy and Finance of the Government of Navarra and to the Supervision Committee. However, it is also advisable that there be an advisory committee that can report on this matter and also when defining the remunerative structure and conditions of the general manager.



### **Recommendation 33**

*That the following powers be granted to the personnel and remuneration committee in the statutes or regulations:*

- ▶ *To report regarding the proposals related to the appointment or dismissal of the general manager, as well as regarding the structure and composition of the senior management team of the organisation.*
- ▶ *To report to the Board of Directors and/or its Executive Committee regarding the level and structure of the remuneration related to the senior management team of the organisation and, in particular, to report on the various remunerative items that are applicable to the general manager.*
- ▶ *To report, prior to its submission for approval by the General Board, on the expenses system applicable to the governing bodies of the organisation, as well as its proposals for modifications and reforms”.*





The structuring of the Board of Directors and of the Delegated Committee as bodies essentially focused on supervision and control means that the duty of ordinary and permanent management of the organisation is assumed by the General Management and the senior management team. The implementation of the agreements of the Board of Directors and of the Executive Committee is the responsibility of the General Management in the execution of its duties.

The legal obligation of the general manager to attend the sessions of the Board of Directors and of its Executive Committee with the right to speak but not to vote enables said bodies to firstly, have direct access to information regarding the management and ordinary running of the organisation and secondly, to also execute its supervision duties directly as they have the person ultimately responsible for the management of the organisation present in their sessions.



#### **Recommendation 34**

*“That the assignment to the general manager of the senior management and ordinary and permanent running of the organisation under the supervision of the Board of Directors, of its Executive Committee and of the Supervision Committee be provided for in the statutes as his or her duty, this depending on the guidelines of the organisation and having to exercise his or her duties objectively, independently and solely related to the interests of the organisation”.*



#### **Recomendación 35**

*“That a specific system for the general manager be established in the statutes or in the regulations that includes at least the following aspects:*

- ▶ *Access to the post by strict professional and experience requirements.*
- ▶ *Rights and duties that include regular reporting to the Board of Directors and its Executive Committee and essential liaison with the president of the Board and of the Supervision Committee (in the latter case regarding the execution of said governing body's authorities).*
- ▶ *Appropriate remuneration for the executive and management duties of the post and subsequent responsibility.*
- ▶ *Time limitations after leaving the post, to establish contractual project, supply or service relationships with entities in the sector or competitors”.*



### **Recommendation 36**

*“That provisions be made in statutes or regulations for the duty of the general manager to attend, with the right to speak but not to vote, the meetings of the Board of Directors and its Executive or Delegated Committee and of the Supervision Committee as well as advisory committees both of the Board and of the Supervision Committee, as required, as well as the duty to provide all information requested by any of the governing bodies of the organisation through its president for the execution of the authorities of the body in question”.*





The use of profits not aimed at the provision of reserves has been established as an essential identifying factor of savings banks. Going into more detail regarding this distinguishing element, Caja Navarra, based on its initiative, “You Choose: You Decide” determined that the decision regarding the destination of the social project would be transferred from the governing bodies of the organisation to clients, and put in motion a commitment to Civic Banking that is maintained by the recognition of new financial and nonfinancial rights for clients and which, on one hand expresses the wish of Caja Navarra to act as a civic company that is responsible for the role that it plays in the community but that on the other hand is also committed to social innovation, giving its clients the chance to participate socially by taking civic decisions from their position as consumers of financial products.

In this context, it is recommended that this commitment to Civic Banking be strengthened, from the recognition of clients’ rights, to the promotion to exercise them, the presentation of accounts and transparency in management.

Also, regarding the different management models of the social projects, that range from direct management by Caja Navarra itself to indirect management through a foundation, this latter model is recommended, for reasons of efficiency and effectiveness, with the foundation of the social project being governed by a board appointed by the Board of Directors of Caja Navarra and which is mainly composed of members of the Board itself to ensure the necessary coordination and unity of action. In this same regards it is advisable to define the status of the manager of the Caja Navarra Foundation and his or her relationship with the general manager of Caja Navarra.

Regarding the transparency and efficiency of the man-

agement model, it is considered necessary that, alongside the auditing of the foundation and the control and verification work regarding the status of the actual execution of the financed projects, that also the client selection process be audited too, verifying that there are no discrepancies between the choices made and the actual use of the funds allocated through these selection processes. It is also necessary to verify through an external auditor that there are no financed social projects outside of the decision made by clients and that the information supplied to clients, regarding their profits for the organisation and the total amount transferred in favour of the chosen projects has been obtained in accordance with the agreed calculation procedures for this purpose.

Finally, it is recommended that the social efficiency percentage of the foundation be regularly evaluated, establishing, as far as possible, improvement objectives and reporting on them and on the results of auditing and verification processes described above to the governing bodies of Caja Navarra and especially to its Supervision Committee.



### **Recommendation 37**

*“That the right, recognised individually for each client of the organisation through the initiative “You Choose: You Decide” to choose the social project that they wish the amount transferred from the social project budget by their choice to be used for be included in the statutes.*



### **Recommendation 38**

*“That the commitment assumed to Civic Banking be strengthened and that, to this end, management objectives be prepared annually within the general lines of the action plan of Caja Navarra that are related to the recognition of client*

*rights, the promotion of their execution, the presentation of accounts and transparency in the management of social projects”.*



### **Recommendation 39**

*“That the statutes of the organisation make provisions so that the social projects are organised through a foundation that is created for said purpose by Caja Navarra.*

*That the following rules to guarantee due and necessary coordination between the organisation and the foundation be included in the statutes of the foundation created for the management and organisation of the social projects:*

- ▶ *That the majority of the members of the board of the foundation be members of the Board of Directors of Caja Navarra and, in turn, that the post of president of the foundation be occupied by whoever holds the post of president of Caja Navarra.*
- ▶ *That the general manager of Caja Navarra also be a member of the board of the foundation, without prejudice to the fact that the running and management duties of the foundation are entrusted to a manager of the foundation, whose appointment will be made by the board of the foundation at the proposal of the general manager of Caja Navarra.*
- ▶ *That the obligations and duties of the manager of the foundation include that of reporting, as required, to the governing bodies of Caja Navarra and especially to its Supervision Committee, regarding aspects related to the management and running of social projects, particularly regarding the implementation of the social project budget, in order to enable efficient control by that*

*body of the management, administration, provisions and budgets of the social projects”.*



#### **Recommendation 40**

*“That an external audit, be carried out annually of the foundation’s social project accounts.*

*That the foundation establishes procedures for verification, based on which as many checks as are necessary will be performed to verify the degree of real execution of the projects included in the initiative “You Choose: You Decide”, to which end the promoters of the projects will be obliged to submit to these checks and verifications and also must provide accounts regarding the execution of the social projects to the clients that have financed them through their choice.*

*That the selection process by clients and its subsequent use of funds be audited annually, checking that there are no discrepancies between the choices made by clients and the destination given to the funds through these selections.*

*That it be verified annually that the foundation has not financed any projects with funds apart from those through client choices.*

*That an external auditor annually verifies, through a report on agreed procedures, that the information supplied to clients regarding the profits that the organisation makes from them and the total amount transferred to the projects they choose has been obtained in accordance with the calculation procedures established and made public for this purpose.*

*That the result of these auditing and verification processes be reported to the board of the foundation, as*

*well as to the governing bodies of Caja Navarra and especially to its Supervision Committee”.*



#### **Recommendation 41**

*“That the board annually evaluate the social efficiency percentage achieved by the foundation, establishing, as far as possible, improvement objectives and reporting on all the above to the governing bodies of Caja Navarra and especially to its Supervision Committee”.*

can 

PIONEERS IN CIVIC BANKING