

# Caja Rural de Navarra SCC

Regional Banks Spain

## ESG Risk Rating

# 9.8

Updated Nov 25, 2022

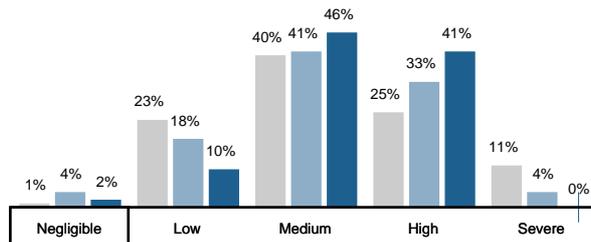
# -0.6

Momentum

## Negligible Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = Top Score)
Global Universe	207/15478	2nd
Banks INDUSTRY	34/997	4th
Regional Banks SUBINDUSTRY	7/396	3rd

## Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. De Volksbank NV	33.3 Low	76.4 Strong	9.1 Negligible
2. Deutsche Bank SAE	39.4 Medium	81.3 Strong	9.3 Negligible
3. Caja Rural de Navarra SCC	34.8 Low	75.5 Strong	9.8 Negligible
4. Landsbankinn hf	33.1 Low	73.7 Strong	9.9 Negligible
5. Coöperatieve Rabobank U.A. (Australia Branch)	37.2 Medium	76.0 Strong	10.6 Low

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## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

### ESG Risk Exposure

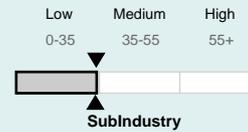
**34.8**

**+1.5**

**Low**

**Momentum**

**Beta = 0.99**



Retail clients play an important role in CRN's business and growth strategy. Thus, the quality of the company's financial products and the way they are marketed represents an area of exposure. False marketing or predatory lending may lead to fines or reputational damage, while inability to provide tailored services to corporate clients could result in loss of market share. In addition, CRN's strategy includes a focus on digital transformation. Failure to protect customer sensitive data could trigger breaches, data loss, investigations, expensive fines, as well as loss of client trust. Moreover, the company is exposed to a variety of business ethics risks including bribery and corruption, money laundering and conflicts of interest. Infractions could lead to investigations and potential fines.

The company's overall exposure is low and is similar to subindustry average. Data Privacy and Security, Product Governance and Business Ethics are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

### ESG Risk Management

**75.5**

**+3.1**

**Strong**

**Momentum**



CRN's overall ESG-related disclosure follows best practice, signalling strong accountability to investors and the public. The company's ESG-related issues are overseen by the board, suggesting that these are integrated in core business strategy. However, CRN has been implicated in incidents related to poor disclosure and abusive loan clauses in mortgage contracts. In 2015, the company reached an agreement with affected customers, but a 2020 decision by the Provincial Court of Navarra concluded on the nullity of the unfair mortgage clause. In November 2020, the Spanish Supreme Court ruled in the company's favour, attesting that the lawsuit waiver agreements met the necessary transparency and legality standards. Nevertheless, the Supreme Court decision followed CRN's appeal related to multiple regional court decisions finding that the company's agreements with clients were improper.

The company's overall management of material ESG issues is strong.

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## Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure Score   Category	ESG Risk Management Score   Category	ESG Risk Rating Score   Category	Contribution to ESG Risk Rating
Product Governance	8.0 High	67.5 Strong	2.6 Low	26.5%
ESG Integration -Financials	4.8 Medium	58.5 Strong	2.0 Negligible	20.1%
Business Ethics	6.0 Medium	80.6 Strong	1.4 Negligible	14.3%
Human Capital	5.0 Medium	76.9 Strong	1.3 Negligible	13.7%
Corporate Governance	5.0 Medium	74.0 Strong	1.3 Negligible	13.2%
Data Privacy and Security	6.0 Medium	100.0 Strong	1.2 Negligible	12.2%
Overall	34.8 Low	75.5 Strong	9.8 Negligible	100.0%

## Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

### Category (Events)

**5 Severe (0)**

**4 High (0)**

**3 Significant (0)**

**2 Moderate (1)**

Quality and Safety

**1 Low (0)**

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## Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

## Category (Events)

### None (14)

Access to Basic Services

Accounting and Taxation

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Carbon Impact of Products

Data Privacy and Security

Environmental Impact of Products

Labour Relations

Lobbying and Public Policy

Marketing Practices

Sanctions

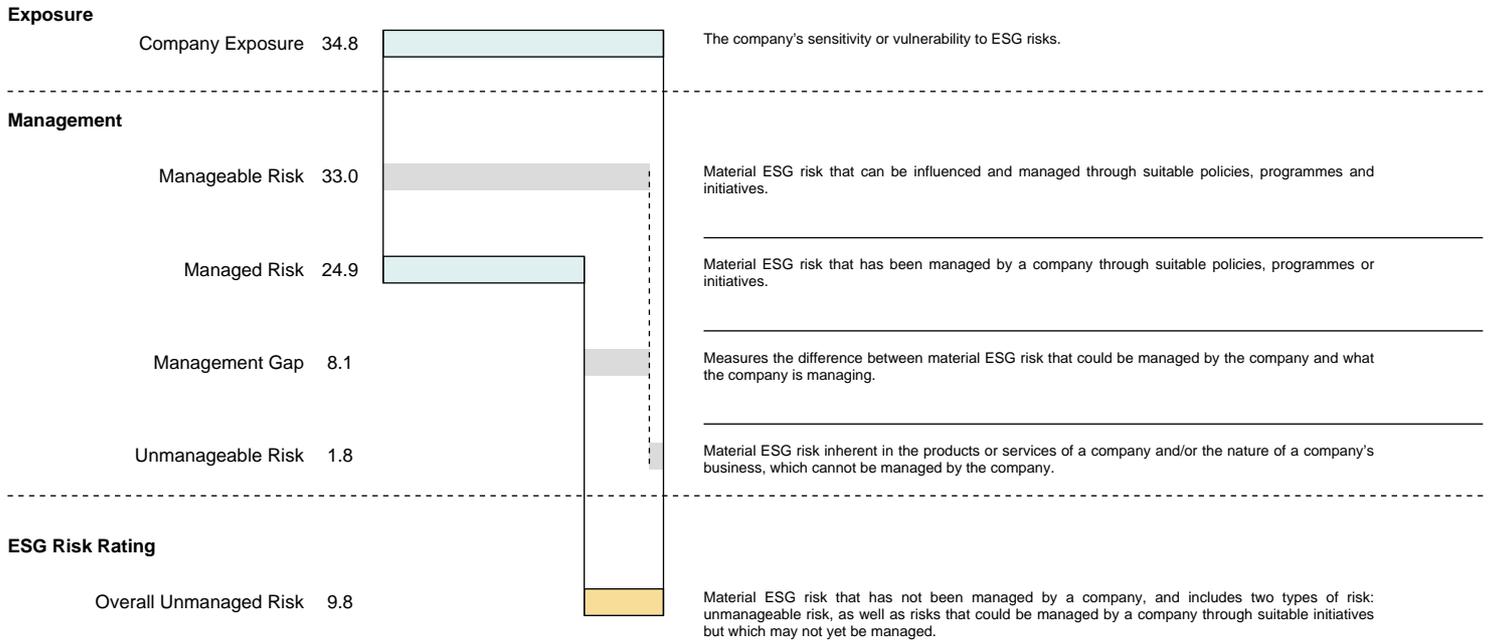
Social Impact of Products

Society - Human Rights

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## Risk Decomposition



## Momentum Details



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## GLOSSARY OF TERMS

### Beta (Beta, $\beta$ )

A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

### Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

### ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

### ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

### Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

### Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

### Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

### Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

### Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

### Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

### Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

### Management

A company's handling of ESG risks.

### Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

### Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

### Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

### Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

### Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

### Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

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