



**Banco de Sabadell, S.A.
Appointments Committee
Report on functions and activities
2016**

January 2017

Contents

1.- Introduction	3
2.- Regulation and functions	3
3.- Composition.....	5
4.- Activities	6
5.- Conclusion	8

This Report on the Activities in 2016 of the Appointments Committee is addressed to the shareholders of Banco de Sabadell, S.A. (Banco Sabadell or the Bank) in accordance with recommendation 6 of the Unified Code of Corporate Governance, which requires that companies draw up this report and publish it on their website sufficiently in advance of the Ordinary General Meeting of Shareholders.

1.- Introduction

In compliance with the provisions of article 31 of Act 10/2014, of 26 June, on ordering, supervision and solvency of credit institutions, Banco Sabadell has an Appointments Committee, which is regulated by article 61 of its Articles of Association.

2.- Regulation and functions

Article 61 of the Articles of Association¹ sets out the basic rules governing the Appointments Committee, which are supplemented and expanded upon in the Regulation of the Board of Directors, whose article 14 establishes the Committee's composition, functioning and competencies.

Article 61 reads as follows:

"The Appointments Committee shall comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. The Board of Directors shall appoint its Chairman from among the members who are independent directors, with the favourable vote of two-thirds of its members.

The functions of the Appointments Committee shall include at least:

1. Overseeing the qualitative composition of the Board of Directors, in accordance with the provisions of article 53 of the Articles of Association.
2. Evaluating to ensure that the members of the Board of Directors are suitable and have the requisite competency, knowledge and experience.

¹ The Articles of Association and the Regulation of the Board of Directors of Banco Sabadell are available on the Group website www.grupobancosabadell.com

-
3. Making proposals to the Board of Directors as to the appointment of independent directors, for appointment by co-optation or by the General Meeting, and proposals for the re-appointment or removal of directors by the General Meeting of Shareholders.
 4. Advising on the proposals for the appointment of other directors and on proposals for their re-appointment or removal.
 5. Advising on proposals for the appointment and removal of senior executives and of the Designated Group.
 6. Advising on the basic contractual conditions for executive directors and senior executives.
 7. Examining and organizing the succession of the Chairman of the Board of Directors and of the Bank's chief executive and, as appropriate, making proposals to the Board so as to ensure that the succession takes place in an orderly and planned way.
 8. Establishing a target for representation of the gender that is less represented on the Board of Directors and drawing up guidelines on how to achieve that target."

Article 14 of the Regulation of the Board of Directors establishes that:

- "1. The Appointments Committee shall comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. In any event, the Chairman of the Committee shall be appointed from among its members who are independent directors.

Nevertheless, at the request of the Committee's Chairman, General Managers, even if directors, may attend meetings when issues of the Bank's senior management are being discussed, except where they refer directly to them or to the Chairman of the Board of Directors.

2. Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors or this Regulation, the Appointments Committee shall have the following basic duties:
 - a) make proposals to the Board of Directors as to the appointment of independent directors, for co-optation or for referral to the General Meeting, and as to the re-appointment or removal of such directors;
 - b) advise on proposals to appoint other directors by co-optation or for referral to the General Meeting, and on proposals to re-appoint or remove them;

-
- c) ensuring that the qualitative composition of the Board of Directors complies with the provisions of article 53 of the Articles of Association;
 - d) check that the members of the Board of Directors are suitable and possess the necessary competency, knowledge and experience;
 - e) advise on proposals for the appointment and removal of senior executives and of the Designated Group;
 - f) advise on the basic conditions of the contracts of executive directors and senior executives;
 - g) examine and organize succession plans for the Chairman of the Board of Directors and of the Bank's chief executive and, as appropriate, make proposals to the Board;
 - h) establish a target for representation of the gender that is less represented on the Board of Directors and draw up guidelines on how to achieve that target;
3. The Appointments Committee shall meet whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and whenever it is advisable in order to properly discharge its duties. In any case, it shall meet once per year to provide advice in advance on the Board's performance evaluation."

3.- Composition

As of 31 December 2016, the members of Banco Sabadell's Appointments Committee were as follows:

Chair:

Ms Aurora Catá Sala (Independent director)

Members:

Mr Joaquín Folch-Rusiñol Corachán (Non-executive director)

Mr Joan Llonch Andreu (Independent director)

Secretary:

Mr Miquel Roca i Junyent

Accordingly, the composition of the Appointments Committee complies with the requirements of article 529 quidecies of Legislative Royal Decree 1/2010, of 2 July, approving the consolidated text of the Capital Companies Act, which requires that it comprise only non-executive directors, at least two of whom (including the Committee Chair) must be independent directors, and with Recommendation 47 of the Good Governance Code of Listed Companies, which requires that a majority of the members be independent directors.

The curriculum vitae of the Committee members can be examined on the Bank's website (www.grupobancosabadell.com).

Section C.2.1. of the Annual Corporate Governance Report, available on the website at www.grupobancosabadell.com, contains detailed information about the Appointments Committee.

4.- Activities

The Appointments Committee met on twelve occasions in 2016.

The main activities of the Appointments Committee in that period are summarised below:

Composition of the Board of Directors

- It referred a proposal to the Board of Directors on the appointment of an independent director, having assessed the candidate's suitability.
- It issued a favourable report to the Board of Directors on the appointment of the Lead Independent Director.
- It issued a favourable report to the Board of Directors on the change of category for a specific director.
- It issued a favourable report to the Board of Directors on the approval of the Banco Sabadell Director Selection Policy.
- It issued a favourable report to the Board of Directors on the approval of the Succession Plan for the Chairman and Managing Director of Banco Sabadell.

Composition of Board Committees

- It proposed that the Board of Directors make changes in the composition of the delegated committees.

Assessment

- In accordance with Recommendation 36 of the Code of Corporate Governance for Listed Companies, and in compliance with article 5.2 of the Regulation of the Board of Directors, the Appointments Committee drew up a self-assessment report on its own performance, and provided the Board of Directors with a favourable report on the performance of the Board of Directors, its Chairman; the Managing Director, the Vice-Chairman, the Lead Independent Director, and the Secretary and Vice-Secretary of the Board of Directors.

Appointments and removals

- It advised the Board of Directors on proposals for the appointment or removal of senior executives, having assessed their suitability for the proposed positions.
- It advised the Board of Directors on proposals for the appointment or removal of members of the Banco Sabadell Designated Group, having assessed the candidates' suitability.
- It advised the Board of Directors on proposals for the appointment or removal of senior executives of the undertakings that form part of the Group and of directors of subsidiaries, affiliates and other undertakings (e.g. foundations and associations).
- It advised the Board of Directors on proposals for the appointment of members and officers of the Group's Advisory Boards.

Annual Corporate Governance Report of Listed Companies

- It vetted and cleared the information to be disclosed in the Annual Corporate Governance Report.

5.- Conclusion

During 2016, the Appointments Committee properly discharged the duties assigned to it by the Articles of Association and the Regulation of the Board of Directors.