



**Banco de Sabadell, S.A.**  
**Director Remuneration Policy**

26 March 2021

## Contents

Contents .....	2
1. Introduction .....	3
1.1. General principles of the Banco Sabadell Group Remuneration Policy .....	3
1.2. Main new features of the Director Remuneration Policy .....	5
1.3. Banco Sabadell Remuneration Committee. ....	5
2. Banco Sabadell's Director Remuneration System.....	6
2.1. System for remunerating directors for their functions as members of the Board of Directors .....	6
2.2. System for remunerating directors for performing executive functions .....	7
3. Banco Sabadell Director Remuneration. ....	15
3.1. Remuneration for directors in their capacity as members of the Board of Directors. ....	15
3.2. Remuneration for directors for performing executive functions. ....	17
3.3. Contracts with the Chairman and executive directors .....	21
4. Competent bodies .....	22
5. Comments on the Remuneration Policy in future years .....	24
6. Policy duration and interpretation .....	25

## 1. Introduction

The General Meeting of Shareholders on 28 March 2019 approved the Director Remuneration Policy for 2019, 2020 and 2021.

On 17 December 2020, the Board of Directors of Banco de Sabadell, S.A. (hereinafter, "Banco Sabadell", the "Bank" or the "Institution") approved the annual review of the Banco Sabadell Group Remuneration Policies, comprising: the Senior Management Remuneration Policy, the Remuneration Policy for the Banco Sabadell Group's Identified Staff, the Banco Sabadell Group Remuneration Policy and the Banco Sabadell Spain Remuneration Policy, with a view to incorporating certain amendments required by legislation and best practices that should be incorporated into the Banco Sabadell Director Remuneration Policy (hereinafter, the Director Remuneration Policy or the Policy).

Additionally, the 2021 General Meeting of Shareholders will be asked to approve a number of amendments to the Articles of Association in connection with the Chairman's non-executive status, and with the Board of Directors Committees, which require changes to the Director Remuneration Policy to reflect the new situation.

In accordance with article 529 novodecies of the Capital Companies Law, the General Meeting of Shareholders is responsible for approving this Director Remuneration Policy which, once approved by the General Meeting of Shareholders, replaces in all its terms the policy approved on 28 March 2019, and will be in force for 2021, 2022 and 2023.

### 1.1. General principles of the Banco Sabadell Group Remuneration Policy

The Remuneration Policy of the Banco Sabadell Group (hereinafter, the "Banco Sabadell Group" or the "Group") is focused on creating long-term value by aligning the interests of its shareholders and employees, in coherence with the strategic goals in terms of risks and the business, and the values of the Bank, all under a prudent management approach while avoiding conflicts of interest.

The principles of the Banco Sabadell Group Remuneration Policy are as follows:

1. Promote medium- and long-term sustainability of the business and the company, in addition to alignment with the Group's values. This entails:

- Aligning the remuneration with the interests of the shareholders and with the creation of long-term value.
  - Promoting rigorous risk management, with measures to avoid conflicts of interest.
  - Aligning with the Group's long-term business strategy, objectives, values and interests.
2. Ensuring a competitive and equitable remuneration system (external competitiveness and internal fairness):
- Ability to attract and retain the best talent.
  - Rewarding professional track record and responsibility, regardless of gender. The Bank's remuneration systems are based on equal remuneration for a given job or a position of equal value.
  - Aligning with market standards, while providing flexibility to adapt to changes in the situation and in the demands of the sector.
3. Rewarding performance, by aligning remuneration with the results achieved by the individual and the level of risk assumed:
- An appropriate balance between the various remuneration components.
  - Consideration of current and future risks and results, and not encouraging the assumption of risks that exceed the level tolerated by the Group.
  - A system that is simple, transparent and clear. The Banco Sabadell Group Remuneration Policy must be understandable and easy to communicate to the entire workforce.

The Remuneration Policy contemplates a vision of total remuneration taking into account all the remuneration elements and the relationship between them, establishing an appropriate balance between fixed and variable remuneration, and a distribution of remuneration between the short and long term, safeguarding the rights and interests of customers.

---

## 1.2. Main new features of the Director Remuneration Policy

The new features proposed in the Policy in comparison with the one approved by the 2019 General Meeting of Shareholders are as follows:

- Amendment of the remuneration system for non-executive directors, insofar as it provides for additional remuneration for the Chairman for the functions he performs.
- Adaptation of the remuneration for the Board of Directors' Committees to the new corporate governance structure.
- Consideration of sustainability as a core factor in remuneration within the Group. The components of remuneration contribute to fostering action in environmental, social and good governance (ESG) matters in order to make the business strategy sustainable and socially responsible.
- Greater detail is provided as to the conditions that determine the remuneration for control functions, the process for setting and assessing objectives, and adjustment mechanisms applicable to executive directors' variable remuneration.

As indicated above, the principles and provisions of the Banco Sabadell Senior Management Remuneration Policy are applicable to the executive directors in connection with their executive functions.

## 1.3. Banco Sabadell Remuneration Committee.

Apart from advising specifically on the proposed Director Remuneration Policy in accordance with article 529 novodecies of the Capital Companies Law, the Remuneration Committee's duties include, in accordance with article 62 of the Articles of Association of Banco Sabadell, proposing to the Board of Directors the remuneration policy for directors and general managers and persons performing senior management functions, and the individual remuneration and other contractual conditions for executive directors, and exercising oversight to ensure that they are complied with.

At the end of 2020, Banco Sabadell's Remuneration Committee comprised 4 non-executive directors, all of whom are independent:

Chairman	Aurora Catá Sala
Member	Anthony Frank Elliott Ball
Member	George Donald Johnston III

Member  
Non-member Secretary

José Ramón Martínez Sufrategui  
María José García Beato

## **2. Banco Sabadell's Director Remuneration System**

The Banco Sabadell Director Remuneration System distinguishes between the directors' remuneration for performing their functions as members of the Board of Directors and the remuneration for performing executive functions, as regulated in the Articles of Association. The remuneration system for directors in their capacity as members of the Board of Directors specifies the additional remuneration for the Chairman for performing his functions, in the category of non-executive directors.

### **2.1. System for remunerating directors for their functions as members of the Board of Directors**

In accordance with articles 217 and 529 septdecies of the Capital Companies Law, the system of remunerating directors for their functions as members of the Board of Directors consists of:

- Fixed remuneration for belonging to the Board of Directors.
- Attendance fees, for at most 11 ordinary meetings, with the possibility of collecting attendance fees for at most two meetings that they miss for justified reasons provided that they grant proxy in those cases. No amounts are payable for attendance at extraordinary meetings of the Board of Directors.

Each year the Board of Directors will set both the fixed remuneration and the meeting attendance fees payable to directors for their functions as members of the Board of Directors. It will also establish specific amounts for performing the functions of Chairman, Deputy Chairman and Lead Independent Director. And it will establish the amounts payable for chairing or membership of Board committees or Advisory Boards. All the foregoing will be within the overall maximum amount established by the General Meeting of Shareholders for remuneration of the members of the Board of Directors.

Non-executive directors do not qualify for the remuneration or the benefits that apply to Bank employees, and they are not included in the providential plans or long-term incentive schemes.

---

As stated above, the Chairman of Banco Sabadell receives fixed remuneration, in addition to that for his membership of the Board of Directors, for performing the duties corresponding to him as Chairman of the Bank, Chairman of the Board of Directors, Chairman of the General Meeting of Shareholders and the Bank's highest representative, and for the special dedication involved in performing the duties of Chairman under the terms established in the Capital Companies Law, in the Articles of Association and by the Board of Directors in a group such as Banco Sabadell.

Due to the organic or representative nature of these functions, they cannot be classified as executive functions but, from a quantitative point of view, they require a considerable degree of dedication of a much greater intensity than that of the other non-executive members of the Board of Directors. This also justifies the inclusion in the contract of an indemnity clause paying two years' remuneration in the event of early termination.

## **2.2. System for remunerating directors for performing executive functions**

In addition to the remuneration as members of the Board of Directors, executive directors are remunerated for performing executive functions, as approved each year by the Board of Directors.

Executive directors' remuneration for each year is set by the Board of Directors within the overall maximum limit established by the General Meeting of Shareholders in this Director Remuneration Policy for each of the items that make up their remuneration.

The Board of Directors will comply with the provisions of the applicable legislation, having regard to its special status as a financial institution and in accordance with the items, terms and conditions established in the Director Remuneration Policy, which addresses total remuneration taking into account all the remuneration elements and the relationship between them, establishing an appropriate balance between fixed and variable remuneration, and a distribution of remuneration between the short and long term, safeguarding the rights and interests of shareholders, investors and customers.

The headings of remuneration for executive directors coincide with those for the rest of senior management in the terms set out in the Banco Sabadell Remuneration Policy for Senior Management amended by the Board of Directors on 29 January 2021.

The executive directors' remuneration for performing executive functions comprises:

- Fixed remuneration.

- Fixed salary.

This is the sum of guaranteed remuneration components linked to the set of functions and responsibilities of the person's position, recognising the executive director's contribution within that position, while they occupy it.

- Benefits.

These aim to complement the monetary and non-monetary remuneration with other elements that increase loyalty and commitment on the part of the executive directors.

Executive directors enjoy benefits in the same conditions as the rest of the workforce.

- Pension and providential schemes.

In order to cover retirement and other contingencies in a manner that is appropriate to the functions performed by executive directors, the Board of Directors may, at the proposal of the Remuneration Committee, establish specific providential plans and assign them to executive directors.

15% of the contributions are classified as discretionary pension benefits and, therefore, they are linked to the percentage of attainment of the beneficiary's short-term targets, in no case being allowed to exceed 100% of the amount; these contributions are considered to be an integral part of the executive director's variable remuneration and, therefore, are subject to the rules applicable to this type of remuneration.

- Short-term variable remuneration.

Executive directors will be assigned short-term variable remuneration, which is approved annually by the Board of Directors, at the proposal of the Remuneration Committee, and whose main purpose is to reflect performance in the year measured through objectives aligned with the risk incurred.



Each executive director will be allocated a target amount (benchmark variable remuneration based on 100% attainment of targets) to be paid as a function of the degree of attainment of the established goals (attainment under 60% does not give entitlement to variable remuneration, while attainment above 150% does not generate additional entitlement to variable remuneration). Each executive director is assigned objectives connected to risk control and management, and capital, as well as strategic objectives, with a weighting assigned to each indicator, and a scale of attainment. The objectives and levels of attainment are published in the Annual Report on Director Remuneration.

- Long-term remuneration.

All executive directors are assigned long-term remuneration that may consist, based on a decision by the Board of Directors following a proposal from the Remuneration Committee, of: a long-term variable remuneration system, to which end a target amount and multi-year objectives will be established, in combination with the executive directors' performance; or a system proposed to the General Meeting of Shareholders based on the appreciation of the share that also incorporates multi-year objectives relating to the executive directors' performance, whose specific allocation will be decided upon by the Board of Directors on the basis of a report by the Remuneration Committee.

Nevertheless, the General Meeting of Shareholders has the power to define other incentive models.

The following criteria apply to the executive directors' remuneration system:

- Limit on the ratio between fixed and variable remuneration components.

The variable component may not exceed 100% of the fixed component of total remuneration. The cap can be raised to 200% of annual fixed remuneration, subject to approval by the General Meeting of Shareholders, in the cases expressly defined in the Policy, there being no scope for discretion on the part of the Remuneration Committee at the time when it is recognised.

- Remuneration for control functions

The remuneration for directors exercising control functions consists primarily of a fixed component to reflect the nature of their activities. The methods used

---

to determine the variable remuneration for control functions must not compromise the director's objectivity or independence.

- Setting objectives.

The objectives will be set in accordance with the same rules as for the Group's senior management, so that the variable remuneration reflects all classes of risk, both present and future, either through annual and multi-year objectives or through ex-ante adjustments to the variable remuneration.

In any case, the variable remuneration will be linked to results, so that the total amount will be based on an assessment in which:

- The results of the Group, Institution, business unit or division in which the executive director works are combined.
- Both financial (including capital and liquidity indicators) and non-financial criteria are taken into account, in line with strategic planning, the budget and the risks assumed.
- Long-term remuneration also considers multi-year objectives, with quantitative criteria linked to a period that is long enough to properly reflect the risk assumed.

The Group's annual and multi-year objectives, their weighting and the scale of attainment, as well as the specific objectives for the executive directors, must be approved by the Board of Directors based on a proposal by the Remuneration Committee.

- Ex ante adjustment of variable remuneration.

There is an *ex ante* adjustment to the entire variable remuneration, determined by the Board of Directors at the proposal of the Remuneration Committee. For this adjustment, factors relating to the Institution's risks and results will be taken into account and the adjustment may be at the level of the Group, unit or country, or even the individual, in order to cover the various types of risk.

- This variable remuneration adjustment, which can reduce the initial amount of available remuneration to zero, ensures that the variable remuneration is fully aligned with the risks assumed.
- The variable remuneration adjustment will cover all the cases or situations that might have an impact on the Group's risk profile and

---

that were not fully factored into the assessment of the objectives set at the beginning of the year.

- If the Maximum Distributable Amount (MDA) established by the regulations is reached, the variable remuneration may be reduced or eliminated entirely.

- Deferral and payment in equity instruments.

Both short-term variable remuneration and long-term remuneration will be deferred over five years and will be paid in equity instruments, in accordance with the applicable regulations and the provisions issued by the competent authorities, thereby aligning receipt of the remuneration with long-term results and shareholders' interests and risks.

At least 60% of executive directors' short-term variable remuneration is deferred for at least five years. 55% of variable remuneration will be paid in shares of Banco Sabadell. Of the 40% of the variable remuneration that is not deferred, 50% will be paid in shares of Banco Sabadell.

- Rules applicable to payment in equity instruments.
  - The equity instruments will generally be valued at their market value on the grant date.
  - The Bank will not pay interest or dividends on deferred cash or equity instruments that are granted as variable remuneration.
  - Banco Sabadell will not allow personal hedging strategies with *ad hoc* financial products or any mechanism that guarantees collection of part or all of the remuneration or that offsets losses on financial instruments received as part of variable remuneration that are deferred or under lock-up.
  - All the equity instruments received as variable remuneration are under lock-up for a period of one year after their delivery

Deferred shares are valued at the same price as those delivered as payment of the non-deferred variable remuneration for that accrual period.

- The disposal of the shares received in the form of short-term variable remuneration and the long-term incentive will be restricted until a period of at

---

least 3 years has elapsed since their delivery unless the executive director holds an amount equivalent to twice their fixed annual remuneration.

- Special rules for the long-term incentive using systems based on the increase in the value of the share.
  - Systems based on the increase in the value of the share will be subject to the deferral rules applicable to the variable remuneration and also, at the time of payment, to the rules on percentages to be paid in cash and equity instruments.
  - In any case, they will be governed by the rules approved by the General Meeting of Shareholders and their implementing regulations approved by the Board of Directors, at the proposal of the Remuneration Committee.
- Application of malus clauses.

Short-term and long-term variable remuneration not yet received (up to 100% of the amount) will be subject to clauses for the reduction or cancellation of deferred amounts (malus) in the event of poor financial performance of the Bank as a whole or of a specific division or area or of the exposures generated by the executive director to whom they are applicable. For these purposes, the performance assessment will be compared with subsequent performance of the variables that contributed to achieving the objectives.

In this respect, the following factors will be considered:

- Significant failures in risk management by the Bank or a unit.
- An increase in capital requirements at the Bank or one of its business units not envisaged at the time that exposure was generated.
- Regulatory penalties or legal convictions for events attributable to the unit or its managers. Failure to comply with the Bank's internal codes of conduct.
- Improper conduct, whether individual or collective. Particular consideration will be given to the negative effects deriving from marketing unsuitable products and the liability of persons or bodies making such decisions.

These clauses may be applied during the period in which the variable remuneration is deferred.

The Remuneration Committee must review the situation each year in order to make a proposal to the Board of Directors, if necessary, based on a report by the Human Resources Division, and after seeking the opinion of the Internal Control Division, the Financial Division and the Compliance Division, as to whether circumstances have arisen to trigger a reduction or cancellation of deferred variable remuneration for an executive director.

- Application of clawback clauses.

Short-term and long-term variable remuneration (up to 100% of the amount) will be subject to clawback clauses for the amounts received, in the event of poor financial performance of the Bank as a whole or of a specific division or area or of the exposures generated by the executive director to whom they are applicable. For these purposes, the performance assessment will be compared with subsequent performance of the variables that contributed to achieving the objectives.

In this respect, the following factors will be considered:

- Significant failures in risk management by the Bank or a unit.
- An increase in capital requirements at the Bank or one of its business units not envisaged at the time that exposure was generated.
- Regulatory penalties or legal convictions for events attributable to the unit or its managers. Failure to comply with the Bank's internal codes of conduct.
- Improper conduct, whether individual or collective. Particular consideration will be given to the negative effects deriving from marketing unsuitable products and the liability of persons or bodies making such decisions.

Application of clawback clauses may be supplementary to the application of malus causes so that, in addition to forfeiting amounts not yet received, the executive director will be required to refund part or all of the amounts already received as short-term variable remuneration and long-term remuneration.

---

These clauses may be applied from the delivery of the remuneration until the end of the last lock-up period for same.

The Remuneration Committee must review the situation each year in order to make a proposal to the Board of Directors, if necessary, based on a report by the Human Resources Division, and after seeking the opinion of the Internal Control Division, the Financial Division and the Compliance Division, as to whether circumstances have arisen to trigger clawback of the deferred variable remuneration collected by an executive director, as a function of the characteristics and circumstances in each case.

- Payments for early termination of contract and post-contractual non-competition.

Compensation for termination is subject to the evaluation of breaches of applicable regulations by the executive director. Poor results or improper conduct of the executive director will not, therefore, be rewarded, and payments will not be made in the event of clear breaches by the executive director that justify the immediate cancellation of his/her contract or his/her dismissal.

The Institution may include clauses in contracts providing indemnity for early termination and payments for post-contractual non-competition, with a limit of two years' remuneration and in force until the first age of ordinary retirement established in the current legislation at any given time. Such clauses must be expressly included in the contracts and approved by the Board of Directors.

The amounts derived from post-contractual non-competition clauses will be paid quarterly, up to a maximum of the amount of fixed remuneration that would have been paid in the period of non-competition if the executive director had maintained his/her relationship with the Bank. This amount will be paid in equal instalments over the period in which the non-competition obligation subsists following contract termination and only if the executive director fulfils the commitment to abstain from competition and has not attained the first age of ordinary retirement under the legislation in force at any given time.

Payments for early termination of contracts that are classified as variable remuneration will be subject to the malus and clawback clauses regulated in the preceding sections.

---

### 3. Banco Sabadell Director Remuneration.

The composition of the Board of Directors of Banco Sabadell following the General Meeting of Shareholders on 26 March 2021 is as follows:

Chairman:

- Josep Oliu Creus- Chairman – Other external

Executive Directors:

- César González-Bueno Mayer – Chief Executive Officer
- María José García Beato – Director Secretary General
- David Vegara Figueras – Director Chief Risk Officer

Non-Executive Directors

- Javier Echenique Landiribar – Independent (Deputy Chairman)
- Anthony Frank Elliott Ball – Independent (LID)<sup>1</sup>
- Aurora Catá Sala – Independent
- Pedro Fontana García – Independent
- Mireya Giné Torrens – Independent
- George Donald Johnston III – Independent
- David Martínez Guzmán – Proprietary
- José Manuel Martínez Martínez – Independent
- José Ramón Martínez Sufrategui – Independent
- Alicia Reyes Revuelta – Independent
- Manuel Valls Morató – Independent

#### 3.1. Remuneration for directors in their capacity as members of the Board of Directors.

While this Policy is in force and until such time as it is amended, the overall maximum limit of remuneration for directors for their duties as members of the Board of Directors, pursuant to the provisions of Article 85 of the Articles of Association of Banco Sabadell, is 5 million euros per year. This maximum limit

---

<sup>1</sup> Lead Independent Director

includes the additional remuneration for the Chairman for non-executive functions. Remuneration will be set annually within this limit by the Board of Directors subject to a favourable report from the Remuneration Committee.

The reports on director remuneration in Spain compiled by KPMG and Spencer Stuart, and Board and Committee remuneration at the leading Spanish financial institutions, were used in 2020 to determine the remuneration for the Board of Directors.

The remuneration for the members of the Board of Directors in 2021 is as follows:

	Remuneration	Attendance fees (per meeting)
Members	75,000 euros	2,272 euros
Additionally:		
Chairman	1,500,000 euros	
Deputy Chairman	107,000 euros	
Lead Independent Director	22,000 euros	

Non-executive directors collect the following remuneration for chairing or being members of Board committees:

Strategy and Sustainability Committee	Chairman	-
	Member	40,000 euros
Credit Delegated Committee	Chairman	70,000 euros
	Member	40,000 euros
Audit and Control Committee	Chairman	40,000 euros
	Member	20,000 euros
Appointments and Corporate	Chairman	40,000 euros



---

Governance Committee	Member	20,000 euros
	Chairman	40,000 euros
Remuneration Committee	Member	20,000 euros
	Chairman	70,000 euros
Risk Committee	Member	20,000 euros

---

Directors who are members of Advisory Boards will collect the following remuneration in 2021: the Chairman of the Sabadell Guipuzcoano Advisory Board will collect at most 30,600 euros. Ordinary members of the Board of Directors of Sabadell Information Systems, S.A.U. will collect at most 30,000 euros.

Non-executive directors do not qualify for the remuneration or the benefits that apply to Bank employees, and they are not included in the providential plans or long-term incentive schemes.

The Annual Report on Director Remuneration provides an itemised breakdown of the amounts to be received by each director for their non-executive functions during the corresponding year. This report will be published on the CNMV website and on the Banco Sabadell website, and will be submitted for approval by the General Meeting of Shareholders.

### **3.2. Remuneration for directors for performing executive functions.**

In addition to their remuneration as members of the Board of Directors, executive directors are remunerated for performing executive duties, in accordance with the provisions of the Articles of Association, under the same headings as Banco Sabadell's senior management.

The remuneration system for executive directors consists of the following:

a) Fixed remuneration:

Based on a proposal by the Remuneration Committee, on 29 January 2021, the Board of Directors approved the following individual amounts for 2021:

- 
- The fixed salary is 2,000,000 euros for the Chief Executive Officer, 500,000 euros for the Director Secretary General and 450,000 euros for the Director Chief Risk Officer.
  - The benefits established by the Bank for all employees, in the same conditions as the other beneficiaries.

Under this heading, executive directors are expected to collect similar amounts in 2021 as in 2020, when they totalled approximately 30,000 euro.

- Pension plans and providential schemes in the terms derived from the existing contractual commitments.

The contributions by Banco Sabadell for 2021 are expected to be approximately 741,000 for the Director Secretary General and 121,000 euros for Director Chief Risk Officer.

The information on benefits and the Bank's contributions to pension plans or providential schemes will be itemised in detail for each director in the Annual Report on Director Remuneration that will be published each year on the websites of the CNMV and of Banco Sabadell.

While this policy is in force, the overall maximum fixed remuneration for all executive directors, within which the Board of Directors will set the individual remuneration on the basis of a favourable report from the Remuneration Committee, will be 6 million euros per year, which includes both cash remuneration established by the Board of Directors and benefits as well as pension and providential schemes in accordance with the terms of their contracts; that maximum limit will subsist until such time as this Director Remuneration Policy is amended. The reduction in the amount with respect to 2020 will be in line with the changes in the Bank's corporate governance.

The information on the fixed salary relating to executive directors and on benefits and the Bank's contributions to pension plans or providential schemes will be itemised in detail for each director in the Annual Report on Director Remuneration that will be published each year on the websites of the CNMV and of Banco Sabadell, and submitted to the General Meeting of Shareholders for a consultative vote.

b) Short-term variable remuneration:

The target amount of short-term variable remuneration established for 2021 by the Board of Directors remains unchanged with respect to 2020. In this connection, this amount is as follows: 600,000 euros for the Chief Executive Officer, 220,000 euros for the Director Secretary General, and 100,000 euros for the Director Chief Risk Officer.

To calculate the short-term variable remuneration for 2021, the following objectives were established, and they were approved by the Board of Directors on 29 January 2021, as detailed in the Annual Report on Director Remuneration. Those for the other years covered by this Policy will be detailed in the corresponding Annual Reports on Director Remuneration.

During the term of this policy, the overall maximum limit of target variable remuneration for all executive directors, within which the Board of Directors will set the individual targets on the basis of a favourable report from the Remuneration Committee, will be 2 million euros per year in the event of 100% attainment of the established objectives, and this limit may be exceeded by the percentages corresponding to over-achievement up to 200% if approved by the General Meeting of Shareholders; that limit will subsist until such time as the Director Remuneration Policy is amended. The maximum amount will also be reduced in line with the changes in the Bank's corporate governance.

c) Long-term remuneration:

- Long-term remuneration 2019 At a meeting on 31 January 2019, based on a proposal by the Remuneration Committee, the Board of Directors approved the long-term remuneration for 2019, linked to attainment of annual and multi-year objectives. The objectives and attainment conditions are detailed in the Annual Report on Director Remuneration.

The reference amount established for long-term remuneration was adjusted in the first quarter of 2020 as a function of individual attainment of the assigned annual objectives by each director. Accordingly, taking account of the degree of attainment of the objectives for short-term variable remuneration in 2019, the adjusted amounts subject to multi-year objectives are as follows: 442,323 euros for the Chairman; 115,662 euros

---

for the Director Secretary General, and 102,751 euros for the Director Chief Risk Officer.

- Long-term remuneration 2020: At a meeting on 30 January 2020 and based on a proposal by the Remuneration Committee, the Board of Directors approved the long-term remuneration for 2020 based on attainment of annual and multi-year objectives, establishing a reference amount of long-term remuneration. The objectives and attainment conditions are detailed in the Annual Report on Director Remuneration.

The reference amount established for long-term remuneration was adjusted in the first quarter of 2021 as a function of individual attainment of the assigned annual objectives by each director. Accordingly, taking account of the degree of attainment of the objectives for short-term variable remuneration in 2020, and the 25% ex-ante adjustment applied to all members of the Identified Staff, the adjusted amounts subject to multi-year objectives are as follows: Chairman: 0 euros; Director Secretary General: 63,000 euros; Director Chief Risk Officer: 79,126.88 euros.

- At a meeting on 29 January 2021, at the proposal of the Remuneration Committee, the Board of Directors approved a new long-term remuneration system, based on the fulfilment of annual and multi-year objectives and setting a target amount (amount to be received in the event of 100% attainment of targets) equivalent to a percentage of the fixed salary: 30% (Chief Executive Officer) or 25% (Director Company Secretary and Director Chief Risk Officer).

The amounts of this system may be maintained, reduced or increased (respecting, in any case, the limit of the ratio between fixed and variable remuneration items described in section 2.2 of this Policy) depending on the fulfilment of certain annual objectives. Subsequently, the adjusted amounts will be subject in turn to attainment of certain multi-year objectives and their payment will depend on it. The established objectives will be described in the Annual Report on Director Remuneration.

In any case, once the annual objectives have been measured, the adjusted amounts will be subject to the requirements as to deferral and payment in capital instruments described in section 2.2 of this Policy.

The overall maximum long-term incentive limit will be determined by a resolution of the General Meeting of Shareholders each year; in the case of alternative long-term remuneration systems not requiring the approval of the General Meeting of Shareholders and approved by the Board of Directors, the maximum amount will not exceed 2 million euros annually.

### **3.3. Contracts with the Chairman and executive directors**

The Chairman's contract, in his capacity as a non-executive director, provides for fixed remuneration in addition to that for membership of the Board of Directors and an early termination clause in the amount of two years' remuneration for non-competition linked to involuntary termination.

The contracts of Banco Sabadell's executive directors conform to the usual parameters in senior management contracts and meet the legal requirements for contracts of this type, with the following terms and conditions:

- Duration: The contracts are indefinite.
- Fixed remuneration: The contracts provide for the payment of fixed remuneration to executive directors under the terms and conditions detailed above.
- Variable remuneration: The contracts provide for the payment of variable remuneration to executive directors under the terms and conditions detailed above.
- Providential schemes: The contracts provide for executive directors to participate in the providential schemes, under the terms and conditions detailed above.
- Benefits: The executive directors' contracts provide for them to enjoy the benefits and flexible remuneration schemes that the Bank has established for its other employees, in the same terms as the latter.
- Confidentiality: The contracts include a confidentiality clause that obliges directors not to disclose, either during the term of the contract or thereafter, any confidential data, procedures, methods, information, or commercial or industrial data referring to the Bank's business or finances.
- Restitution and use of company assets: All material goods, information media, files, documentation, manuals, etc. that the directors have in their possession must be returned to the Bank at the time of termination of the contract.

- Clawback and Malus clauses: They include two types of clauses in the cases defined in this Policy:
- Early termination and non-competition: one contract has a clause providing indemnity not exceeding the equivalent of 2 years' remuneration for cases of unfair dismissal and some limited cases of change of control. Another contract has post-contractual non-compete clauses for a duration of two years. Another contract has a non-compete clause providing two years' remuneration from the date of unfair dismissal or change of control, and one year's remuneration in all other cases.

They do not contain any of the other clauses indicated in article 529.1 octodecies of the Capital Companies Law.

#### **4. Competent bodies**

The Articles of Association of Banco Sabadell set out the competencies of the Board of Directors and its Committees. The Board of Directors Regulation sets out the terms of reference for the Board of Directors and its committees, establishing their powers and basic rules of operation and organisation, in line with the regulations applicable to listed companies and credit institutions. The rules are elaborated upon and complemented in the Regulations of the Board Committees. The Articles of Association and the Regulation of the Board of Directors of Banco Sabadell and those of its committees are available on the Banco Sabadell corporate website.

In accordance with the provisions of the Capital Companies Law, the Board of Directors is vested with the non-delegable power to determine the company's general policies and strategies and to make decisions regarding the remuneration of the directors, within the framework of the Articles of Association and of any Director Remuneration Policy approved by the General Meeting of Shareholders.

The Remuneration Committee has at least the following basic responsibilities as set out in the Regulation of the Board of Directors and elaborated upon in its own Regulation: a) making proposals as to the director remuneration policy to the Board of Directors; b) proposing, to the Board of Directors, the remuneration policy for general managers and others performing senior management functions who report directly to the Board of Directors, the Delegated Committee or the CEOs, and the individual remuneration and other contractual conditions for executive directors, exercising oversight to ensure that they are complied with; c) reviewing

the Remuneration Policy each year; d) advising on remuneration programmes based on shares and/or options; e) periodically reviewing the general principles of remuneration and the remuneration programmes for all employees, and considering whether they conform to those principles; f) ensuring that remuneration is transparent; g) ensuring that any conflicts of interests are not detrimental to the independence of external advisers; and h) verifying the information on remuneration contained in the various corporate documents, including the Report on Director Remuneration.

The Remuneration Committee complies with the principles, good practices and criteria for its proper functioning established by Technical Guide 1/2019 on nomination and remuneration committees, dated February 20, published by the Spanish National Securities Market Commission.

In accordance with the Board Regulation and with its own Regulation, the Risk Committee is responsible for informing the Remuneration Committee as to whether the employee remuneration programmes are coherent with the Group's risk, capital and liquidity.

In accordance with the Board Regulation and with its own Regulation, the Audit and Control Committee supervises the process of drafting and presenting the regulated financial information, including that related to remuneration, checking compliance with the law and the correct application of accounting standards. In particular, an annual audit of the Remuneration Policy is performed whose conclusions are submitted to the Remuneration Committee.

- The Internal Audit Division, within the framework of its functions, carries out an independent examination, at least once per year, of the definition, application and effects of the Institution's Remuneration Policy on its risk profile, and the way in which these effects are managed. Additionally, the Prudential Review of Remuneration produced by specialised firm Mercer Consulting, S.L. for the Remuneration Committee assesses and guarantees that the delimitation of the Institution's Identified Staff and the remuneration practices and policies conform to the requirements established in the regulations and interpretations of the EBA and the Bank of Spain.
- Each year, the Risk Regulation and Control Division (CRO) submits to the Remuneration Committee a proposal for the adjustment of the variable remuneration, which may be at Group, unit, country or even individual level, to be made at the end of the year, depending on the risk profile and earnings performance.

Several divisions of the Bank, particularly the Human Resources Division, participate in the application and oversight of the Remuneration Policy.

In addition to receiving advice from the Bank's internal units, the Remuneration Committee obtains any external advice it may need for that purpose. Additionally, with a view to establishing a remuneration policy that is consistent with comparable companies, each year Banco Sabadell uses the Spencer Stuart Board Index 2020 and receives advice from consulting firm Willis Towers Watson to perform a comparative analysis of the remuneration for the Board of Directors and executive directors with respect to the market; the most recent analysis was performed in January 2021.

## **5. Comments on the Remuneration Policy in future years**

In 2021, 2022 and 2023, the three-year period established in article 529 novodecies of the Capital Companies Law, Banco Sabadell plans to maintain the principles, characteristics and items of remuneration for directors both for discharging their duties as members of the Board of Directors and for performing executive functions.

The remuneration system set out in this Policy will also apply to any new executive director who joins the Board of Directors during the term of this Policy, and it will be adapted to the functions assigned to that person and to their responsibilities and professional experience.

In this regard, the Board of Directors will establish, by means of a resolution, a fixed remuneration that is appropriate to those characteristics, in line with the fixed remuneration of the current executive directors and having regard to the competitive environment comprising all the main comparable institutions, and the variable remuneration system set out in this Policy will also apply, as will the other applicable contractual conditions; the overall limits established in this Policy will not be applicable for these purposes.

Each year, the Board of Directors will review the specific amounts, within the criteria set out above, and provide detailed disclosure of remuneration to the General Meeting of Shareholders in the form of the Annual Report on Director Remuneration; in any event, it will submit for the Meeting's approval any long-term incentives that may be considered necessary and appropriate in the year.



In any case, it will also adapt the remuneration policy and components to any new legislation that may be applicable to Banco Sabadell.

In the event of a material corporate transaction involving Banco Sabadell that might have a material impact on the receipt of the deferred portion of the remuneration, the Board of Directors may, for duly reasoned causes, amend the settlement dates and established payment calendar.

The Annual Report on Director Remuneration will be submitted to the General Meeting of Shareholders each year in accordance with the provisions of article 541 of the Capital Companies Law.

## **6. Policy duration and interpretation**

This Policy will apply to the remuneration of the Bank's directors for the years 2021, 2022 and 2023, unless the General Meeting of Shareholders decides otherwise.

The Board of Directors is responsible for interpreting this Policy, and for adapting it where necessary, based on a proposal by the Remuneration Committee, to changes in the law, best practices or supervisory requirements.

*The English version is a translation of the original in Spanish and is provided for information purposes only. In case of discrepancy, the original version in Spanish shall prevail.*