



Tax Responsibility and Good Practices of Banco Sabadell Group

Introduction

Banco Sabadell's tax strategy reflects its commitment to the promotion of fair taxation, the prevention and the development of key transparency programmes to build the trust of different groups of interest.

In line with the foregoing, Banco Sabadell is adhered to the Code of Good Tax Practices developed by the Large Businesses Forum in collaboration with the State Tax Authority. Accordingly, Banco Sabadell voluntarily submitted the "Annual Tax Transparency Report" for 2019 to the State Tax Agency. Additionally, in 2014 Banco Sabadell Group adopted the "Code of Practice on Taxation for Banks" promoted by the UK tax authorities and is in compliance with its contents.

The daily activities of Banco Sabadell Group are governed by the principles of efficiency, prudence, transparency and minimisation of tax risk, complying with all tax obligations required in the territories in which this activity is carried out, thus also contributing to its economic and social progress.

The basic aspects of conduct at Banco Sabadell Group are described below, which prove the environment of Tax Responsibility and Good Tax Practices of Banco Sabadell Group.

Declaration of presence in territories classed as tax havens

In accordance with the corporate principles which govern the tax strategy of Banco Sabadell Group and the Code of Good Tax Practices to which it is adhered, this entity commits to not using structures or entities which are opaque or resident in tax havens whose objective is to avoid or reduce the group's tax burden. On the contrary, in the case of being present or having transactions in these territories, or in those deemed as having a low or no taxation, this shall exclusively be for economic and business motives, and not due to the avoidance of taxes.

In this regard, Banco Sabadell Group does not include any subsidiary company in territories considered as tax havens, in accordance with Spanish law, OECD guidelines and the European Union's position in this regard.

Reduction of litigation and prevention of tax conflicts.

Banco Sabadell Group manages the tax risk of its activities under the premise of preventing litigation with the Tax Authorities.

Prior to any decision making, an exhaustive analysis is carried out of the tax implications which could derive from the same. In the case that different tax alternatives exist for the achievement of the same objective, based on applicable regulations, interpretations, doctrines and jurisprudence announcements, the option that has the highest level of acceptance and prevention of possible tax litigation shall always be chosen.

The implementation of the tax responsibility policy implies that the litigation of Banco Sabadell Group to Tax Authorities, is minimum, limiting itself to those cases in which it considers that there are solid legal foundations to defend its actions before the Authority.

At the same time, in the cases in which the entity has opted to dispute tax settlements which it may have been notified of, in general, initially involves the payment of the amount requested by the Authority, subsequently filing the corresponding appeal in legitimate defence of its interests, and requesting, if applicable, the reimbursement of the amount initially paid.

In the Group's Annual Consolidated Accounts for year 2020 it is possible to consult the situation of main outstanding litigations of Banco Sabadell Group and the years open to tax inspection (Note 39–Tax situation).