

Second-Party Opinion

Banco Sabadell SDG Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Banco Sabadell SDG Bond Framework aligns with the Green Bond Principles 2018, Social Bond Principles 2020 and Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Pollution Prevention and Control, Sustainable Water Management, Energy Efficiency, Clean Transportation, Green Buildings, Access to Essential Services, Affordable Housing and Employment Generation – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 3, 4, 6, 7, 8, 11 and 12.



PROJECT EVALUATION / SELECTION Banco Sabadell's project evaluation and selection process is managed by the Sustainability Committee. Business Units identify potential projects, which are then screened by the Risk Management Division to ensure eligibility. The Investments and Financing Management Division will then propose a portfolio to the Sustainability Committee for final verification. Sustainalytics notes the Issuer's process is clearly defined and is aligned with market best practice.



MANAGEMENT OF PROCEEDS Management of proceeds will be handled by the Investments and Financing Management Division. Proceeds will be tracked via an internal system. Banco Sabadell intends to allocate proceeds within two years of issuance. Unallocated proceeds may be temporarily invested in other green bonds aligned with the Banks's internal investment guidelines. This process is aligned with market practice.



REPORTING Banco Sabadell intends to report on allocation and impact on an annual basis, on its website, until full allocation. Allocation reporting will include the total amounts allocated, the percentage of financing vs refinancing, the share of unallocated proceeds and a breakdown of proceeds allocated to eligible categories. Impact reporting will include relevant impact metrics. This process is aligned with market practice.

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Issuer Location	Alicante, Spain

Report Sections

Introduction	2
Sustainalytics' Opinion	3
Appendices.....	13

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Introduction

Banco de Sabadell, S.A., (“Banco Sabadell”, the “Company” or the “Bank”) is the parent company of a group of entities which controls directly and indirectly and which together form Banco Sabadell Group (the “Group”). The Bank offers services such as commercial banking and mortgages, insurance, consumer, student, and building improvement loans and private banking services. Banco Sabadell is the fourth largest private Spanish banking group. Founded in 1881, the Bank now operates in over 20 countries with commercial banks in Spain, the UK and Mexico.¹

Banco Sabadell has developed the Banco Sabadell SDG Bond Framework (the “Framework”) under which it intends to issue green, social, and sustainability bonds, and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that advance a sustainable future by improving the natural and social environment.

The Framework defines eligible green categories in the following six areas:

1. Renewable Energy
2. Pollution Prevention and Control
3. Sustainable Water Management
4. Energy Efficiency
5. Clean Transportation
6. Green Buildings

Additionally, the Framework defines social categories in the following three areas:

7. Access to Essential Services
8. Affordable Housing
9. Employment Generation

Banco Sabadell engaged Sustainalytics to review the Banco Sabadell SDG Bond Framework, dated June 2020, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines 2018 (SBG).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the ICMA Green Bond Principles 2018, ICMA Social Bond Principles 2020, and ICMA Sustainability Bond Guidelines 2018;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.4, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Banco Sabadell’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Banco Sabadell representatives have confirmed (1) they understand it is the sole responsibility of Banco Sabadell to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics

¹ Banco Sabadell, “Who we are”, at: <https://www.grupbancsabadell.com/corp/en/about-the-group/who-we-are-.html>.

² The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Banco Sabadell SDG Bond Framework is available on Banco Sabadell’s website at: <https://www.grupbancsabadell.com/corp/en/shareholders-and-investors/fixed-income-investors.html>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Banco Sabadell.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Banco Sabadell has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Banco Sabadell SDG Bond Framework

Sustainalytics is of the opinion that the Banco Sabadell SDG Bond Framework aligns with the four core components of the Green Bond Principles 2018 ("GBP") and Social Bond Principles 2020 ("SBP"). Sustainalytics highlights the following elements of Banco Sabadell's SDG Bond Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Energy Efficiency, Clean Transportation, Green Buildings, Access to Essential Services - Health, Affordable Housing and Employment Generation– are aligned with those recognized by the GBP and SBP.
 - Regarding Renewable Energy, the Issuer may finance the acquisition, development and/or improvements to renewable energy facilities including concentrated solar power (CSP) plants, onshore and offshore wind, hydropower, geothermal and biomass. Expenditures may also be related to transmission and distribution of energy. Regarding CSP, the issuer has indicated that a maximum of 12% of total production can be powered by natural gas, in compliance with Spain's Royal Decree 661/2007.⁵ Regarding onshore and offshore wind, Sustainalytics positively views investments into wind energy and notes that the Issuer has indicated no fossil fuel backup will be used for offshore facilities. The Issuer may finance small-scale hydropower and the renovation of existing hydro plants; hydro projects >25MW capacity are excluded from financing. Geothermal plants will be required to meet a direct emissions intensity of <100gCO₂/kWh, which Sustainalytics views positively. Biomass projects will be powered by agriculture and forestry waste. Sustainalytics positively views the use of waste feedstocks for biomass generation and notes that the Issuer has excluded the use of any waste from palm oil operations as a potential feedstock. Banco Sabadell has indicated that any financing of transmission and distribution will be limited to grids with an emissions threshold below 100gCO₂/kWh.⁶ Sustainalytics recognizes the financing of renewable energy generation, transmission and distribution as contributing to the transition towards a low-carbon economy.
 - Pollution Prevention and Control may include the construction or improvement of infrastructure for waste treatment, including recycling activities and anaerobic digestion of bio-waste.

⁵ Boletín Oficial del Estado, "Royal Decree 661/2007", (2007), at: <https://www.boe.es/buscar/act.php?id=BOE-A-2007-10556>

⁶ Average kWh electricity consumption determined by the average emissions intensity of all power plants feeding into the grid.

Regarding recycling, at least 50% of the processed recyclables must be converted into secondary raw materials and, for bio-waste treatment plants, bio-waste must constitute a significant share of the input feedstock (>70% measured in weight / annual average) and co-digestion is eligible if it constitutes >30% share. Sustainalytics positively views activities that contribute to material recovery.

- Sustainable Water and Wastewater Management may include the construction or improvement of wastewater treatment systems, as well as activities that intend to improve water collection, treatment and supply. Examples of activities include the construction or extension of centralized water systems, such as a sewage treatment. In order to be eligible for financing, water systems must have an average energy consumption of <0.5kWh/m³ or enable an energy decrease of 20%. Sustainalytics acknowledges the importance of sustainable wastewater management and highlights the establishment of minimum thresholds as good practice.
- Clean Transportation experiences will aim to improve the efficiency of transport/mobility systems by financing the development of private, public and commercial transportation. For example, the financing of land transport, such as light rail, metro, tram, bus and rail with direct emissions below <50gCO₂/per passenger per kilometer. Additionally, electric vehicles or vehicles with an emissions threshold of <50gCO₂/ per kilometer qualify as eligible expenditures. Sustainalytics positively highlights the emissions threshold and notes that the Issuer has excluded rail infrastructure with a primary purpose of fossil fuel transportation. The Issuer may also finance public infrastructure to support access to low-carbon transportation options, including sidewalks, bike stations, charging points, etc.
- Energy Efficiency expenditures may cover a variety of activities intended to lower emissions intensity, including:
 - Manufacture of low-carbon technologies may include the manufacture of products and components for renewable energy technologies as well as the manufacture of components for electric or zero-tailpipe emissions vehicles as well as the manufacturing of energy efficiency equipment for use in building refurbishments and renovations.
 - Individual energy efficiency measures expenditures may include the installation of energy efficiency lighting systems, financing for installation of renewable energy generation equipment for buildings. Sustainalytics encourages the Bank to report on achieved energy efficiency savings from technologies.
 - Climate adaptation monitoring technologies, including weather forecasting, surveying and other types of climate analysis technology aimed at identifying opportunities to reduce greenhouse gas emissions and climate change adaptation. Sustainalytics recognizes the importance of robust climate monitoring systems.
- Green Building expenditures may include the acquisition, construction and/or renovation of commercial and residential real estate. For the construction or acquisition of new buildings, the Issuer has established criteria requiring net primary energy demand >20% lower than the primary energy demand of Nearly-Zero Energy Building (“NZEB”) requirements. For acquisition of buildings built before December 2020, the building must be within the top 15% most energy efficient of local building stock. Sabadell intends to identify the top 15% based on local EPC labels. It has opted not to specify EPC labels within the Framework, due to its anticipation that the distribution of buildings across the labels will change over time, and will instead disclose at the time of issuance the EPC labels that it will rely upon to identify the top 15%.⁷ For building renovation, energy performance must be compliant with building regulations for major renovation a designated by the Energy Performance of Building Directive⁸ (“EPBD”) or must be 30% lower than baseline consumption. Sustainalytics positively recognizes the establishment of a 30% energy efficiency savings threshold for renovations, however it is not clear that alignment with the EPBD regulations will result in a significant improvement in energy efficiency and Sustainalytics encourages the Issuer to report on achieved energy efficiency savings from relevant financing.

⁷ Sustainalytics notes the top 15% of EPC labels in Spain are A, B and C and the top 15% of EPC labels for commercial buildings in England and Wales are A and B, for residential buildings EPC label A is the top 15%.

⁸ EC, “Energy Performance of Buildings Directive”, (2020), at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

- Access to Essential Services may include healthcare, education/vocational training, access to financial services and other public infrastructure. Regarding healthcare, the Issuer intends to provide financing for the construction and development of infrastructure for healthcare and contribute to the research, development, and manufacturing of healthcare equipment. Sustainalytics positively notes that the provision of healthcare services will be aimed at improving healthcare for all, i.e. financing will be targeted at universal health coverage systems. Education/vocational expenditures will be aimed at providing education services that benefit the public, including centres for literacy/arithmetic programmes, the construction of public campuses, schools and universities as well as training for education professionals; Sustainalytics positively notes these activities will be aimed at benefiting underserved populations as determined by Spanish income requirements. Finally, for access to finance, expenditures will aim to increase vulnerable groups access to financial services. Sustainalytics notes that vulnerable groups are defined as individuals who qualify for the JoBS programme, which is aimed at improving economic conditions of underserved populations and requires a family income of <€1,400/month.
- Other public infrastructure may include the development, construction and/or maintenance of infrastructure for the public, such as elderly homes, public nurseries, construction of schools/homes for disable persons and the construction of soup kitchens. Public infrastructure expenditures will be aimed at vulnerable populations including the elderly, disabled persons, women and people at risk of social exclusion.
- Affordable Housing expenditures may include the construction, development and/or acquisition of social housing and access to adequate and affordable housing for excluded and/or marginalized populations. Vulnerable groups are defined as populations that require an affordable offer; in order to qualify, families must meet the same income requirement as for the JoBS programme. Sustainalytics notes the importance of providing affordable housing to well-defined target populations with a reasonable assurance of affordability.
- Employment Generation financing will be targeted at micro-, small- and medium-sized enterprises (MSMEs). In order to be considered eligible for financing MSMEs must either be 1) adversely affected by natural disasters or pandemics or 2) a micro- or small-sized enterprise as defined by the EU.⁹ The latter criterion focuses on micro- and small enterprises on the grounds that such enterprises are typically more financially vulnerable than medium-sized enterprises. Sustainalytics applauds Sabedell's intention to serve vulnerable micro- or small-sized enterprises while also noting that best practice in SME financing generally includes the targeting of population segments or regions that face challenges to socio-economic development.
- Sustainalytics notes that the Issuer has included exclusionary criteria for the following activities: nuclear energy, fossil fuels, mining, defense/arms, gambling, tobacco, or alcohol. Sustainalytics views these exclusionary criteria as strengthening the Framework.
- The Issuer has established a lookback period of 24 months from issuance.
- Project Evaluation and Selection:
 - The project evaluation and selection process is as follows: Business Units identify potentially eligible projects based on the eligibility criteria. The Risk Management Division verifies that potential activities meet the defined criteria and provides a list of potential activities to the Sustainability Committee.¹⁰ After being deemed as potentially eligible, the Investment and Financing Division will present a portfolio to the Sustainability Committee, which is ultimately responsible for ensuring projects align with the eligibility criteria outlined in the Framework. Projects are then monitored by the Sustainability Committee to ensure continued eligibility. If projects are no longer eligible, they will be removed and replaced as soon as practically feasible.
 - Based on the above, Sustainalytics is of the opinion that the project evaluation and selection process is clear and well-defined and, as such, considers this process to be aligned with market best practice.

⁹ Micro enterprises are defined as enterprises that employ fewer than 10 persons and whose annual turnover or annual balance sheet does not exceed EUR 2 Million. Small enterprises are defined as enterprises that employ fewer than 50 persons and whose annual turnover or annual balance sheet does not exceed EUR 10 Million.

¹⁰ The Sustainability Committee is chaired by the Group CEO and its members include representatives of Business Units, the Secretary General, and members of the Risk and Regulation Division and the Operations and People Division.

- Management of Proceeds:
 - The management of proceeds will be handled by the Investment and Financing Management Divisions, which will be responsible for tracking and reporting of allocated proceeds. All projects will be monitored and registered according to details of the project, loan amount outstanding, date of disbursement, maturity date and expected impacts. The Issuer intends to allocate proceeds within 24 months. Any unallocated proceeds will be held according to internal investment guidelines and will be invested in cash, cash equivalents or other bond issuances that are aligned with the Framework eligibility criteria. In the event an asset is no longer eligible, it will be removed from the eligible projects portfolio and replaced as soon as possible.
 - Based on the above, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Banco Sabadell will report on allocation and impact annually, on its website, until full allocation of the bond. Regarding allocation of proceeds, the Issuer will report on the total allocation of proceeds, the percentage of financing versus refinancing, the breakdown of allocation to eligible project categories and the mapping to the SDGs as well as the balance of unallocated proceeds. Additionally, the Issuer will report on relevant impact metrics. For a complete list of potential KPIs, please see Appendix 1.
 - Based on the above, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Banco Sabadell SDG Bond Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020). For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Banco Sabadell

Contribution of Framework to Banco Sabadell's sustainability strategy

Sustainalytics is of the opinion that Banco Sabadell demonstrates a commitment to sustainability by incorporating the Sustainable Development Goals ("SDGs") into its business strategy and adopting the UN's Principles for Responsible Banking, which requires the Bank to align with the targets set in the Paris Climate Agreement. As part of its sustainability strategy to advance key environmental and social aspects the bank intends to (i) support its customers in the transition towards a sustainable economy; (ii) enable investors to contribute to sustainability; (iii) adapt the organisation to the new paradigm; and (iv) contribute to the transition towards a sustainable society. To support these commitments, Sustainalytics highlights the following programmes and initiatives as outlined in its Non-Financial Disclosures Report 2019, and support the use of proceeds listed in the Framework:¹¹

- Responsible business – The Bank is aiming to finance and invest in sustainable projects including renewable energy projects for which, at the Group level, EUR 1.1 billion has been invested for new projects, refinancing, and restructuring. Additional facilities being provided target solutions to replace machinery with more energy efficient technologies as well as mobility solutions to increase hybrid and fully electric vehicles for its vehicle hire offering. Since 2013 the Bank has also contributed 400 properties to the Social Housing Fund ("Fondo Social de la Vivienda") aimed at customers who have had to surrender their properties due to foreclosure or for debt settlement, and the Bank has assigned 111 properties to 45 non-profit institutions and foundations.
- Environment – This area focuses on minimizing the Bank's environmental impact of its own processes and operations, as well as incorporate sustainability in every aspect of its business model. To do so, the Bank has formulated its Environmental Policy,¹² and as a signatory of CDP (formerly the Carbon Disclosure Project) the Bank set a CO₂ emission reduction target of 3% for the period 2015-2020 for its operations in Spain. As of 2019, 99.96% of electricity consumption in Spain was derived from renewable sources and the Bank continues to implement energy reduction strategies through more efficient equipment and lighting systems.
- Society – The Bank has developed multiple initiatives to support activities that have a social impact. Through Banco Sabadell Foundation, the Bank promotes social welfare programmes which include education, poverty eradication, social integration, medical research and health, economic development, and promote the use of artificial intelligence in projects with social impacts.

¹¹ Banco Sabadell, "Non-Financial Disclosures Report 2019", at: https://www.grupbancsabadell.com/corp/files/1454347061149/einf2019_ing.pdf.

¹² Banco Sabadell, "Environmental Policy", at: https://www.grupbancsabadell.com/corp/files/1454335666243/en_medioambiente_policy_2009.pdf.

Sustainalytics is of the opinion that Banco Sabadell's efforts are indicative of the emphasis it has placed on sustainability issues. As such, Sustainalytics believes that Banco Sabadell's Framework is aligned with the Bank's overall sustainability programmes and initiatives and will further Banco Sabadell's sustainability strategy.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the GBP 2018 and SBP 2020 to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Examples of these risks include those of funding large infrastructure and construction projects, as well as the risks associated with being exposed to controversial companies or projects because of the Bank's lending activities. Some key environmental risks associated with the eligible green and social projects may include occupational health and safety, environmental degradation, and community relations.

To mitigate these risks, Banco Sabadell has in place a series of processes and policies to manage and/or mitigate associated risk of which Sustainalytics highlights the following:

- Since 2011, Banco Sabadell became a signatory of the Equator Principles¹³ integrating its risk management framework comprising the identification, assessment and management of environmental and social risks.
- The Equator Principles Association recognizes Spain as a Designated Country, which are those countries deemed to have "robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment."¹⁴
- The Bank is also governed by the applicable environmental laws and regulations in Spain governed primarily by the Constitution Article 45¹⁵ which sets forth the right to enjoy an adequate environment for the development of the person, as well as the duty to preserve the environment.
- The Group has in place an Environmental Management System ("EMS"), in line with ISO 14001 (Environmental Management), which accounts for managing environmental risk from its financial operations.^{16,17}
- The Group is also a signatory of the United Nations Global Compact, committing to operate in a manner that upholds fundamental responsibilities in areas including human rights, labour, the environment and anti-corruption. The Bank has implemented measures aimed at eliminating discrimination and upholding human rights through risk prevention and performing its due diligence in project finance, social housing, and financial inclusion.
- Banco Sabadell also adheres to the UN Principles for Responsible Investment¹⁸ in the asset "management category" incorporating ESG issues into investment analysis.
- The Bank was also a funding signatory of the UNEP Finance Initiative's Principles for Responsible Banking ("UNEP FI") targeted at increasing the positive impact in society and the environment and manage risks from products and services.¹⁹

In addition, the Group has a strategic risk framework in place, which serves to control and manage all of the Group's risk.²⁰ The Board of Directors, supported by the Risk Committee, oversees the Group's overall risk appetite and strategy and takes into considerations all types of risks and ensure that they are in line with the business strategy, objectives, corporate culture and values of the Group.²¹ The Group's employees and members of its governing bodies are all guided by the Group's Code of Conduct,²² which embeds its corporate social responsibility regarding worker health and safety, consumer protection, and protection of the environment. Additional policies such as the Ethics and Human Rights Policy²³ and a Code of Conduct for

¹³ Equator Principles, "The Equator Principles", at: <https://equator-principles.com/about/>.

¹⁴ Equator Principles, "Designated Countries", at: <https://equator-principles.com/designated-countries/>.

¹⁵ Congreso de los Diputados, "Capítulo tercero. De los principios rectores de la política social y económica: Artículo 45", at: <https://app.congreso.es/consti/constitucion/indice/titulos/articulos.jsp?ini=45&tipo=2>.

¹⁶ Banco Sabadell, "Environmental Policy", at: https://www.grupbancsabadel.com/corp/files/1454335666243/en_medioambiente_policy_2009.pdf.

¹⁷ Banco Sabadell, "ISO 14001:2004", at: <https://prensa.bancsabadel.com/es/Kit-prensa/Distinciones-certificaciones/iso-140012004>.

¹⁸ PRI, "What are the Principles for Responsible Investment?", at: <https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-are-the-principles-for-responsible-investment>.

¹⁹ UNEP FI, "Principles for Responsible Banking", at: <https://www.unepfi.org/banking/bankingprinciples/>.

²⁰ Banco Sabadell, "Internal Governance Framework", at: <https://www.grupbancsabadel.com/corp/en/corporate-governance-and-remuneration-policy/internal-governance-framework.html>.

²¹ Banco Sabadell, "Regulation of the Risk Committee", at: <https://www.grupbancsabadel.com/corp/en/corporate-governance-and-remuneration-policy/regulations-of-the-committees.html>.

²² Banco Sabadell, "Code of Conduct", at: <https://www.grupbancsabadel.com/corp/en/corporate-governance-and-remuneration-policy/internal-regulations.html>.

²³ Banco Sabadell, "Ethics and Human Rights Policy", at: https://www.grupbancsabadel.com/corp/files/1454335664844/en_eticyderechoshumanos_04_policyethicsandhumanrights.pdf.

Suppliers²⁴ ensure that its commitments and safeguards of human rights are also applied through its supply chain; to safeguard integrity and promote a culture against corruption the Group has placed the Conflict of Interest Policy,²⁵ and the Anti Money Laundering and Counter Terrorist Financing Policy.²⁶

Based on above mentioned policies, standards and assessments, Sustainalytics is of the opinion that Banco Sabadell has implemented adequate measures to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All six green use of proceeds categories and three social use of proceeds are recognized as impactful by the GBP 2018 and the SBP 2020. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

The role of the financial sector in supporting sustainable finance

It is estimated that in order to achieve the Sustainable Development Goals (“SDGs”) by 2030, there is a USD 2.5 trillion gap in funding needed to support these targets.²⁷ Furthermore, the International Energy Agency (“IEA”) estimates that if we are to limit global warming to 1.5°C, the annual investment in low-carbon technologies and energy efficiency needs to increase six fold “from around USD 390 billion in 2013 to USD 2.3 trillion per year by 2035.”²⁸ As a means to increase funding for these areas, the private financial institutions are working with the UN to understand the relevance of ESG challenges to finance, and how to address these sustainably.²⁹ The United Nations Environment Programme Finance Initiative (“UNEP FI”) has also recognized that “bank loans are the most important source of external finance for companies and will play a crucial role in steering businesses.”³⁰ Thus, financial institutions working in conjunction with the public sector is crucial to facilitate the mobilization of capital needed to achieve the SDGs and limit global warming. By aligning its business with the SDGs and the Paris Agreement on Climate Change Banco Sabadell is well positioned to contribute to closing the gap and advance the transition to a low-carbon economy and to make an impact through its financing activities to reach the SDGs and limit global warming.

Importance of transitioning to a low carbon and sustainable economy

In Spain, the government has unveiled a climate law which aims to cut its carbon emission to net zero by 2050. The law intends to make Spain’s electricity system 100% renewable and make all new vehicles emission-free by 2040.³¹ In addition, Spain’s national energy and climate plan sets a target of 23% GHG emission cuts by the 2030 compared to 1990.³² To achieve these goals, Spain will have to make a concerted effort to cut its GHG emission from various industries and sectors simultaneously.

Renewable Energy for meeting Spain’s Climate Goals

Spain is currently planning on drawing 74% of its electricity from renewable sources by 2030, and 100% by 2050.³³ Within the category of renewable energy, Banco Sabadell plans to invest in renewable energy projects and in transmission and distribution. The latter being of significant importance as it facilitates the penetration of renewables. Addressing these will enable a growth in renewable energy generation capacity, in line with the targets for and trajectory of Spain’s energy supply. In order to increase the proportion of renewable energy, technology upgrades and modernization must occur. As stated in EC Directive 2009/28/EC, “There is a need to support the integration of energy from renewable sources into the transmission and distribution grid and

²⁴ Banco Sabadell, “Suppliers policy”, at: https://www.grupbancsabadell.com/corp/files/1454335666684/en_proveedores_06_suppliers.pdf.

²⁵ Banco Sabadell, “Conflicts of interest General Policy (Spanish version)”, at:

https://www.grupbancsabadell.com/corp/files/1454335112126/es_polinteres_extracto_de_la_politica_de_conflictos_de_interes_y_percepcion_de_incentivos.pdf.

²⁶ Banco Sabadell, “General Declaration on the Policies for the Prevention of Money Laundering and Financing of Terrorism”, at:

https://www.grupbancsabadell.com/corp/files/1454335110615/en_respuestablanqueocapital_aml_general_declaration.pdf.

²⁷ UNDP, “Closing the green finance gap”, (2019), at: <https://www.undp.org/content/undp/en/home/blog/2019/closing-the-green-finance-gap.html>.

²⁸ Fabian, N., (2015), “Economics: Support low-carbon investment”, Nature, at: <https://www.nature.com/news/economics-support-low-carbon-investment-1.17015>.

²⁹ IISD, “UN Secretary-General Releases Strategy for Financing 2030 Agenda”, (2018), at: <https://sdg.iisd.org/news/un-secretary-general-releases-strategy-for-financing-2030-agenda/>.

³⁰ UNEP, “Financial Institutions Taking Action on Climate Change”, at:

<http://www.unepfi.org/fileadmin/documents/FinancialInstitutionsTakingActionOnClimateChange.pdf>.

³¹ ECEE, “Spain unveils climate law to cut emissions to net zero by 2050”, (2020), at:

<http://www.asmallworld.net/login.php?url=http://www.asmallworld.net/home>.

³² ECEEE, “Spain finally sends 2030 climate plan to Brussels”, (2020), at: <https://www.eceee.org/all-news/news/spain-finally-sends-2030-climate-plan-to-brussels/>.

³³ Ministerio para la Transición Ecológica, “Borrador Actualizado del Plan Nacional Integrado de Energía y Clima 2021-2030”, at:

https://www.miteco.gob.es/images/es/pniec_2021-2030_borradoractualizado_tcm30-506491.pdf.

the use of energy storage systems for integrated intermittent production of energy from renewable sources.³⁴ These investments are required as many renewable energy sources have different geographical spreads and generation profiles compared to conventional fossil-fuel power plants.^{35,36} Banco Sabadell's investments will contribute to this directive to decarbonize the electricity sector and integrate renewables into the grid.

Renewable Energy for meeting Mexico's Climate Goals

In 2015, Mexico passed the Energy Transition Law ("LTE") which focuses on advancing renewable energy to enable the country to meet its international commitments and increase the share of clean energy in power generation by 30% by 2021, 35% by 2024, and 43% by 2030.^{37,38} Renewable energy generation in Mexico has the potential to have significant positive environmental impacts, as well as continuing to spur economic development. Furthermore, power demand is growing at a rate of approximately 2.9% per year, driven by increasing consumption, due to population growth, in both rural and urban areas.³⁹ As of 2015, Mexico generated 15.4% of its electricity from renewable sources,⁴⁰ of which approximately two-thirds was from hydro.⁴¹ According to a report from the International Renewable Energy Agency ("IRENA"), Mexico has the potential to generate 46% of its electricity from renewable sources by 2030. The IRENA report contemplates the rapid expansion of wind and solar photovoltaic generation, with additional substantial contributions from hydroelectricity and geothermal power.⁴² With presence in Mexico, Banco Sabadell will be able to contribute to Mexico achieving its renewable energy target and advance renewable energy technologies identified as crucial to ensure the country achieves its international commitments.

Pollution prevention and control and sustainable water and wastewater management

Currently, Spain produces approximately 6% of the total waste generated in the European Union.⁴³ Spain, as a member of the EU, is committed to recycling at least 50% of municipal waste by 2020, 55% by 2025, and 65% by 2035.⁴⁴ In 2018, Spain recycled 29.7% of its municipal waste, which is lower than the EU average of 45%,⁴⁵ while its landfilling rate was 57%.⁴⁶ Despite these low resource recovery rates, the waste management industry in Spain is significant, consisting of 40% of all environmental sector business activity.⁴⁷ This high level of economic activity suggests the potential for significant improvements. Sustainalytics is of the opinion that Banco Sabadell's investments in waste management, recycling or reuse projects will contribute to increase the recycling capacity in Spain and support a transition to a circular economy.

In addition, the shortage and uneven distribution of water and the treatment of wastewater continues to be an issue faced by multiple countries, and Spain is no exception. Several studies have reported that the incidence of droughts in Europe has increased by 20% since 1976, and have especially affected southern European states,⁴⁸ such as Spain, which is the most semi-arid country in the EU.⁴⁹ This represents a risk to water management in the country. To mitigate this risk, the Spanish government has developed drought management strategies consisting of comprehensive action plans with detailed preventive and remediation

³⁴ EU, "Directive 2009/28/EC of the European Parliament and of the Council", (2009), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0028&from=EN>.

³⁵ UCS, "How Energy Storage Works", (2015) at: <https://www.ucsusa.org/clean-energy/how-energy-storage-works>.

³⁶ Fares, Robert (2015) "Renewable Energy Intermittency Explained: Challenges, Solutions, and Opportunities", Scientific American, at: <https://blogs.scientificamerican.com/plugged-in/renewable-energy-intermittency-explained-challenges-solutions-and-opportunities/>.

³⁷ García Padrón, Juan A., (2016), "The Mexican Energy Reform and Clean Energy: Lessons from the Swedish-Norwegian Scheme of Clean Energy Certificates", Natural Resources Journal, at: <https://digitalrepository.unm.edu/cgi/viewcontent.cgi?article=1016&context=nrj>.

³⁸ Gobierno Federal, "Intended Nationally Determined Contribution", (2014) at: https://www.gob.mx/cms/uploads/attachment/data/file/162973/2015_indc_ing.pdf.

³⁹ IEA, "Countries: Mexico", at: <https://www.iea.org/countries/mexico>.

⁴⁰ The World Bank, "Renewable electricity output (% of total electricity output) – Mexico", at: <https://data.worldbank.org/indicator/EG.ELC.RNEW.ZS?locations=MX>.

⁴¹ IEA, "Electricity production from renewable sources, excluding hydroelectric (% of total) – Mexico", at: <https://data.worldbank.org/indicator/EG.ELC.RNWX.ZS?locations=MX>.

⁴² IRENA, "Renewable Energy Prospects: Mexico" (2015), at: http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA_REmap_Mexico_report_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56B1.

⁴³ Argali Abogados, "Waste Management: A Growing Business in Spain", at: <http://www.mandaspain.com/spain-waste-management/>.

⁴⁴ El País, "Why Spain gets a failing grade when it comes to recycling", (2018), at: https://elpais.com/elpais/2018/02/28/inenglish/1519836799_117305.html.

⁴⁵ Argali Abogados, "Waste Management: A Growing Business in Spain", at: <http://www.mandaspain.com/spain-waste-management/>.

⁴⁶ Europe Commission, "The early warning report for Spain", (2018), at: http://ec.europa.eu/environment/waste/pdf/early_warning_report_ES.pdf.

⁴⁷ Argali Abogados, "Waste Management: A Growing Business in Spain", at: <http://www.mandaspain.com/spain-waste-management/>.

⁴⁸ Navarro, Teresa. (2018), "Water reuse and desalination in Spain – challenges and opportunities" Journal of Water Reuse and Desalination, at: <https://iwaponline.com/jwrd/article/8/2/153/38035/Water-reuse-and-desalination-in-Spain-challenges>.

⁴⁹ Schuman, Robert, (2018), "Water Governance in Spain: The Role of Federalism and Private-Public Partnerships", Centre for Advanced Studies Florence School of Regulation, at: http://cadmus.eui.eu/bitstream/handle/1814/52004/RSCAS_2018_07.pdf?sequence=1.

measures. Although these approaches have been effective in addressing short-term droughts, severe long-term challenges remain in many basins.⁵⁰

Wastewater treatment processes also represent a vital part of efficient water management, which is of specific relevance in Spain due to the high level of water stress (water scarcity levels of 40-80%).⁵¹ Even though in 2018 around 96.9% of Spain's population had access to public sewage treatment facilities,⁵² the environmental tax collected by the government does not fully cover the costs of wastewater treatment.⁵³ Given the Framework's inclusion of wastewater treatment systems, water collection, treatment and supply systems, Sustainalytics considers that Banco Sabadell financing activities will positively impact water management and improving climate resilience in Spain.

Supporting programs and initiative with social impact

As the World Health Organization ("WHO") declared a global pandemic on March 11, 2020,⁵⁴ countries around the world implemented necessary protection measures to limit the spread of COVID-19. As a result of the pandemic, the global economy is projected to contract by about 3% in 2020⁵⁵ with the International Monetary Fund ("IMF") estimating that the economic damage will be worse than that of the 2008-09 global financial crisis.⁵⁶ As countries around the world start to lift measures imposed during the pandemic it will be imperative to support small and medium size enterprises ("SMEs"). In Spain, 96% of SMEs have reported to being affected by the pandemic, with 37% expecting to cut back the number of employees and 15% who think that they may shut permanently.⁵⁷

Supporting SMEs and employment generation

SMEs represent 99% of all businesses in the EU and provide two-thirds of the total private sector employment, highlighting their contribution to economic growth and employment in the member states.⁵⁸ Financing for SMEs is particular relevant given the current context and will be important as the economy recovers. An example of the difference that access to financing can have can be seen with the EU's credit guarantees for SMEs from 2002 to 2016, which enabled beneficiaries to grow more rapidly than non-beneficiaries in terms of assets, sales and employment.⁵⁹ Additionally, regarding employment levels, the impact on growth was estimated to be between 8% to 30%,⁵⁹ further highlighting the importance of SMEs role in providing stable employment. Sustainalytics views favourably Banco Sabadell's financing for SMEs to support their economic activities and for the generation and maintenance of employment.

Access to essential services

The World Bank has emphasized the importance for countries to support and expand access to essential services for vulnerable populations, notably those whose livelihoods have been affected by the global pandemic.⁶⁰ Healthcare services are at the forefront of the pandemic, with healthcare services stretched to the limit. Many regions in country were already faced with limitations due to sparse populations. With each regional government running its health services, with each system consisting of both public and private care, Spain experienced an uneven quality of health services varying by region. Overall Spain spends EUR 2,374 per person compared to the EU average of EUR 2,797, with the pandemic exposing the vulnerabilities of its

⁵⁰ K. Schwabe, et al., (2013), "Water Scarcity and Droughts in Spain: Impacts and Policy Measures", at:

https://www.researchgate.net/publication/299282151_Water_Scarcity_and_Droughts_in_Spain_Impacts_and_Policy_Measures.

⁵¹ Analysis of Environmental Taxes to Finance Wastewater Treatment in Spain: An Opportunity for Regeneration?; Leticia Gallego Valero, Encarnación Moral Pajares, Isabel María Román Sánchez and José Antonio Sánchez Pérez; published January 2018;

⁵² Eurostat, "Water Statistics, (2017), at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Urban_wastewater_treatment

⁵³ Gallego, Leticia; et al, "Analysis of Environmental Taxes to Finance Wastewater Treatment in Spain: An Opportunity for Regeneration?", at: <https://www.mdpi.com/2073-4441/10/2/226/pdf>.

⁵⁴ WHO, "WHO Director-General's opening remarks at the media briefing on COVID-19", (2020), at: <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19--11-march-2020>.

⁵⁵ IMF, "World Economic Outlook", at: <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>.

⁵⁶ IMF, "An Early View of the Economic Impact of the Pandemic in 5 Charts", (April 2020), at: <https://blogs.imf.org/2020/04/06/an-early-view-of-the-economic-impact-of-the-pandemic-in-5-charts/>.

⁵⁷ CEPYME, "Presentación Barometro PYMES 2020 CEPYME", (2020) at: https://www.cepyme.es/wp-content/uploads/2020/03/BAROMETRO-PYMES-2020-CEPYME-V2-2020-03-25-23_59_55.pdf.

⁵⁸ European Commission, "Internal Market, Industry, Entrepreneurship and SMEs", at: https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

⁵⁹ Brault, J., et al, (2019), "The real effects of EU loan guarantee schemes for SMEs: A pan-European assessment", EIF Working Paper Series 2019/56, at: <https://ideas.repec.org/p/zbw/eifwps/201956.html>.

⁶⁰ World Bank, "Los sistemas de protección social pueden ayudar a los países a hacer frente a la COVID 19(coronavirus)", (2020), at: <https://blogs.worldbank.org/es/voices/los-sistemas-de-proteccion-social-pueden-ayudar-los-paises-hacer-frente-la-covid-19>.

healthcare systems.^{61,62} Sustainalytics notes that the Bank’s financing to build healthcare infrastructure will advance the betterment of this sector and make it more resilient in the face of future health emergencies.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. Banco Sabadell SDG Bond Framework advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Energy Efficiency	7. Affordable Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated, and sustainable human settlement planning.
Access to Essential Services	1. No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
	3. Good Health & Well Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

⁶¹ El País, “España gasta en Sanidad menos que sus socios europeos”, (2017) at: https://elpais.com/politica/2017/11/23/actualidad/1511441681_429505.html.

⁶² El País, “Le epidemia deja a la vista los fallos del sistema”, (2020), at: <https://elpais.com/sociedad/2020-05-30/la-epidemia-deja-a-la-vista-los-fallos-del-sistema.html>.

Affordable Housing	11. Sustainable Cities and Communities	11.1 by 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Employment Generation	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium sized enterprises, including through access to financial services.

Conclusion

Banco Sabadell has developed the Banco Sabadell SDG Bond Framework under which it will issue green and social bonds and use the proceeds to finance existing or future green and social projects aimed at facilitating the transition to a low carbon economy and promoting social welfare.

The Banco Sabadell SDG Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Banco Sabadell Bond Framework is aligned with the Bank’s sustainability strategy and will contribute to the advancement of the UN SDGs 1, 3, 4, 6, 7, 8, 11, and 12. Additionally, Sustainalytics is of the opinion that the Bank has adequate measures to identify, manage and mitigate the environmental and social risks.

Based on the above, Sustainalytics is confident that Banco Sabadell is well-positioned to issue green and social bonds and that the Banco Sabadell SDG Bond Framework is robust, transparent, and in alignment with the core components of the Sustainability Bond Guidelines 2018, Green Bond Principles 2018 and Social Bond Principles 2020.

Appendices

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Banco Sabadell
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Banco Sabadell SDG Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 29, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds –Renewable Energy, Pollution Prevention and Control, Sustainable Water Management, Energy Efficiency, Clean Transportation, Green Buildings, Access to Essential Services, Affordable Housing and Employment Generation – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 6, 7, 8 and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Banco Sabadell's project evaluation and selection process is managed by the Sustainability Committee. Business Units identify potential projects, which are then screened by the Risk Management Division to ensure

eligibility. The Investments and Financing Management Division will then propose a portfolio to the Sustainability Committee for final verification. Sustainalytics notes the Issuer's process is clearly defined and is aligned with market best practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Management of proceeds will be handled by the Investments and Financing Management Division. Proceeds will be tracked via an internal system. Banco Sabadell intends to allocate proceeds within two years of issuance. Unallocated proceeds may be temporarily invested in other green bonds aligned with the Banks's internal investment guidelines. This process is aligned with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Banco Sabadell intends to report on allocation and impact on an annual basis, on its website, until full allocation. Allocation reporting will include the total amounts allocated, the percentage of financing vs refinancing, the share of unallocated proceeds and a breakdown of proceeds allocated to eligible categories. Impact reporting will include relevant impact metrics. This process is aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework, or Use of Proceeds certified against a recognized external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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