



Banco de Sabadell, S.A.
Report on the performance and activities of
the Appointments Committee

2020

28 January 2021

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Introduction

This Report on the performance and activities of the Appointments Committee (the Committee) in 2020 is addressed to the shareholders of Banco de Sabadell, S.A. (Banco Sabadell, the Bank or the Institution) and was adopted by the Appointments Committee at a meeting on 28 January 2021 and submitted for approval by the Board of Directors of Banco Sabadell at a meeting on 29 January 2021, in accordance with recommendation 6 of the Good Governance Code of Listed Companies, which requires that listed companies prepare this report and publish it on their website sufficiently in advance of the date of the General Meeting of Shareholders.

The Report sets out the activities performed by the Appointments Committee in 2020 to discharge the duties assigned to it in its Regulation by the Board of Directors of Banco Sabadell within its main areas of responsibility.

Together with the publication of an Annual Report on Corporate Governance and the information available on the group's website, the distribution of this report at the General Meeting of Shareholders underlines once again Banco Sabadell's commitment to providing shareholders and investors with the information they need to keep themselves fully informed of the Bank's corporate governance performance and to ensure that it is transparent in everything that it does.

Regulation

In compliance with the provisions of article 31 of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, Banco Sabadell has an Appointments Committee.

Article 61 of the Articles of Association and article 14 of the Regulation of the Board of Directors set out the basic rules governing the Appointments Committee, which is also governed by the Appointments Committee's Regulation, approved by the Board of Directors on 24 October 2019, which establishes its rules of procedure, competencies and functions, and the basic rules for its organisation and functioning. Those documents are available on the corporate website www.grupobancosabadell.com. The Committee adheres to the Guidelines on Internal Governance issued by the European Banking Authority (EBA/GL/2017/11), the Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12), and Technical guide 1/2019 on Nomination and Remuneration Committees published by the Spanish National Securities Market Commission (CNMV).

Composition and attendance at meetings in 2020

At the end of 2020, the Committee was composed solely of non-executive directors, all of them independent directors, in compliance with the composition

rules set out in article 61 of Banco Sabadell's Articles of Association, which requires that the Appointments Committee consist of at most five directors appointed by the Board of Directors, all of whom must be non-executive directors, and at least two of whom must be independent directors, with the requirement that the Chair be appointed from among the independent directors.

The following change took place in the composition of the Appointments Committee in 2020:

On 26 March 2019, the Board of Directors resolved to appoint Mr. José Manuel Martínez Martínez as Chairman of the Appointments Committee in place of Ms. Aurora Catá Sala, who continues as an ordinary member of the Committee. Ms. María Teresa Garcia-Milà Lloveras stepped down from the Committee on that date as a result of her resignation from the Board of Directors.

Accordingly, the composition of the Committee complies with the requirements of article 529 quidecimes of Legislative Royal Decree 1/2010, of 2 July, approving the consolidated text of the Capital Companies Law, which requires that it comprise only non-executive directors, at least two of whom (including the Committee Chairman) must be independent directors. It also complies with the composition required by article 31 of Act 10/2014, of 26 June, for the Appointments Committee of a credit institution, which must comprise members of the Board of Directors who do not perform executive functions, at least one-third of whom (including the Chair, in any event) must be independent directors.

Also, it complies with Recommendation 47 of the Good Governance Code of Listed Companies, which requires that a majority of the members be independent directors.

The section of the Annual Corporate Governance Report on Board of Directors Committees, available on the website at www.grupobancosabadell.com, contains detailed information about the Appointments Committee.

The appointment of the members of the Appointments Committee by the Board of Directors took account their knowledge, skills and experience in the areas of corporate governance, analysis and strategic assessment of human resources, selection of directors and executives and performance of senior management functions, in compliance with the provisions of article 5.3 of the Regulation of the Appointments Committee so that, overall, the members of the Committee have the pertinent knowledge and appropriate experience required for their functions. When appointing members of the Committee, efforts have been made to promote diversity, in terms of gender as well as professional experience, competencies, industry knowledge, international experience and geographical origin.

Further information on the skills, knowledge and experience of each of the Committee members can be found in their professional profiles and in the matrix

of competencies and diversity of the members of the Board of Directors of Banco Sabadell under "Internal Governance Framework" in the "Corporate governance" section of the Group website (www.grupobancosabadell.com).

As at 31 December 2019, the composition of the Appointments Committee was as follows:

Position	Name	Category	Date of appointment to the Committee
Chairman	Mr. José Manuel Martínez Martínez	Independent	26/03/2019
Members	Mr. Anthony Frank Elliott Ball	Independent	21/09/2017
	Ms. Aurora Catá Sala	Independent	28/05/2015
Non-voting secretary	Mr. Miquel Roca i Junyent		

As provided in the Committee's Rules of Procedure, it must meet as often as necessary, and at least once every three months. The Committee met on 16 occasions in 2020, in accordance with the schedule set at the beginning of the year (five were extraordinary meetings), and the duration of the meetings was that required to discuss the matters on the agenda and to adopt the pertinent decisions.

The Committee may require the attendance at its meetings of such executives, including executive directors, as it sees fit, by notifying the General Manager(s) in question in order to schedule their attendance. The Committee may also require the presence of other directors, executives or professionals of the Institution or Banco Sabadell Group, external experts or any member of the governing bodies of associated companies, whose attendance will be confined to the items on the agenda for which their presence is required.

All meetings of the Committee were announced with at least the required' advance notice, and the agenda and the available documentation were provided. The use of documentation support tools provided the directors with regular and segmented access to Committee information and enabled them to have this information sufficiently in advance to be able to debate and make decisions about the matters on the agenda of the Committee meetings.

The attendance by the Committee members at the meetings in 2020 was as follows:

Number of meetings and attendance

Mr. José Manuel Martínez Martínez	16 / 16
Mr. Anthony Frank Elliott Ball*	15 / 16
Ms. Aurora Catá Sala	16 / 16
Ms. M. Teresa Garcia-Milà Lloveras**	3 / 3

* The committee member gave specific instructions to a proxy for meetings from which he was absent.

** Number of meetings which the director attended with respect to the number of meetings held during the period in 2020 in which she was a member of the Appointments Committee.

Banco Sabadell executives responsible for the matters dealt with at the respective meetings also attended when invited in order to detail the areas relating to their respective functions.

The Secretary took detailed minutes of every meeting, which were approved at the end of the meeting itself or at the next meeting. The Board of Directors was informed promptly of the content of those meetings.

Functions

The Appointments Committee is a sub-committee of the Board of Directors and its functions include those defined in article 61 of the Articles of Association of Banco Sabadell, those defined in Article 15 of the Regulation of the Board of Directors, as well as all the functions set out in the Regulation of the Appointments Committee and those attributed to it by law.

The Committee has the following functions:

1. Making proposals to the Board of Directors as to the appointment of independent directors, for co-optation or for referral to the General Meeting, and as to the re-appointment or removal of such directors.
2. Advising on proposals to appoint other directors, whether proprietary, other external or executive, by co-optation or for referral to the General Meeting, and on proposals to re-appoint or remove them.
3. Ensuring that the qualitative composition of the Board of Directors complies with the provisions of article 53 of the Articles of Association, by assessing the balance of knowledge, capacity, diversity and experience among its members. To that end, it must define the functions and the necessary aptitudes of candidates for each vacancy, and the time that it estimates needs to be dedicated in order to perform the functions properly.
4. Striving to ensure that selection procedures for filling vacancies or appointing new directors favour a diversity of experience and knowledge, facilitate the selection of female directors and, generally, do not suffer from implicit biases that might result in discrimination of any type.
5. Evaluating to ensure that the members of the Board of Directors are fit and suitable and have the requisite competency, knowledge and experience, and assessing their ability to devote the necessary time, with a view to referring their candidacy to the competent authorities.
6. Advising on proposals for the appointment and removal of senior executives and other members of the Identified Staff, and assessing their fitness and suitability.

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7. Advising on the basic contractual conditions for executive directors and, as appropriate, on their specific contracts, which must be approved by the Board of Directors and be attached to its minutes as an annex.
 8. Examining and organising succession plans for the Chairman of the Board of Directors and the Bank's Managing Director, and, as appropriate, raising proposals to the Board and implementing the provisions of any duly approved and published Succession Plan in the event.
 9. Establishing a target for representation of the gender that is less represented on the Board of Directors and drawing up guidelines on how to achieve that target.
 10. Evaluating regularly, and at least once per year, the structure, size and composition of the Board of Directors and its Committees, and advising the Board on the most appropriate configuration, as well as advising on proposals regarding the appointment or removal of their members.
 11. Making proposals to the Board of Directors for the assignment of directors to the appropriate category, their continuance in that category in the event of re-appointment, and changes of category where necessary.
 12. Reviewing directors' categories each year and informing the Board of Directors for inclusion in the Annual Corporate Governance Report.
 13. Advising the Board of Directors on proposals for the appointment of the Vice-Chairman or Vice-Chairmen, as applicable.
 14. Advising the Board of Directors on proposals regarding the appointment of the Secretary and, as appropriate, the Vice-Secretary of the Board of Directors, neither of whom need be a director.
 15. Making proposals to the Board of Directors for the appointment, removal or re-appointment of the Lead Independent Director.
 16. Producing and regularly updating a matrix of competencies in the Board of Directors, evaluating the knowledge, skills and experience of the members of the Board of Directors and of the Board as a whole, for approval by the Board of Directors.
 17. Periodically reviewing and making proposals to the Board for the amendment of the policies regarding the selection and diversity of the members of the Board of Directors, verifying compliance with them annually, and informing the Board of Directors as to the degree of compliance.

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18. Providing advice each year on performance reviews for the Board of Directors and for the Chairman of the Board of Directors and the Managing Director.
 19. Referring to the Board of Directors the assessments of the Board Committees with the results of the assessment and a proposal for an action plan or recommendations to correct any deficiencies detected or to improve the functioning of the Board or its Committees.
 20. Designing and organising regular refresher courses for directors.
 21. Reviewing, at least once per year, the execution and quality of the initial training and onboarding and the Director Training Programme, and informing the Board of Directors.
 22. Those specifically attributed to it in the Succession Plan for the Chairman and Managing Director of Banco Sabadell, which include: (i) setting the calendar timetable for the process of succession of the Chairman, in accordance with the deadline set by the Board of Directors; (ii) one-on-one meetings by its members with candidates to succeed the Chairman in order to form an opinion on the candidates; (iii) submission, through the Chairman of the Committee to the Board of Directors, a proposal with one or more candidates to succeed the Chairman of the Board of Directors, with a recommendation of one of them, if appropriate; (iv) in the event of the unexpected removal of the Chairman, holding a meeting with in 24 hours of the date on which the termination became known, in order to propose one or more candidates for Chairman within at most 15 days; (v) interviewing the candidate proposed by the Chairman of the Board to succeed the Managing Director in the event of advance notice of the latter's resignation; (vi) production of a report on the candidate, assessing whether they have the knowledge, skills and experience set out in the Succession Plan; (vii) if the Committee sees fit, arranging a round of individual meetings contacts with the candidate(s) and any or all of the members of the Board of Directors in order to obtain their opinion on the candidate(s).

Training

The Director Training Programme continued in 2020, and it included the members of the Appointments Committee; there were sessions on open banking and the digital transformation of retail banking, the sustainable finance plan and economic recovery fund, data and artificial intelligence, and application to the bank of the regulations on granting and monitoring credit.

Activities in 2020

The main activities of the Appointments Committee in that period are as follows:

Appointment of a new Managing Director

- In accordance with the Succession Plan for the Chairman and Managing Director of Banco Sabadell, the committee interviewed the candidate proposed by the Chairman of the Board of Directors to succeed the Managing Director after the latter had given notice of his resignation.
- The Lead Independent Director participated in the meetings of the Appointments Committee throughout the succession process, as they are a voting member of the Committee.
- In accordance with the Plan and with article 529 decies 6 of the Capital Companies Law, the Committee drew up a report on the candidate in which it has assessed whether he has the knowledge, skills and experience set out in the Succession Plan as being necessary for the position.
- In accordance with articles 24 et seq. of Act 10/2014, of 26 June, on Regulation, supervision and solvency of credit institutions, and Royal Decree 84/2015, of 13 February, implementing that Law, the Committee adopted the report on the fitness and suitability of the new Managing Director.

Appointments of female independent directors to the Board of Directors

- The Committee approved the report evaluating the fitness and suitability of two female independent directors in terms of their knowledge, experience, suitability and integrity.
- It made a proposal to the Board of Directors, for referral to the General Meeting of Shareholders, with regard to the appointment of a female independent director, for which purpose it issued a report in support of the proposal that was placed at the disposal of the shareholders in the General Meeting of Shareholders, in compliance with section 4 of article 529 decies of the Capital Companies Law.
- The report was favourable and recommended the appointment of a female independent director to the Board of Directors.

Improvement in corporate governance

- During 2020, the Appointments Committee reflected on various aspects of the Bank's corporate governance, particularly the functions of the Delegated Committee, as well as the Bank's risk management (reporting favourably on the changes in structure and appointments in order to improve the structures of the Bank's units entrusted with risk management and risk analysis).

Organisation and governance structure

- The Committee reported favourably to the Board of Directors on the proposal for changes in the Group's organisation and governance structure.
- It issued a favourable report to the Board of Directors on the Group's management structure in terms of management committees, their functions and degrees of autonomy, and the changes in the composition of the management committees.

Composition of Board Committees

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

Appointments and removals

- It advised the Board of Directors on proposals for the appointment or removal of senior executives, having assessed their suitability for the proposed positions.
- It reviewed the list of members of the Identified Staff of Banco Sabadell and the Group, and advised the Board of Directors on proposals for the appointment or removal of members, having assessed the candidates' fitness and suitability. Additionally, during the year it advised the Board of Directors on changes to the Group's Identified Staff.
- It advised the Board of Directors on proposals for the appointment or removal of senior executives of the undertakings that form part of the group and of directors of subsidiaries, affiliates and other undertakings (e.g. foundations and associations).
- It advised the Board of Directors on proposals for the appointment or removal of members of the Identified Staff of several subsidiaries, having assessed the candidates' fitness and suitability.
- It advised the Board of Directors on proposals for the appointment of members and officers of the Group's Advisory Boards.

Annual Corporate Governance Report of Listed Companies

It analysed the information to be included in the Annual Corporate Governance Report for 2019 and recommended that the Board of Directors approve it. As established in article 8.6 of Order ECC 461/2013, of 20 March, and for the purposes of preparing the Annual Corporate Governance

Report, it reported favourably to the Board of Directors on the composition of the Board and the director categories.

Assessment

- The Committee approved, and submitted to the Board of Directors for its approval, the Appointments Committee Assessment Report for 2019 and the proposed plan of action for 2020, and the annual Assessment Report on the Board of Directors' performance and the performance of the Chairman and the Managing Director, for evaluation.
- It approved the Report on the performance and activities of the Appointments Committee for 2019, which was submitted to the Board of Directors and published on the corporate website sufficiently in advance of the date of the General Meeting of Shareholders, thus complying with best practices in the field of corporate governance.

Main progress in relation to the 2020 Action Plan

During the year, the Appointments Committee fulfilled the Action Plan established for 2020 by adopting the following measures:

- The Appointments Committee assessed new profiles that provide different and complementary experiences to those already existing on the Board of Directors, trending towards profiles with industry knowledge and experience in retail banking or technology, and it proposed the first-time appointment of two female independent directors who meet the aforementioned requirements.
- The proposed appointment of the new female independent directors represented progress in the process of identifying potential candidates for director and contributed to increasing gender diversity in the Board of Directors.
- Internal procedures and technical systems for circulating meeting documentation to Committee members were stepped up, and the volume and structure of the supporting documentation were enhanced to ensure that they are optimal for enabling the directors to perform an in-depth analysis.
- Training for Board members continued under the Director Training Programme in 2020 with the goal of providing better understanding of management policies and mechanisms, key aspects of new regulatory requirements, changes to applicable legislation, risk management, the digital transformation of retail banking, and key business issues.

Annual evaluation of the performance of the Appointments Committee

Article 529 nonies of the Capital Companies Act, establishes the obligation of the Board of Directors to assess its own performance and that of its sub-Committees each year and, on the basis of the results, to propose a plan of action to correct any deficiencies detected.

In compliance with Recommendation 36 of the Good Governance Code of Listed Companies, whose scope was expanded by section 7 of Technical Guide 1/2019 on Nomination and Remuneration Committees of listed companies, every three years the Board of Directors performs the assessment with the support of an external consultant whose independence is verified by the Appointments Committee.

Although the aforementioned Recommendation 36 of the Good Governance Code recommends a frequency of no more than three years, and the last time Banco Sabadell was assisted by an external consultant for this assessment was in 2017, the Appointments Committee decided that the performance assessment of the Board of Directors and its Committees for 2019 should be conducted by an independent external consultant, Deloitte Legal, S.L.P.; this was approved by the Board of Directors, with a successful outcome, on 26 March 2020.

In 2020, given the significant changes taking place in the Bank's Corporate Governance, which will be implemented in 2021, it was decided to conduct the assessment internally, without prejudice to the possibility of engaging an external advisor in 2021.

Conclusion

During 2020, the Appointments Committee properly discharged the duties assigned to it by the Articles of Association and its own Regulation.

On 28 January 2021, the members of the Appointments Committee signed this report on the functioning of the Committee in 2020, which will be presented to the Board of Directors and published on the corporate website prior to the date of the General Meeting of Shareholders.

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.