



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

2020

28 January 2021

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Introduction

This Report on the performance and activities of the Remuneration 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 Remuneration 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 Unified 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 Remuneration 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 36 of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, Banco Sabadell has a Remuneration Committee.

Article 62 of the Articles of Association and article 14 bis of the Regulation of the Board of Directors set out the basic rules governing the Remuneration Committee, which is also governed by the Remuneration Committee 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 62 of Banco Sabadell's Articles of Association, which

requires that the Remuneration 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.

There were no changes in the composition of the Remuneration Committee in 2020.

Accordingly, the composition of the Committee complies with the requirements of article 529 quindecies of Legislative Royal Decree 1/2010, of 2 July, approving the consolidated text of the Capital Companies Act, which requires that it comprise only non-executive directors, at least two of whom (including the Committee Chair) must be independent directors. It also complies with the composition required by article 36 of Law 10/2014, of 26 June for the Remuneration 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 (and, in any event, the Chair) 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 Annual Report on Director Remuneration and the section of the Annual Corporate Governance Report on Board Committees, both of which are available on the website at www.grupobancsabadell.com, contain detailed information about the Remuneration Committee.

The appointment of the members of the Remuneration Committee by the Board of Directors takes account of their knowledge, skills and experience in the areas of corporate governance, analysis and strategic assessment of human resources, design of remuneration policies and plans for directors and executives and performance of senior management functions, in compliance with the provisions of article 5.3 of the Regulation of the Remuneration 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, the composition of the Remuneration Committee was as follows:

Position	Name	Category	Date of appointment to the Committee
Chair	Ms. Aurora Catá Sala	Independent	28/05/2015
Members	Mr. Anthony Frank Elliott Ball	Independent	21/09/2017
	Mr. George Donald Johnston	Independent	26/10/2017
	Mr. José Ramón Martínez Sufrategui	Independent	28/03/2019
Secretary (non-voting)	Ms. María José García Beato.		

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 12 occasions in 2020, in accordance with the schedule set at the beginning of the year (one meeting was extraordinary), 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

Ms. Aurora Catá Sala	12 / 12
Mr. Anthony Frank Elliott Ball	12 / 12
Mr. George Donald Johnston*	11 / 12
Mr. José Ramón Martínez Sufrategui	12 / 12

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

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 Remuneration Committee is a sub-committee of the Board of Directors and its functions include those defined in article 62 of the Articles of Association of Banco Sabadell, those defined in Article 14 bis of the Regulation of the Board of Directors, as well as all the functions set out in the Regulation of the Remuneration Committee and those attributed to it by law.

The Committee has the following functions:

1. Making proposals to the Board of Directors in connection with the director remuneration policy.
2. Proposing, to the Board of Directors, the remuneration policy for general managers and others performing senior management functions who report directly to the Board of Directors, the Delegated Committee or the Managing Directors, and the individual remuneration and other contractual conditions for executive directors, exercising oversight to ensure that they are complied with.
3. Advising on remuneration programmes based on shares and/or options.
4. Periodically reviewing the general principles of remuneration, and the remuneration programmes for all employees, and considering whether they conform to those principles.
5. Reviewing the remuneration policy each year to ensure that it is aligned with the institution's situation and short-, medium- and long-term strategy and with market conditions and to assess whether it contributes to the creation of long-term value and to appropriate risk control and management.
6. Ensuring that the institution's remuneration policy and practices are up to date, by proposing any necessary changes, and ensuring that they are subject to a central, independent internal review at least once per year.
7. Verifying that the remuneration policy is applied properly and that directors do not receive remuneration outside the policy.
8. Assessing the mechanisms and systems adopted to ensure that the remuneration system duly takes account of all types of risks and liquidity and capital levels, and that the remuneration policy promotes and is consistent with adequate, effective risk management, and that it is in line

with the Institution's business strategy, objectives, culture and corporate values and long-term interests.

9. Reviewing the various possible scenarios to analyse how remuneration policies and practices react to internal and external events, and considering retrospective evidence of the criteria used to determine remuneration and the ex-ante adjustment to risk based on actual risk outcomes.
10. Reviewing the conditions of the contracts with executive directors and senior management and providing advice in this connection to the Board of Directors, and verifying that they are consistent with the current remuneration policy.
11. Evaluating the degree of compliance with the criteria and objectives established in relation to the previous year, which is what must determine the proposal for the individual remuneration for directors, particularly executive directors, senior management and members of the Identified Staff, including the short-, medium- and long-term variable components, with the participation of the external advisor where appropriate.
12. Proposing the determination of remuneration earned by the directors and senior management.
13. Proposing the determination of the bonus for senior management at the Bank and its subsidiaries.
14. Verifying whether circumstances have arisen that justify triggering the malus or clawback clauses governing variable remuneration, and proposing the appropriate measures to recover any amounts due in that event.
15. Approving the appointment of external consultants on remuneration that the Committee decides to hire to provide advice or support.
16. Ensuring that any conflicts of interests are not detrimental to the independence of external advisers.
17. Ensuring that remuneration is transparent.
18. Verifying the information on remuneration contained in the various corporate documents, including the Report on Director Remuneration.
19. Preparing the information on directors' remuneration that the Board of Directors must approve and include in its annual public documentation.
20. Reviewing to ensure that the information that the institution divulges via its website on matters that are the competence of the Committee in connection with directors and senior management is sufficient and

adequate and conforms to the applicable corporate governance recommendations.

Training

The Director Training Programme continued in 2020, and it included the members of the Remuneration Committee; there were sessions on open banking and the digital transformation of retail banking, the sustainability action plan, 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 Remuneration Committee in that period are as follows:

Appointment of a Managing Director

- The Committee issued a favourable report on the contract for the new Managing Director.

Human Resources Division report on remuneration policy in the Banco Sabadell Group

- It examined the report that is drafted each year by that division to provide the Committee with the basic information it needs to perform the functions entrusted to it in connection with reviewing the general principles of Banco Sabadell Group's remuneration policy and with supervising the remuneration of the Chairman, Managing Director, executive directors, the Bank's senior management and the other members of the Group's Identified Staff.

Fixed and variable remuneration

- The Committee analysed the degree of attainment of the Group's objectives established for the year 2019, advised the Board on approving the percentages of attainment of the objectives for the Group, for the Chairman, Managing Director, executive directors, members of senior management and the Audit Manager, as well as for the members of the Group's Identified Staff.
- It issued a favourable report to the Board of Directors as to the amounts of the variable remuneration for 2019 for all the Group employees, as well as the Chairman, CEO, executive directors, senior management, Internal Audit, and other members of the Group's Identified Staff. The Remuneration Committee assessed the possible application of ex ante adjustments for risks to the 2019 variable remuneration and the possible application of malus and clawback clauses to the deferred variable

remuneration from previous years of the Group's Identified Staff, and found that there were no events triggering their application at Group, unit or individual level.

- It reported favourably to the Board of Directors on the submission to the General Meeting of Shareholders of the overall maximum limit on remuneration for the Board of Directors for 2020.
- It reported favourably to the Board of Directors on the submission to the General Meeting of Shareholders of the maximum limit on variable remuneration for the members of the Group's Identified Staff.
- It issued a favourable report to the Board of Directors on the salary review for 2020 in connection with the fixed remuneration for all the Group's employees, and on an increase in the total salary expense for 2020.
- It issued a favourable report to the Board of Directors on the remuneration proposal for the Chairman, Managing Director, executive directors, senior management and internal audit for 2020. It also approved the proposal for the remuneration of the Group's Identified Staff in 2020.
- It reported favourably to the Board of Directors on the approval of the Group's annual and multi-year targets for variable remuneration and their attainment scales for 2020.
- The committee also issued a favourable report to the Board of Directors on the approval of individual objectives for the Managing Director and executive directors. It approved the individual objectives for the members of senior management and, additionally, approved the report of the Human Resources Division which set individual objectives for the members of the Group's Identified Staff. The Remuneration Committee also had the report by the Board Risk Committee on the degree to which the objectives are aligned with the risk appetite.
- It issued a favourable report to the Board of Directors on the approval of the 2020 targets for variable remuneration for the executive directors and members of senior management. The Remuneration Committee also approved the 2020 target for variable remuneration for the members of the Group's Identified Staff.
- It approved the Group's Variable Remuneration Fund for 2020 and analysed its variation in stressed scenarios.

Group Identified Staff

- It issued a favourable report to the Board of Directors on the identification of the Group's Identified Staff for 2020, by application of Delegated Regulation (EU) 604/2014.
- It issued a favourable report to the Board of Directors on proposals for the addition and removal of members of the Identified Staff of Banco Sabadell, TSB and subsidiaries.
- The Committee reviewed and, as appropriate, advised on the terms and conditions of the contracts, amendments to same, of executive directors and senior management, and/or their removal, verifying that they are consistent with the remuneration policy. It approved those same conditions for the Group's Identified Staff.

Policies

- It reviewed and issued a favourable report to the Board of Directors on Banco Sabadell's remuneration policies, comprising the Remuneration Policy for the Banco Sabadell Group, the Remuneration Policy for Senior Executives, the Remuneration Policy for the Group's Identified Staff, and the Remuneration Policy for Banco de Sabadell, S.A.

Annual Corporate Governance Report of Listed Companies

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

Annual Report on Director Remuneration at Listed Companies

- It issued a favourable report to the Board of Directors on the content of the Annual Report on Director Remuneration.

Assessment of the remuneration policy and its implementation

- It examined the report by external consulting firm Mercer on the Prudential Assessment of Remuneration 2019, which was commissioned in order to analyse whether Banco Sabadell's remuneration policy and practices conform to the regulators' requirements and recommendations.
- It analysed the reports issued by consulting firm Willis Towers Watson analysing the competitiveness of the remuneration for executive directors (Executive Chairman, CEO and Director General Manager), senior management and Internal Audit.

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- The Remuneration Committee analysed the annual Internal Audit Report on the Remuneration Policy of the Group and Subsidiaries, whose main objective was to review the degree to which the organisation's remuneration policies (Group and subsidiaries) conform to the guidelines of the European Banking Authority (EBA).

Mexico

- The Committee was informed of the main issues presented to the Remuneration Committee in Mexico.

TSB

- The Committee reviewed and approved amendments to TSB's Remuneration Policy and its alignment with the Remuneration Policy for the Group's Identified Staff.
- It approved amendments to TSB's variable remuneration scheme to align it better with the local market and with the Group's remuneration policy.
- It was informed of material issues presented to the TSB RemCo.

Other subsidiaries

- The Committee reviewed and approved the identification of the local Identified Staff, as well as the salary review and payment of their variable remuneration.
- It checked and issued a favourable report to the subsidiaries' Boards of Directors in connection with the modifications applicable to local remuneration policies in order to align them with the Group's remuneration policy.

Assessment

- It approved and advised the Board of Directors on the Remuneration Committee Assessment Report for 2019 and the proposed plan of action for 2020.
- It approved the Report on the Functions and Activities of the Remuneration 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 area of corporate governance.

Main progress in relation to the 2020 Action Plan

During the year, the Remuneration Committee fulfilled the Action Plan established for 2020 by adopting the following measures.

The Director Training Programme continued in 2020, and it included the members of the Remuneration Committee; there were sessions on open banking and the digital transformation of retail banking, the sustainability action plan, data and artificial intelligence, and application to the bank of the regulations on granting and monitoring credit. The Directors expressed their satisfaction with the Director Training Programme and found the sessions to be very interesting, as they enabled them to remain up to date on all matters relating to the Bank's structure and organisation, as well as the main aspects of its business.

The Remuneration Committee was assisted by Willis Towers Watson, which provided advice on the degree to which the remuneration conforms to the applicable regulations and on the implementation of any modifications that might arise; it also provided updates on current trends in governance and any new or evolving regulatory issues that affect Banco Sabadell; its fees amounted to 35,000 euros. Specific action plans carried out by the Committee included notably refresher courses on market practices regarding the impact on remuneration of the COVID-19 crisis, updates on regulatory developments in corporate governance with regard to remuneration, as well as a summary of the General Shareholders' Meeting season.

The Committee was also assisted by Mercer Consulting, which produced the Report on the Prudential Assessment of Remuneration in order to ensure that the determination of the Institution's Identified Staff, as well as their remuneration practices and policies, conform to the requirements established in the applicable regulations and to the interpretation criteria of the EBA and the Bank of Spain; its fees amounted to 24,000 euros.

There are no potential conflicts of interest between the external advisers and the Institution or companies in its group.

Evaluation of the performance of the Remuneration 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, the Board of Directors performs the assessment every three years 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 as 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 Remuneration Committee properly discharged the duties assigned to it by the Articles of Association, the Regulation of the Board of Directors and its own Regulation.

On 26 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.