

Operational risk includes management and control of the following main risks:

- Reputational risk: the possibility of losses arising from negative publicity related to the bank's practices and activities, potentially leading to a loss of trust in the institution with an impact on its solvency.
- Technology risk: possibility of losses due to inability of the systems infrastructure to fully support the continuation of ordinary business activity.
- Model risk: the possibility of losses arising from decision-making based on the use of inadequate models.

## Tax risk

Tax risk reflects the possibility of a breach or of uncertainty over the interpretation of tax legislation in any of the jurisdictions where the bank operates.

The Banco Sabadell group's objective in this area is to ensure compliance with tax obligations while guaranteeing adequate returns for our shareholders.

The Board of Directors determines the tax risk control and management policies, as well as the tax strategy, with the two-fold objective of ensuring that legal obligations are met and ensuring greater returns for shareholders.

The Tax Advisory Area provides an independent review of the bank's operations to ensure that they conform to the tax legislation in force. Specifically, its functions are divided into two areas, depending on Banco Sabadell's situation in each case:

- As a taxpayer: with a view to ensuring that Banco Sabadell meets its tax obligations accurately and on time, the Tax Advisory Area performs regular and periodic checks that the bank's general situation complies with the tax legislation, and sporadic checks, as required, that specific operations are compliant.
- As a developer of new products: the bank's ordinary activity involves creating new products to be offered to our customers. The development of these products must include an analysis of their tax situation with a view to describing their characteristics in a transparent way.

## Compliance risk

Compliance risk is defined as the risk of incurring legal or administrative penalties, significant financial losses or an impairment of reputation due to a breach of laws, regulations, internal rules and codes of conduct applicable to the banking industry.

One of the essential aspects of the Banco Sabadell group's policy, and the basis of its organisational culture, is rigorous compliance with all legal provisions. The pursuit of its business objectives must be compliant at all times with the current legislation and with best practice.

With this aim in mind, the group has a Compliance Department responsible for promoting and ensuring

the highest possible degree of compliance with current regulations, as well as the professional ethics within the group. It also seeks to minimise the possibility of infringement and to ensure that any possible infringements are diligently identified, reported and resolved, and ensure that the corresponding preventive measures are adopted if they are not in place already.

Banco Sabadell has a compliance model that handles the setting of policies, procedures and controls centrally at head office, and carries out control programs, delegating their implementation and functional responsibility to its subsidiaries and branches in other countries.

This is a flexible risk-focused approach that can adapt with agility to the group's strategy at any given time and which takes advantage of synergy, particularly in areas with complex far-reaching impacts and/or which require technology to be developed, while it can also adapt to the specific situations and legislation affecting each business or country.

The main challenge is the standardisation throughout the group of compliance control levels, setting minimum standards whose fulfilment is mandatory, regardless of the activity carried out or the country in which it is carried out.

This model is comprised of two main pillars:

- A central unit providing services to the entire group and aimed at the global management of the compliance risk. Its main activity is the analysis, distribution and control of the implementation of any new regulations with impact on the group, as well as the risk-focused control of the correct compliance with regulations already in place.

It is also directly responsible for the implementation of various processes, classified as of high risk, as they require direct and comprehensive control: money laundering prevention and countering the financing of terrorism; the control of market abuse practices; control of compliance with the Internal Code of Conduct and the implementation and monitoring of investor protection elements (MiFID).

- A network of compliance managers located at each foreign subsidiary and branch (functionally dependent on the central compliance unit and hierarchically dependent on the Director of the foreign subsidiary or branch) implementing its own control programs and reporting regularly to the central unit, ensuring compliance with internal standards and legislation in force in all countries and activities in which it operates.

To ensure its efficiency, this model is carried out and implemented using six catalysts (technology, training, procedures, communication channels, control and monitoring programs and product and regulations approval processes).