

Corporate Social Responsibility

Banco Sabadell does business in an ethical and responsible way and shows its commitment to society by ensuring that its actions have a positive impact on people and the environment. Each and every person in the organisation has a part to play in observing and applying the principles and policies that underlie corporate social responsibility, as well as in assuring quality and transparency in customer service.

In the area of regulatory compliance, in addition to observing the law, Banco Sabadell has put in place a set of policies, procedures and codes of conduct to provide a guarantee of ethical and responsible conduct at all levels of the organisation and in all Group operations.

Responsibility for oversight and monitoring of these policies, procedures and codes of conduct lies with the Corporate Ethics Committee, whose members are appointed by the Board of Directors. In 2016 a Corporate Social Responsibility Committee was set up, chaired by the Group Secretary-General, to drive and coordinate Group strategy, policy and projects in the area of CSR.

At Banco Sabadell, corporate social responsibility is also manifest in the support given to international initiatives and in the certifications and accreditations it has received.

The year 2016 saw continued implementation of planned corporate social responsibility initiatives linked to Banco Sabadell's commitment to customers, employees, the environment and the wider community.

Doing business responsibly (commitment to customers)

Social and environmental risk assessments are included in investment and financing products

Since 2011 Banco Sabadell has applied the Equator Principles, as embodied in International Finance Corporation (IFC) policies, standards and guidelines, for new structured finance deals amounting to 10 million dollars or more and for corporate loans amounting to 100 million dollars or more. Under the standards developed by the IFC, foreseeable impacts are subjected to a social and environmental impact assessment which is reviewed by an independent expert. During the year Banco Sabadell concluded 14 project finance deals incorporating the Equator Principles, 64% of which related to renewable energy schemes.

All Group branches have access to information to assist them in assessing any environmental risk associated with the industry or business of the company to be assessed. The assessment is included in the project finance

dossier and has an influence on the decision.

In the area of investment, both BanSabadell Pensiones EGFP SA and, since 2016, Aurica Capital, a venture capital enterprise that invests in Spanish companies with plans to expand in foreign markets, have adopted the Principles for Responsible Investment in the "investment manager" category. These principles cover social, environmental and governance criteria in management policies and practices.

In addition, Banco Sabadell encourages responsible investing and offers customers a number of ethical investment products which also contribute to solidarity projects:

- Fondo de Inversión Sabadell Inversión Ética y Solidaria, F.I., a mutual fund
- Sociedad de Inversión Sabadell Urquijo Cooperación, S.I.C.A.V, S.A.
- Plan de Pensiones BS Ético y Solidario, P.P., a pension plan.
- Plan de Pensiones BanSabadell 21 F.P., a pension fund.

It also makes this option available to employees through a pension fund, G.M. PENSIONES, F.P.

Transparency and simplification of contract wordings

In 2016 the Bank continued the process of simplifying contract workings by redrafting in simpler, less technical language but without any loss of the legal security or the information on which customers rely. This included changes to the Bank's current account and remote banking agreements. The simplification exercise affected more than 100,000 new agreements.

Commitment to employees

Equal opportunities and work-life balance

Banco Sabadell guarantees equality of opportunity in all areas of employee relations: recruitment, training, promotion and working conditions. Our commitment, in each of these areas of the employee relationship, is set out in our Equality Plan, our human resources policy and our Code of Conduct.

In 2016 we renewed our 2010 Equality Plan to outlaw all forms of discrimination among employees based on sex. As part of this policy of non-discrimination, we set new targets for 2020 to further the aim of promoting 450 women reaching a certain level of responsibility in the organisation.

To increase the number of women in senior executive posts and on management committees, in 2014 Banco Sabadell signed a Cooperation Agreement with the Spanish Ministry of Health, Social Services and Equality setting a target of 18% for women in senior management roles by

2018. This target has now been reached, and well within the agreed time limit.

The Bank also has measures in place to support a better work-life balance which applies to all employees in the organisation. Available benefits include reduced working times, leave of absence, paid or unpaid, or for breastfeeding; time off work for reasons such as maternity or to care for a relative; special leave, paternity leave; and various forms of flexitime working.

Professional and personal development

Each year Banco Sabadell employees are offered a full programme of online continuous training via the Group intranet and have the option of undertaking any of a wide variety of attendance-based courses to help increase their skills. In 2016 this included the ongoing "Laude" programme, in which the completion of in-house training courses can be validated with the award of formal university qualifications. In 2016 the programme saw a total of 231 employees gaining qualifications in fields such as banking products and services, financial consultancy and commercial banking.

In other areas of professional and personal development Banco Sabadell offers programmes to attract and engage talented young people. The first Talent Graduate Programme (TGP), whose purpose is to develop transferable workplace skills, was brought to a successful conclusion in 2016 and a second round of the programme was initiated. The TGP is a genuine offer by Banco Sabadell which, in addition to the training given, provides opportunities to work in the organisation. The first programme, which started in 2015, brought 40 young trainees into the organisation and 39 trainees are participating in the current programme.

Commitment to the environment

Banco Sabadell has an environmental policy which sets out its commitment to the environment and the fight against climate change. The policy's key aims are to minimise the potential impacts of processes, facilities and services, to effectively manage business-related environmental threats and opportunities, and to promote commitment to the environment by all persons with whom the Bank comes into contact. The Bank also supports a number of global initiatives such as the Equator Principles and the Carbon Disclosure Project (CDP).

Related businesses

As part of its business operations, Banco Sabadell promotes the development of sustainable energy through direct investment in renewable energy projects. In 2016, for example, through its Sínia Renovables subsidiary, it launched a new €150 million programme of equity investment in renewable energy projects, which will continue until 2019. In line with the Bank's internationalisation strategy, the Sinia programme will include investments in Spain, Mexico, the UK and a number of Latin American countries.

The Bank also funded renewable energy investments amounting to €720 million.

Another environment-related area of the Bank's business is financing energy-efficient equipment and facilities by means of special-purpose leasing products; these are being used to finance projects in such areas as public lighting, biomass-fired boilers and cogeneration. Another development was an increase in the Bank's range of leasing products for sustainable vehicles; in 2016 these accounted for 76% of all company-leased vehicles.

Group's own infrastructure and suppliers

Banco Sabadell has an environmental management system for its own infrastructure which is compliant with the ISO 14001 standard and has been used to certify six Group central service facilities. To reduce energy consumption the Group undertakes continual initiatives to make its facilities and processes more eco-efficient. The contract with Nexus Renovables was maintained in 2016; it covers 99.84% of the Group's electricity supplies, and was able to achieve a 94.77% reduction in CO₂ emissions (scope 1 and 2, taking 2014 as the baseline year).

Banco Sabadell involves its suppliers in the Group's environmental policy by incorporating social and environmental responsibility into its supply chain. Its basic contract with suppliers includes specific clauses on compliance with environmental criteria, human rights and the Ten Principles of the United Nations Global Compact, as well as acceptance of the Supplier Code of Conduct.

Social commitment

Banco Sabadell shows its commitment to society wherever it operates by carrying on a permanent dialogue with the community and sharing its concerns. Caring about vulnerable people and groups, financial education and community support work are the three key elements of that commitment, which is expressed through the corporate volunteer programme and initiatives by divisions of the Bank and by the Banco Sabadell Foundation.

Assistance in cases of mortgage default

Banco Sabadell continued its SOGEVISO (Solvia Gestora de Vivienda Social) social housing programme as part of its policy of taking a sensitive and responsible approach to social exclusion.

In the course of the year it not only offered housing solutions by providing affordable rented accommodation to customers judged to be in positions of vulnerability, but made an engagement, or "social contract", which is overseen by a dedicated manager and in which local government and community organisations are also involved. Banco Sabadell is also an active participant in a number of working groups sponsored by Spanish regional governments or municipalities to address social emergencies in housing.

Another SOGEVISO policy initiative in 2016 consisted of schemes to help people find work, with a view to tackling the problem at its root: providing an occupation and obtaining an income. At the end of the year some 598 people had joined a scheme and employment had been arranged for 103 of them, or 17% of the total.

As 2016 came to an end a total of 6,479 homes were being let out at reduced rents to customers facing financial hardship as a result of mortgage foreclosure, repossession in lieu of payment, or living in substandard or insecure accommodation. Of these, 30% were let under a "social contract".

To mitigate the effects of indebtedness and facilitate the rehabilitation of debtors at risk of social exclusion, in 2016 the Bank confirmed its support for the Code of Good Banking Practice and approved 418 mortgage restructuring arrangements and 5 repossessions in lieu of payment.

In 2013 Banco Sabadell became a member of the Social Housing Fund (Spanish initials: FSV), to which it contributed 400 homes, most of them for the use of customers whose properties had been repossessed in or after January 2008.

The Bank also assigned 95 properties to 48 charitable and not-for-profit organisations with a mandate to assist and support the underprivileged and the needy.

Financial education

The Bank is sponsoring and providing assistance for a number of financial education initiatives to meet the needs of different social groups and communities. These include:

- For children: "What's money for?", a drawing competition for which the Bank provides educational material and, for each drawing received, it makes a donation to a charitable cause. A total of 5,213 children took part in the 2016 event.
- For young people: providing support for the Catalan Schools Financial Education programme for young people aged 15 -16 and, in partnership with the Spanish Banking Association (AEB) and the Junior Achievement Foundation, the "Your finances, your future" programme in more than 100 schools all over Spain. In 2016 this support was provided by a total of 198 volunteers made up of current and former (retired) employees of the Bank.
- For SMEs: the "Export for Growth" programme to help small and medium-sized firms develop their business in foreign markets, was supported by Banco Sabadell in conjunction with organisations such as AENOR, AMEC, Arola, CESCE, Cofides, Esade and Garrigues. In 2016 nine 1-day exporting workshops took place and attracted more than 500 attendees.

The Bank is also party to an agreement with the AEB, the CNMV and the Bank of Spain to promote the National Financial Education Plan. The Plan, which follows the recommendations of the European Commission and the OECD, is designed to improve public understanding of financial matters by providing people with basic skills and tools to manage their financial affairs in a well-informed, responsible way.

Corporate volunteer programme

Banco Sabadell is providing its employees with the means to satisfy their desire to make a contribution to, and do volunteer work in, the community.

In 2016 an in-house website, Sabadell Life, was set up to bring together a number of community and volunteer initiatives as well as ideas and suggestions put forward and carried out by employees.

The initiatives with the highest numbers of volunteers were:

- Projects supporting people at risk or facing social exclusion (Fundación Magone, the Fundación Exit "Coach" project, BCN Superhero(in)es Day and Food Bank).
- Contributing to/participating in solidarity campaigns (Trailwalker, Sant Jordi Solidari).
- Programmes making use of the knowledge and experience of current and former employees (Financial Education, the B-Ready Programme, and the Fundación Ship2b community start-up acceleration programme).

Action in the community

Since 1994 Banco Sabadell has carried on some of its community support work through its charitable foundation, the Fundación Banco Sabadell, whose work is organised around talent, culture and the sciences. Key initiatives by the Foundation include a Prize for Biomedical Research and a Prize for Research in Economics, both of which aim to give recognition and support to the achievements of young Spanish researchers in those disciplines.

In addition, by organising initiatives on a cross-divisional basis, Banco Sabadell seeks to contribute to social welfare using business ventures of its own. This was the case with an alliance made in 2016 between Banco Sabadell and Worldcoo, a start-up in which the Bank invested through its BStartup 10 programme, to use its online banking system to raise money from customers to support social welfare campaigns.

Responsible Investment in the "investment manager" category.

- Party to an agreement between the Spanish Banking Association (AEB), the CNMV and the Bank of Spain to carry out a programme of activities as part of the National Financial Education Plan.
- Inclusion in the FTSE4Good, FTSE4Good IBEX and Euronext Vigeo Eurozone 120 sustainability indices.
- Awarded the European Foundation for Quality Management (EFQM) Gold Seal of Excellence.
- Currently certified to ISO 9001 for 100% of the Group's processes and for its financial operations in Spain.
- A signatory of the Carbon Disclosure Project (CDP) for action against climate change and its Water Disclosure programme*.

Principles and policies

- Code of Conduct: applies generally to all persons directly involved with the Group, whether as employees or as members of its ruling bodies.
- Internal Code of Conduct in connection with the Securities Markets.
- Suppliers' Code of Conduct.
- Ethical and human rights policy.
- Policy on Corporate Social Responsibility.
- Policies related to stakeholders (shareholders and investors, customers, suppliers, employees, the environment and the community).
- A plan to foster genuine equality between women and men at Banco Sabadell.
- Code of conduct governing the use of social media.
- Member of Autocontrol, an advertising standards body.
- Adopter of the Code of Good Banking Practice.

Agreements and commitments

- Adoption of the 10 principles of the United Nations Global Compact in the areas of human rights, labour, the environment and the fight against corruption.
- A signatory of the Equator Principles requiring it to take account of social and environmental issues in the financing of major projects and in large corporate loans.
- Integration of CSR policies into business practice in accordance with ISO 26000 guidelines.
- A signatory of the United Nations Principles for

For more details of the Group's CSR policies, see the CSR section of the Bank's website (www.grupobancosabadell.com).