

Corporate Social Responsibility

Banco Sabadell's approach to Corporate Social Responsibility (CSR) relies on doing business in an ethical and responsible way, with a focus on excellence and a commitment to society by providing the best solutions to the challenges it faces. Anticipating and engaging through responsible business development, a commitment to employees, to the environment and to society in all the territories where the Bank does business. Each and every professional in the organisation has a part to play in applying the principles and policies of corporate social responsibility so as to fulfil this aim and commitment on the part of Banco Sabadell.

In addition to complying with applicable regulations, Banco Sabadell has a set of policies and codes of conduct that guarantee ethical and responsible conduct at all levels of the organisation and in all Group operations, and it applies them to its suppliers, incorporating social and environmental responsibility into the supply chain.

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. The Corporate Social Responsibility Committee drives and coordinates Group strategy, policy and projects in the area of CSR.

At Banco Sabadell, Corporate Social Responsibility is also visible in its support of international initiatives and commitments and in the certifications and qualifications it has received.

Planned Corporate Social Responsibility initiatives continued to be implemented in 2017 in four main areas of action: responsible business, commitment to employees, commitment to the environment, and commitment to society.

Responsible business

Social housing

Through *Sogeviso*, Banco Sabadell has a housing programme to deal with situations of social exclusion among its mortgage customers. Depending on the mortgage customer's situation, a number of solutions are offered, ranging from an affordable rent to rent+ "social contract", which includes services.

In 2017, 2,912 new reduced rent contracts were arranged, and the "social contract" continues to be rolled out as an annex to the reduced rent contract. This service involves assigning a social worker to provide support to vulnerable families in cooperation with the local government social services, combined with training, preparation for job interviews and coaching for employability; additionally, efforts are made to enhance these customers' socio-economic situation by working with Banco Sabadell

Group suppliers, public administrations and third-sector organisations. By 2017 year-end, the "social contract" had been extended to 3,769 families, 48% of all the families to which the Bank has provided a housing solution following a situation of over-indebtedness due to the loss of their livelihood. The number of families to which the bank had provided affordable or social rent solutions amounted to 8,656 by the end of 2017.

Vulnerability

Some of the solutions that Banco Sabadell provides to facilitate financial inclusion of vulnerable customers are implemented via *Sogeviso* through the *JoBS* work placement programme. These support actions focus on reinforcing beneficiaries' skills through personal coaching or training, focused on actual labour market demand. *JoBS* connects customers with the job offers that best suit their professional and personal profile so as to maximise successful placements. Since November 2016, more than 2 thousand clients have benefited, and over 600 of them had obtained a job by the end of 2017.

Transparency

In order to enhance relations with customers and facilitate comprehension of their relationship, the Bank continued the process of simplifying contracts by rewriting them in more straightforward, less technical language while maintaining the legal and informative certainty to which customers are entitled. It simplified the catalogue of demand accounts by applying the advantages of the initial 111 products to 31 new offerings.

It is now possible to arrange for a number of associated products that a customer needs with just one signature, which shortens the process and reduces paperwork.

Ethical and solidaric investing

Banco Sabadell encourages responsible investing by offering customers a number of ethical investment products which also contribute to solidaric projects. In the area of investment, both pension fund manager 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.

Products in this area include 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. (an investment company), Plan de Pensiones BS Ético y Solidario, P.P. and Plan de Pensiones BanSabadell 21 F.P. (pension plans), and Fondo de

Pensiones G.M. PENSIONES, F.P. (a pension plan for Group employees). In 2017, the Corporate Ethics Committee chose 22 projects mostly aimed at covering social exclusion risks, improving the living conditions of people with disabilities and meeting basic food and health needs. Over €430,000 were granted to solidaric organisations and projects in 2017.

Commitment to employees

Gender

Banco Sabadell guarantees gender equality in selection, training and promotion processes, as well as in salary and working conditions. This commitment, for each of the aspects of the employment relationship, is embodied in the Equality Plan, the human resources policy and the Code of Conduct.

To this end, the Bank continues working to prevent any kind of gender-based discrimination at work. In 2017, Banco Sabadell fulfilled and exceeded the commitment it made in 2014 when it signed a Cooperation Agreement with the Spanish Ministry of Health, Social Services and Equality that set a target that women should account for 18% of senior management roles by 2018. At present, 34.6% of managerial positions in Banco Sabadell are held by women.

For the period 2016-2020, the Bank has set a target of promoting 450 women to positions of responsibility in the organisation; 198 have been promoted since the programme began, 38% of the final target. The Bank also took part in events and initiatives that promote gender equality and leadership, such as “Inversión y Finanzas”, “Mujer Hoy”, “Women, Leadership and #climatechange” and the “Mujeres influyentes” forum.

Work-life balance

The Bank has measures in place, applicable to all employees in the organisation, to help promote a better work-life balance. Available benefits include the option of shorter working days, paid and unpaid leave for various reasons (breastfeeding, maternity, caring for a relative, special circumstances, paternity) and several forms of flexitime.

In 2017, the Bank broadened this range of measures to include a reduction of between 20% and 50% of the working day to attend to personal needs, the ability to purchase holidays (up to 31 additional days against the employee's salary) and partial retirement (for employees over the age of 61, who can cut their working day by between 25% and 50%). In coordination with existing measures, a work-life balance unit was created with the mission of providing advice, intermediation and guidance for managers and employees.

Professional development

Banco Sabadell gives priority to employees' personal well-being as well as their professional growth. The Talent Department handles the induction and development of new hires and monitors their retention, all of which are key factors for competitiveness, leadership and excellence.

During 2017, the Group continued to promote its learning model, instituted in 2016, by expanding Sabadell Campus and its constituent schools and learning spaces: the School of Management, the Commercial School and the Finance School. 89% of employees received training, and employees took 137,000 online training sessions.

Diversity

Banco Sabadell also promotes diversity through the integration in the workplace of differently-abled people by means of non-discriminatory recruitment policies. The Group takes measures to adapt job briefs where needed. In 2017, a pilot programme was begun with the Fundación DKV Integralia to hire persons with disabilities at some subsidiaries.

Commitment to the environment

Banco Sabadell has an environmental policy which set-out its commitment to the environment and to combatting climate change. The policy focuses on minimising the environmental impacts of the processes, facilities and services inherent to the business, managing business-related environmental threats and opportunities appropriately, and promoting a commitment to the environment by all persons with whom the Bank comes into contact. In this respect, the Bank has joined a number of global initiatives, including the Equator Principles and the Carbon Disclosure Project (CDP).

Commitment to the planet

Since 2011, Banco Sabadell has applied the Equator Principles, an international voluntary framework of policies, standards and guidelines coordinated by the International Finance Corporation (IFC), a World Bank agency, whose aim is to determine, assess and manage the environmental and social risks of structured finance deals amounting to 10 million dollars or more and of corporate loans amounting to 100 million dollars or more. Under these standards, a social and environmental impact assessment is carried out that, in some cases, results in minimisation, mitigation and offsetting measures, subject to review by an independent expert. In 2017, Banco Sabadell

signed 11 deals incorporating the Equator Principles, 91% of which related to renewable energy projects.

All Group branches have access to information to assist them in assessing any environmental risk associated with the industry or business of a company that is being evaluated. The assessment is one of the documents on which the transaction credit risk evaluation is based and it has an influence on the final decision.

Banco Sabadell promotes the development of a more sustainable energy model by investing directly in, and lending to, renewable energy projects.

In 2016, through subsidiary Sinia Renovables, Banco Sabadell 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. Renewable electricity generation in Spain that is attributable to Sinia totals 181 GWh per year, exceeding the electricity consumption of Banco Sabadell's branches and corporate offices.

To date, Banco Sabadell has provided over €1,048 million in funding to renewable energy generation projects.

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 used to finance projects in such areas as public lighting, biomass-fired boilers and cogeneration facilities.

Responsible consumption

As regards the Bank's own infrastructure, it has an environmental management system that is certified to the ISO 14001 standard and covers six Central Services buildings. To reduce energy consumption, the Bank undertakes continuous improvement initiatives to make its facilities and processes more eco-efficient.

The contract with Nexus Renovables was maintained in 2017; this covers 99.93% of the Group's electricity supplies with energy from sources that are 100% renewable, and was able to achieve a 99.83% reduction in scope 2 CO₂ emissions (electricity consumption, taking 2014 as the baseline year).

Banco Sabadell works to minimise its consumption of resources (water and paper) while also appropriately managing waste. Along these lines, paper consumption was reduced by 33% in the period 2015-2017. In addition, the use of digital contract systems has avoided printing 4.7 million pages.

Sustainable mobility

There was also an increase in the range of sustainable vehicles in the Bank's vehicle leasing pool; in 2017 they accounted for 78% of the entire fleet. The Bank has also contributed to sustainable mobility in such cities as Terrassa and Bilbao by financing hybrid city buses and

100% electric taxis in collaboration with leading industry brands.

Commitment to society

Banco Sabadell shows its commitment to society by permanently engaging with the community and sharing its concerns. Financial education, social action and support for initiatives with a social impact are the key elements of this commitment, which is also expressed through the corporate volunteer programme and initiatives by divisions of the Bank and by the Banco Sabadell Foundation.

Financial education

The Bank promotes and takes part in a number of financial education initiatives aimed at meeting the needs of different segments of society in this respect.

- For children: through the "What's money for?" drawing competition for children, the Bank provides learning materials and a specialised glossary to encourage children to think about the importance of saving and helping others. For each drawing received, it makes a donation to a charitable cause. Around 5,000 children took part in the eighth edition of the competition, in 2017.
 - For young people: the Bank has been participating in the Catalan Schools Financial Education programme for young people aged 15-16 since its inception; the fifth edition included events in over 320 schools. In 2017, a total of 179 volunteers took part, including current and retired employees of the Bank. Also, in partnership with the Spanish Banking Association (AEB) and the Junior Achievement Foundation, the Bank took part in the "Your finances, Your future" programme in more than 100 schools all over Spain. A total of 32 volunteers (current and retired employees) took part in this programme, and the Bank was also present at the first Financial Innovation Camp organised by the AEB, mentoring fourth-year secondary school students.
 - For SMEs: For the last five years, Banco Sabadell, with AENOR, AMEC, Arola, CESCE, Cofides, Esade and Garrigues, have sponsored the "Export for Growth" programme to help small and medium-sized firms expand into foreign markets. In 2017, five sessions were held on the US and India, with over 420 people attending in cities such as Barcelona, Madrid and Bilbao. The Bank also extended its commitment to support and advise customer companies through the Sabadell International Business Program, a training initiative held simultaneously in Barcelona, Madrid, Valencia, Oviedo, San Sebastián and Málaga in collaboration with the University of Barcelona (UB). In this first edition, over 70 participating companies will obtain a university certificate in International Trade.
- 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. This 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 encourages community and volunteer work by its employees by providing the necessary resources. In 2017, the in-house website, Sabadell Life, became more firmly established; with over 9,800 users, it covers more than 200 community and volunteer initiatives put forward by the Bank and its employees. Applying the dynamics of gamification, the more community-minded employees exchanged their prizes for donations to one of the causes sponsored by Sabadell Life through its Actitud Solidaria platform: a programme by Arrels Fundació for homeless people, a programme by Alzheimer Catalunya for people with dementia, and the Fundació Vicente Ferrer's paediatric care initiative.

Apart from the financial education programmes mentioned previously, the initiatives with the largest number of volunteers, were:

- Programmes to leverage the knowledge and experience of current and former employees to favour people at risk of social exclusion: Fundació Exit's "Coach" project, which mentors young people at risk to improve their employability, and the Transpirenaica Social Solidaria walk.
- Contributions to/participation in solidaric campaigns: The Trailwalker hike in which over 70 teams and 400 volunteers took part; the Carrera de la Mujer (a fun run for women), in which the Bank paid 360 entry fees; over 280 blood donations; collaboration with the Fundació Magone on Reyes Magos Solidarios with the contribution of over 400 Christmas presents; and other activities designed by the employees themselves, such as the "Imparables" campaign to raise funds for medical research into leukaemia.
- Projects aimed at integration and improving employability: An alliance with Càritas on the "Feina amb Cor" programme in which unemployed people and people at risk of social exclusion took part. Of the 14 people who participated in the programme, 11 continue to work for Banco Sabadell.

Solidarity

Banco Sabadell carries out some of its community support work through its foundation, Fundació Banco Sabadell, whose work is organised around talent, science, culture and social entrepreneurship. 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.

As regards alliances in social innovation and talent, Fundació Banco Sabadell has launched two programmes in conjunction with Fundació Ship2B: B-Value, an innovation programme for social organisations which provides specialised mentoring in a number of sectors, with guidance being provided by the Bank's employees; and B-Challenge, a young talent programme which includes crowdfunding for the four best projects that propose innovative solutions to social challenges with sustainable business models.

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 signed with Worldcoo, a start-up in which the Bank invested through its BStartup 10 programme, to use its online banking system to enable customers to make donations to solidaric initiatives. In 2017, Worldcoo enabled customers and employees to channel their solidarity: over 2,400 donations to 10 projects, benefiting over 34,000 people. This platform enabled an effective response to several emergencies, such as the earthquake in Mexico, when it helped over 2,500 children and families, and support for over 2,200 refugees through Proactiva Open Arms's "Misión Mediterráneo".

Corporate standards and institutional commitments

In addition to the actions and initiatives described in this report, Banco Sabadell has a series of codes, policies and rules that shape its commitment to Group objectives, and has also entered into various national and international agreements that provide a framework for this commitment.

Principles and policies

- Code of Conduct: applies generally to all persons directly involved with the Group, whether as employees or as members of its governing bodies.
- The Internal Code of Conduct in connection with the securities market.
- Suppliers' Code of Conduct.
- Policy on ethics and human rights.
- Corporate Social Responsibility Policy.
- Policies related to stakeholders (shareholders and investors, customers, suppliers, employees, the environment and the community).
- Equality Plan.
- Code for the use of Social Media.
- Membership of AUTOCONTROL, a self-regulatory advertising standards body.
- Adoption of the Code of Good Banking Practice.

Agreements and commitments

- Signatory of the United Nations Global Compact, in respect of human and labour rights, the environment and the fight against corruption.
- Signatory of the Equator Principles, requiring it to take account of ESG issues in financing major projects and in large corporate loans.
- Integration of CSR policies into business practice in accordance with ISO 26000 guidelines.
- Signatory of the United Nations Principles for 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 and FTSE4Good IBEX sustainable stock market indices.
- Awarded the European Foundation for Quality Management (EFQM) Gold Seal of Excellence.
- Current certification to ISO 9001 for 100% of the Group's processes and activities in Spain.
- Signatory to the Carbon Disclosure Project (CDP) in connection with action against climate change.*

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