

## Non-financial and diversity disclosures

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. The Bank has the necessary instruments to measure the results of these policies and the main risks, and to establish corrective measures where necessary. Banco Sabadell has established a Corporate Ethics Committee to which Corporate Social Responsibility issues are reported, and a Corporate Responsibility Committee, which is horizontal to the organisation with participation by the various units with responsibility in these areas and coordinates all the organisation's actions.

Since 2003, Banco Sabadell has published a report on all those actions, policies and initiatives that, beyond its main mission as a provider of financial products and services, constitute the responsible development of the business, and its commitment to its stakeholders, the environment and society in all the territories where it operates.

In 2018, the Bank drew up a Non-Financial Disclosures Report in compliance with Act 11/2018, of 28 December, which amended articles 44 and 49 of the Commercial Code in matters of non-financial information and diversity. The full version of the Non-Financial Disclosures Report forms part of the Banco Sabadell Group 2018 consolidated directors' report, to which it is attached, and it is submitted to the General Meeting of Shareholders as a separate item.

## Environmental matters

The Banco Sabadell Corporate Social Responsibility Policy, approved by the Board of Directors in 2003, and specifically, its Environmental Policy, approved by the Board of Directors in 2009, define the framework of the Bank's commitment to environmental sustainability and to combating climate change. The framework's key aims are to minimise the environmental impacts of processes, facilities and services inherent to the business, to manage business-related environmental threats and opportunities appropriately, and to promote a commitment to the environment by all persons with whom the Bank comes into contact.

## Pollution

Banco Sabadell is a signatory to the Carbon Disclosure Project (CDP) and has adopted the commitment to combat climate change. In 2015, it set a new goal of reducing CO<sub>2</sub> emissions in Spain by 3% between 2015 and 2020. To achieve this, the bank implements energy efficiency measures at its facilities and in its services each year. These measures are particularly relevant with regard to procuring electricity from renewable sources, which resulted in a 99.85% decline in scope 2 emissions in Spain with respect to 2014.

## Circular economy and waste abatement and management

In all group facilities in Spain, used paper is treated as confidential documentation for shredding and 100% is recycled through authorised waste managers. All Central Service buildings and offices have facilities for the separation and collection of packaging waste, organic waste and used batteries. Banco Sabadell works with Ricoh and the HP Planet Partners programme to manage the collection and reuse of toner cartridges and disposes of computer waste through authorised waste managers.

## Sustainable resource use

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 central service facilities in Spain.

To reduce energy consumption, the Bank undertakes continuous improvement initiatives to make its facilities and processes more eco-efficient.

In 2018, the Bank consumed 81,962 MWh of electricity in Spain (82,824 MWh in 2017), 99.96% of which was from renewable sources, purchased mainly from Nexus Renewables. CO<sub>2</sub> emissions due to electricity consumption (scope 2) have been reduced by 99.85% since 2015.

Banco Sabadell also works to minimise its consumption of resources (water and paper). In July 2018, it extended the obligation to use only recycled paper to all its branch network, with the result that it now accounts for 52% of all paper use (previously 9%).

## Climate change

In 2018, a Climate Change Risk Task Force was established to prepare for implementation of TCFD (Task Force on Climate-related Financial Disclosures) standards.

The Bank has also adopted measures to drive the reduction of CO<sub>2</sub> emissions via its commercial offering of products. In the area of vehicle leasing, it has expanded the range of sustainable vehicles (with emissions equal to or less than 120g CO<sub>2</sub>/km), which now account for 78% of the leased fleet, and ECO vehicles are available at all times.

## Other environmental disclosures

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 2018, Banco Sabadell signed 20 deals incorporating the Equator Principles, 85% of which were related to renewable energy projects.

All 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.

Through subsidiary Sinia Renovables, Banco Sabadell is engaged in a new cycle of investment (2016-2019) with €150 million earmarked for assets of this type. The renewable energy generating capacity in which Sinia has invested is more than enough to cover the electricity needs of our branches and central services buildings.

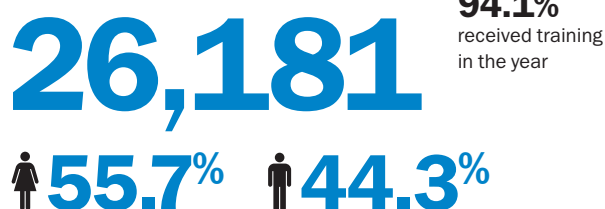
## Corporate and personnel matters

The Banco Sabadell Human Resources Policy aims to support the transformation of the organisation through a people-based agenda that is an integral part of its day-to-day business operations and its growth. Its key objective is to maximise the value-creating potential of Banco Sabadell's highly skilled workforce by developing their talent, managing their expectations and fully leveraging their capabilities.

## Employment

At 31 December 2018, the Banco Sabadell Group had 26,181 employees, 56% of whom were women and 98% of whom had indefinite contracts.

G26 Banco Sabadell headcount



Promoting equal opportunities:  
Equal-Opportunity Employer Seal.

## Work organisation, health and safety

The Bank's employees enjoy a range of benefits including: shorter working day (paid or unpaid, or for breastfeeding); unpaid leave (for maternity or to care for a relative); leave in special circumstances (for studies, personal reasons, or international adoption); extended maternity/paternity leave; and flexitime arrangements. In 2018, new flexibility and work-life balance measures were introduced, including the possibility of purchasing additional days of vacation and the progressive implementation of telework.

Regarding health and safety, the Group adopts a preventive approach to continuous improvement of the work and health conditions of its employees. All Group personnel and new hires receive information on workplace hazard prevention and are required to take an online course in health and safety at work. The training is supplemented by publications, ergonomics factsheets and equipment manuals related to the specific hazards in the Bank's activities.

## Communication within the Group

Banco Sabadell has numerous channels of communication between the different levels of the organisation to enhance internal communication and involve employees in the Bank's goals.

The "BS Idea" platform enables employees to make suggestions for improvement in any area of the organisation. The ideas with the most votes and those which add the greatest value to the Bank are considered by the persons in charge of the processes concerned and by members of a Decision Committee, who together reach a decision on their implementation. The ideas that get the most votes also receive a cash prize.

Banco Sabadell respects and guarantees employees' basic rights, including freedom of association and collective bargaining, as enshrined in Spanish law.

## Training

In 2018, 94.1% of employees in Spain received training (649,316 hours in total), while 614,527 hours of training were given at TSB (United Kingdom).

## Equality

Banco Sabadell guarantees equality and equal opportunities in all areas of action affecting the workforce: selection, training, promotion and professional development, remuneration, work-life balance, etc.

These principles are set out in the Equality Plan, the human resources policy and the Banco Sabadell Group code of conduct. The Bank has a solid track record in designing equality measures, with a special focus on empowering female talent as a means of enriching the company. To this end, gender-based statistics are

analysed exhaustively and workshops are held with executives and managers to understand the situation of female talent in the Bank. As a result, a specific plan was designed to continue advancing in terms of diversity and equality. The current Equality Plan 2016-2020 seeks, among other objectives, to ensure at least a certain percentage of women are promoted to a given level by 2020; this target was achieved two years ahead of schedule. Along the same lines, the institution focuses on promoting female talent at executive level and monitoring the pool of female talent to ensure that future needs are covered.

With regard to the wage gap, Banco Sabadell pays the same compensation for the same functions, responsibilities and seniority regardless of gender, and does not discriminate when hiring or in pay reviews. Nevertheless, an objective analysis of the data for women and men, considering the executive, specialist and administrative staff categories without applying any other criteria, revealed a gap of 11.9%. That gap, which is attributable basically to the fact that female staff tend to have joined the Bank more recently, was reduced by 5.4 points in 2018. Other specific measures to address the wage gap included:

- An increase in the percentage of women in executive positions.
- 50% of promotions were women (26% at executive level), through a focus/follow-up approach by Performance Committees and ensuring that there was no bias in candidate shortlists.
- Application of equal pay rises for women and men, and an equal increase in the overall wage volume.
- Strict gender parity in the High Potential Programme for 2019, which is the source of future managerial talent.

As a result of these measures, the Bank was granted the Equal-Opportunity Employer Seal by the Spanish Government Ministry of the Presidency, Relations with Parliament and Equality. The Seal is granted to Spanish companies and other institutions that stand out in the development of policies for equal opportunity between women and men in the workplace, by implementing equality plans and measures. The Seals are granted each year in an open process in which any company or institution, public or private, may be presented on the basis of outstanding performance in applying gender equality measures within the organisation and in connection with working conditions, organisation models and other issues, such as services, products and advertising.

In 2017, Banco Sabadell exceeded the commitment it made in 2014 when it signed the 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.

The Bank also has a Policy for Selecting Candidates for Directorships that was approved by the Board in 2016 and promotes the goal of ensuring that the under-represented gender accounts for at least 30% of the Board by 2020.

## Universal access for persons with disability

The Group promotes diversity of all kinds and is committed to the integration of all its workers through selection and professional development processes guided by the principle of non-discrimination.

At 2018 year-end, the Group had 188 employees with some form of disability (253 at 2017 year-end).

## Human rights

Banco Sabadell has a Code of Conduct and an Ethics and Human Rights Policy that were approved by the Board of Directors in 2003. It has also implemented a Code of Conduct for suppliers, through which it extends its commitment to human rights throughout the supply chain.

The Group is also a signatory of a number of agreements pertaining to human rights at a national and international level, such as the United Nations Global Compact, whose first and second principles enshrine a commitment to human and labour rights, and the Ecuador Principles, a framework for assessing and managing social and environmental risks that contemplates respect for human rights and acting with due diligence to avoid, mitigate and manage adverse impacts.

In relation to the workforce, the Bank favours and maintains an environment in which all employees are treated with dignity and respect, fairly, without any discrimination based on gender, race, colour, age, social origin, religion, nationality, sexual orientation, political opinion, physical or mental disability, or union membership.

Regarding customers and society in general, the Bank works to offer products and services that contribute to producing a positive impact on people's lives through a responsible business approach: risk prevention by assessing the risk of human rights violations in project finance, social housing management and financial inclusion.

## Fighting corruption and bribery

Banco Sabadell views ethics as a core corporate value and works actively to combat corruption. Since February 2005, Banco Sabadell has been a signatory to the Ten Principles of the United Nations Global Compact, thereby making an explicit commitment to fight corruption in all its forms.

As a financial institution, Banco Sabadell views the fight against money laundering and terrorist finance as a core value and has implemented measures, rules and procedures to this end in the Bank and its subsidiaries.

To ensure transparency, all donations to NGOs and not-for-profit organisations are analysed and assessed

by the bank's Sponsorship Committee or the Board of Trustees of the Foundation on the basis of the principles established in the Bank's community support policy.

Banco Sabadell's Code of Conduct explicitly requires employees to reject gifts, rewards or personal favours offered by customers or suppliers that might constrain or condition their ability to make decisions.

## Society

### Commitment to sustainable development

Banco Sabadell contributes to sustainable development through the initiatives listed below:

#### Transparency, simplification and accessibility

The Bank has established mechanisms to ensure that all information provided to customers is transparent and that the products and services it offers are adapted to the customer's needs at all times.

Before a product or service is marketed, the product approval committee ensures that it fulfils the transparency standards.

The branch network provides information about products and services in the form of pre-contractual information sheets; an account manager also offers the necessary information to ensure that consumers and customers understand the characteristics of the product. When giving customers investment advice, account managers perform the necessary tests to ensure that the financial products are appropriate to the customer's needs by evaluating their knowledge and experience.

#### Sustainable finance

Banco Sabadell encourages responsible investing by offering customers a number of ethical investment products which also contribute to solidarity projects. They include Fondo de Inversión Sabadell Inversión Ética y Solidaria, F.I. (a mutual fund), Sabadell Urquijo Cooperación, S.I.C.A.V, S.A. (an investment company), BS Ético y Solidario, P.P. and Plan de Pensiones BanSabadell 21 F.P. (two pension plans) and Fondo de Pensiones G.M. PENSIONES, F.P. (a pension fund for employees).

In the area of investment, both pension fund manager BanSabadell Pensiones EGFP SA and, since 2016, Aurica Capital, a venture capital firm, have adopted the Principles for Responsible Investment in the "investment manager" category.

Banco Sabadell also participated in the placement of green bonds issued by Iberdrola and Gas Natural and was the only placement agent for a sustainable bond issued by the Madrid Regional Government (€150 million) in 2018.

## Assistance in cases of mortgage default

Through Sogeviso, a wholly-owned subsidiary, Banco Sabadell manages the problem of social housing with a view to adopting a responsible approach to situations of social exclusion among vulnerable mortgage customers. At 31 December 2018, Sogeviso was managing 10,178 social and affordable rentals for such vulnerable customers, 53% of whom had joined the Social Contract.

In 2018, it also consolidated the JOBS (job placement) programme, which had 2,688 participants at year-end. This programme has enabled 1,483 people to find work since it was created in 2016.

## Financial education

Banco Sabadell continues to promote 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 activities and materials in cooperation with educators in order to develop creativity and teach the importance of saving, the value of money, and solidarity.
- 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 sixth edition included events in over 350 schools. In 2018, a total of 87 volunteers, including current and retired employees of the Bank, took part.

Also, in partnership with the Spanish Banking Association (AEB) and the Junior Achievement (JA) 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 (serving and retired employees) took part.

- For SMEs: For the last six years, Banco Sabadell, with AENOR, AMEC, Arola, CESCE, Cofides, Esade and Garrigues, has sponsored the “Export for Growth” programme to help small and medium-sized firms expand into foreign markets; the programme provides online tools and specialised information services and organises debates around the country, which have been attended by over 5,000 companies to date.
- Banco Sabadell 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 was renewed in 2018, follows the recommendations of the European Commission and the OECD and 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.

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: Fundación Exit’s “Coach” project, using mentoring of young people at risk to improve their employability, and the Transpirenaica Social Solidaria walk.
- Contributions to/participation in solidarity campaigns: Trailwalker, in which more than 40 teams and over 100 volunteers participated; blood donation drives, in which there were more than 230 contributions; and assistance with the Fundación Magone’s Christmas gift campaign through the contribution of more than 470 gifts.
- Projects aimed at integration and improving employability: an alliance with Cáritas on the “Feina amb Cor” programme for unemployed people and people at risk of social exclusion. Of the 25 people who have passed through the Feina amb Cor integration programme since 2015, five are still employed at the Bank’s branches in the province of Barcelona, six exceeded the 3,000 hours of work established in the programme, and 5 have found stable work, which is the programme’s main objective.
- TSB has its TSB Local Charity Partner programme, under which each branch supports a local cause that is important to their community. It also helps local sports clubs across the UK to use the power of sport to make a positive difference for young people and their communities through a partnership with Sported, one of the UK’s leading charities related to the sport.

## Community outreach and sponsorship

Banco Sabadell’s social action policy is underpinned by the Group’s commitment to society and to value creation. Banco Sabadell operates in this area mainly through the Banco Sabadell Foundation and the Sponsorship Committee, and horizontally through its various divisions. In 2018, the Bank contributed €5 million to the Banco Sabadell Foundation.

The Banco Sabadell Foundation focuses on talent, science, culture and social entrepreneurship. Key initiatives by the Foundation include a Prize for Biomedical Research; a Prize for Science and Engineering (instituted in 2017) in cooperation with del BIST, Barcelona Institute of Science and Technology; and a Prize for Research in Economics, all of which aim to give recognition and support to the achievements of young Spanish researchers in those disciplines.

In 2018, the Ship2B Foundation, in cooperation with the Banco Sabadell Foundation, launched the second

edition of the BValue programme, whose objective is to help professionalise, transform and improve the value proposition of non-profit entities in any field of activity. After a first stage, ten proposals were chosen to receive support for launching a crowdfunding campaign to publicise and validate their idea. The projects will be presented on a Demo Day, at which the Banco Sabadell Foundation will grant financial aid.

## Consumers, outsourcing and suppliers

Banco Sabadell has established a Customer Care Service to handle complaints and claims.

The Group also has a Customer Ombudsman with the power to decide on complaints by customers and users of Banco Sabadell, in both the first and second instance, and to decide on issues referred by the Customer Care Service.

The challenge of competitiveness requires a climate of cooperation between Banco Sabadell and its suppliers, whom it views as strategic partners. As a result, the Bank has established protocols and rules to extend its commitment to socially responsible practices to the supply chain. Banco Sabadell involves its suppliers in the Group's environmental policy by incorporating social and environmental responsibility into its supply chain. Banco Sabadell's basic contract with suppliers includes specific clauses on respect for human rights and the ten principles of the United Nations Global Compact. Where appropriate, the contracts also contain clauses relating to the environment.

## 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.

### Non-financial 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.
- The Suppliers' Code of Conduct.
- Corporate Social Responsibility Policy.
- Banco Sabadell Group policy on restrictions on financing and investment in activities associated with the arms industry.
- Policy on ethics and human rights.
- Policies related to stakeholders (shareholders and

investors, customers, employees, the environment, suppliers and social action).

- Banco Sabadell Group Remuneration Policy
- Plan to foster effective equality between women and men at Banco Sabadell.
- Code of conduct governing the use of social media.
- Membership of Autocontrol, a self-regulatory body on business communication.
- Adoption of the Code of Good Banking Practice.
- Tax Strategy and Good Taxation Practices:
  - Tax Strategy.
  - Tax Responsibility and Good Taxation Practices.

### 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, which requires it to take account of environmental, social and governance (ESG) issues in financing major projects and in loans to large corporates.
- Integration of CSR policies into business practice in accordance with ISO 26000 guidelines.
- Signatory to the United Nations Principles for Responsible Investment, in the "investment manager" category.
- Renewed membership of 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.
- Included in the FTSE4Good and FTSE4Good IBEX sustainable stock market indices.
- Awarded the European Foundation for Quality Management (EFQM) Gold Seal of Excellence.
- ISO 9001 certification for 100% of the Group's processes and activities in Spain.
- ISO 14001 certification for the six central services buildings.
- Signatory to the Carbon Disclosure Project (CDP) in connection with action against climate change.
- "Equal-Opportunity Employer Seal" granted by the Spanish Government Ministry of the Presidency, Relations with Parliament and Equality.

## People

The Bank has a young highly-qualified and gender-diverse workforce. The human resources strategy is based on key principles which ensure that the goals are achieved (G26).

Three essential premises underpin the group's human resources management approach:

- Focus on talent development.
- Greater proximity to the business.
- Focus on employee satisfaction.

This triple focus is aimed at providing the talent that the Bank requires using the available capacities. It is built