

# Consolidated directors' report



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# Organisational structure

Banco de Sabadell, S.A. ("Banco Sabadell", the "Bank" or the "company") with registered office at Avenida Óscar Esplá, 37, in Alicante, has as its object to engage in banking and it is subject to the standards and regulations governing banking institutions operating in Spain. It has been subject to prudential supervision on a consolidated basis by the European Central Bank (ECB) since November 2014.

The Bank is the parent company of a group of institutions which it controls directly or indirectly and which, with it, comprise Banco Sabadell Group. Banco Sabadell offers a full range of financial services through its financial institutions, brands, subsidiaries and affiliates, which cover all areas of the finance business and operate basically in Spain, the United Kingdom and Mexico.

The Group was organised into the following businesses in 2020:

- Banking Spain groups the following customer-facing business units:
  - Commercial Banking: the Group's largest single line of business, focused on offering financial products and services to large and medium enterprises, SMEs, shops and self-employed workers, private individuals and professionals, as well as providing consumer finance, asset management and bancassurance. Private Banking offers value-added products and services to its customers.

Sabadell is the main brand used in most of the Spanish market. The Group also operates under the following brands:

    - SabadellHerrero, in Asturias and León.
    - SabadellGuipuzcoano, in the Basque Country, Navarra and La Rioja.
    - SabadellGallego, in Galicia.
    - SabadellSolbank, in the Canary Islands, the Balearic Islands and in the southern and eastern coastal areas of mainland Spain.
    - ActivoBank serves customers who prefer to do their banking exclusively by telephone or online.
  - Corporate banking: offers specialised financing services together with a broad range of solutions, from transactional banking services to very complex custom solutions, in finance, treasury, and import/export, among others. It includes the overseas branches and representative offices since their main customers are Spanish.
  - Asset Transformation engages in horizontal management of non-performing and real estate exposures. It implements the asset transformation strategy and adopts a comprehensive vision of the Group's property portfolio with a view to maximising its value.
- Banking UK: the TSB franchise covers retail banking in the United Kingdom (current and savings accounts, personal loans, cards and mortgages).

- Banking Mexico: offers the full range of banking and financial services via Corporate Banking and Commercial Banking.

Banco Sabadell is the parent company of a group which, at 31 December 2020, comprised 106 companies, of which, apart from the parent company, 85 were classified as Group companies and 20 as associated companies (174 at 31 December 2019, of which 149 were Group companies and 24 were associated companies).

## Corporate governance structure

Banco Sabadell has a sound corporate governance structure that guarantees effective, prudent management. The internal governance framework which sets out, among other aspects, the shareholder structure, the governing bodies, the Group's structure, the composition and operation of corporate governance, the internal control functions, key governance matters, the risk management framework and the Group's policies, is published on the website [www.grupobancosabadell.com](http://www.grupobancosabadell.com) (See the "Corporate governance and Remuneration policy - Internal Governance Framework" section of the corporate website).

## General Meeting of Shareholders

The Bank's main governing body is the General Meeting of Shareholders, in which the shareholders decide on matters attributed to the Meeting by law, the Articles of Association (available on the corporate website under "Corporate governance and remuneration policy - Articles of Association") and its own Regulation, and those business decisions that the Board of Directors considers to be of vital importance for the bank's future and for the company's interests.

The General Meeting of Shareholders has adopted its own Regulation, which sets out the principles and basic rules of action (available on the corporate website under "Shareholder and Investor information - GM Regulations") and safeguards shareholder rights and transparency.

In the General Meeting of Shareholders, shareholders may cast one vote for every thousand shares they own or represent.

The Policy on communication and contacts with shareholders, institutional investors and proxy advisors approved by the Board of Directors, in conformity with the June 2020 revision of the Good Governance Code of Listed Companies, aims to promote transparency vis-à-vis the markets and build trust while safeguarding, at all times, the legitimate interests of institutional investors, shareholders and proxy advisors and of Banco Sabadell's other stakeholders.

## Board of Directors

With the exception of matters reserved for the General Meeting of Shareholders, the Board of Directors is the highest decision-making body in the company and its consolidated group, as it is responsible, under the law and the Articles of Association, for the management and representation of the bank. The Board of Directors acts mainly as an instrument of supervision and oversight, and delegates the management of ordinary business matters to the CEO.

The Board of Directors is subject to well-defined, transparent rules of governance, particularly the Articles of Association and its own terms of reference (available on the corporate website under “Corporate governance and remuneration policy - Regulations of the Board of Directors”), and it conforms to best practices in the area of corporate governance.

The members of the Board of Directors at 31 December 2020 were as follows: four executive directors and eleven non-executive directors (ten of them independent and one proprietary). The composition of the Board of Directors has an appropriate balance between the various categories of director.

The composition of the Board of Directors is diverse and efficient. It is of the appropriate size to perform its functions effectively by drawing on a depth and diversity of opinions, enabling it to operate with a level of quality and efficacy and in a participatory way. It combines a suitable diversity in terms of competency, professional background, origin and gender, as its members have extensive experience in banking, finance, insurance, risk and auditing, regulatory affairs and the law, as well as the academy, human resources and consulting, business and the international arena. The Board's Matrix of Competencies can be consulted on the website under “Corporate governance and remuneration policy – Internal Governance Framework”).

The Director Candidate Selection Policy, which was approved by the Board of Directors in 2016, establishes the procedure for selecting candidates and it seeks to ensure an appropriate balance in the composition of the Board of Directors, facilitate the selection of women directors and, generally, guarantee that it is free of inherent bias that might entail discrimination.

The last two independent directors who were appointed are women, which increases the diversity of the Board of Directors in terms of age, gender, training, knowledge and experience. Ms. Mireya Giné Torrens, whose appointment was approved by the General Meeting of Shareholders on 26 March 2020, provides experience and knowledge of finance, the academy, digital and IT (digital transformation). Ms. Alicia Reyes Revuelta, appointed by co-optation by the Board of Directors on 24 September 2020, provides experience and knowledge of banking, both retail and corporate, as well as finance. Both of them have international experience.

At 2020 year-end, there were four female directors: three independent directors (out of a total of ten

## Composition of the Board of Directors as of 31 December 2020

### **Chairman**

Josep Oliu Creus

### **Deputy Chairman**

José Javier Echenique Landiribar

### **Chief Executive Officer**

Jaime Guardiola Romojaro

### **Director General Manager**

David Vegara Figueras

### **Director Secretary General**

María José García Beato

### **Directors**

Anthony Frank Elliott Ball

Aurora Catá Sala

Pedro Fontana García

Mireya Giné Torrens

George Donald Johnston III

David Martínez Guzmán

José Manuel Martínez Martínez

José Ramón Martínez Sufrategui

Alicia Reyes Revuelta

Manuel Valls Morató

### **Secretary (non-member)**

Miquel Roca i Junyent

independent directors) and one executive director.

On 17 December 2020, the Board of Directors appointed Mr. César González-Bueno Mayer as an executive director and as CEO, succeeding Mr. Jaime Guardiola Romojaro, once the pertinent regulatory authorisations had been obtained.

Chosen after a diligent, in-depth selection process, Mr. César González-Bueno has the requisite knowledge, skills and experience as set out in the Succession Plan for the Chairman and CEO. He has an excellent commercial and professional reputation, possesses the appropriate knowledge and experience to discharge his duties and is in a position to exercise good governance of the Bank. His appointment was found to increase the diversity of the Board of Directors, having regard to the Banco Sabadell Matrix of Competencies. It was therefore concluded that he is the right person for the job, and he is eminently qualified to hold the positions to which he has been appointed and to lead the bank into the future, since he represents values and experience that fit the direction and strategy of Banco Sabadell.

The Board has a lead independent director, who is empowered, under the Articles of Association, to give notice of meetings of the Board of Directors, add items to the meeting agenda, coordinate and meet with the non-executive directors, reflect the opinion of the non-executive directors, and direct the regular assessment of the Chairman of the Board of Directors. The lead independent director also coordinates the Succession Plan for the Chairman and CEO that was adopted in 2016 and, in practice, chairs any meetings with investors or proxy advisors.

To ensure better and more diligent performance of its general supervisory duties, the Board undertakes to directly discharge the responsibilities provided by law, including:

- a) those deriving from the generally-applicable corporate governance standards;
- b) approving the Company's general strategies;
- c) appointing and, as necessary, removing directors of the Company's subsidiaries;
- d) identifying the Company's main risks and implementing and monitoring suitable internal control and reporting systems;
- e) setting policy on the reporting and disclosure of information to shareholders, the markets and the general public;
- f) setting policy on own shares in accordance with any guidelines laid down by the Shareholders' Meeting;
- g) approving the Annual Corporate Governance Report;
- h) authorising transactions between the Company and directors or significant shareholders which may lead to conflicts of interest; and
- i) generally deciding on business or financial transactions that are of particular importance for the Company.

## Committees of the Board of Directors

In accordance with the Articles of Association, the Board of Directors has established the following committees:

- Delegated Committee.
- Audit and Control Committee.
- Appointments Committee.
- Remuneration Committee.
- Risk Committee.

The organisation and structure of the Board committees is set out in the Articles of Association and in their respective terms of reference, which give the rules governing their composition, operation and responsibilities (See the "Corporate governance and remuneration policy - Regulations of the Committees"), and elaborate upon the terms of reference and basic functions envisaged in the Articles of Association and the Regulations of the Board of Directors.

The Committees have sufficient resources to perform their functions, can draw on external advice and are entitled to obtain information about any aspect of the institution, with unrestricted access to senior management and group executives and to any type of information or documentation at the Bank's disposal in connection with the matters within their competency.

The composition of these committees at 31 December 2020, and the number of meetings held in 2020, is shown in the table below:

#### Committee composition

Position	Delegated	Audit and Control	Appointments	Remuneration	Risk
Chairman	Josep Olius Creus	Manuel Valls Morató	José Manuel Martínez Martínez	Aurora Catá Sala	George Donald Johnston III
Member	José Javier Echenique Landiribar	Pedro Fontana García	Anthony Frank Elliott Ball	Anthony Frank Elliott Ball	Aurora Catá Sala
Member	Jaime Guardiola Romojaro	Mireya Giné Torrens	Aurora Catá Sala	George Donald Johnston III	Manuel Valls Morató
Member	Pedro Fontana García	José Ramón Martínez Sufrategui	—	José Ramón Martínez Sufrategui	—
Secretary (non-member)	María José García Beato	Miquel Roca i Junyent	Miquel Roca i Junyent	María José García Beato	María José García Beato
<b>Number of meetings in 2020</b>	<b>35</b>	<b>12</b>	<b>16</b>	<b>12</b>	<b>14</b>

### Delegated Committee

The Delegated Committee is composed of four directors (two executive and two independent) and is chaired by the Chairman of the Board; it has the functions and powers delegated to it expressly by the Board of Directors which the law and the Articles allow it to delegate. It exercises oversight over the Bank's day-to-day business and must report any decisions it makes to the Board of Directors.

### Audit and Control Committee

The Audit and Control Committee comprises four independent directors and is chaired by an expert in auditing. It meets at least once per quarter. Its main function is to oversee the efficacy of the Bank's internal control, internal audit and risk management systems, supervise the process of drafting and presenting regulated financial disclosures, advise on the Bank's annual and mid-year financial statements, liaise with the external auditor, and ensure that suitable measures are taken to address any conduct or methods that might be inappropriate. It also ensures that the measures, policies and strategies defined by the Board are duly implemented.

### Appointments Committee

The main functions of the Appointments Committee, which comprises three independent directors, are to ensure that the qualitative composition of the Board of Directors fulfils the requirements, assess whether directors meet the suitability, competency and experience requirements for the position, make proposals as to the appointment of independent directors and advise on the appointment of other directors. It must also set a representation target for the minority gender on the Board of Directors and draw up guidelines on how the target should be achieved; it advises on proposals for the appointment and removal of senior executives and identified staff, as well as on the basic contractual conditions for executive directors and senior executives.

### Remuneration Committee

The main functions of the Remuneration Committee, which comprises four independent directors, are to make proposals to the Board of Directors on policy for the remuneration of directors and general managers and on remuneration and other contractual conditions for individual executive directors, and to ensure compliance with existing policies. It also advises on the Annual Report on Director Remuneration and reviews the general principles governing remuneration and the arrangements for the remuneration of all employees, ensuring that transparency is maintained.

## Risk Committee

The main functions of the Risk Committee, which comprises three independent directors, are to supervise and exercise oversight to ensure that all the risks of the Bank and its consolidated group are accepted, controlled and managed appropriately, and to report to the Board on the performance of its duties, in accordance with the law, the Articles of Association and the Board of Directors Regulation, and the Committee's own terms of reference.

## Bank Chairman

Under Article 54 of the Articles of Association, the Chairman of the Board of Directors is the Bank's chief representative and, in performing his functions, he is the person with primary responsibility for the effectiveness of the Board of Directors, representing the Bank in any event, and signing on behalf of the company; he convenes and chairs meetings of the Board of Directors, setting the agenda, directing the debates and deliberations within the Board of Directors, and, in the event, the General Meeting, and is responsible for executing the decisions adopted by the Board of Directors and the General Meeting of Shareholders without the need for this to be expressly mentioned. He also holds any powers delegated to him by the Board of Directors.

## Chief Executive Officer

Under article 54 of the Articles of Association, the CEO is the person with primary responsibility for managing and directing the business, and for representing the Bank in the Chairman's absence. The Board may attribute to the CEO any powers that it sees fit from among those that it is allowed by law to delegate.

## Control units

The Internal Audit Division and the Risk Division have access to and report directly to the Board of Directors and its committees — the Audit and Control Committee and Board Risk Committee, respectively.

The Bank publishes an Annual Report on Corporate Governance, which contains detailed information on corporate governance, and the Non-Financial Disclosures Report, both of which are part of the 2020 financial statements, together with an Annual Report on Director Remuneration, all of which are available on the on the CNMV website and the Banco Sabadell corporate website [www.grupobancosabadell.com](http://www.grupobancosabadell.com).

## Business model, main objectives achieved and actions implemented

The Bank's business model is focused on profitable growth with the goal of creating shareholder value. This is achieved through a business diversification strategy based on profitability, sustainability, efficiency and service quality, with a conservative risk profile and within a framework of ethical and professional codes, taking into account the interests of the various stakeholders.

The Bank's business model pursues long-term relationships with customers through constant efforts to promote customer loyalty through an initiative-based, proactive approach. The Bank has a comprehensive range of products and services, competent, highly qualified personnel, an IT platform with ample capacity to support future growth, and a relentless focus on quality.

Since the financial crisis in 2008, Spain's banking sector has been engaged in an unprecedented concentration process. Higher levels of capital, stricter provisioning requirements, the economic recession and pressure from the capital markets are some of the factors that have driven Spanish banks to merge and gain in scale, maximise efficiency and strengthen their balance sheets.

During the last ten years, Banco Sabadell has expanded its geographic footprint and increased its market share in Spain through acquisitions, most notably that of Banco CAM in 2012. Banco Sabadell was able to engage in additional M&A transactions in 2013 in appropriate economic conditions within the framework of the restructuring of the banking industry, and in 2015 it acquired Penedès, Banco Gallego y Lloyds España.

The acquisitions and organic growth in recent years have enabled Banco Sabadell to reinforce its position in some of Spain's most prosperous regions (e.g. Catalonia, Valencia and the Balearic Islands) and to increase market share in other key areas. According to the most recent information, Banco Sabadell has a market share of 8% in lending and 7% in deposits at national level. Banco Sabadell also has a strong position in other products: 9% in commercial credit; 10% in lending to companies; 6% in mutual funds; 10% in securities trading; and 17% in POS turnover.

Banco Sabadell also maintains its quality differential with respect to the rest of the industry and ranks in the top 3 among its peers in terms of customer experience (Net Promoter Score) in the areas of Personal Banking, SMEs and Large Corporations.

Banco Sabadell has always been a trailblazer on the international front. This continued to be the case in 2020, as Sabadell retained its position in the leading financial hubs and supported businesses in their international activities, having achieved a 15% share of Swift transfers. Banco Sabadell has expanded its international presence in recent years, including notably the acquisition of UK bank TSB in 2015, and the incorporation of a bank in Mexico in 2016.



As a result, Sabadell is one of the largest players in the Spanish financial system, having diversified geographically (72% in Spain, 26% in the UK and 2% in Mexico) and expanded its customer base six-fold since 2008, all while safeguarding its capital adequacy and liquidity.

The year 2020 was marked by the COVID-19 pandemic, which triggered an unprecedented crisis for the global economy. Social distancing measures implemented as a result of the pandemic produced simultaneous supply and demand shocks worldwide. The year was also affected, once again, by the persisting adverse interest rate situation, which continues to weigh on the industry's profitability. Despite this, Banco Sabadell has been able to generate net profit while strengthening its capital position and balance sheet.

The Bank's results in 2020 were impacted primarily by banking revenues, because of the decline in commercial activity, and by an increase in defaults as a result of the worsening economic situation caused by COVID-19. These impacts were offset by capital gains on the sale of 100% of Sabadell Asset Management, S.A., S.G.I.I.C, Sociedad Unipersonal, better performance by recurring costs, and higher trading income. Additionally, in order to increase the Group's profitability, Banco Sabadell implemented an efficiency plan in Spain and accelerated the restructuring plan in the UK. In line with its strategy of focusing on its core business, during the year Banco Sabadell announced a sale of its institutional depository business for 115 million euros, and it completed the sale of SDIN Residencial, S.L., Sociedad Unipersonal.

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 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. In 2020, Banco Sabadell issued its first green bond, raising 500 million euros and reflecting the bank's commitment to sustainability.

## 2021

Banco Sabadell adopts strategic plans in which it sets targets for the coming years in accordance with the macroeconomic, business and regulatory context.

The year 2021 will be shaped by the current adverse macroeconomic situation, driven by the COVID-19 pandemic and the negative interest rate situation. In this scenario, Banco Sabadell will unveil a Business Plan in 2021 focused on enhancing its strengths, increasing profitability and maximising value creation. This new

plan will prioritise the domestic market as a means of enhancing efficiency in the use of capital and the group's resources, thereby increasing profitability and shareholder value creation.

Banco Sabadell's ambitions in Spain focus on improving profitability based on the programme to enhance efficiency and transform the retail market, commencing with a restructuring plan that has been agreed with the unions and will entail shedding approximately 1,800 workers in 2021, while reinforcing its value proposition in its core segments (particularly SMEs, where it leads in customer satisfaction and which offers the greatest added value and profitability; in this segment, it will implement its new plan to enhance the cost-to-income ratio and organic capital generation) and will expand spreads while working to control its risk profile. This is to be accompanied by measures to enhance the business's sustainability by transforming the distribution and digitalisation model to offer a broad range of distinctive products and services to each customer while retaining the lead in quality of service.

Additionally, late last year it launched a new plan in the United Kingdom to improve business efficiency and increase volume and revenues organically. The TSB restructuring plan was accelerated in 2020.

The strategy defined for the Mexican market is based essentially on customers and products that enable us to maximise profitability based on an innovative digital model.

Banco Sabadell's business model pursues value creation for all its stakeholders while offering a wide range of products and excellent quality of service to its customers and developing its human capital. All this while maintaining its commitment to society and the environment, through ethical and responsible development of its business.

## Share performance and share ownership

The year 2020 was shaped by the events surrounding the COVID-19 pandemic and the economic crisis that resulted from the virus's spread and the measures imposed by governments to contain it. The resulting economic instability and uncertainty had a significant impact on stock market performance in 2020.

The stimulus packages announced by governments and international institutions in order to palliate the effect of the pandemic on the real economy helped to boost investor confidence to an extent. However, as the year progressed, growing fears of a second wave of the virus again undermined investor confidence and hurt share prices globally.

With the second wave of COVID-19 and multiplying containment measures, the markets discounted an increasingly complex scenario and a growing likelihood of another recession. For this reason, hope for an economic recovery lay mainly in progress with developing vaccines against the virus.

Other factors that have produced uncertainty in the stock markets in 2020 were the trade tensions between China and the United States, uncertainty about Brexit, and the US presidential elections.

Towards year-end, progress with vaccines, the election of Joe Biden to the White House, and the Brexit agreement on 24 December had a very positive impact on share prices on both sides of the Atlantic.

Banco Sabadell's share was significantly affected by the factors mentioned above. As for endogenous factors, it shed non-performing assets, maintained a robust level of capital, launched an efficiency plan in Spain, and accelerated the TSB restructuring plan, all of which were welcomed by analysts and the broad market. The announcement of M&A transactions in the Spanish banking industry also had a positive impact on the stock.

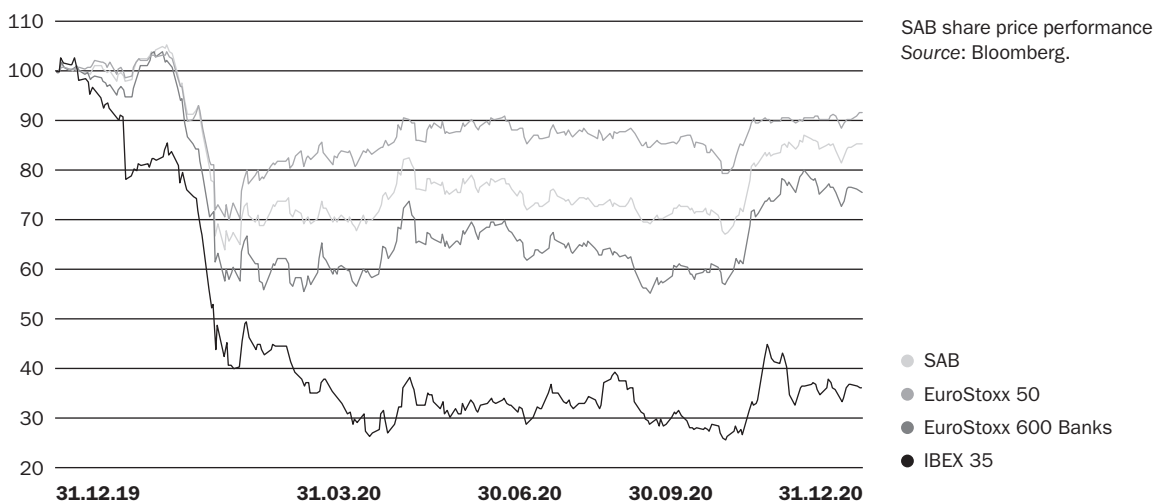
At the end of 2020, 65% of equity analysts covering Banco Sabadell had a Buy or Hold recommendation on the stock.

During 2020, institutional investors owned 43% of the stock, while retail investors owned 57%.

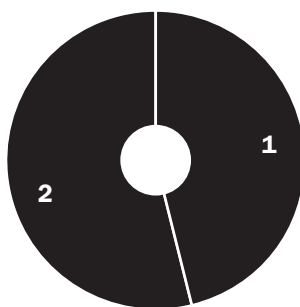
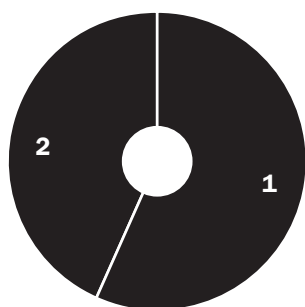
Banco Sabadell's market capitalisation stood at 1,976 million euros at year-end, with a price-to-book ratio of 0.15.

## Sabadell's share performance was shaped by the crisis arising from the coronavirus pandemic.

The next figure shows the share's performance during the year:



Note: share price adjusted for dividends and capital increases.



Ownership structure 31.12.2020 (%)

<b>1</b>	Retail investors	56.7
<b>2</b>	Institutional investors	43.3

Ownership structure 31.12.2019 (%)

<b>1</b>	Retail investors	46.2
<b>2</b>	Institutional investors	53.8

No. of shares	Shareholders	Shares in tranche	% of capital
From 1 to 12,000	190,901	611,045,364	10.86
From 12,001 to 120,000	49,841	1,554,814,439	27.63
From 120,001 to 240,000	2,085	341,433,296	6.07
From 240,001 to 1,200,000	1,198	526,131,754	9.35
From 1,200,001 to 15,000,000	167	477,402,590	8.48
More than 15,000,000	33	2,116,137,258	37.61
<b>TOTAL</b>	<b>244,225</b>	<b>5,626,964,701</b>	<b>100.00</b>

Analysis of shareholdings at 31 December 2020

No. of shares	Shareholders	Shares in tranche	% of capital
From 1 to 12,000	189,863	563,139,756	10.01
From 12,001 to 120,000	42,426	1,284,276,683	22.82
From 120,001 to 240,000	1,620	264,631,530	4.70
From 240,001 to 1,200,000	921	393,813,970	7.00
From 1,200,001 to 15,000,000	167	465,296,435	8.27
More than 15,000,000	37	2,655,806,327	47.20
<b>TOTAL</b>	<b>235,034</b>	<b>5,626,964,701</b>	<b>100</b>

Analysis of shareholdings at 31 December 2019

	Million	Million euros	Euros	Million euros	Euros
	Average number of shares	Attributed income	Attributed income per share	Own funds	Book value per share
2017	5,570	802	0.144	13,426	2.41
2018	5,565	328	0.050	12,545	2.25
2019	5,538	768	0.125	13,172	2.38
2020	5,582	2	—	12,944	2.32

Earnings and book value per share 2017-2020

## Share performance

Below are a number of indicators of the Bank's share performance:

	2020	2019	Change (%) year-on-year	Share performance
<b>Shareholders and trading</b>				
Number of shareholders	244,225	235,034	3.9	
Average number of shares (million)	5,582	5,538	0.8	
Average daily trading volume (million shares)	59	30	95.6	
<b>Share price (euros)</b>				
Beginning of the period	1.040	1,001	—	
High	1.080	1.130	—	
Low	0.250	0.714	—	
Closing	0.354	1.040	—	
Market capitalisation (million euros)	1,976	5,760	—	
<b>Market ratios</b>				
Earnings per share (EPS) (euros)	(0.01)	0.13	—	
Book value per share (euros)	2.32	2.38	—	
Price / Book value	0.15	0.44	—	
Price / Earnings ratio (P/E)	(27.75)	8.29	—	

## Dividend policy

The Bank's shareholder remuneration policy conforms to the provisions of the Articles of Association and is submitted for approval each year by the General Meeting.

On 8 April 2020, in line with the European Central Bank's recommendation to banks not to pay or make irrevocable undertakings to pay dividends out of 2019 and 2020 earnings, the Bank's Board of Directors resolved not to pay a dividend in 2020 as a prudent response to the crisis created by COVID-19. The Bank intends to resume paying dividends when the European Central Bank lifts its recommendation not to pay or make irrevocable undertakings to pay dividends.

## Credit rating

The rating agencies that assessed Banco Sabadell's credit quality in 2020 were S&P Global Ratings, Moody's, DBRS and Fitch Ratings. Below are details of the current ratings and the last date on which they were affirmed:

Agency	Long term	Short term	Outlook	Last review	Credit rating. Ratings and date of last update
DBRS	A (low)	R-1 (low)	Negative	30.06.2020	
S&P Global Rating	BBB	A-2	Negative	26.11.2020	
Moody's Investors Service	Baa3	P-2	Stable	10.11.2020	
Fitch Ratings	BBB-	F3	Stable	26.11.2020	

**On 30 June 2020**, DBRS Ratings GmbH affirmed the credit rating of Banco Sabadell with a negative outlook, reflecting their view that the disruption to the economy and the market resulting from the COVID-19 pandemic will have an adverse effect on the bank's operating environment in Spain and the UK.

**On 26 November 2020**, S&P Global Ratings affirmed its credit rating for Banco Sabadell with a negative outlook to reflect the challenging economic environment caused by the COVID-19 pandemic and the possibility of asset quality impairment in this situation.

**On 10 November 2020**, Moody's affirmed Banco Sabadell's credit rating, with a stable outlook, to reflect the significant balance sheet de-risking, strong liquidity and improved capital position, which might be affected depending on how the pandemic evolved.

**On 26 November 2020**, Fitch Ratings confirmed Banco Sabadell's credit rating, with a stable outlook, supported by the capital's ability to absorb the deterioration in asset quality caused by the pandemic and the likely reduction in profitability. The rating is also supported by the strong domestic franchise, particularly in the SME segment.

## Customers

### Brand

"At Banco Sabadell we want to help people and companies bring their projects to life, anticipating their needs and taking care to ensure that they make the best economic decisions. We do this through responsible stewardship that is committed to the environment and to society. Our values: Commitment, Non-conformism, Professionalism, Effectiveness, Empathy and Openness."

That is the promise of the Banco Sabadell brand, the bank we want to be. The brand is committed to our customers, employees and society because "we are distinguished not only by what we do, but also by how we do it".

In 2020, Banco Sabadell showed that, despite the circumstances, its vision remains as valid as ever, and it continued to support its customers to help them make the best economic decisions. Because, in times of uncertainty, decisions need to be made but one decision takes precedence: To support our customers.

### Response to COVID-19

The COVID-19 crisis was an unprecedented disruption that forced society to adapt, in a short period of time, to a new complex reality in both social and economic terms.

Many customers are in a delicate situation due to the impact of the crisis on their health, their businesses, and their jobs, among others. Banco Sabadell is aware of this and, from the outset, it chose to address the situation in a customer-centric way, through a commitment to and empathy with its customers.

Early in the crisis, Banco Sabadell Spain implemented a Support Plan in order to be there for its customers and help them manage the effects. The first phase of the plan involved mobilising all its staff to contact customers proactively in order to ascertain their situation and offer them help and support in coping with the difficulties. Additionally, new channels for regular communication were created, such as a newsletter and a website dealing specifically with COVID-19 so as to ensure that customers have access, at all times, to all the information they need about the bank and the support available to them.

Banco Sabadell also centralised its efforts to ensure business and service continuity, and sought at all times to protect customers and employees by adopting the necessary sanitary measures and ensuring that its customer care maintains the high quality of service that has always defined the Bank. In this regard, the Bank encouraged the use of online tools and increased the number of transactions that offer the option of remote signature.

To drive resilience in the face of the COVID-19 crisis, the Bank also adopted specific measures and support plans for customer segments, including companies and individuals.

### Private individuals

- **Moratorium:** Banco Sabadell expanded the benefits of this measure adopted by the government by implementing more flexible selection criteria and expanding the period of validity.
- **Loans:** the range of personal loans was expanded for customers who were having difficulties with the moratorium or experiencing delays with the paperwork.
- **Pensions and unemployment:** In Spain, Banco Sabadell offered advances on customers' unemployment benefits and pension payments. It focused particularly on the elderly, contacting customers in this category to minimise their need to visit the branch, and provided them with information on how to check their accounts and perform transactions without having to visit a branch.
- **Social rental:** families living in a home assigned to the Social Housing Fund (FSV) who had been affected by COVID-19 were able to defer rent payments for up to three months.
- **Insurance:** Banco Sabadell implemented a feature enabling individual customers to pay insurance premium instalments (life, home and automobile) and offered distinctive coverage and services in its property and casualty insurance.

### Corporations, businesses and SMEs

- **Financing:** In Spain, Banco Sabadell earmarked 15 billion euros for revolving credit lines to enable its customers to meet liquidity needs in their businesses, large or small. Other measures included:

- Encouraging customers to renew credit lines early in order to avoid overdrafts.
- Working to help customers extend factoring, reverse factoring and discounting lines and import/export credit.
- Promoting a capital holiday of up to six months in certain loans.
- ICO support plan: the Bank processed applications for credit backed by the Spanish State via the Official Credit Institute (ICO) in order to extend support for businesses and self-employed workers affected by COVID-19.
- Point-of-sale: the Bank promoted solutions for businesses with physical stores to make sales by phone or via the web or, where home deliveries were possible, to collect payment on the customer's doorstep.
- Insurance: Banco Sabadell added facilities to enable companies to pay insurance premiums and offered distinctive coverage and services in property and casualty insurance for self-employed workers, shops and companies.

## Other initiatives

- We expedited payments to our suppliers by implementing a one-week payment cycle in order to reduce liquidity stress.
- Customer service options were enhanced.
- The limit on contactless card payments was raised and the expiration date was extended on cards expiring in March or April.
- Facilities for cash withdrawals were added to the App.
- A total of 59 webinars were held on current issues such as financing, the digital transformation, international business, startups and leadership.
- Pulso, a new digital services for shops, was introduced to help customers in this segment remain up to date on trends in consumer spending and commercial activity in their country, region and local area.

## Driving digitalisation

The situation created by COVID-19 has favoured a new form of relationship where digitalisation is vital in order to be able to maintain the quality of service that is the Bank's hallmark while also avoiding unnecessary trips to branches so as to protect the health of customers and employees alike.

Since the pandemic began, Banco Sabadell Spain has implemented a digitalisation plan aimed at ensuring a customer experience that is as comprehensive and satisfactory as possible. This plan involves expanding new digital features and services and assisting customers in the transition to digitalisation. The improvements include raising the limit on ATM cash withdrawals, enabling customers to withdraw cash at ATMs using NFC technology, and new digital services for shops and self-employed workers to enable them to get their businesses online and accept alternative means of payment (the Phone&Sell service).

It is essential to support customers in the transition to digital so as to ensure that they are aware of the distance banking and self-service options that the Bank offers and are able to use them. To inform customers and support them in this process, Banco Sabadell designed a personalised communication plan to help customers familiarise themselves with the use of remote channels and perform self-service transactions conveniently, quickly and safely. This plan is being maintained over time, so that customers can see we are working with them round the clock, and we encourage them to transition towards digital.

This plan includes:

- Working with customers from the outset, promoting the use of remote channels.
- Communicating with customers on the basis of their degree of digitalisation, and a monthly newsletter to inform them of new digital features and highlight existing ones.
- Video tutorials on the main remote transactions so that customers can view a simple, visual explanation of how features work; instruction cards were produced for delivery to customers to assist them in using ATMs, the App and BS Online.

Moreover, to ensure that customers are able to use all the digital capabilities, the Bank offered the necessary services, such as distance banking, digital signature and a warning and alerts service.

As a result of all these initiatives, 58% of Banco Sabadell customers are now digital, 3% more than the previous year.

# Enhancing the customer experience

## Moments of truth

At Banco Sabadell Spain, we know that there are watershed moments in life; these are moments of interaction with the Bank to which customers bring a high level of expectation

and where the impressions they gain will shape their future perception of, and relationship with, the Bank.

For this reason, the Bank conducts in-depth customer surveys in connection with these moments in order to gain insights into how customers experience these events. The customer journey, focus groups and customer surveys are among the tools used by a multidisciplinary team to identify ten Moments of Truth for private customers and business customers.

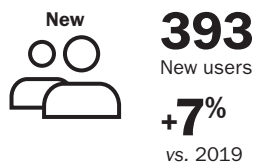
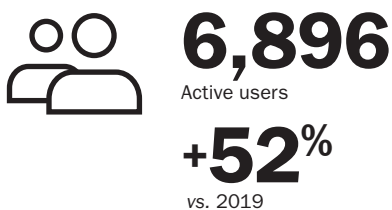
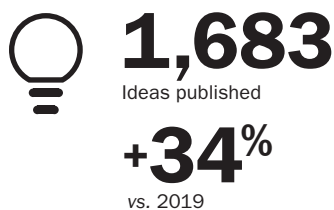
Moments of truth made it possible to transform and improve these processes by making them much more customer-centric so as to ensure that customers' experience is much more satisfactory.

## BSIdea: pooling ideas for the Transformation of Banco Sabadell

BSIdea is a co-creation platform enabling Banco Sabadell employees to make suggestions for improvement in any area of the organisation. During 2020, the model evolved to adapt to Banco Sabadell's strategy and to ensure that participants' talent is leveraged to help the Bank achieve its goals.

BSIdea now operates on the basis of Challenges, which focus on what the Bank designates as priority projects. In 2020, it launched 11 different thematic challenges in key areas such as sustainability, reducing window and desk transactions in branches, and expanding our digital channels. The contests were successful, which will help solidify this new approach.

The BSIdea committee, composed of bank executives, selects and rewards the ideas that are most in line with the Bank's strategy, with enhancing the customer experience and with the transformation process. It is also an excellent channel for innovation and communication between teams, enabling them to share opinions and experiences.



# Measuring the customer experience

## Measuring the Banco Sabadell customer experience focuses on obtaining insights that help with decision-making and drive an increasingly customer-centric culture.

The experience is measured by understanding the market, consumers and customers, using a range of qualitative and quantitative research methodologies.

The new reality created by the pandemic made it more necessary than ever to gain first-hand knowledge on how customers feel, their concerns, trends and lifestyle changes. The Bank conducted regular research to ascertain the impact of COVID-19 and how it will evolve.

Society's main concerns as a result of the pandemic include the short- and long-term impact on the economy, and sustainability. The main support that consumers wanted from their bank consisted of expanding the scope for transacting remotely, helping them to manage their savings, and a mortgage moratorium.

Monitoring the customer experience enabled us to understand the problems and needs of the various customer segments and to ascertain if they felt sufficiently supported in the crisis, as well as making improvements.

Satisfaction surveys placed Banco Sabadell at or near the head of the major Spanish financial institutions in terms of satisfaction with the information or advice to customers during the COVID-19 crisis.

### Qualitative research

A range of qualitative research approaches are used in order to gain a better understanding of the environment and customers. The goals of this process include:

- Understanding consumers' concerns, worries and attitudes and their current and future needs.
- Identifying the most emotional and least explicit part of consumer decision-making.
- Listening in depth, actively and constantly to the customer's voice, which enables us to ascertain how they experience their relationship with the bank at a range of touch points.

The methodologies we use range from conventional in-depth interviews and focus groups to more innovative approaches based on neuroscience and emotion detection.

### Quantitative research

Banco Sabadell Spain also analyses its customers' experience through quantitative surveys. Some are more akin to conventional satisfaction surveys, while others incorporate an emotional component: to make the organisation aware of the importance of considering customers in our decisions, so as to make meaningful improvements.

#### 1. Net Promoter Score (NPS)

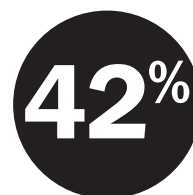
The Net Promoter Score (NPS) is a key market benchmark for measuring the customer experience, enabling Banco Sabadell to compare its performance to that of its competitors and companies in other industries, at domestic and international level.

The NPS is measured in the main customer segments, products and relationship channels. In recent years, as a result of the digital transformation, measurements in digital channels have become more important:

NPS Online Banking



NPS Mobile



Source: Accenture Benchmark (cumulative data 2020). NPS Online Banking refers to the SME segment, while NPS Mobile refers to retail banking.



## 2. Satisfaction surveys

Banco Sabadell conducts regular surveys to gather in-depth knowledge of customer satisfaction and to identify areas for improvement for specific processes and contact channels. For each of these surveys, the Bank sets itself quality targets and keeps the results under constant scrutiny.

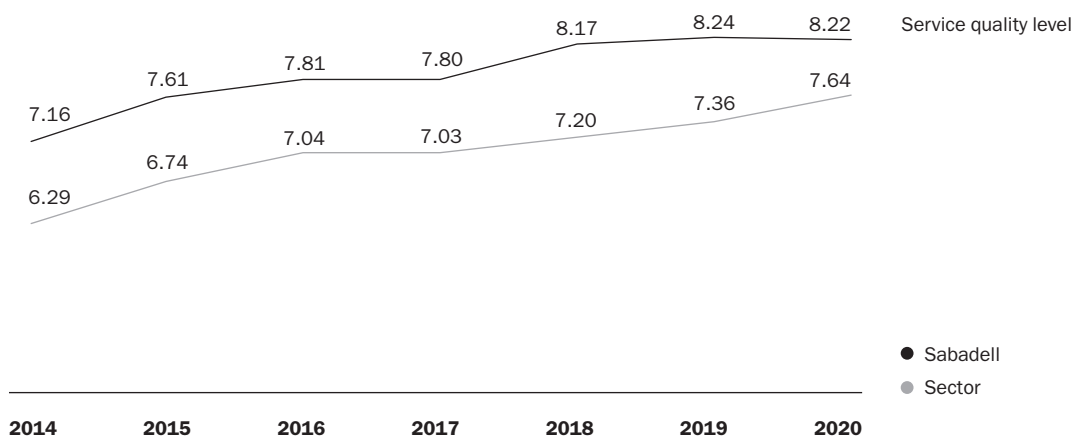
Banco Sabadell listens to its customers by conducting over 300,000 surveys per year and analysing more than 20 touch points.

In the current context, marked by the pandemic and digitalisation, surveys in the digital dimension are growing in importance. Banco Sabadell sees the use of digital channels as a Moment of Truth and, consequently, has focused on measuring customer satisfaction and improving the customer experience through BS Online Particulares, BS Online Empresas, the mobile app, etc.

## 3. Branch quality surveys

In addition to analysing customer perceptions, Banco Sabadell carries out objective studies using techniques such as the mystery shopper, under which an independent consultant performs a pseudo-purchase to gauge the quality of service and the commercial approach applied by the sales team.

EQUOS RCB (Stiga), the benchmark survey of bank service quality, is conducted using the mystery shopper technique. Banco Sabadell maintains its quality lead over its peers.



## Accolades

With an established track record in managing quality and its excellent management model, Banco Sabadell is an example to all organisations in Spain.

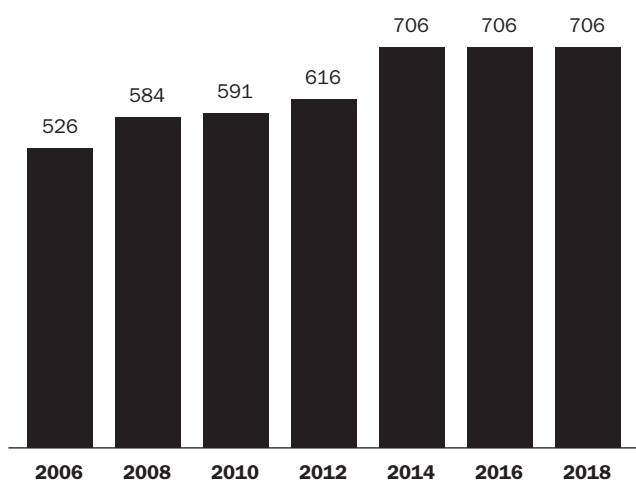
It is the only financial institution in Spain to score over 700 in the European Foundation for Quality Management (EFQM) Seal of Excellence in three consecutive evaluations (2014-2016-2018), as a result of which it obtained the highest level of the EFQM Seal of Excellence, confirming the robustness and excellence of its management model.

Banco Sabadell also holds the title of Ambassador of European Excellence, with a special mention, because it is one of just two Spanish organisations with more than 700 EFQM points.

On a regional basis, the Bank has held the "Madrid Excelente" distinction since 2009. This enables it to stand out from its competitors and is a sign of prestige in society as it accredits fulfilment of the quality and excellence standards established by the "Madrid Excelente" quality assurance programme.

Banco Sabadell also believes it is vital to recognise excellence inside the organisation. More than 15 years ago, it created awards for excellence at branches (customer satisfaction surveys), corporate centres and projects to serve as an inspiration for the rest of the institution.

Banco Sabadell performance in EFQM assessments



Accordingly, as a result of the Bank's strong commitment to sustainability, one of the cornerstones of its strategy for the coming years, in 2020 it created a new internal award for the best sustainability projects implemented in the organisation with an impact on the Bank's contribution to Sustainable Development Goals and ESG (Environmental, Social & Governance).

## Competitive strategy: Superior relationship model

The world is evolving at a rapid pace and our customers' habits are changing, particularly as a result of COVID-19. In this context, Banco Sabadell continues to transform in order to continue delivering the best possible experience to an increasingly more informed and demanding customer base, without losing sight of productivity and efficiency.

At Banco Sabadell we have always sought to build long-term relationships of trust with our customers, so our transformation is focused on providing customers with a superior relationship model and a value proposition tailored to each segment based on specialisation and industrialisation.

A superior relationship that seeks to improve relations with customers who have more sophisticated needs

(specialisation) and, now more than ever, to simplify and facilitate the basic transactional relationship with all our customers (industrialisation), while expanding the range of products, services and features via self-service and digital and remote channels.

- The specialised approach is based on personalised expert advice channelled through a key figure: the account manager. In banking for companies, two new features were added to the conversation:

- The 360 Vision, a distinctive element offering an all-round vision of the customer, oriented towards supporting them in achieving their business goals.
- Sustainability, by assuming our role as a key agent for helping and supporting our customers in the transition towards a more sustainable economy.

- In retail banking, we are evolving towards a planned, multichannel customer vision that enables us to enhance efficiency, productivity and the customer experience.

This model is totally focused on the customer and their needs, and it is tightly driven by data, business intelligence, digitalisation, the distribution model and people.

Continuous improvement in digital capabilities enables us to redefine and expand the range of products and services and the features available on a self-service basis, enabling customers to interact through the channel that is most convenient for them; this has a clear impact on the customer experience and efficiency. Data and the application of business intelligence enable us to get to know the customer in more depth and, consequently, offer a range that is much more personalised and adapted to their needs. We continue to develop tools for our account managers and constantly enhance their training; we also have a team of data scientists who build and fine-tune analytical models to enable us to best respond to emerging challenges.

This superior relationship model give us better insights into customer needs and enables us to offer them a personalised value proposition that is both timely and meaningful. It also helps us to be there for customers in the way that best meets their needs.

**Banco Sabadell encourages digitalisation and the use of data to transform the customer experience by redefining products and services, expanding their availability via digital channels, and enabling customers to interact across multiple channels, at their convenience.**

## Customer Care Service (SAC)

The Customer Care Service of Banco de Sabadell, S.A. conforms to the provisions of Ministry of the Economy Order 734/2004, of 11 March, the guidelines issued by the European Banking Authority (EBA) and the European Securities Market Authority (ESMA), and the Banco Sabadell Rules for the defence of customers and users of financial services. The most recent amendment to those Rules was approved by the Bank of Spain in October 2019.

In accordance with its terms of reference, the Banco Sabadell Customer Care Service (SAC) handles complaints from customers and users of the financial services of Banco Sabadell and a number of other institutions: Bansabadell Financiación, E.F.C., S.A., Sabadell Asset Management, S.A., S.G.I.I.C. Sociedad Unipersonal, Urquijo Gestión, S.G.I.I.C, S.A. and Sabadell Consumer Finance, S.A.U.

The SAC is independent of the bank's operations and business in order to ensure its autonomy, and it has the necessary resources to deal appropriately with complaints and claims, guided by the principles of transparency, independence, effectiveness, coordination, speed and security. The SAC also has sufficient authority to access all the necessary information and documentation in order to analyse each case, and the operational and business units are obliged to cooperate diligently in this connection.

In 2020, a total of 42,534 complaints and claims were received, 22.26% less than in 2019, in addition to 778 issues that remained unresolved at 31 December 2019. A total of 42,169 cases were processed in 2020.

For more details, see note 42 to the consolidated financial statements for 2020.

## Multi-channel strategy

**Banco Sabadell has developed new propensity models with which to anticipate customers' needs, either through their relationship with the branch network or through the other channels that the bank places at their disposal.**

The arrival of the coronavirus greatly accelerated the process of digitalisation, which enables customers to interact with the bank in a simpler way through digital media (mobile app, online banking, BS Wallet, Instant Money).

New technologies enhance customer management, as customers are empowered to choose the most convenient channel for interacting with the bank, when, how and where they want.

in Asturias and León (3 business branches); 102 as SabadellGuipuzcoano (5 business banking branches); 11 as SabadellUrquijo; 94 branches under the Solbank brand; and 494 offices that make up the international network, of which 7 are in BancSabadell d'Andorra, 454 in TSB and 15 in Mexico.

## Branch network

Banco Sabadell ended 2020 with a network of 2,083 branches (454 TSB branches), i.e. a net reduction of 315 branches with respect to 31 December 2019 (a reduction of 233 branches excluding TSB).

Of the total Banco Sabadell and Group branch network, 1,163 branches operate under the Sabadell brand (including 26 business banking branches and 2 corporate banking branches); 96 as SabadellGallego (including 3 business branches); 123 under the SabadellHerrero brand

Banco Sabadell - foreign market presence



● **Subsidiaries and affiliates**

- Andorra
- Mexico City (Mexico)
- London (United Kingdom)

● **Branches**

- Miami (USA)
- Paris (France)
- Casablanca (Morocco)
- Lisbon (Portugal)
- London (United Kingdom)

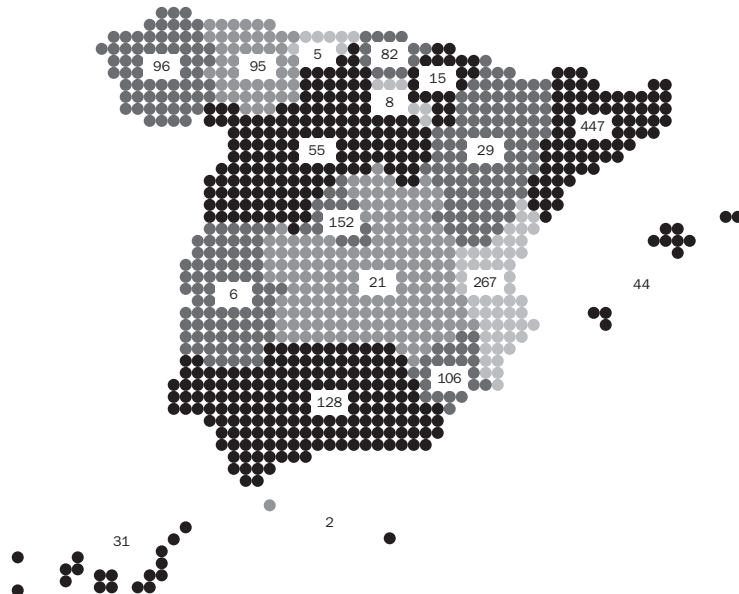
● **Representative offices**

- Algiers (Algeria)
- São Paulo (Brazil)
- Beijing (China)

- Shanghai (China)
- Bogotá (Colombia)
- Dubai (UAE)
- New York (USA)
- New Delhi (India)

- Warsaw (Poland)
- Lima (Peru)
- Santo Domingo (DR)
- Singapore (Singapore)
- Istanbul (Turkey)

Distribution of branches by region



## ATM network

At the end of 2020, the Bank had 2,817 ATMs in Spain, 2,243 of them in branches and 574 in other locations. That is 79 less than at 2019 year-end. That decline was in line with the process of branch closures during the year.

The project to update the fleet of ATMs that commenced in 2019 was completed in the first quarter of 2020. With a budget of 45.5 million euros, this important project took eight months and consisted of installing 699 new ATMs and upgrading the entire fleet by installing online deposits, barcode readers, and contactless and NFC features in the vast majority of them. These features enhance security for users and enable them to complete their transactions faster.

Work continued on ATM development in 2020. A first group of branches was outfitted with new ATMs with enhanced features, including accepting deposits and providing withdrawals in coin, as well as giving change.

The COVID-19 pandemic had a major impact on ATM operations in March and April. From the outset, Banco Sabadell gave priority to cleaning and disinfecting ATMs to ensure they were safe spaces. This was appreciated by the Bank's ATM users, who returned to the pre-pandemic level of utilisation.

## BSOnline and Sabadell Móvil

In 2020, 58% of our customers were classified as digital, 3% more than in 2019. Focusing on customers who have interacted with the bank in the last six months, that percentage rises to 70%.

During the year, customers contacted us more frequently, increased branch visits, and stepped up their use of and interaction with digital channels, particularly solutions involving the mobile app: Sabadell Móvil (BSM) and BS Wallet, which registered steady growth year-on-year.

During the early stages of the COVID-19 pandemic, the Bank created useful content to support users in connecting and transacting online, as well as information of interest about the moratorium and ICO loans. The landing pages with this information received over 4.5 million visits.

### BSOnline

Despite positive figures growth in mobile usage, BSOonline traffic and frequency remain high, and this service received an average of around 10 million visits per month in 2020, primarily for operational and transactional purposes, particularly from business customers.

The number of transactions performed via BSOonline continues to grow. Servicing transactions for corporate customers increased with respect to the previous year.

### Sabadell Móvil

The number of users of Sabadell Móvil (BSM) continued to rise, from 2.7 million to 2.8 million. The app is the sole digital relationship channel with the Bank for 40% of digital customers.

In addition to growing volumes of downloads, app usage increased by 11% year-on-year, while visits to

BSWallet increased by 142%, to over 3 million visits per month.

Servicing and transaction volumes in this channel increased steadily, particularly in the area of recurring transactions.

Securities trading performed particularly well, with trades via digital channels doubling during the year, particularly via BSMóvil, where trades tripled with respect to the previous year.

Remote subscriptions to mutual funds increased by 58% with respect to 2019.

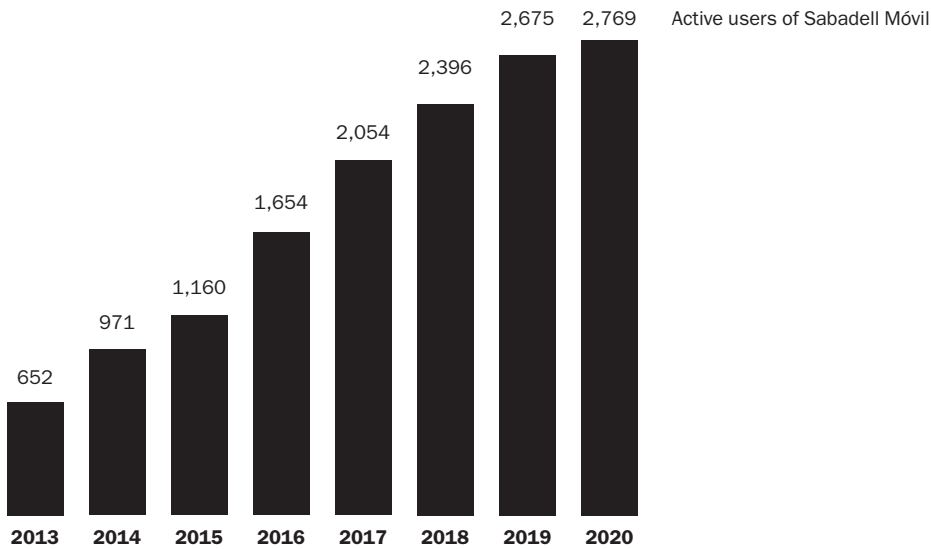
In 2020, the Bank rolled out a 100% digital process for opening an Ahorro Expansión account (long-term savings), which can now be performed end-to-end online. This product is proving to be very popular, having registered 37,000 new accounts in the first six months of 2020, exceeding the projections for the full year.

Bizum doubled the number of active users in 2020, and tripled the number of money transfers, while monthly user-to-user interactions increased by 15% with respect to 2019. Mobile payments doubled year-on-year in 2020, and Instant Money transactions increased by 20%.

The Sabadell Wallet app continues to improve the enrolment process and usability, and is logging overall growth in the rates of adoption, use and repeat use by customers.

The Bank also continued working to enhance the customer experience, having improved the account statement in the app for private individuals and adapting contractual information so that the raised limits are reflected in the contracts.

Improvements to the BSO interface were also considered as part of the "My Profile" initiative, which seeks to centralise private customer information in a single, readily accessible place and provide a standard view of transfers that is clearer, more efficient and more intuitive.



## Direct Branch

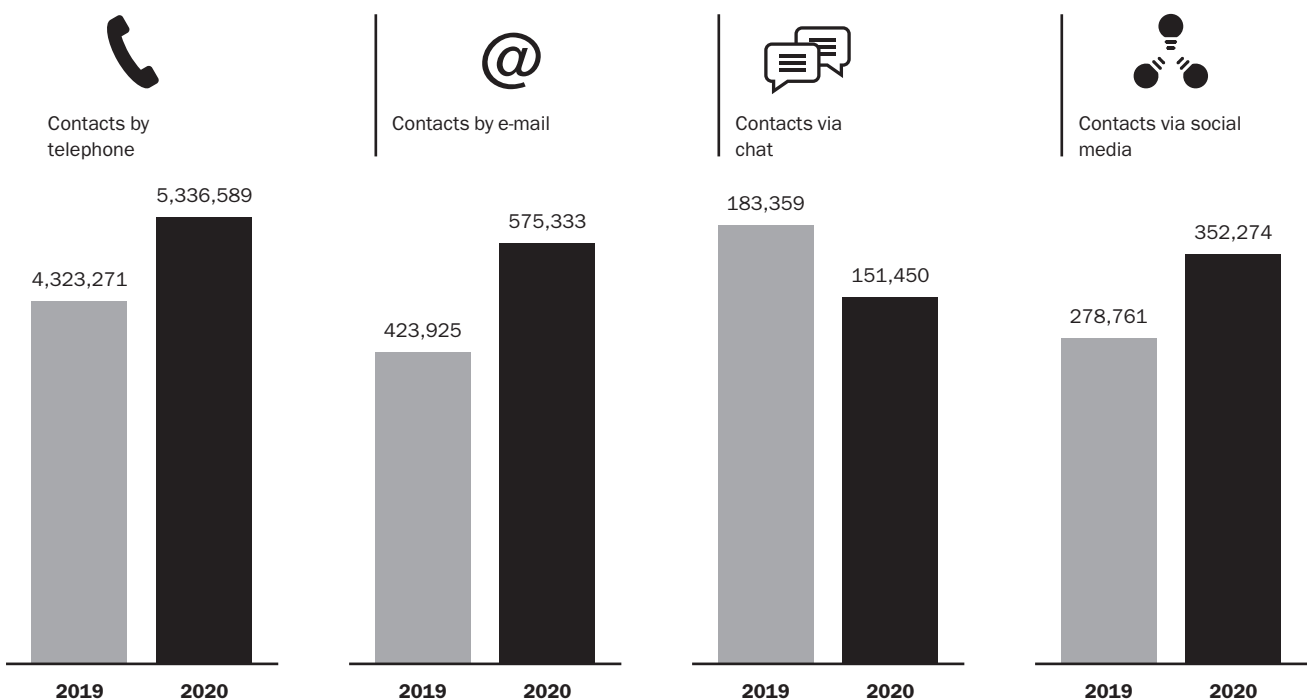
Contacts with Direct Branch increased by over 23% year-on-year, to 6.4 million.

The contact channels that experienced fastest growth in 2020 were telephone, e-mail and social media. Telephone consultations accounted for 83% of the total, followed by e-mail, chat and social media. The following figure shows growth, by channel.

The SLA (Service Level Agreement) ratio for telephone enquiries exceeded 90.49%, followed by chat (90.00%) and e-mail (80%). Banco Sabadell received 427,894 mentions in social media (SLA: 92.00%).

Growth in volume in 2020 was driven by:

- The COVID-19 situation and branch closures increased the use of remote channels.
- The e-Commerce Directive's impact on shopping with cards.



## Social media

Banco Sabadell has been active in social media since 2007. The objective was to get to know digital customers and their needs, obtain suggestions from them, and analyse how best to serve them. Three years later, in 2010, Banco Sabadell was an active participant in the most popular social platforms: Facebook and Twitter. Banco Sabadell currently has a presence in five social media: Twitter, Facebook, LinkedIn, YouTube and Instagram, with 20 different profiles at national level, and it has one of the best digital reputations in the financial sector.

Social media are among the main channels for engaging with our customers, both for handling queries and for broadcasting institutional and business messages, marketing campaigns and general interest messages.

Their use is growing exponentially and the Bank sets a high priority on raising its social media profile. Based on demand and the need to serve all customers anywhere in the world, a 24x7 service was implemented at the end of 2011.

Banco Sabadell currently has approximately 600,000 followers. Nearly 350,000 mentions of the brand were monitored or dealt with in 2020.

A key success factor is continuous tracking of interactions with followers and customers. One of the main KPIs in social media positioning is the response rate, in which Banco Sabadell has a high score. Additionally, social media served as an important channel for conveying corporate and institutional content and as a channel for opinion-makers, particularly during the lockdown and generally during the COVID-19 pandemic. Social media are used to announce and webcast many sponsored events and other educational initiatives in which we play an active role, and this became particularly important in 2020. They include earnings presentations, the General Meeting of Shareholders, the Barcelona Open Banc Sabadell Conde de Godó tennis tournament, a superb example of digital coverage, as well as the South Summit and the Banco Sabadell Foundation Research Awards. The year 2020 also marked a watershed in the Bank's commitment to sustainability and the creation of a solid digital community under the #SomosSabadell and #EstarDondeEstés hashtags.

In line with the initial objectives, Banco Sabadell closely tracks trends, social conversations associated with the Bank, and audiences, and it uses the results to develop a strategy to expand and strengthen our presence, impact and engagement. This growth is evidenced by follower numbers in new channels such as Instagram, market opinions gathered via mobile devices, opinions expressed in industry forums and, this year, analysis and interaction of our branch offices in Google Maps.

The Bank continues to expand its digital presence in fast-growing channels such as Instagram and LinkedIn, and maintains a policy of segment-based specialisation through profiles related to such areas as the press (@SabadellPrensa, @SabadellPremsa and @SabadellPress), the Banco Sabadell Foundation (@FBSabadell), @BStartup aimed at entrepreneurs, @InnoCells in support of new business and the digital transformation, and @Sabadell\_Help, which is specifically for customer service.

## Digital transformation and customer experience

### Banco Sabadell's digital transformation approach and priorities

The COVID-19 pandemic and the widespread adoption of technology by customers have driven efforts to offer processes that are 100% digital and improve self-service capabilities. In response to this situation and with the objective of strengthening the digital relationship with its customers, Banco Sabadell accelerated its ability to deliver new features on digital channels. To do this, the Bank expanded its organisational, methodological and technological capabilities to enhance productivity and the user experience and entered into agreements with third parties on a large scale.

As part of its commitment to putting digital transformation at the heart of its strategy and operations, Banco Sabadell strengthened the mandate of InnoCells by making this subsidiary the Bank's digital hub. This platform adds digital capabilities to generate synergies, enabling the Bank to achieve challenging goals through a hybrid innovation model (internal and external) with project execution capabilities and digital expertise.

### InnoCells

InnoCells has a multidisciplinary team capable of addressing challenges and projects end-to-end, through reflection and execution, enabling it to maximise the impact for the Banco Sabadell Group and enhance the customer experience.

InnoCells' capabilities include:

- Digital leadership: coordinating the Bank's digital innovation capabilities and providing a strategic vision from the ecosystem on key business aspects by identifying leading practices in the market.
- Strategic design and customer vision: evolving the value proposition towards the delivery of customer-centric digital experiences. Addressing the challenges holistically and incorporating customers' voices throughout the process: understanding users and their problems, proposing new products and services or amending existing current processes, and validating solutions with users.
- Agile technology development: scaling the Bank's organisational capabilities by adopting new agile work methodologies that enhance delivery capacity and continuous learning in projects.
- Access to the fintech ecosystem: seeking investment opportunities in the market based on corporate priorities, managing and extracting value from a proprietary portfolio of investments, and having a foothold in the fintech ecosystem.
- Strategic alliances: combining internal innovation with external capabilities, actively participating in the innovation ecosystem. Collaborating on a large scale with startups that complement the Banco Sabadell value proposition and

- enable it to reduce time-to-market and offer new services or features to customers.
- Driving technology architecture capabilities: developing new technology capabilities to improve productivity and connecting with third parties on a large scale.
- Capacity multiplier: design, implement and deliver key business projects for the Group.

- New corporate website: the Banco Sabadell website was upgraded to give it a more modern image and improve interaction and usability.
- Branch search engine: improvements to the branch search feature to enable customers to find their nearest branch more easily; this was very important in a situation in which branch hours and transactions were curtailed, and given the importance of enhancing self-service options to ensure customer satisfaction.

## Main deliveries in 2020

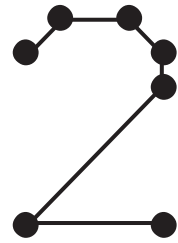
InnoCells contributed to Banco Sabadell's digital offer and to improving the customer experience by both developing projects from scratch and adapting existing processes or exploring new environments.

Recent examples with a significant impact on the customer experience:

- Digital signature: implementation of digital signature processes for mobile and e-mail channels, even for customers not equipped for remote banking (e.g. applying for ICO loans or a moratorium). The volume of transactions using digital signatures expanded 70% in 2020 due to the addition of more transactions that can be performed remotely.
- Digital onboarding using facial recognition: through a partnership with the company Onfido, Banco Sabadell implemented the possibility of opening an account via distance banking. New remote identification and authentication capabilities offer customers a faster, all-digital registration process. The Digital Banker awarded the prize for Best eKYC to this new solution from Banco Sabadell.
- Launch of payments from BS Online for companies: business customers can use BSOonline to launch payments from their accounts at other banks using the Open Banking PISP feature; we were one of the first banks in Europe to offer this functionality.
- Sabadell Broker: launch of a new equities trading platform in BSOonline and BSMobile, which provides an up-to-date picture of the customer's portfolio with clear, concise information to facilitate trading in stocks.
- Cuenta Ahorro Expansión: a new savings product aimed at helping customers to develop the saving habit by automatically transferring their chosen amount out of their main account and helping them to improve their ability to save through routines (regular transfers, payment rounding, rainy day plan).
- Homeowners' insurance service via WhatsApp: a pioneering service that responds to customer reports and also sends messages proactively on key insurance issues and useful safety tips. This was pilot tested on a selection of customers with homeowner's insurance and is now being rolled out to all holders of this policy at Bansabadell Seguros Generales.
- Improved card transactions: improvements to remote transactions with cards, providing customers with new self-service capabilities: immediate disbursement of pre-approved loans, management of credit and debit limits, queries regarding CVVs and PANs, expiry dates, etc.
- Merchant logos: display of shop logos alongside account movements, providing greater clarity about expenditures via the mobile app.



# Banco Sabadell's response to the COVID-19 health crisis



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# The sudden arrival of the COVID-19 crisis triggered a paradigm shift in the way we work and the way the Group relates to its customers on a day-to-day basis.

The Group responded effectively, maintaining operational continuity at all times without impairing customer service and while safeguarding the health of customers and employees alike.

## Steps taken by Banco Sabadell

### Contingency Measures and Business Continuity

At the height of the health crisis, 70% of all branches remained open to the public, and the Bank continued to meet customers' needs while enhancing its digital channels. At year-end, practically all branches were open to the public.

Employees at the corporate centres switched to teleworking and the vast majority continued in this situation at year-end. The Group's systems performed superbly, as the IT systems handled the large number of employees who were working remotely, evidencing the capacity and resilience of the Group's IT platform.

While utilisation of customer-facing digital channels doubled, the systems continued to operate nominally, in line with expectations. New all-digital processes were implemented (such as digital signatures for ICO loans) in order to avoid the need for customers to visit their branch.

It should be noted that the Bank's actions to mitigate the impact of the COVID-19 crisis were taken under the Internal Crisis Management Framework (MIGC). This framework was set in motion to ensure effective, coordinated management of the operational response in order to mitigate all the impacts of the pandemic and of situations of financial risk and/or business interruption.

The Internal Crisis Management Committee met on Wednesday, 26 February (two-and-a-half weeks before the state of alarm was declared nationwide) to coordinate actions being taken as a result of triggering Phase 1 of the Bank's Pandemic Plan. This plan, consisting of 20 specific protocols, seeks to mitigate the potential impact of this or any other virus that might impact the organisation's normal processes and significantly affect people and the service.

Thereafter, daily and weekly meetings were held with a selection of members of the various departments

— Branch network, Operations, Technology, Cybersecurity, HR, Sabadell Spain and Business Continuity — in order to report to Senior Management on a timely basis.

Steps to manage the crisis were tracked horizontally and comprehensively, including reporting to supervisors about the situation of Banco Sabadell in Spain and other geographies (the United Kingdom and Mexico).

In view of the identified risks, and in line with the MIGC, the Bank took a number of measures in several areas to address the effects of the pandemic.

From the outset, the Bank ensured that all critical processes were fully covered by taking steps in a number of areas under an exhaustive control and oversight framework:

### Infection control measures in the workplace

This included actions in the sphere of workplace health and safety and labour relations. These actions were taken in line with protocols developed by HR, including notably:

- Changes to Group policy on travel, including a ban on work trips to/from risk areas, and the recommendation to avoid personal trips to risk areas.
- Postponing major employee and training events that involved bringing together staff from different regions.
- Workplace access restrictions for specific groups (e.g. employees who tested positive were restricted until they received a medical discharge).
- Stepping up cleaning and ventilation in the highest risk areas.
- Measures to enable telework while safeguarding critical functions and ensuring business continuity. Team locations were tracked constantly and coverage of critical processes was monitored at all times.

### Cybersecurity measures

These include steps to strengthen existing IT infrastructure and mitigate the risk of fraud in this situation.

Cybersecurity is handled by IT Risk & Security, and the main actions taken are summarised below:

- Reinforcement of existing security measures to protect remote access and telework, ensuring security and performance in a situation of many more external connections. Widespread use of telework requires additional controls and safeguards.

- Expansion of cybersecurity (CyberSOC) teams to analyse and respond to alerts about external attacks (e.g. remote access, incoming e-mail).

## IT infrastructure resilience

Banco Sabadell's IT infrastructure is designed to provide redundancy with two separate datacentres and a high level of availability to overcome local failures. There are redundant communication lines between locations.

IT incident management procedures are linked to business continuity processes, including crisis management and relationship model arrangements. These procedures are simulated and tested at least once per year.

## New digital workplace

In recent months, a new digital workplace has been defined based on the use of corporate laptops with state-of-the-art security measures in place: modern management, advanced end-to-end protection, data leakage prevention, secure web browsing and secure communications with Banco Sabadell systems, etc.

By the end of November 2020, corporate laptops had been delivered to all head office employees, and delivery to branch employees is planned for the following weeks.

## Measures adopted in connection with critical suppliers

These measures take account of the supplier's criticality so as to focus (every two weeks or more often) on the elements that might jeopardise continuity of the service. Measures included developing a scorecard to assess supplier criticality and assess: (i) the degree to which services would be affected, (ii) fulfilment of SLAs, and (iii) capacity to respond.

## Measures in connection with essential staff

In this case, the Business Continuity Department, which is in charge of critical processes, keeps track of the employees who are designated as essential for such processes, identifying both critical staff and potential back-up staff.

In particular, critical teams were decentralised in order to mitigate the risk that a critical team member might become infected, resulting in all their close contacts being quarantined.

## Media

Communication actions were undertaken both internally and externally:

- Employees received e-mails, calls and an FAQ with

details of the action plan and answers to the most common queries.

- External communications, particularly with customers. In particular, Direct Branch significantly increased the number of account managers and extended its working hours in order to cater for growth in the demand for information.

## Changing commercial approach

To respond to this unprecedented crisis, the Group implemented exceptional measures such as channelling government aid to companies and providing loan repayment holidays for private individuals, to help them cope with this period of economic instability.

Given the situation created by COVID-19 and the state of alarm declared in Spain, Banco Sabadell created specific governance mechanisms to address the new situation and react quickly and in an exemplary fashion. The overarching aim was to support both employees and customers by providing solutions that are coherent with the Banco Sabadell brand and its way of doing business; this led to the BE THERE, SUPPORT, ACT plan.

- BE THERE: proactively e-mailing customers and employees as well as reactive measures to ensure that the Bank is there when customers need it and that they find what they are looking for. Assisted remote channels were reinforced, as was the website and the mobile app, and *ad hoc* protocols were established for the branch network.
- SUPPORT: empathise with customers to ascertain how they are by calling them, and provide them with finance and savings/investment products to meet their needs.
- ACT: implement teleworking capabilities, provide commercial organisation instructions to the branches, and emphasise end-to-end products and new digital capabilities.

For more information on the measures adopted to support customers, see the "Customers" section of this directors' report.

## Measures adopted from a business standpoint

Banco Sabadell achieved a number of milestones, enabling it to retain its position as a leading bank:

- Branch action plan to close and reopen branches on a rotating basis, as employees switch between telework and commuting to the branch.
- Implementation of the Direct Branch Contingency Plan, taking steps to withstand the higher workload through dynamic management of the capabilities to

- ensure compliance with established service levels.
- Adaptation of channels for communication with employees, with a single daily communiqué (Novedades Flash COVID-19) that is circulated to more than 16,900 recipients and has open rates exceeding 82%.
- Over 2 million pro-active communications focused on alleviating customers' concerns and on BEING THERE.
- Deployment of solutions to meet the needs of all customer segments, in both finance and savings/investment. These solutions were accompanied by Support Plans, expanded back-office teams and new digital capabilities (e.g. digital signature).
- Proactive steps to incentivise customers to go digital and avoid branch visits.
- Providing financial support to customers, e.g. advancing payment of pensions and unemployment benefits, refunding fees, postponing products that were due to expire imminently, and expanding the limits on contactless payments.
- Development of new capabilities for selling products on a remote basis.

## Measures adopted vis-à-vis employees

From the outset, protecting our employees' health, both physical and emotional, was one of the Bank's top priorities in addressing the COVID-19 crisis.

To this end, a comprehensive plan of action and support was implemented, geared both to adapting working conditions and to constant, transparent, two-way communication, which is very important as a factor for cohesiveness and protection.

All these measures were taken under the supervision and direction firstly of the internal crisis management committee and, ultimately, of the De-escalation/Smart-work Committee.

## Organisational measures

- Branch network:
  - During the State of Alarm: workers alternated between on-site work and telework every two weeks to ensure the safety of both employees and customers.
  - During the de-escalation and the second wave: flexible staff management depending on the status of the pandemic (from branch closures to opening with full staff).
- Corporate headquarters:
  - During the State of Alarm, 100% telework (except critical services).
  - During the de-escalation: implementation of a hybrid system of shifts at one third of the capacity (1 week on-site, 2 weeks teleworking).
  - During the second wave: preferentially teleworking.
- Immediate suspension of face-to-face events and

- training sessions as well as business trips, while promoting the use of digital channels.
- Adaptation of space at branches and corporate headquarters to maintain a safe distance, and a policy of clean desks.
- Adaptation of meeting rooms to enable hybrid meetings.
- Adaptation of technology infrastructure:
  - Massive scalability of remote infrastructure to cover the high levels of telework.
  - Distribution of laptop computers and mobile phones to all employees and migration to Office365 to promote efficient digital collaboration.
- Strengthening contingency plans to ensure business continuity in all areas and business units.

## Health and safety measures

- Establishment of a COVID-19 protocol for tracking cases and close contacts in the workforce, following the guidelines established by the health authorities.
- Distribution of the necessary PPE to the entire workforce: masks, hand sanitiser, disposables, and plastic screens in branches.
- Doubling the number of flu vaccine doses for employees at some corporate headquarters.
- Intensified cleaning in all facilities.
- Emotional support on an anonymous basis via a free, unlimited hotline staffed by specialised professionals, available to any employee on demand.
- Limits on the number of people who can be in a branch simultaneously.
- Limits on the number of people who can be in a meeting room simultaneously in the corporate headquarters.
- Installation of signage and posters with safety tips in the branch network and in corporate headquarters.
- Appointment of a person in each location with responsibility for exhaustive enforcement of these measures.

## Work/life balance and flexibility

- Accelerated process for employee applications for vacation or unpaid leave.
- Facilities for shorter working hours.
- Promotion of the Spanish government's "MeCuida" plan for caregivers.
- The summer timetable was implemented early, in March, eliminating the split Thursday timetable for the remainder of the month.
- Branch network: implementation of flexitime.
- Corporate headquarters: flexitime (requirement that all staff be working from 09.30 to 14.00), and disconnection from 18.00 to 08.00.

## Support measures

- The SmartWork project concentrated all the measures that were adopted.
- Intensive, clear communication from the outset of the pandemic:
  - Daily e-mail to all employees.
  - Special messages for overseas branches and representative offices.
  - "Eres Manager" newsletter.
  - SmartSite portal: carries the latest news, instructions and protocols in connection with COVID-19.
    - SmartWork for branches and corporate headquarters.
    - SmartWork manifesto.
    - Smartwork news.
    - Specific content on health and safety, work-life balance and flexibility, and technology to help employees organise their work efficiently.
  - IN news.
  - Townhall meetings with the CEO, and communiqués from senior management.
  - Guides and infographics to communicate all the measures that were adopted.
- Informative, educational and inspirational support sessions for the entire workforce with a focus on teamwork and efficiency and on providing context and horizontal skills for working in the face of the crisis.
- Employee satisfaction and well-being surveys in the form of regular questionnaires.
- A subsidy of 150 euros to each employee to purchase a computer, chair or screen. Over 8,000 subsidies were paid out.

regular conference calls to discuss issues of interest (e.g. pandemic trends, business continuity planning, liquidity, treasury, payment systems, lending trends) and to track reporting dates.

## Reporting and relations with the supervisor

In the wake of the COVID-19 pandemic, since 9 March 2020 the supervisor has focused more intensely on continuously monitoring containment measures, actions and solutions put in place, and the potential impact of the crisis on Banco Sabadell.

- The Bank complied with requests from the ECB, the Bank of Spain and the Spanish Banking Association (AEB) for regular reports on liquidity, business continuity, market performance, government moratorium on debt, new loan production, support programmes, operational framework, sectoral moratorium (AEB), etc. The information was submitted on a daily (or, in some cases, weekly) basis. The reporting requirements were standardised and the information was presented at Group level on a monthly basis.

The Bank also responded to queries on specific aspects arising from the current situation, such as trends in lending, ICO loans, impacts on capital and liquidity, financial projections, etc.

- The Single Supervisory Mechanism (SSM) arranged

## Steps taken by TSB

### Incident management response to the COVID-19 pandemic

COVID-19 was first confirmed in the UK on 31 January 2020 and TSB's strategy has been to mirror government advice and response to the evolving crisis.

During the last week of February, cases in the UK started to increase and the Silver response team was stood up to make sure TSB's operational response remained appropriate. At the beginning of March, TSB outlined the support it would offer to customers affected by the virus, including repayment holidays and access to savings.

The following measures were taken by TSB via the Incident Management Framework to support TSB's business, customers and employees during the pandemic:

- Workplace infection control measures, at a workplace and team management level, following UK Government Public Health England (PHE) advice and guidance in this area: distancing rules, hygiene rules, plastic screens, telework, etc.
- Measures to enable work from home, keeping critical functions and ensuring operational continuity, with new services and features developed to provide additional functionality for customers and employees.
- Cybersecurity measures in order to strengthen current IT infrastructure and address higher fraud risk arising from this situation.
- Measures to ensure IT systems' capacity to withstand customers' higher digitalisation, with increases in capacity implemented as required.
- Enhanced review and monitoring for all critical suppliers.
- Measures regarding critical or essential employees, separating and/or moving the critical employees to provide enhanced social distancing measures.
- Communication measures, both externally and internally.
- Reinforcement of call centres to deliver customer assistance.
- Provision of new services to customers via remote channels. At year-end, nearly all TSB branches were fully operational.

### Business information and commercial adaptation

#### Measures to ensure proper channelling of credit, retain customers and acquire new customers

TSB implemented measures to allow for the initiatives outlined by the UK government to be met, allowing TSB customers to defer loan repayments or interest payments, and for business customers to apply for government-backed loans. These new/updated products were monitored via reports to the internal crisis management committee, which were relayed to the Group and the regulator.

#### Measures implemented to adapt to the new competitive environment

TSB implemented new products in response to the new competitive environment, with a particular focus on business banking. These new business banking products (BBL and CBIL) were introduced with digital forms and web chat to allow customers to transact with the bank digitally.

In addition, TSB introduced enhancements to its current product suite that allow customers to perform more actions digitally, with online forms and web chats available, bringing TSB into line with its peers.

Customer digitalisation was increased in order to provide more services in the event of further COVID-19 outbreaks.

TSB closely monitored customer use of all channels and observed that, while more customers are registered with digital banking and using the new digital tools, the overall level of digitalisation remains broadly in line with

TSB's experience prior to the pandemic. TSB found that the use of digital channels had changed, as more widespread usage throughout the day had flattened the peaks.

TSB continues to encourage its customers to register for digital banking and to make more use of the digital channels to engage with the bank.

## Risk, liquidity and capital management and control

### Measures provided for proper management and oversight of the risk situation (particularly credit risk)

- Risk management examples: early management of growth in non-performing loans, other actions in the face of the possible shift of customer's profile, etc.
- Examples of risk control measures: more frequent oversight, analysis of current and potential risks, etc.

Reports by internal crisis management committees contained detailed disclosures of arrears collection and recovery.

The impact of collection and recovery processes was also assessed.

As for mortgages, in March, TSB adopted a policy of rejecting applications with LTV > 60%, but has gradually relaxed this position.

In terms of the government-guaranteed BBLs (out of which 450 million pounds were paid in July), TSB implemented processes to assess credit quality for the purposes of identifying the scale of resource that may be required to attend to customers.

### Measures to enhance the financial position in terms of both liquidity and capital adequacy

TSB has a strong capital and liquidity position and its current and forecast capital and liquidity metrics remain above risk appetite and regulatory requirements at all times. TSB recently presented a COVID-19 outlook revision of its business plan to the Board. In addition, TSB recently completed a full review of its capital and liquidity recovery options, which demonstrates the material levels of capital and liquidity recovery capacity available for use in the event of the bank being impacted more than forecast.

TSB had prepositioned 6.8 billion pounds with the Bank of England at the end of May for use in a liquidity stress, with the option to preposition more as required.

TSB also took advantage of regulatory relief measures to support its capital and liquidity position. These measures include:

- Elimination of the countercyclical buffer.
- Planned use of TFSME facility so as to avoid reliance on wholesale markets.
- Excluding BBL exposures from the leverage exposure calculation.
- The UK's Prudential Regulation Authority (PRA) reminded banks to look through the COVID-19 period as it is expected to be a temporary stress and, therefore, to manage provisions accordingly under IFRS 9. This is expected to keep provisions lower than they would otherwise be if a purely modelled approach were taken at the height of the crisis.

## Reporting and relations with the supervisor

### Steady increase in reporting requirements and frequency

TSB stood up its internal crisis management committees, with enhanced monitoring tools to support weekly and monthly reporting to the regulator. However, at the height of the pandemic the reports were being submitted to the regulator daily for review. The reporting requirements included:

- Operational status of IT service, operations, business banking, branches, 3rd parties and products.
- Cyber security and fraud incident reporting.
- Channel availability and performance.
- Collections and recoveries.
- TSB liquidity adequacy.
- Impact and performance of government initiatives (BBLs, etc).

## Financial metrics and steps taken in connection with the Group's business

With regard to the group's financial metrics, although 2020 was shaped by the COVID-19 pandemic, Banco Sabadell was able to generate net profit while strengthening its capital position and balance sheet. Therefore, the group has comfortable capital and liquidity positions and a healthy balance sheet with which to address adversities arising from the current context.

The phase-in CET1 is 12.6%. This ratio increased year-on-year, evidencing the group's commitment to maintaining a comfortable capital position. The Group also has an ample surplus over regulatory capital requirements, with 313 basis points of surplus total capital, i.e. an increase of 57 basis points year-on-year.

The Group has a strong liquidity position, with 47,808 million euros in liquid assets, i.e. over 21% of its balance

sheet, and a Liquidity Coverage Ratio (LCR) of 198%. Its balance sheet shows a healthy equilibrium between loans and deposits (loan-to-deposits ratio: 98%).

The Group also has a sound balance sheet. As a result of selling portfolios of non-performing assets in recent years and the ongoing organic elimination of non-performing assets, the Group's risk profile has improved significantly, so that net non-performing assets now account for 1.4% of total assets, with an NPL ratio of 3.6%.

The Group also has a diversified loan book: 46% of outstanding loans are mortgages to individuals in Spain and the UK, 40% are loans to large companies and SMEs, 6% are loans to the public sector, 3% are consumer loans and the remaining 5% are other loan categories. Within large corporations and SMEs, there are a number of segments that are more sensitive to the health crisis, such as tourism, hotels and leisure, transport, the automobile industry, retailing of non-essential goods, and petroleum. The Group's total exposure to these segments is limited, amounting to 11,920 million euros, i.e. 8% of outstanding loans.

In the wake of the unprecedented shock to the economy as a result of the COVID-19 pandemic, governments adopted a series of measures to support the economy. Those measures include fiscal policies to provide liquidity support to economic agents, families and companies.

The main measures adopted in Spain are as follows:

(i) a moratorium on payments, which may be: legal (implemented in Royal Decree-Laws 8/2020, 11/2020, 25/2020 and 26/2020) or sectoral (implemented in Royal Decree-Law 19/2020), and (ii) Royal Decree-Law 8/2020 which approved a government-backed guarantee line amounting to up to 100,000 million euros for companies and self-employed workers. On 3 July 2020, the Spanish government announced a new package of measures including the creation of a new line of ICO guarantees amounting to 40,000 million euros. This new line is aimed at encouraging capital expenditure and promoting it in areas that generate the greatest added value, focusing on two main areas: environmental sustainability and digitalisation. In addition, Royal Decree Law 34/2020 extends the term of the two ICO guarantee lines until 30 June 2021 and offers customers the possibility of extending both the maturity (up to at most 8 years, from 5 years) and the grace period (up to at most 24 months, from 12 months).

The legal moratorium consists of a 3-month grace period (principal and interest) on mortgages and consumer loans for customers who meet certain vulnerability criteria. However, the legal moratorium offers a grace period on principal repayments of up to 12 months for mortgage loans financing real estate used for tourist activities, and a grace period on principal repayments of up to six months for loans, leases and hire purchase of vehicles used for public transport of passengers or goods. The sectoral moratorium consists of grace periods of up to 12 months for mortgages and 6 months for consumer loans to people affected by COVID-19. In this case the grace period is only for principal repayments, and the customer must continue to pay interest. This moratorium is also applicable to

persons who have benefited from a legal moratorium and who, upon expiration of that moratorium, meet the conditions established for the sectoral moratorium.

Grace periods granted by Banco Sabadell during the year under the legal and sectoral moratoria covered loans amounting to 3,244 million euros. As at 31 December 2020, the total amount under moratorium was 2,578 million euros: 197 million euros under legal moratorium and 2,381 million euros under sectoral moratorium. Of the total loans under moratorium, 86% are mortgages.

Of the loans whose grace period has already expired, only about 68 million euros are non-performing.

The ICO COVID-19 guarantee facility, which amounts to 140,000 million euros, was allocated to banks broadly on the basis of their market share (although the 40,000 million euros line switched to demand-based allocation on 1 November 2020). Under this approach, the ICO grants a government guarantee for between 60% and 80% of the loans, depending on whether the customer is self-employed, an SME or a large company (exceptionally, by a decision of the Cabinet on 22 December 2020, the government guarantee can reach 90% in the case of SMEs and self-employed workers in the tourist, hospitality and related sectors), for at most eight years (extended from five years by Royal Decree Law 34/2020, if the customer requests). During the year, Banco Sabadell granted more than 11,000 million euros in such loans, with the guarantee averaging more than 75%.

Regarding the measures adopted in connection with the Group's business, the crisis had an undeniable effect on the Group's financial statements, particularly in the first half of the year. Banking revenues (including net interest income and fees) were reduced because of the lockdown. Net interest income was affected by lower overdraft fees and by changes in the credit mix. Fees and commissions also declined because of a reduction in transactionality. The group was also forced to make additional provisions to reflect the new macroeconomic scenario.

With the onset of the pandemic and the ensuing economic crisis, the Group expanded its strategic priorities to include specific management measures for COVID-19, which include ensuring operational and service continuity, protecting customers and employees, providing a rapid response to customers' needs, contributing to society through various social measures, and continuing to invest in and promote digitalisation while ensuring the resilience of our IT systems. The Group also established additional strategic priorities such as cost containment in both Spain and the UK, a focus on risk management, as well as the consolidation of the commercial recovery after the hiatus in activity. The Group had fulfilled those priorities by year-end.

In relation to the priority of containing costs, the new context following the pandemic highlighted the need to adapt the bank's structure. Accordingly, in order to enhance the Group's profitability, Banco Sabadell implemented an efficiency plan in Spain and accelerated the restructuring plan in the UK.



The plan in Spain has two main axes: (i) further digitalisation of customer service, and (ii) simplification of the corporate structure. The first axis focuses primarily on increasing self-service in transactional activities, automating activities in operation centres, and enabling self-service for certain call centre activities. The second axis focuses on: centralisation of competencies, simplification of regional commercial support structures, and organisational restructuring to reduce verticality.

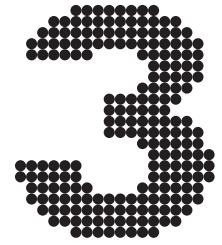
In the UK, the TSB restructuring plan was accelerated and is expected to be completed one year ahead of schedule.

The strategic plan in the UK was also accelerated with a focus on improving the cost-to-income ratio. In October 2020, TSB announced that branch closures and cost savings would be achieved one year ahead of schedule.

With regard to non-performing assets, recovery capabilities were enhanced and a horizontal risk programme was implemented which, through analytics, provides early warning of potential COVID-19 impacts on customers, enabling the bank to pro-actively offer them the most appropriate financial solutions and, at the same time, take advantage of growth opportunities.



# Economic, business and regulatory environment



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## Economic and financial background

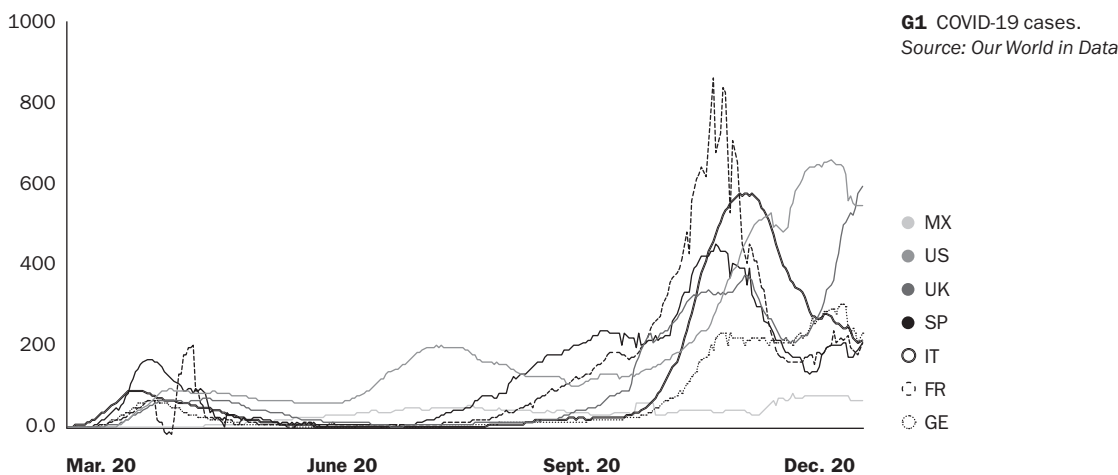
The COVID-19 health crisis was the main factor shaping the performance of the global economy and financial markets during the year. The economy experienced an unprecedented slump in 2020. Moreover, Brexit-related uncertainty persisted, but was finally resolved with an agreement on future relations between the United Kingdom and the EU. Tensions persisted between the United States and China, and Donald Trump was defeated by Joe Biden in the US presidential elections.

## COVID-19 and scientific research

The pandemic spread rapidly and widely across the globe early in the year, overwhelming hospitals and putting most of the world economy into lockdown between March and April. The gradual improvement in the situation made it possible to re-open the economy gradually as the summer approached. However, the situation in the major developed economies deteriorated again in the autumn. Daily infection rates peaked, and in some areas hospitalisation rates for COVID-19 exceeded the record levels seen in the spring.

As a result, governments reintroduced containment measures, albeit less aggressively than during the first wave. The response to the second phase was supported by hospital protocols already in place, distancing and hygiene measures, and the greater availability of information about how the virus spreads. Moreover, unlike the first wave, the virus had little impact in China or some developed Asian countries due to mass testing and strict control of disease spread, the contact chain and international borders.

## COVID-19 resulted in an unprecedented decline in economic activity.



The scientific community engaged fully from the outset in the search for a vaccine or an effective treatment for COVID-19, as well as investigating the virus in depth in order to enhance control and prevention. This effort by both the public and private sectors bore fruit, resulting in the production of vaccines (by Pfizer, BioNTech and Moderna, among others) and drugs by year-end — unprecedented speed for a process that normally takes years. Vaccine supplies began to arrive in most developed countries towards the end of the year.

# Response by the economic authorities

The authorities generally responded swiftly and forcefully to the crisis in order to mitigate its economic effects and ensure financial stability.

- Central banks engaged in exceptionally accommodative monetary policies, with sizeable injections of liquidity into the financial markets.
- National governments adopted clearly expansionary fiscal policies, with measures to strengthen healthcare systems, guarantee funding for business, and protect jobs and household incomes.
- As for the European Union (EU), in addition to suspending the fiscal rules to which the member states are subject, the Next Generation EU (NGEU) recovery plan represents an important step in terms of European construction and is a new mechanism for economic stabilisation at European level.
- Supervisory authorities introduced flexibility in the use of capital and liquidity buffers and in the interpretation of accounting standards, and temporarily eased supervisory pressure.

## Monetary policy in developed countries

In the Eurozone, the ECB adopted a number of measures with the aim of minimising the economic cost of the crisis, boosting inflation, giving countries fiscal leeway, avoiding fragmentation in financial markets and, as far as possible, minimising the impact of negative interest rates on banks. Accordingly, the ECB launched a new asset purchase program (PEPP), which it increased and extended twice, augmented the previous program (QE), improved the characteristics of the TLTROs, created new liquidity operations and relaxed collateral rules.

In the United States, the Fed deployed a wide range of measures aimed at facilitating dollar liquidity, the flow of credit to the economy and the functioning of financial markets. In fact, with those facilities, the Fed positioned itself as a lender of last resort not only to the market, but also directly to households and businesses. The Fed introduced an unlimited asset purchase program, resumed some of the liquidity mechanisms used during the global financial crisis, and took other steps such as purchasing corporate debt in both the primary and secondary markets.

In the UK, the Bank of England (BoE) cut its base rate by 65 basis points to 0.10% and extended the asset purchase programme by 450 billion pounds. The BoE also extended liquidity facilities to banks and building societies with special incentives for lending to SMEs, bought commercial paper from large companies, and reduced the countercyclical capital buffer to 0%. The BoE is also working on the possibility of letting interest rates go into negative territory, although its Governor does not see this

as a tool for immediate implementation. The Bank of England also coordinated its monetary policy measures closely with fiscal policy measures.

The Bank of Japan (BoJ) introduced an unlimited asset purchase programme while increasing the volume of purchases of commercial paper, corporate debt, ETFs and J-REITs, and created a special facility to guarantee funding for companies affected by COVID-19, with a special focus on SMEs. It also introduced an innovative monetary policy tool to encourage bank mergers.

## Fiscal policy in developed countries

The scale of the fiscal response in the various Eurozone countries was shaped by their initial budgetary position. Germany was one of the countries with the most forceful measures. In Spain, aid took the form mainly of guaranteed loans to enhance companies' liquidity and of measures to preserve household incomes, such as furloughs.

In addition, the European Council resolved in July to create Next Generation EU (NGEU), a recovery plan amounting to 750 billion euros to address the economic and social consequences of the pandemic and mitigate the asymmetrical effects of the crisis in EU Member States. The decision was formally adopted at the end of the year together with the new EU budget for the period 2021-27. NGEU will provide transfers and loans to countries, based on such factors as per capita income and the economic impact of the pandemic. Countries must submit investment projects and structural reforms aligned with EU priorities. In Spain, the government announced that it will channel 72 billion euros between 2021 and 2023.

# Europe gave the green light to the Next Generation EU (NGEU) fund, an important step forward in European construction.

The United States adopted a determined fiscal response, resulting in its largest deficit since 1945. In the United Kingdom, the main measures focused on wage subsidies for activities interrupted by COVID-19 and government guarantees for loans to SMEs. The fiscal measures ultimately amounted to over 19% of GDP.

## Other issues in 2020

The health crisis reignited tensions between the United States and China. As COVID-19 spread in the United States and its economic impact became clear, President Trump stepped up his criticism of China as the origin of the virus and for its handling of the pandemic in its early stages. This did not lead to an escalation of the trade war,

which remained subdued during 2020, but it did result in action against Chinese companies, mainly in technology; for example, the United States prohibited the sale to Huawei of chips by any company, domestic or foreign, that used American technology or equipment to produce them. The dispute also spilled over into the geopolitical realm as a result of China's more aggressive foreign policy in Hong Kong and, to a lesser extent, Taiwan.

Uncertainty about Brexit persisted for most of the year. Shortly after the UK formally left the EU on 31 January, when the transition period commenced, negotiations on the future relationship between the UK and the EU were interrupted by COVID-19. Negotiations resumed later in the year and, at year-end, the UK and the EU had reached a basic agreement that avoided a "hard" Brexit.

# The EU and the United Kingdom reached an agreement on their future relationship that provided for an orderly exit from the transition period.

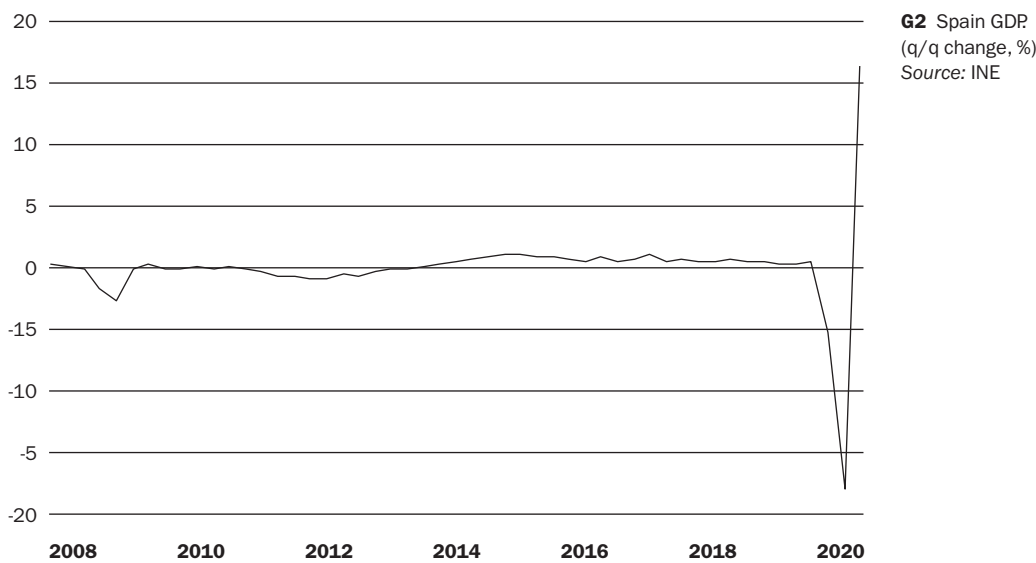
The US presidential election in November was a turning point in domestic politics and in multilateral relations at an international level. Democrat Joe Biden won the election, having obtained more votes than any presidential candidate in US history. At the legislative level, the Democratic Party retained control of Congress, while control of the Senate remained in the balance until January. The new Administration aims to restore international multilateral relations in general, although it continues to view China with scepticism. Biden's agenda also focuses on the fight against climate change and includes the US rejoining the Paris Agreement.

## Economic activity and inflation

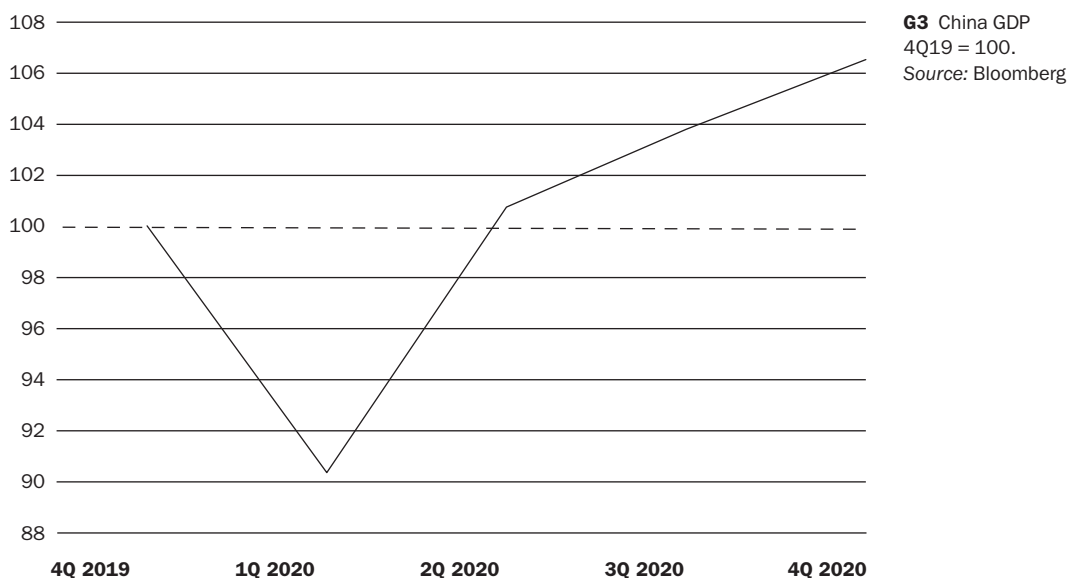
World GDP registered an unprecedented decline of over 4.0% in 2020. The severity of the recession was due to the confluence of a number of factors: combined supply and demand shocks, together with a large uncertainty shock and substantial financial stress. Moreover, this crisis was highly asymmetric across sectors, agent classes and many other dimensions. Unlike previous crises, industry fared relatively better, while services, especially those involving physical contact (foodservice, leisure, tourism and travel, etc.) were hit hardest. This also explains why international trade shrank by less than GDP as a whole and managed to rebound strongly in the second half of the year. Approaches to managing the crisis also led to differences between countries' economic performance, with most Asian countries standing out in positive terms. The crisis had a greater impact on the most vulnerable and disadvantaged, who were affected more in terms of both finances and health.

In developed economies, the record slump in activity in the first half of the year was followed by a strong rebound in GDP in 3Q20 due to de-escalation and a weak 4Q20 as the pandemic worsened and further containment measures were imposed. GDP in the major developed countries ended the year below pre-COVID-19 levels. Economic performance in the Eurozone differed between countries as a result of such factors as: (i) differing degrees of laxity in the containment measures; (ii) different production structures and industry specialisation; (iii) different scales of fiscal response; etc. In the UK, GDP fell by more than 25% between February and April. In the United States, the economic contraction was less severe than in Europe, supported by strong fiscal stimulus and laxer measures to control COVID-19.

Spain was one of the European economies that was most affected by the crisis due to its high exposure to tourism and small companies, and to the initial severity of the COVID-19 containment measures. In the first half of the year, Spain registered the largest decline in GDP among the large Eurozone economies. GDP fell by more than 10% year-on-year in 2020 as a whole. Furlough programmes limited job destruction and enabled the labour market to perform better than in previous crises. National exchequers were severely affected by the decline in tax revenues and, above all, by the increase in spending aimed at safeguarding household and company incomes.



Emerging economies also experienced an unprecedented decline in economic activity. The negative impact was lowest in the Asian countries thanks to their rapid and effective containment of the virus. As a result, China led the global economic recovery and is one of the few countries that has already regained pre-pandemic GDP levels. Latin America, which had already been experiencing some economic stagnation, has not managed to get the virus under control and the crisis has exacerbated structural problems such as inequality and social discontent. The vast majority of emerging central banks responded by easing monetary policy in line with the measures adopted by the developed countries. The fiscal response, however, was not as coordinated or aggressive. Brazil, for example, with its already weakened public accounts, opted for a strong fiscal stimulus, while Mexico's response has been practically nil.



In Mexico, the crisis led the three main rating agencies to downgrade the sovereign credit rating, although it managed to retain investment grade. Following the sizeable impact on the economy in the second quarter, the economic recovery was supported mainly by external demand and the automobile industry, in a context in which the new NAFTA agreement finally came into force on 1 July. Aside from COVID-19, López Obrador's nationalist strategy in energy has hurt private investor confidence in this sector. GDP fell by around 9% in the full year. Elsewhere in the emerging countries, Turkey's economic and financial situation is still particularly delicate, although the markets welcomed the change in government's shift to a more orthodox economic policy towards the end of the year.

Although inflation is harder to read because of changes in spending patterns, it has been pressured downward in the developed countries by the impact of COVID-19 on demand. Inflation in the Eurozone moved into negative territory for the first time since mid-2016, while core inflation (excluding energy and food) reached record lows. Inflation was weighed down not only by the deterioration in the economy but also by aspects such as the temporary reduction in VAT in Germany. In the United States, core inflation reached its lowest level since 2011. As the economic recovery in the US advanced, inflation has begun to rise.

The price of crude oil reached its lowest in several years in the early phase of the crisis, with the Brent approaching 19 dollars per barrel in the face of lockdowns and sharp declines in mobility in a large part of the globe. The subsequent economic recovery, the de-escalation and the willingness of major producers to adjust output to avoid a glut enabled the price to recover much of the lost ground and to end the year slightly above 50 dollars per barrel.

## Financial markets

The financial markets were strongly impacted at the beginning of the year by the global COVID-19 effect. The surge in risk aversion was comparable only to what was observed during the global financial crisis, with plummeting sovereign bond yields, sharp corrections in risk assets and a marked increase in tensions in short-term funding markets. In addition, the primary market in corporate bonds closed and there were worrying episodes of illiquidity in several markets, including those that had been considered to be the deepest.

Liquidity measures introduced by central banks led to a normalisation of short-term funding markets and enabled bank credit to continue to flow to the private sector. The economic support measures implemented by the authorities, together with the control of the pandemic in the developed economies before the summer, the revival of economic activity and, later, news of treatments and vaccines against COVID-19, managed to stabilise the markets and allow risk assets to recover (albeit with considerable differences between sectors and countries). The outcome of the US presidential election and the achievement of a Brexit deal in the latter part of 2020 were also supportive. Against this backdrop, corporate spreads performed very well, closing the year very close to pre-crisis levels and with record issue volumes in 2020 as a whole.

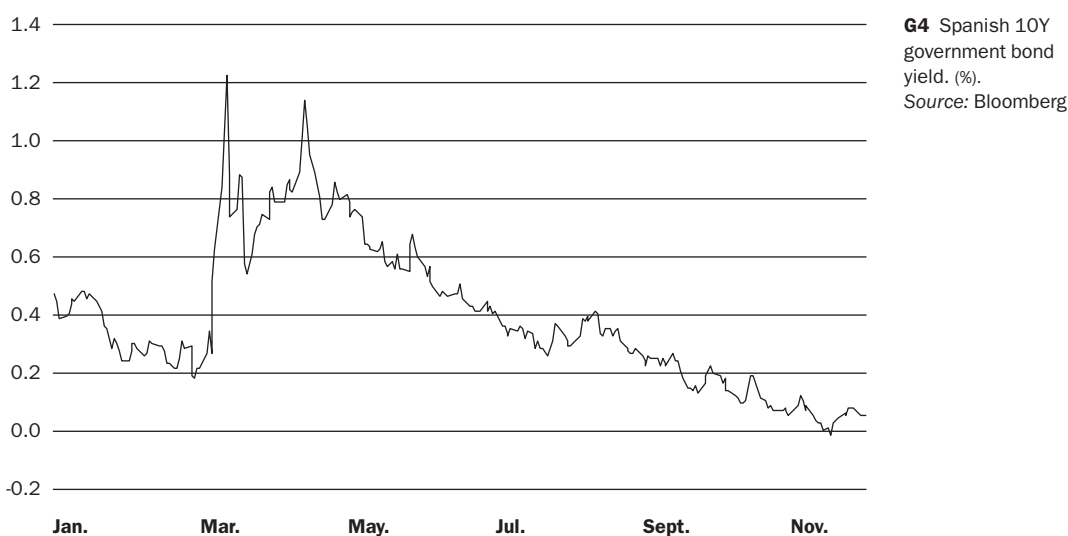
Germany's long-term government bond yields fell over the year as a whole to an all-time low (-0.86%), influenced by the crisis and the ECB's asset purchase program. Yields were boosted somewhat by the announcement of fiscal stimulus measures in Germany and the creation of the EU recovery fund, as well as positive news on the development of a COVID-19 vaccine. In the United States, government bond yields trended downwards in the early months of the year to a record low (0.52%), assisted by the Fed's aggressive intervention in this market. Yields were driven upwards at the end of the year by, among other



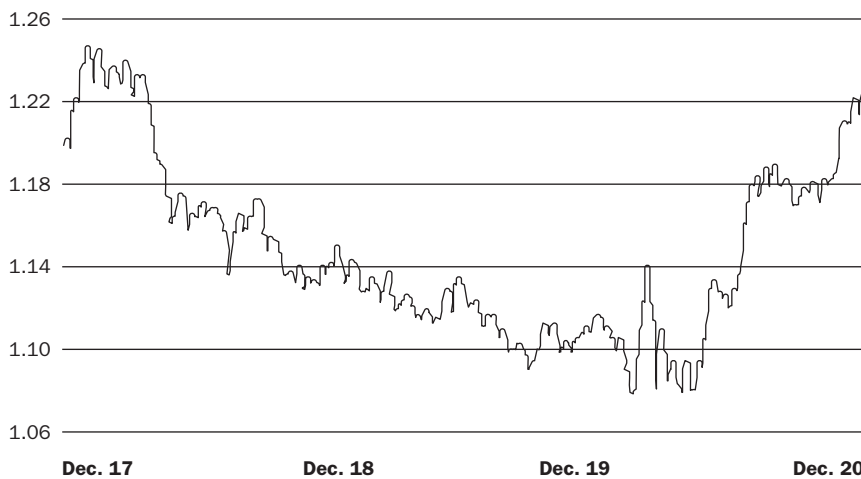
things, expectations of additional fiscal stimuli and positive news regarding vaccine development.

Sovereign risk premia in non-core Europe ended the year at their pre-COVID levels, after surging at the beginning of the pandemic. Risk premia were supported by the increase and extension of the ECB's asset purchase programmes and the agreement reached on the EU recovery fund. The Spanish government 10-year bond yield went into negative territory for the first time ever.

## The Spanish government 10-year bond yield went into negative territory for the first time ever.



The currency market experienced considerable volatility. The global shortage of dollars after the outbreak of the crisis pushed the dollar sharply upwards, a trend that was reversed by the swap lines implemented by the Fed. The euro started to strengthen directionally against the dollar after the announcement of the European recovery plan. This appreciation continued in the context of a generally weak dollar, which was driven by the zero interest rate environment in the United States, Biden's victory in the presidential elections and the prospects of a global economic recovery.<sup>i</sup> As a result, the dollar lost 9% against the euro in the year, closing at 1.22 USD/EUR, its lowest since 2018. Sterling was particularly sensitive to the COVID-19 crisis, in line with its performance in other periods of risk aversion, although it was also reflecting the particularly severe impact of the crisis on the UK economy. Sterling depreciated sharply against the euro in the first half of the year, but this was gradually reversed in the second half. Uncertainty about Brexit also weighed on sterling, as did the Bank of England's debate over the possibility of setting negative interest rates. As Brexit negotiations advanced, sterling recovered somewhat but was still down 5% against the euro at year-end.



G5 USD/EUR.  
Source: Bloomberg

Equity markets were hit hard by the outbreak of the crisis. Share prices corrected sharply, particularly in the sectors that were hit hardest by lockdowns and border closures. The adoption of accommodative measures by the authorities enabled equities to rally strongly. Some indices, such as the S&P500 and NASDAQ, even surpassed pre-crisis levels and closed the year at record highs. Asian stock markets also ended 2020 with significant gains. Europe equities were the main laggards, most ending the year in negative territory, given the more cyclical nature of their assets and the poor performance by the banking sector. The FTSE 100 (-14%) and the IBEX 35 (-15.5%) registered their worst performance since 2008. Meanwhile, the DAX only managed to gain 3.5%.

Financial markets in emerging economies also felt the impact of the strong monetary and fiscal expansion worldwide. A new supportive feature was the implementation of asset purchase programmes by some emerging countries' central banks. Moratoria on debt repayments also provided a respite for some of the poorer countries. Meanwhile, Biden's victory in the United States and the news regarding the development and distribution of vaccines supported capital flows towards emerging economies. As a result, although underlying financial vulnerabilities persisted, sovereign and corporate risk premia returned to very close to pre-COVID-19 levels.

## Banking sector

**The banking industry played a key role in addressing the crisis, which it entered with fundamentals that were undeniably stronger than in 2008.**

The banking sector took on a key role in the solution to the economic problems caused by the exogenous shock of COVID-19, by mobilising all its resources to ensure that those affected by the crisis, especially the most vulnerable, could benefit without delay from the guarantees, sureties and moratoria approved by governments and by the industry itself.

European banks entered this crisis with fundamentals that were undeniably stronger than in 2008, in terms of the quantity and quality of capital as well as liquidity and leverage. The NPL ratio continued to trend downward, reaching its lowest level since the European Banking

Authority (EBA) began publishing figures (June 20: 2.8%), confirming the asset quality improvement and balance sheet repair.

In its autumn Financial Stability Report, the Bank of Spain concluded that the Spanish banking sector is capable of withstanding the sizeable economic impact of the health crisis. In both the baseline and adverse scenarios of its analysis, all banks would have CET1 ratios above the regulatory minimum of 8 percentage points.

However, the macroeconomic consequences of the pandemic — such as the prolongation of the period of low interest rates and the expected rebound in credit risk

— will persist over time, posing an additional challenge to bank profitability, which remains depressed. As a result, in a context of economic deterioration and high uncertainty, the banking sector has significantly increased the level of provisions.

## Regulatory environment

### Banking Union

In 2020, Bulgaria and Croatia joined the Banking Union (BU) and, consequently, became part of the Single Supervisory Mechanism (SSM) through the close cooperation mechanism, and those countries' systemically important banks came under the direct supervision of the ECB.

At an institutional level, the Eurogroup confirmed that progress is being made on technical issues with regard to liquidity in resolution, and the role of the European Stability Mechanism (ESM) as a back-up to the Single Resolution Fund (SRF) was formalised. The European authorities' work plan for 2021 prioritises advancing towards completion of BU. A number of European authorities, including the SSM and the Bank of Spain, have reiterated the urgency of completing Banking Union in the current institutional cycle (i.e. before 2024) and have considered the creation of a European Deposit Guarantee Scheme (EDIS) as a priority.

The agreement on the European recovery fund is expected to provide considerable impetus to the completion of BU, insofar as it limits the strengthening of the sovereign-bank link and creates, *de facto*, a European common safe asset that should foster financial integration.

### Capital Markets Union

In the autumn, the European Commission presented the Capital markets union new action plan, with which it intends to make a decisive contribution to the post-COVID economic recovery. The Plan has three main goals: (i) support a green, inclusive and resilient economic recovery by making financing more accessible to European companies; (ii) improve the EU's capacity for long-term saving and investment; and (iii) integrate national capital markets into a genuine single market.

### Macroprudential framework

Macroprudential policy has gained in importance in the current context of rising risks to financial stability. The COVID-19 crisis was, in fact, the first major test to the global financial banking system after the Basel reforms that followed the financial crisis and the introduction of the macroprudential approach to regulation. The consensus is that, overall, the framework has proved to be

resilient and has enabled banks to perform their vital function of providing credit to the real economy.

The benefits of unwinding some macroprudential capital buffers in Europe have reignited the global debate on the actual usability of bank capital buffers in times of crisis. The ECB considers it necessary to reconfigure the current composition of capital requirements and advocates increasing the level of countercyclical capital buffers (CCyBs), while decreasing the level of other buffers (e.g. bank-specific or Pillar 2 buffers). Moreover, it believes that the accumulation of releasable capital buffers can effectively complement monetary policy actions during a crisis, especially in the current context of prolonged low interest rates.

With regard to rebuilding buffers, the process of capital accumulation to pre-COVID levels is expected to be very gradual. In this regard, the Bank of Spain has decided to keep the CCyB in abeyance until the economic and financial effects of the pandemic have dissipated.

The non-bank financial intermediation sector has continued to grow overall, especially in the provision of credit in the Eurozone. Moreover, there is a persisting high level of interconnections between this sector and the banking sector, which may entail risks even under normal market conditions. Globally, this sector generated several episodes of stress in the financial markets in the early stages of the COVID-19 crisis. Consequently, the ECB and other bodies, such as the Financial Stability Board (FSB), advocate complementing and expanding the macroprudential framework so that national authorities have the necessary tools to limit that sector's effect of amplifying volatility and liquidity risks that was observed during the crisis.

### Regulatory and supervisory framework

In the face of the COVID-19 outbreak, international, European and domestic authorities in the financial sector adapted their work plans, took measures and issued recommendations to ensure institutions' operational continuity as well as financial stability as a whole. At global level, both the Basel Committee on Banking Supervision and the FSB postponed their schedule of main regulatory reforms by one year.

In Europe, banking supervisory policy made use of some of the flexibility provided for in the rules, with the ultimate aim of not restricting credit and of allowing banks to enable households and businesses to benefit fully from the guarantees, sureties and moratoria approved by government authorities and banking associations. The SSM decided to allow banks to fully utilise some capital and liquidity buffers and introduced supervisory flexibility in relation to the prudential treatment of COVID-19 related lending. It also adjusted the calendar of supervisory activity, postponing resource-intensive exercises (such as stress tests and the implementation of some pending

regulatory measures), temporarily reducing on-site inspections at institutions and relaxing the deadlines for the delivery of supervisory data or disclosures to markets and the publication of financial information. The SSM also recommended that banks should not distribute dividends or buy back shares until 30 September 2021. Starting in the third quarter of 2020, the SSM shifted its supervisory approach to focus on assessing the risks, vulnerabilities and potential impact of the pandemic on the credit risk in bank balance sheets.

## Supervisory policy took advantage of some of the flexibility provided by the rules and also recommended against dividend distributions and share buybacks.

Given the impending disappearance of LIBOR and EONIA at the end of 2021, the authorities have stepped up pressure to ensure a smooth transition. With a view to the discontinuation of LIBOR in 2022, the European Commission presented a proposal to amend the Benchmark Regulation (BMR) to ensure that the disappearance of such a critical benchmark does not disrupt the economy or the financial system.

With regard to Brexit, the European and UK authorities expect to sign a Memorandum of Understanding (MoU) on financial regulation in the first quarter of 2021. This new relationship in the financial area will be based on specific equivalences, which will continue to be negotiated beyond 2020. In any event, the measures adopted during the transition period ensure the continuity of the provision of financial services between the two jurisdictions after Brexit.

Central banks, regulators and supervisors have increased pressure on financial institutions to assess and disclose the threat of climate risks to their business models so that these risks can be optimally managed. The SSM published its supervisory expectations on climate-related and environmental risks and is working to incorporate these risks into its stress tests, while the EBA is conducting a climate risk sensitivity exercise on banks' holdings in large corporations. The EU has made progress in developing the regulatory framework for sustainability and the European Commission has revised its sustainable finance strategy. In Spain, the Climate Change and Energy Transition Law, which is currently going through Parliament, will impose climate reporting requirements on the financial sector.

## Outlook for 2021

Concerns about COVID-19 can be expected to fade in 2021 as the population is vaccinated.

Economies are expected to perform well generally, especially from the second quarter onwards.

The ECB is expected to maintain a clearly accommodative monetary policy with no change in official interest rates.

With regard to financial markets, government bond yields may trend upwards, although they should remain contained in a context of financial repression.

Risk premia on peripheral government debt are expected to be supported by ECB policy and the presence of the Recovery Fund.

The US dollar could depreciate against the euro in the face of progress in European construction, the context of zero interest rates and the change of government in the United States, among other factors.



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# Key figures in 2020

The Group's main figures, including include key financial and non-financial indicators, are presented below:

	2020	2019	Year-on-year change (%)
<b>Income statement</b> (million euro)	<b>(A)</b>		
Net interest income	3,399	3,622	(6.2)
Gross income	5,302	4,932	7.5
Pre-provisions income	1,841	1,719	7.1
Profit attributable to the Group	2	768	(99.7)
<b>Balance sheet</b> (million euro)	<b>(B)</b>		
Total assets	235,763	223,754	5.4
Outstanding gross loans and advances	146,878	144,572	1.6
Loans and advances to customers, gross, excluding repos	152,265	150,749	1.0
On-balance sheet customer funds	150,778	146,309	3.1
Mutual funds	21,366	26,003	(17.8)
Pension funds and insurance brokerage	13,401	13,797	(2.9)
Funds under management and third-party funds	209,748	213,095	(1.6)
Off-balance sheet funds	38,064	43,163	(11.8)
Total customer funds	188,843	189,472	(0.3)
Equity	12,492	12,974	(3.7)
Shareholders' equity	12,944	13,172	(1.7)
<b>Ratios</b> (%)	<b>(C)</b>		
ROA	0.00	0.35	
RORWA	0.00	0.95	
ROE	0.02	5.94	
ROTE	0.02	7.37	
Cost-to-income	55.41	55.63	
<b>Risk management</b>	<b>(D)</b>		
Stage 3 exposures (million euro)	5,808	6,141	
Total NPA exposures (million euro)	7,182	7,326	
NPL ratio (%)	3.60	3.83	
NPL coverage ratio of Stage 3 (%) *	56.5	49.6	
NPA coverage ratio (%) *	52.6	46.9	
<b>Capital management</b>	<b>(E)</b>		
Risk-weighted assets (RWA) (million euro)	78,779	81,231	
Common Equity Tier 1 (phase-in) (%)	(1)	12.4	
Tier 1 (phase-in) (%)	(2)	13.9	
Total capital ratio (phase-in) (%)	(3)	15.7	
Leverage ratio (phase-in) (%)	5.23	5.01	
<b>Liquidity management</b>	<b>(F)</b>		
Loan-to-deposit ratio (%)	97.6	98.6	
<b>Shareholders and shares</b> (as at reporting date)	<b>(G)</b>		
Number of shareholders	244,225	235,034	
Average number of shares (million)	5,582	5,538	
Share price (euros)	0.354	1.040	
Market capitalisation (million euro)	1,976	5,760	
Earnings (or loss) per share (EPS) (euros)	(0.01)	0.13	
Book value per share (euro)	2.32	2.38	
Price/Book value	0.15	0.44	
Price / Earnings ratio (P/E)	(27.75)	8.29	
<b>Other information</b>			
Branches	2,083	2,398	
Employees	23,458	24,454	

(\*) Excl. floor clauses.

(A) This section sets out key margins from the income statement for the last two years.

(B) This table of key figures provides an overview of year-on-year changes in the main items in the Group's consolidated balance sheet, focusing particularly on loans and advances and customer funds.

(C) The ratios in this section of the table have been included to give a meaningful picture of profitability and the cost-to-income ratio in the last two years.

(D) This section gives some key balances and ratios related to the Group's risk management.

(E) The ratios in this section of the table have been included to give a meaningful picture of the capital position in the last two years.

(F) This section gives a meaningful picture of liquidity performance in the last two years.

(G) This section provides data on the share price and other stock market ratios and indicators.

(1) Core capital / Risk-weighted assets (RWA).

(2) Tier 1 capital / Risk-weighted assets (RWA).

(3) Total capital / Risk-weighted assets (RWA).

## Profit/(loss) for the year

Group net profit of 2 million euros as a result of the effects of managing the COVID-19 crisis.

Million euros

Profit & loss account

	2020	2019	Year-on-year change (%)
Interest and similar income	4,324	4,985	(13.3)
Interest and similar charges	(925)	(1,362)	(32.1)
<b>Net interest income</b>	<b>3,399</b>	<b>3,622</b>	<b>(6.2)</b>
Fees and commissions (net)	1,350	1,439	(6.1)
<b>Net banking revenues</b>	<b>4,749</b>	<b>5,061</b>	<b>(6.2)</b>
Net trading income and exchange differences	800	126	—
Equity-accounted affiliates and dividends	37	61	(39.4)
Other operating income/expense	(284)	(317)	(10.3)
<b>Gross income</b>	<b>5,302</b>	<b>4,932</b>	<b>7.5</b>
Operating expenses	(2,938)	(2,743)	7.1
Staff expenses	(1,885)	(1,649)	14.3
Other general administrative expenses	(1,054)	(1,095)	(3.8)
Depreciation and amortisation	(523)	(470)	11.4
Total costs	(3,461)	(3,213)	7.7
Memorandum item:			
Recurrent costs	(3,035)	(3,109)	(2.4)
Non-recurrent costs	(426)	(105)	307.4
<b>Pre-provisions income</b>	<b>1,841</b>	<b>1,719</b>	<b>7.1</b>
Provisions for loan losses	(1,832)	(672)	172.7
Provisions for other financial assets	(188)	(22)	—
Other provisions and impairments	(254)	(244)	4.3
Capital gains on asset sales and other revenue	313	170	84.2
<b>Profit/(loss) before tax</b>	<b>(121)</b>	<b>951</b>	<b>—</b>
Corporation tax	124	(174)	—
Profit or loss attributed to minority interests	1	9	(88.9)
<b>Profit attributable to the Group</b>	<b>2</b>	<b>768</b>	<b>(99.7)</b>
Memorandum item:			
Average total assets	227,639	223,470	1.9
Earnings per share (euro)	(0.01)	0.13	—

The average exchange rate used for TSB's income statement is 0.8888 (0.8782 in 2019).

# Net interest income

Net interest income totalled 3,399 million euro in 2020, 6.2% lower than in the previous year, mainly due to lower interest rates, a lower contribution from the ALCO portfolio following the divestments made during the year, lower overdraft fees following the measures related to COVID-19, and the reduction in revenues following the securitisation of consumer loans in the third quarter of the previous year.

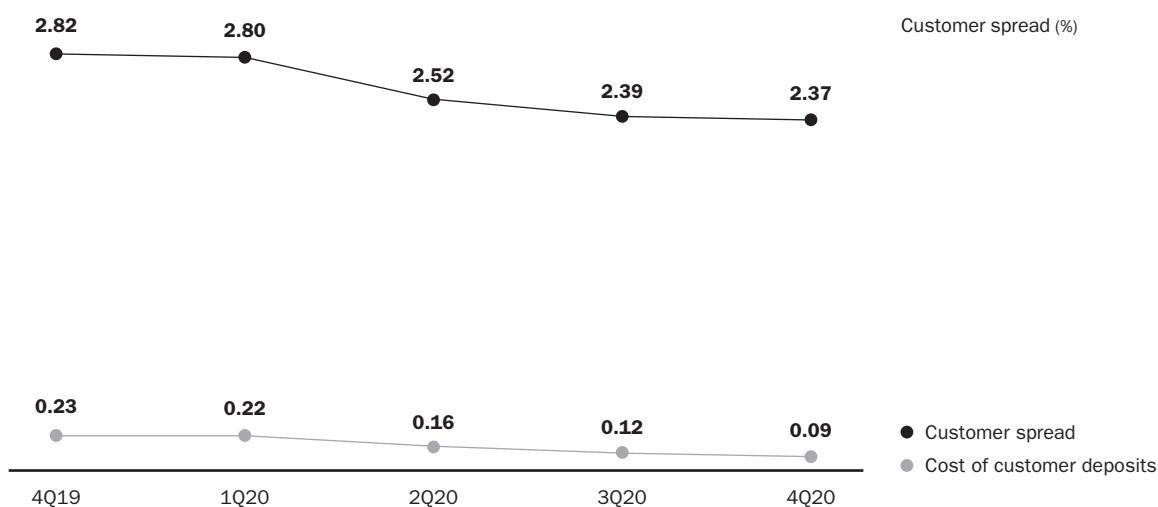
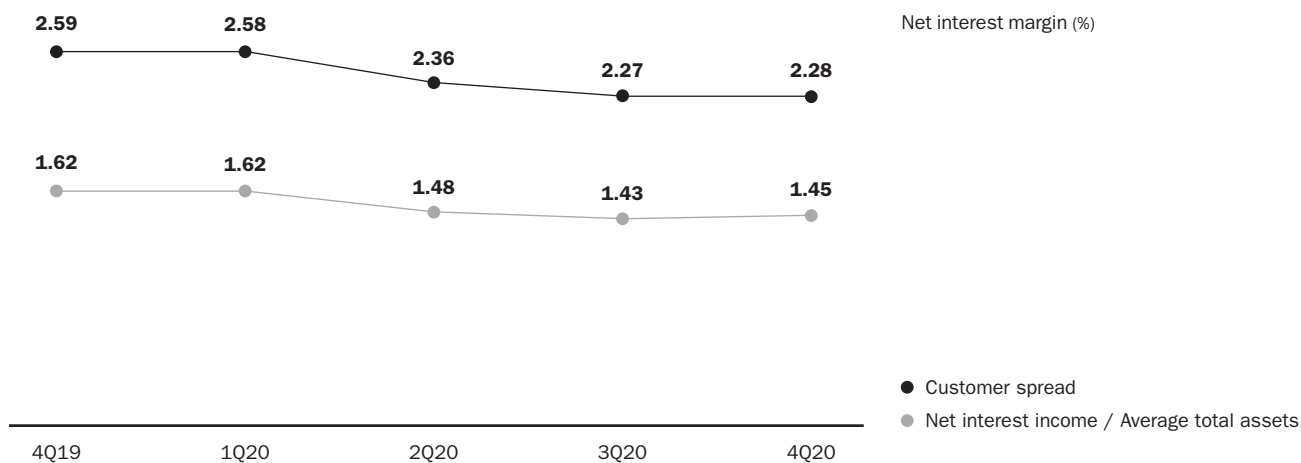
As a result, the return on average total assets was 1.45% in 2020 (1.62% in 2019).

Average total assets

Million euros											
	2020			2019			Change		Effect		
	Average balance	Profit/(loss)	Rate %	Average balance	Profit/(loss)	Rate %	Average balance	Profit/(loss)	Rate %	Volume	Days
Cash, central banks and credit institutions	32,280,072	(3,770)	(0.01)	29,674,435	63,482	0.21	2,605,637	(67,252)	(61,431)	(6,006)	185
Loans and advances to customers	144,206,662	3,627,861	2.52	139,674,387	4,058,039	2.91	4,532,275	(430,178)	(464,619)	26,919	7,522
Fixed-income portfolio	27,820,630	257,321	0.92	26,937,403	342,243	1.27	883,227	(84,922)	(93,241)	7,404	915
<b>Subtotal</b>	<b>204,307,364</b>	<b>3,881,412</b>	<b>1.90</b>	<b>196,286,225</b>	<b>4,463,764</b>	<b>2.27</b>	<b>8,021,139</b>	<b>(582,352)</b>	<b>(619,291)</b>	<b>28,317</b>	<b>8,622</b>
Equity portfolio	1,009,488	—	—	879,843	—	—	129,645	—	—	—	—
Property, plant and equipment and intangible assets	5,406,276	—	—	5,398,789	—	—	7,487	—	—	—	—
Other assets	16,915,746	159,052	0.94	20,905,143	340,452	1.63	(3,989,397)	(181,400)	—	(181,400)	—
<b>Total capital employed</b>	<b>227,638,874</b>	<b>4,040,464</b>	<b>1.77</b>	<b>223,470,000</b>	<b>4,804,216</b>	<b>2.15</b>	<b>4,168,874</b>	<b>(763,752)</b>	<b>(619,291)</b>	<b>(153,083)</b>	<b>8,622</b>
Credit institutions	28,776,209	116,074	0.40	28,634,214	(43,933)	(0.15)	141,995	160,007	155,318	4,813	(124)
Customer deposits	152,494,537	(223,310)	(0.15)	147,550,925	(391,969)	(0.27)	4,943,612	168,659	173,009	(3,462)	(888)
Capital markets	23,928,673	(310,324)	(1.30)	24,738,681	(357,263)	(1.44)	(810,008)	46,939	16,953	31,017	(1,031)
<b>Subtotal</b>	<b>205,199,419</b>	<b>(417,560)</b>	<b>(0.20)</b>	<b>200,923,820</b>	<b>(793,165)</b>	<b>(0.39)</b>	<b>4,275,599</b>	<b>375,605</b>	<b>345,280</b>	<b>32,368</b>	<b>(2,043)</b>
Other liabilities	9,621,529	(223,788)	(2.33)	9,816,263	(388,655)	(3.96)	(194,734)	164,867	—	164,867	—
Own funds	12,817,926	—	—	12,729,917	—	—	88,009	—	—	—	—
<b>Total funds</b>	<b>227,638,874</b>	<b>(641,348)</b>	<b>(0.28)</b>	<b>223,470,000</b>	<b>(1,181,820)</b>	<b>(0.53)</b>	<b>4,168,874</b>	<b>540,472</b>	<b>345,280</b>	<b>197,235</b>	<b>(2,043)</b>
<b>Average total assets</b>	<b>227,638,874</b>	<b>3,399,116</b>	<b>1.49</b>	<b>223,470,000</b>	<b>3,622,396</b>	<b>1.62</b>	<b>4,168,874</b>	<b>(223,280)</b>	<b>(274,011)</b>	<b>44,152</b>	<b>6,579</b>

Financial income or expenses deriving from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading under liabilities includes negative interest on liability balances with credit institutions, most notably revenues in connection with TLTRO II and TLTRO III.





## Gross income

Dividends received and equity-accounted profits amounted to 37 million euros, compared with 61 million euros in 2019 (which included one-off effects). Those revenues are due mainly to the insurance and pension fund business.

Net fees and commissions amounted to 1,350 million euros, down 6.1% year-on-year, affected by the reduction in activity caused by the lockdowns triggered by the pandemic, as well as the lower contribution from asset management fees in the second half of the year following the sale of Sabadell Asset Management.

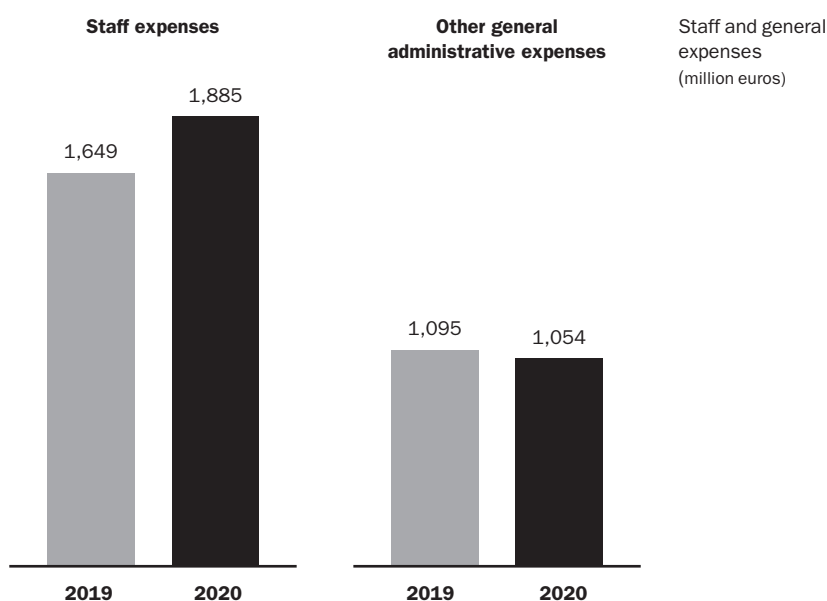
Gains on financial transactions and exchange differences totalled 800 million euros and include mainly the sale of bonds in the portfolio at amortised cost in order to manage credit risk and safeguard the Group's capital position as part of a set of actions taken to improve future profitability and balance sheet quality, as well as the impairment of the SAREB stake by -27 million euros, as a result of which that stake is fully provisioned. In 2019, this item amounted to 126 million euros and included mainly the positive impact of the capital gain on securitising consumer loans in the third quarter of that year.

Other operating revenues and expenses amounted to -284 million euros, compared with -317 million euros in 2019. Notable components of this item include the -123 million euros contribution to the Spanish Deposit Guarantee

Fund (-121 million euros in 2019), the -78 million euros contribution to the Single Resolution Fund (-59 million euros the previous year), -48 million euros of the levy on conversion of deferred tax assets into debt claims against the Spanish tax authorities (the same as in 2019), and the -32 million euros tax on deposits at credit institutions (IDEC) (-31 million euros in 2019).

## Pre-provisions income

Expenses in 2020 totalled -3,461 million euros, of which -426 million euros related to non-recurring items, mainly -314 million euros related to the Spanish cost restructuring plan and -101 million euros of restructuring costs at TSB. Expenses in 2019 amounted to -3,213 million euros, including -105 million euros of non-recurring items. Recurring expenses fell by 2.4% due to lower personnel and general expenses.



The cost-to-income ratio improved in 2020 to 55.4%, from 55.6% in 2019.

As a result, pre-provisions income amounted to 1,841 million euros in 2020, compared with 1,719 million euros in 2019, i.e. a 7.1% improvement, mainly as a result of the increase in trading income from the sale of bonds in the portfolio at amortised cost.

Provisions and impairments totalled -2,275 million euros, compared with -938 million euros in 2019. That increase was due mainly to higher provisions in the COVID-19 environment, with a direct impact of around -650 million euros, and higher provisions linked to the sale of portfolios of non-performing assets in the fourth quarter.

Capital gains on asset sales amounted to 313 million euros, mainly from booking the sale of Sabadell Asset Management, and the capital gain on the sale of SDIn and a number of real estate assets; the 2019 figure of 170 million euro was due to the disposal of Solvia Servicios Inmobiliarios and to booking the earnout on the insurance business.

## Group net profit

After deducting income tax and the share of profit attributed to non-controlling interests, Group net profit in 2019 amounted to 2 million euros, i.e. less than in 2018 mainly as a result of the higher provisions in the context of COVID-19 and lower revenues, attributable to the decline in activity because of the pandemic. The efficiency plan for Spain and TSB and part of the increase in provisions due to portfolio sales were neutralised by the sale of bonds in the portfolio at amortised cost.

## Balance sheet

Dynamic commercial performance driven  
by growth in all geographies.

The group sold non-performing assets and  
improved the NPA ratio due to the enhanced  
portfolio composition after the sales.

	2020	2019	Year-on-year change (%)
Cash, cash balances at central banks and other demand deposits	35,185	15,169	131.9
Financial assets held for trading	2,679	2,441	9.7
Non-trading financial assets mandatorily at fair value through profit or loss	114	171	(33.2)
Financial assets designated at fair value through profit or loss	—	—	—
Financial assets at fair value through other comprehensive income	6,677	7,802	(14.4)
Financial assets at amortised cost	174,488	181,423	(3.8)
Debt securities	18,091	19,219	(5.9)
Loans and advances	156,397	162,204	(3.6)
Investments in joint ventures and associates	780	734	6.3
Tangible assets	3,200	3,462	(7.6)
Intangible assets	2,596	2,565	1.2
Other assets	10,044	9,987	0.6
<b>Total assets</b>	<b>235,763</b>	<b>223,754</b>	<b>5.4</b>
Financial liabilities held for trading	2,654	2,714	(2.2)
Financial liabilities designated at fair value through profit or loss	—	—	—
Financial liabilities measured at amortised cost	217,391	205,636	5.7
Deposits	193,234	178,898	8.0
Central banks	31,881	20,065	58.9
Credit institutions	10,083	11,471	(12.1)
Customers	151,270	147,362	2.7
Debt securities issued	20,413	22,570	(9.6)
Other financial liabilities	3,743	4,168	(10.2)
Provisions	984	430	128.5
Other liabilities	2,244	1,998	12.3
<b>Total liabilities</b>	<b>223,272</b>	<b>210,779</b>	<b>5.9</b>
Shareholders' equity	12,944	13,172	(1.7)
Accumulated other comprehensive income	(524)	(267)	96.3
Non-controlling interests	72	69	3.3
<b>Equity</b>	<b>12,492</b>	<b>12,974</b>	<b>(3.7)</b>
<b>Total equity and total liabilities</b>	<b>235,763</b>	<b>223,754</b>	<b>5.4</b>
Loan commitments provided	29,295	27,564	6.3
Financial guarantees provided	2,036	2,107	(3.4)
Other commitments provided	7,595	10,399	(27.0)
<b>Total memorandum accounts</b>	<b>38,926</b>	<b>40,070</b>	<b>(2.9)</b>

The EUR/GBP exchange rate used for the balance sheet is 0.8990 as at 31 December 2020.

At the end of 2020, assets at Banco Sabadell and its Group totalled 235,763 million euros, compared with 223,754 million euros at the end of 2019.

Outstanding gross loans and advances amounted to 146,878 million at 2020 year-end, a 1.6% year-on-year increase. The largest component of gross loans and receivables was mortgage loans, which amounted to 83,573 million euros as at 31 December 2020 and accounted for 57% of total outstanding gross loans and advances.

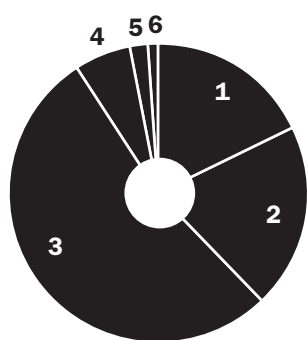
Million euros

Loans and receivables

	2020	2019	Year-on-year change (%)
Mortgage loans & credit	83,573	83,720	(0.2)
Loans and credit secured with other collateral	3,698	3,330	11.0
Commercial loans	4,991	6,443	(22.5)
Finance leases	2,231	2,558	(12.8)
Overdrafts, etc.	52,386	48,521	8.0
<b>Outstanding gross loans and advances</b>	<b>146,878</b>	<b>144,572</b>	<b>1.6</b>
Assets classified as stage 3 (customers)	5,320	5,923	(10.2)
Accruals	3	18	(82.9)
<b>Loans and advances to customers, gross, excluding repos</b>	<b>152,201</b>	<b>150,513</b>	<b>1.1</b>
Repos	63	236	(73.1)
<b>Loans and advances to customers, gross</b>	<b>152,265</b>	<b>150,749</b>	<b>1.0</b>
NPL and country-risk provisions	(3,081)	(2,933)	5.0
<b>Loans and advances to customers</b>	<b>149,183</b>	<b>147,816</b>	<b>0.9</b>

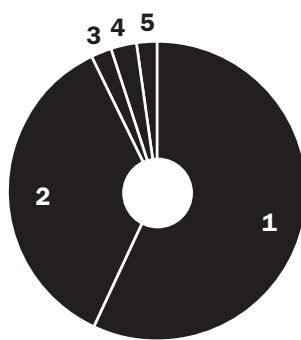
The EUR/GBP exchange rate used for the balance sheet is 0.8990 as at 31 December 2020.

The breakdown of customer loans and advances by customer profile and product type, excluding stage 3 assets and accrual adjustments, is shown in the following graphics:



**Loans and advances to customers, by customer profile**  
31.12.2020 (%)

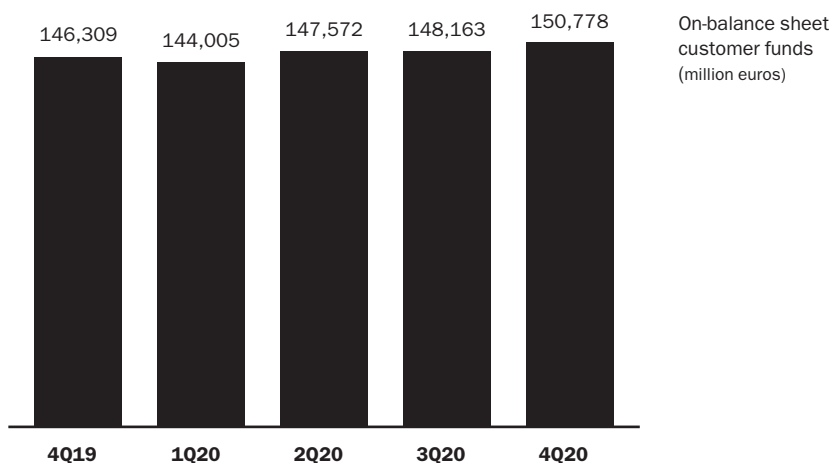
<b>1</b>	Large companies	18
<b>2</b>	SMEs	20
<b>3</b>	Individuals	53
<b>4</b>	Public sector	6
<b>5</b>	Real estate developers	2
<b>6</b>	Other	1



**Loans and advances to customers, by product type**  
31.12.2020 (%)

<b>1</b>	Mortgage loans & credit	57
<b>2</b>	Overdrafts, etc.	36
<b>3</b>	Loans and credit secured with other collateral	2
<b>4</b>	Commercial loans	3
<b>5</b>	Finance leases	2

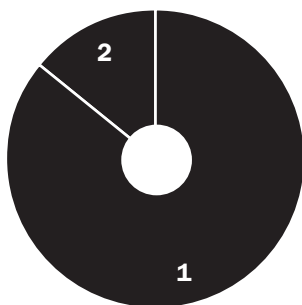
At 2020 year-end, customer funds on the balance sheet amounted to 150,778 million euros, a 3.1% increase on the figure of 146,309 million euros registered at the end of 2019.



Total off-balance sheet customer funds amounted to 38,064 million euros, down 11.8% on the previous year due to the reduction in mutual funds following the sale of Sabadell Asset Management, which amounted to 21,366 million euros, representing a year-on-year decrease of 17.8%.

The balance of demand accounts amounted to 130,295 million euros, 9.6% higher than the previous year.

The breakdown of customer deposits at 2020 year-end is as follows:



**Customer deposits (%) (\*)**

<b>1</b>	Sight deposits	86
<b>2</b>	Deposits with agreed maturity	14

(\*) Excluding accrual adjustments and hedging derivatives.

Total funds under management amounted to 209,748 million euros as at 31 December 2020, i.e. 1.6% less than in 2019 (213,095 million euros), due to the aforementioned reduction in off-balance sheet customer funds.

Million euros

Customer funds

	2020	2019	Year-on-year change (%)
<b>On-balance sheet customer funds (*)</b>	<b>150,778</b>	<b>146,309</b>	<b>3.1</b>
Customer deposits	151,270	147,362	2.7
Current and savings accounts	130,295	118,868	9.6
Deposits with agreed maturity	20,805	27,339	(23.9)
Repos	13	951	(98.6)
Accrual adjustments and hedging derivatives	157	204	(22.6)
Bonds and other marketable securities	17,510	19,514	(10.3)
Subordinated liabilities (**)	2,903	3,056	(5.0)
<b>On-balance sheet funds</b>	<b>171,683</b>	<b>169,932</b>	<b>1.0</b>
Mutual funds	21,366	26,003	(17.8)
Equity funds	55	1,606	(96.6)
Balanced funds	192	6,823	(97.2)
Fixed-income funds	73	5,037	(98.6)
Guaranteed return funds	54	3,008	(98.2)
Real estate funds	69	76	(9.9)
Venture capital funds	—	101	(100.0)
Investment companies	1,295	1,667	(22.3)
UCITS sold but not managed	19,627	7,685	155.4
Asset management	3,298	3,363	(1.9)
Pension funds	3,349	3,367	(0.5)
Personal schemes	2,173	2,216	(1.9)
Workplace schemes	1,165	1,140	2.2
Collective schemes	11	11	(1.5)
Insurance products sold	10,051	10,430	(3.6)
<b>Off-balance sheet funds</b>	<b>38,064</b>	<b>43,163</b>	<b>(11.8)</b>
<b>Funds under management and third-party funds</b>	<b>209,748</b>	<b>213,095</b>	<b>(1.6)</b>

(\*) Includes customer deposits (excl. repos) and other liabilities placed via the branch network: non-convertible bonds issued by Banco Sabadell, commercial paper and others.

(\*\*) Outstanding subordinated bonds.

The EUR/GBP exchange rate used for the balance sheet is 0.8990 as at 31 December 2020.

The volume of non-performing assets declined in 2020. The quarter-on-quarter performance of these assets in 2019 and 2020 is shown below:

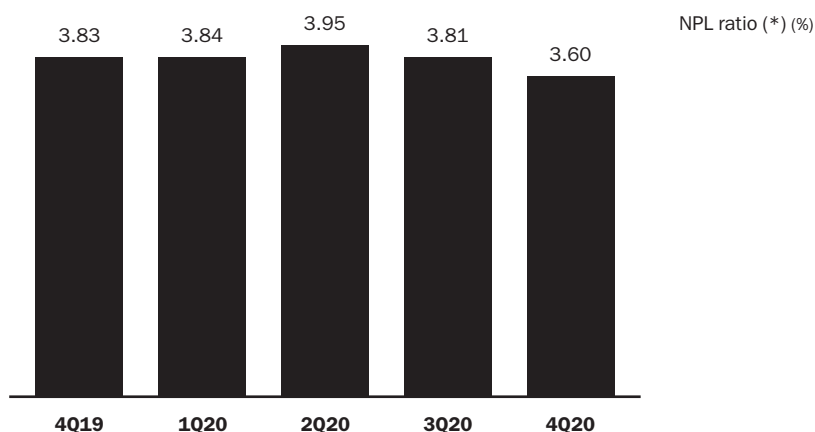
Million euros

	2020				2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net ordinary increase in balance of stage 3 assets	71	361	(27)	(213)	50	94	109	(62)
Change in real estate assets	125	150	60	(147)	77	70	(841)	152
<b>Ordinary net increase in NPAs + real estate</b>	<b>196</b>	<b>511</b>	<b>33</b>	<b>(360)</b>	<b>127</b>	<b>164</b>	<b>(732)</b>	<b>90</b>
Write-offs	100	114	205	106	220	97	97	189
<b>Ordinary quarter-on-quarter change in balance of stage 3 assets and real estate</b>	<b>96</b>	<b>397</b>	<b>(172)</b>	<b>(466)</b>	<b>(93)</b>	<b>67</b>	<b>(829)</b>	<b>(99)</b>

Non-performing assets

Because of the reduction in stage 3 risks, the NPL ratio reached 3.60% at 2020 year-end, down from 3.83% a year earlier (a 23-basis point decline). The stage 3 asset coverage ratio was 56.5% as at 31 December 2020, compared with 49.6% a year earlier, and coverage of foreclosed assets stood at 36.5% at 2020 year-end (from 33.3% a year earlier).

As at 31 December 2020, the balance of Banco Sabadell Group's exposures classified as stage 3 amounted to 5,808 million euros, having decreased by 333 million euros during the year.



\* Includes contingent exposures.

The trend in the Group's coverage ratios is shown in the next table:

Million euros

	2019				2020				Group coverage ratios
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Stage 3 exposures	6,383	6,380	6,391	6,141	6,112	6,359	6,127	5,808	
Provisions for loan losses	3,360	3,301	3,263	3,045	3,228	3,537	3,460	3,279	
<b>NPL coverage ratio of Stage 3 (with total provisions) (%)</b>	<b>52.6</b>	<b>51.7</b>	<b>51.1</b>	<b>49.6</b>	<b>52.8</b>	<b>55.6</b>	<b>56.5</b>	<b>56.5</b>	
Provisions for Stage 3 loan losses	2,600	2,558	2,546	2,316	2,359	2,578	2,451	2,272	
<b>NPL coverage ratio of Stage 3 (%)</b>	<b>40.7</b>	<b>40.1</b>	<b>39.8</b>	<b>37.7</b>	<b>38.6</b>	<b>40.5</b>	<b>40.0</b>	<b>39.1</b>	
Non-performing real estate assets	1,803	1,873	1,032	1,185	1,310	1,460	1,520	1,373	
Provisions for non-performing real estate assets	790	831	380	394	451	514	541	502	
<b>Non-performing real estate assets coverage ratio (%)</b>	<b>43.8</b>	<b>44.4</b>	<b>36.8</b>	<b>33.3</b>	<b>34.4</b>	<b>35.2</b>	<b>35.6</b>	<b>36.6</b>	
NPA exposures	8,186	8,253	7,424	7,326	7,422	7,820	7,647	7,182	
Provisions for non-performing assets	4,150	4,132	3,643	3,439	3,680	4,051	4,001	3,781	
<b>NPA coverage ratio (%)</b>	<b>50.7</b>	<b>50.1</b>	<b>49.1</b>	<b>46.9</b>	<b>49.6</b>	<b>51.8</b>	<b>52.3</b>	<b>52.6</b>	

Includes contingent exposures.



## Liquidity management

# The group has a sound liquidity position and a balanced retail funding structure.

- During 2020, the funding gap trended positively due to an increase in lending offset by faster growth in funds. The volume of funding in capital markets was maintained because of the need to fulfil the MREL (Minimum Requirement for Own Funds and Eligible Liabilities), which, because of the Bank's credit rating, focused on products with a lower cost for a given term. The Group's loan-to-deposit (LTD) ratio ended 2020 at 97.6%.
- The Bank took advantage of the various issuance windows to access the capital markets at different times of the year, in a market subject to volatility and spread widenings following the market closure experienced early in the second quarter due to the impact of the coronavirus. Capital market deals amounting to 2,548 million euros matured or were redeemed early in 2020. Banco Sabadell issued mortgage covered bonds under its Fixed-Income Programme for a total of 1,000 million euros. Additionally, under the EMTN Programme, on 11 September 2020 Banco Sabadell placed four issues totalling 1,420 million euros, including an inaugural 6-year green senior preferred debt issue callable in the fifth year (500 million euros) and, on 17 January 2020, a 10-year Tier2 subordinated debt issue callable in year 5 (300 million euros). The other two issues were also senior preferred debt.
- Banco Sabadell redeemed the GC Sabadell 2, FTH fund on its clean-up call date in March. It also retired the multi-donor TDA 15 mixto, FTA fund on its clean-up call date in December. TSB also exercised early cancellation of its two asset-backed funds: Duncan Funding 2016 in July, since no outstanding bonds remained in the market, and Duncan Funding 2015 in September, on the date of its step-up call. Following these redemptions, TSB has no outstanding asset-backed securities.
- The institution maintained a liquidity buffer in the form of liquid assets to meet any liquidity needs.
- Since 1 January 2018, the minimum Liquidity Coverage Ratio (LCR) required by the regulator is 100%. All the Group's liquidity management units (LMUs) amply exceed that requirement. At Group level, the LCR remained well above 100% on a stable basis at all times. As at 31 December 2020, the LCR was 219% excluding TSB and 201% at TSB. As for the Net Stable Funding Ratio (NSFR), which is due to come into force in June 2021, the Bank has maintained a stable ratio in excess of 100%.

## Key figures and basic liquidity ratios at year-end:

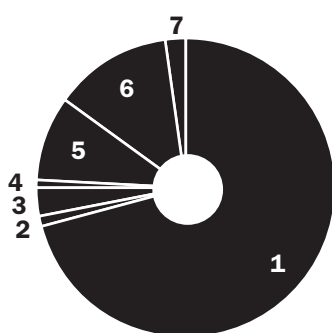
Million euros

	2020	2019
Loans and advances to customers, gross, excluding repos	152,201	150,513
Impairment allowances	(3,081)	(2,933)
Brokered loans	(1,977)	(3,334)
<b>Net loans and advances excluding ATAs, adjusted for brokered loans</b>	<b>147,143</b>	<b>144,246</b>
On-balance sheet customer funds	150,778	146,309
<b>Loan-to-deposit ratio (%)</b>	<b>97.6</b>	<b>98.6</b>

Liquidity ratios

The EUR/GBP exchange rate used for the balance sheet is 0.8990 as at 31 December 2020 and 0.8508 as at 31 December 2019.

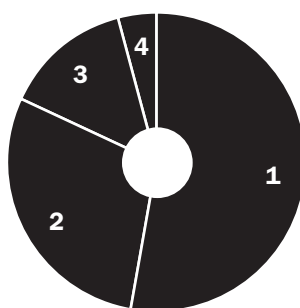
The breakdown of the main sources of funding by instrument and counterparty as at 2020 year-end is as follows (%):



### Funding structure (%) (\*)

<b>1</b>	Deposits	71
<b>2</b>	Retail issues	1
<b>3</b>	Repos	3
<b>4</b>	ICO funding	1
<b>5</b>	Wholesale market	9
<b>6</b>	ECB	13
<b>7</b>	Bank of England	2

(\*) Excluding accrual adjustments and hedging derivatives.



### Institutional issues detail (%) (\*)

<b>1</b>	Covered bonds	53
<b>2</b>	Senior debt	29
<b>3</b>	Subordinated and AT1	14
<b>4</b>	Asset-backed securities	4

(\*) Excluding accrual adjustments and hedging derivatives.

For further details of the Group's liquidity management, liquidity strategy and liquidity performance during the year, see note 4 to the consolidated annual financial statements for 2020.

# Capital management

## Key capital figures and ratios

Thousand euro

	Fully-loaded		Phase-in	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Common Equity Tier 1 (CET1) capital	9,471,764	9,528,713	9,887,909	10,104,845
Tier 1 (T1) capital	10,625,178	10,682,395	11,041,323	11,257,878
Tier 1 (T2) capital	1,900,977	1,506,445	1,666,928	1,492,357
Total Tier (Tier 1 + Tier 2) capital	12,526,154	12,188,839	12,708,251	12,750,235
Risk weighted assets	78,782,342	81,256,775	78,778,773	81,180,752
CET1 (%)	12.02%	11.73%	12.55%	12.45%
Tier 1 (%)	13.49%	13.15%	14.02%	13.87%
Tier 2 (%)	2.41%	1.85%	2.12%	1.84%
Total capital ratio (%)	15.90%	15.00%	16.13%	15.71%
Leverage ratio	5.04%	4.75%	5.23%	5.01%

Capital adequacy

As of 31 December 2020, the main difference between the phase-in and fully-loaded ratios was due to transition to IFRS 9. In 2018, after the entry into force of IFRS 9, the group chose to apply the transitional provisions established in Regulation (EU) 2017/2395.

During 2020, the Group increased its capital base by over 337 million euros in fully-loaded terms.

Capital in 2020 was affected by regulatory and supervisory changes, which had significant impacts, as well as by the effects of the COVID-19 health crisis.

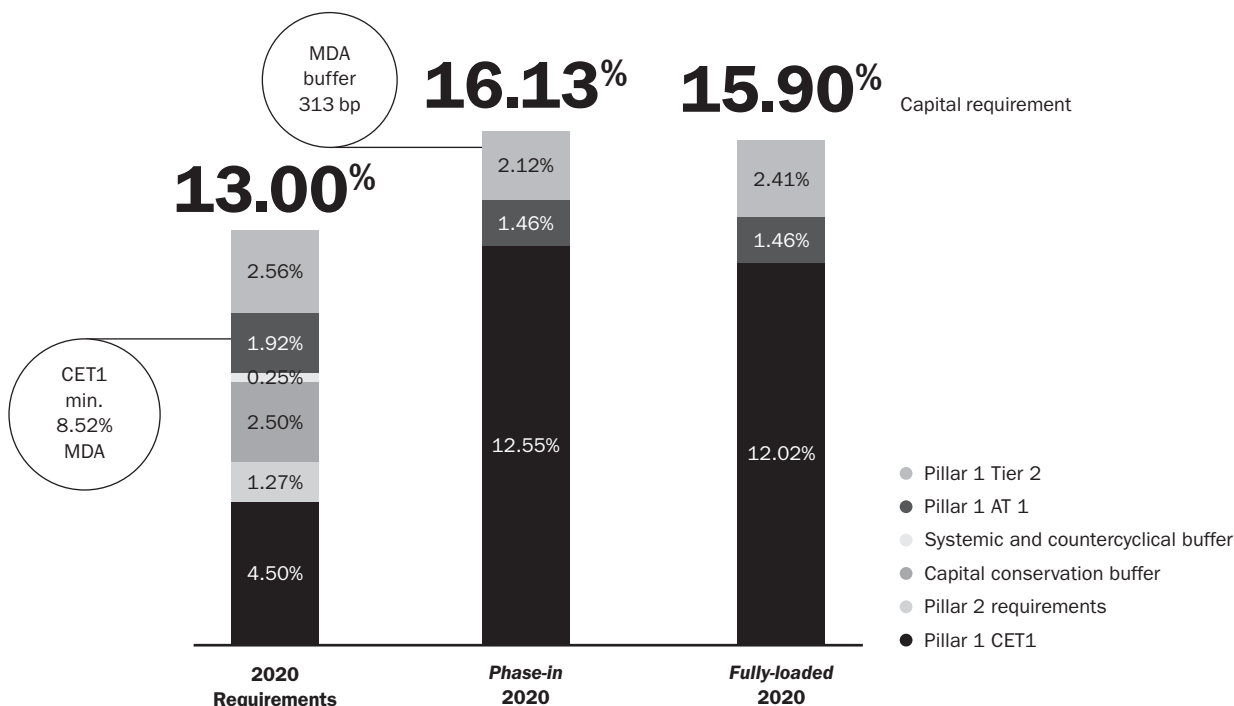
Additionally, the 300 million euros issue of Subordinated Debentures I/2020 began to compute as Tier 2 in February. Notable events in the second half of the year were the entry into force and application of the EBA's RTS (*Regulatory Technical Standards on the prudential treatment of software assets under Article 36 of Regulation (EU) No 575/2013 (Capital Requirements Regulation - CRR) amending Delegated Regulation (EU) 241/2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the council with regard to regulatory technical standards for own funds requirements for institutions*) under which certain software assets with a recoverable value in case of a resolution are not deductible from CET1. As they are not deducted from CET1, a parallel effect must be considered, for a different amount in the denominator of the ratio, as they are computed in terms of risk-weighted assets with a 100% weighting.

As for risk-weighted assets, it is worth highlighting the impact of the synthetic securitisation originated during the first half of the year. Other significant impacts arose in the regulatory sphere: the application of the new definition of default; the measures resulting from the application of Regulation 2020/873, such as the new SME supporting factor and the infrastructure supporting factor (project finance) and the application of the new definition of the high risk category; and the aforementioned effect of the entry into force of Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) No 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items. Moreover, the Asset Protection Scheme (APS) concluded and, as regards models, the results of the TRIM (Targeted Review of Internal Models) for Banco Sabadell's Large Corporate portfolio had an impact, as did the approval of the models for the mortgage portfolio and the supervisory add-on for subsidiary TSB's unsecured

portfolio. The various loan moratoria and government-guaranteed funding systems had an impact on the balance sheet.

As a result, the fully-loaded Common Equity Tier 1 (CET1) ratio was 12.02% at year-end.

As at 31 December 2020, the Group had a CET1 capital ratio of 12.55%, well above the requirements established in the Supervisory Review and Evaluation Process (SREP), which are defined in phase-in terms, with a surplus of 305 bp (403 bp if it is considered that, since 12 March 2020, part of the Pillar 2R requirements can be met with AT1 (18.75%) and Tier 2 (25%) instruments, so that, at consolidated level, the minimum CET1 Tier I (CET1 phase-in) requirement that Banco Sabadell has had to meet under the new framework is 8.52%, instead of 9.50%).



Banco Sabadell has been notified by the Bank of Spain of the decision adopted by the Single Resolution Board (SRB) on the determination of the minimum requirement for own funds and eligible liabilities (MREL) and the subordination requirement on a consolidated basis applicable to it.

The requirements that must be met from 1 January 2024 are as follows:

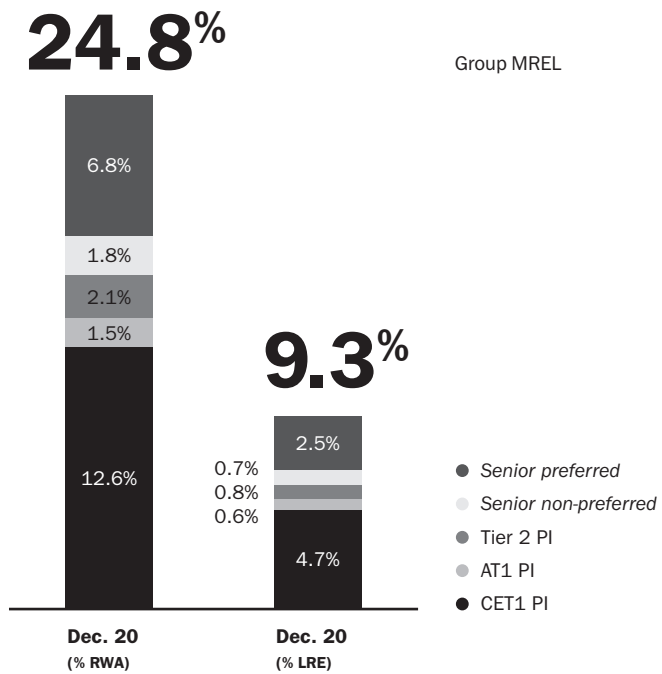
- The minimum MREL is 21.75% of the total risk exposure amount (TREA) and 6.22% of leverage ratio exposure (LRE).
- The subordination requirement is 14.45% of the TREA and 6.22% of the LRE.

The decision set out the following intermediate requirements to be met from 1 January 2022:

- The MREL requirement is 21.05% of the TREA and 6.22% of the LRE.
- The subordination requirement is 14.45% of the TREA and 6.06% of the LRE.

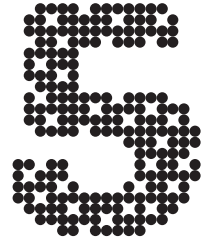
The own funds that the institution uses to meet the combined buffer requirements (CBR, comprising the capital conservation buffer, the systemic buffer and the countercyclical buffer) will not be eligible for the MREL or subordination requirements expressed in TREA.

Banco Sabadell already meets the requirements that apply from 1 January 2024, which are in line with Banco Sabadell's expectations and with its funding plans.





# Businesses



- 83 Banking Business Spain
- 106 Banking Business UK
- 108 Banking Business Mexico

Below are the key figures associated with the Group's main business units, in accordance with the segment disclosures contained in note 38 to the 2020 consolidated financial statements.

## Banking Business Spain

### Key figures

Net profit amounted to 218 million euros in 2020, a year-on-year decrease due mainly to higher NPL provisions to tackle the impact of COVID-19 and to lower revenues from more sluggish activity as a result of the pandemic. The restructuring plan and a portion of the higher NPA provisions were funded by selling bonds from the portfolio at amortised cost.

Net interest income amounted to 2,400 million euros, down 5.0% on 2019, due mainly to lower revenues from the ALCO portfolio, reduced overdraft fees in the wake of COVID-19 measures, and lower revenues following the consumer loan securitisations in 2019, which were partly offset by higher volumes, lower wholesale funding costs and TLTRO III.

Net fees and commissions totalled 1,246 million euros, 4.4% lower than the previous year as a result of the decrease in activity caused by the pandemic lockdown and the sale of Sabadell Asset Management.

Income from financial transactions and exchange differences amounted to 770 million euros and include mainly the sale of bonds at amortised cost in the fourth quarter to finance the restructuring plans and disposals of non-performing asset portfolios.

Operating expenses totalled -1,991 million euros, a year-on-year increase of 14.0% due to the restructuring costs booked in the fourth quarter. Recurring expenses fell by 4.0% in the year as a result of improvements in both staff expenses and general expenses.

Provisions and impairments amounted to -2,007 million euros, i.e. higher than the previous year due mainly to increased provisions in the context of COVID-19, and as a result of the disposal of NPA portfolios in the fourth quarter of the year.

Capital gains from the sale of assets and other income rose year-on-year as a result of booking the sale of Sabadell Asset Management and completion of the sale of SDIn. The previous year's figure includes the sale of an 80% interest in Solvia Servicios Inmobiliarios and the earn-out of the insurance business.

Million euros

	2020	2019	Year-on-year change (%)
<b>Net interest income</b>	<b>2,400</b>	<b>2,527</b>	<b>(5.0)</b>
Fees and commissions (net)	1,246	1,304	(4.4)
<b>Net banking revenues</b>	<b>3,646</b>	<b>3,831</b>	<b>(4.8)</b>
Net trading income and exchange differences	770	110	599.9
Equity-accounted affiliates and dividends	37	61	(39.4)
Other operating income/expense	(271)	(288)	(5.8)
<b>Gross income</b>	<b>4,182</b>	<b>3,714</b>	<b>12.6</b>
Operating expenses and depreciation and amortisation	(2,344)	(2,070)	13.2
<b>Pre-provisions income</b>	<b>1,838</b>	<b>1,644</b>	<b>11.8</b>
Provisions and impairments	(2,007)	(850)	136.2
Capital gains on asset sales and other revenue	317	174	82.3
<b>Profit/(loss) before tax</b>	<b>147</b>	<b>968</b>	<b>(84.8)</b>
Corporation tax	71	(165)	(143.3)
Profit or loss attributed to minority interests	1	9	(88.8)
<b>Profit attributable to the Group</b>	<b>218</b>	<b>794</b>	<b>(72.6)</b>
<b>Cumulative ratios</b>			
ROE (profit / average shareholders' equity)	2.0%	7.3%	—
Cost-to-income (general administrative expenses / gross income)	47.6%	47.0%	—
NPL ratio	4.4%	4.7%	—
NPL coverage ratio of Stage 3	55.7%	50.5%	—

Banking Business Spain –  
Income statement summary



Outstanding loans and advances amounted to 106,327 million euros, a 1.8% increase year-on-year, due mainly to granting ICO funding to enterprises, SMEs and self-employed persons. Isolating the impact of the APS, growth would have been 3.2%.

Customer funds on the balance sheet rose by 1.5% year-on-year, buoyed by demand accounts stemming from lower consumer spending and a reduction in payments during the lockdown by both individuals and enterprises. Off-balance sheet funds decreased by 11.8% year-on-year in the wake of the sale of Sabadell Asset Management.

Million euros

	2020	2019	Year-on-year change (%)
<b>Assets</b>	<b>183,896</b>	<b>172,610</b>	<b>6.5</b>
Outstanding gross loans and advances	106,327	104,436	1.8
Non-performing real estate assets (net)	871	791	10.2
<b>Liabilities</b>	<b>173,664</b>	<b>161,695</b>	<b>7.4</b>
On-balance sheet customer funds	110,572	108,890	1.5
Wholesale funding in the capital markets	18,332	19,912	(7.9)
<b>Allocated capital</b>	<b>10,204</b>	<b>10,915</b>	<b>(6.5)</b>
<b>Off-balance sheet customer funds</b>	<b>38,064</b>	<b>43,163</b>	<b>(11.8)</b>
<b>Other indicators</b>			
Employees	16,260	16,610	(2.1)
Branches	1,614	1,847	(12.6)

Banking Business  
Spain – Balance  
sheet summary

The performance and key figures for the main businesses within the banking business in Spain are described below.

# Commercial Banking

## Highlights

- Support Plan: financing and liquidity solutions for our customers following the declaration of the State of Alarm in Spain due to COVID-19, by providing access to ICO liquidity and capex lines and loan holidays, among others, to enable them to weather the impact of the health crisis.
- Alliance with Amundi Asset Management to achieve the best range of mutual funds in Spain, particularly in the current context of negative interest rates.
- Intense activity in the property and casualty insurance, driven by the production of Blink policies and the co-insurance agreement with Sanitas.
- Significant progress with transforming the distribution model by making new digital and self-service capabilities available to customers.

## Business overview

Commercial Banking encompasses the range of financial products and services for large and medium-sized companies, SMEs, shops, self-employed persons, professional groups, entrepreneurs and other private individuals, with a level of specialisation that enables it to provide a personalised and quality service to meet the specific needs of all its customers, through specialist staff working in its sizeable multibrand branch network or through digital channels. This ensures a good working relationship and operating standards regardless of which channel customers choose. It also includes the Bancassurance and Sabadell Consumer Finance businesses.

## Management priorities in 2020

In 2020, efforts focused on helping our customers to manage the impact of the health crisis, maximising revenues against a backdrop of negative interest rates, and striving to secure customer loyalty on the basis of the relationship models defined for each segment.

New technological capacities were rolled out with the ultimate aim of ensuring an excellent customer experience.

## Key figures

Net profit amounted to 123 million euros in 2020, a year-on-year decrease due mainly to higher NPL provisions to tackle the impact of COVID-19, and lower revenues from more sluggish activity as a result of the pandemic.

## Commercial Banking

### Customer segments

- Large corporates and SMEs
- Businesses
- Institutional Businesses
  - Public Institutions
  - Financial Institutions and Insurers
  - Religious Institutions
  - Professional Associations and Associate Banking
  - Official Agreements and Guarantees
- Private Banking
- Personal Banking
- Retail Banking
- Sabadell Colaboradores

### Corporate segment specialists

- Tourist Hotel Business
- Agriculture
- Employer Providential Schemes
- Real Estate
- Franchising
- BStartup
- Companies Hub

### Commercial Products

- Financial services
  - Payment
  - Cash Management Service
- Savings and Investment
- Funding Solutions
- Leases (finance or operating)
- Bancassurance
- International solutions

### Sabadell Consumer finance

Gross income amounted to 3,012 million euros, less than in the previous year, and net banking revenues amounted to 3,164 million euros, a 4.5% decrease.

Net interest income amounted to 2,061 million euros, a 4.8% decline on the previous year, due mainly to lower interest rates, reduced revenues following consumer loan securitisations in 2019 and lower overdraft fees in the wake of measures to tackle the impact of COVID-19.

Equity-accounted profit and dividends amounted to 57 million euros, up 3.6% year-on-year due to good performance in Insurance and Pensions.

Net fees and commissions totalled 1,103 million euros, down 4.0% on the previous year as a result of the decrease in activity caused by the pandemic lockdown and the sale of Sabadell Asset Management.

Net trading income and exchange differences in 2019 were affected by the sale of non-performing loans.

Operating expenses and depreciation and amortisation charges totalled 1,611 million euros, i.e. 3.7% lower than in 2019.

Provisions and impairments amounted to 1,247 million euros, i.e. higher than the previous year due mainly to higher non-performing asset provisions in the context of COVID-19, and also as a result of the disposal of NPA portfolios.

Million euros

	2020	2019	Year-on-year change (%)
<b>Net interest income</b>	<b>2,061</b>	<b>2,164</b>	<b>(4.8)</b>
Fees and commissions (net)	1,103	1,149	(4.0)
<b>Net banking revenues</b>	<b>3,164</b>	<b>3,313</b>	<b>(4.5)</b>
Net trading income and exchange differences	9	(17)	(152.9)
Equity-accounted affiliates and dividends	57	55	3.6
Other operating income/expense	(218)	(203)	7.4
<b>Gross income</b>	<b>3,012</b>	<b>3,148</b>	<b>(4.3)</b>
Operating expenses and depreciation and amortisation	(1,611)	(1,673)	(3.7)
<b>Pre-provisions income</b>	<b>1,401</b>	<b>1,475</b>	<b>(5.0)</b>
Provisions and impairments	(1,247)	(455)	174.1
Capital gains on asset sales and other revenue	4	—	—
<b>Profit/(loss) before tax</b>	<b>158</b>	<b>1,020</b>	<b>(84.5)</b>
Corporation tax	(35)	(178)	(80.3)
Profit or loss attributed to minority interests	—	—	—
<b>Profit attributable to the Group</b>	<b>123</b>	<b>842</b>	<b>(85.4)</b>
<b>Cumulative ratios</b>			
ROE (profit / average shareholders' equity)	2.1%	14.0%	—
Cost-to-income (general administrative expenses / gross income)	48.1%	48.1%	—
NPL ratio	4.5%	5.4%	—
NPL coverage ratio	51.5%	46.7%	—

Commercial Banking –  
Income statement summary

Gross loans and advances increased by 7.7%, while on-balance sheet customer funds rose by 4.8% and off-balance sheet customer funds fell by 12.0%, mainly in mutual funds after the sale of Sabadell Asset Management.

Million euros

	2020	2019	Year-on-year change (%)
<b>Assets</b>	<b>195,836</b>	<b>187,710</b>	<b>4.3</b>
Outstanding gross loans and advances	86,280	80,078	7.7
<b>Liabilities</b>	<b>190,322</b>	<b>181,556</b>	<b>4.8</b>
On-balance sheet customer funds	101,273	96,589	4.8
<b>Allocated capital</b>	<b>5,514</b>	<b>6,154</b>	<b>(10.4)</b>
<b>Off-balance sheet customer funds</b>	<b>37,052</b>	<b>42,127</b>	<b>(12.0)</b>
<b>Other indicators</b>			
Employees	11,722	11,642	—
Branches	1,589	1,822	—

Commercial Banking –  
Balance sheet summary

There follows an overview of the various businesses encompassed within Commercial Banking.

## Customer segments

### Large corporates and SMEs

Banco Sabadell has stood shoulder-to-shoulder with its corporate customers, anticipating their needs through specialist advisers to help them make the best financial decisions.

In the first quarter of the year, the Bank launched Proposal 360, a new and different way of relating to customers, in which we offer them: anticipation, advice and support. Proposal 360 gives us a deeper understanding of our customers, enabling us to approach strategic topics and pinpoint opportunities, adapting to each customer's specific circumstances and supporting them in achieving their business goals.

In the second quarter, activity was hampered by COVID-19 and, as a result, some companies had trouble meeting payments. To help businesses, Banco Sabadell launched the Support Plan, making ICO credit facilities available to customers who needed finance. As part of the plan, more than 3,000 advisers contacted customers to assess their circumstances and offer them solutions tailored to their specific needs. Fast-tracked circuits were set up to simplify the decision-making processes and shorten response times. Moreover, an application was developed to enable customers to sign transactions online without having to visit a branch. As a result of these efforts, Banco Sabadell was one of the main players in this market, having channelled 7,690 million euros in ICO liquidity to SMEs and large corporations.

Banco Sabadell is also committed to sustainability as a means of transformation that drives business competitiveness and at the same generates a more positive social and environmental impact for people and for the planet. This year, stepping into its role as a key player in driving the transition towards a more sustainable economy, the Bank included sustainability in the content of its Proposal 360 initiative and the conversation between customers and advisers. An indicator was developed that uses a questionnaire to gauge the degree of awareness of SMEs and large corporates concerning sustainability and matters relating to ESG: environment, social and governance. Moreover, all branch network advisers and staff in this segment have received training in this area through the Group's online platform.

The challenge for this segment in 2021 is to continue scaling our Relationship Model, further strengthening our differentiation and specialisation. All this by providing more training to specialists, improving commercial processes, emphasising sustainability and the digital transition and being a major player in the European Recovery Fund as it is rolled out.

## Businesses

2020 was generally a tough year for the self-employed, shops and other businesses and, although the impact has varied between segments, Banco Sabadell has supported all its customers. In addition, there has been a change in the way financial services are consumed, with less in-person activity and accelerating demand for digital services and capabilities.

Banco Sabadell began the year by continuing the process of specialisation which commenced in 2019, increasing the range of vertical proposals to 31 sectors of activity, and also launching Proposal 360 for this segment.

In the second quarter, at the outset of the economic crisis unleashed by the COVID-19 pandemic, Banco Sabadell launched a specialist support plan for business customers, with a dual goal in mind: to support our customers and to afford them the liquidity they needed to address this situation, enhancing our historical commitment to business.

In this context, and in response to consumer habits, the Bank intensified its focus on digitalising services, creating new online services and capabilities for businesses and accompanying our customers as they strive to set up alternative sales channels for their traditional business. These new services include:

- a broad portfolio of point-of-sale terminals to meet all sales needs (in person, home delivery, by telephone, social media or e-commerce).
- Pulso, the new tool for real-time tracking of the economic recovery in specific sectors and territories.
- Nomo, the digital tool to help our customers in their day-to-day accounting, available as an app and on the web.

Looking ahead to 2021, and given the challenges facing the segment, the Bank will continue to focus on increasing specialisation in management and digitalisation, with solutions tailored to the needs of the various sectors, guaranteeing the excellence of the operating model and ensuring a superior management model.

## Institutional Businesses

The Institutional Businesses unit was created to enhance and develop business related to public and private institutions so as to position Banco Sabadell as a key player in this segment.

To achieve this, it is necessary to have a specialised range of products and services in order to provide a comprehensive value proposal to public administrations, financial institutions, insurers, religious bodies and the tertiary sector.

2020 was a special year due to the impact of the pandemic, which increased the credit requirements of all institutional customers. In response, Banco Sabadell strengthened its positioning in these segments through greater commercial activity, proximity and proposed solutions, resulting in increases in customer acquisition, business volume and margins through a range of products offering higher value for customers and for the Bank.

The relationship with professional and business associations, chambers of commerce and trade guilds, allowing access to professionals, self-employed individuals, businesses and SMEs, continues to be a relationship model through which solutions can be delivered to mitigate the effects of COVID-19, offer the best range of products and services tailored to the needs of each group, and act as a priority channel for customer onboarding.

Relations with official bodies at European, national and regional level were also enhanced. New facilities created at the start of the pandemic by the various bodies (ICO, Mutual Guarantee Societies, and so on) shaped the year's activity, requiring considerable development and commercial efforts to reach customers. This Division plays a fundamental role by creating synergies and coordinating with numerous areas of the Bank to offer the best value proposition for each segment and generate business for the branches.

## Public Institutions

The economic activity of public institutions in 2020 was hit by the circumstances created by the health and economic crises sparked by the COVID-19 virus. Every level of government (State, regional and local) was very active, with tenders for public funding up 100% compared to 2019.

The result was an increase in assets as institutions strove to obtain liquidity to tackle short-term needs amid the uncertainty triggered at the outset of the pandemic.

During this period, some Spanish regions were authorised to refinance loan operations they had arranged with the State, thereby lowering their funding costs as Spanish government debt yields fell. As a result, banks have been granting these refinanced loans.

Banco Sabadell's market shares in lending and deposits were 10.8% and 7.5%, respectively (figures at end of October 2020). There was a substantial, 44 basis-point year-on-year increase in lending, outpacing lending growth in the system. Deposits were down 97 basis points, a sharper decline than in the system as a whole.

## Financial Institutions and Insurers

In 2020, the value proposal for these institutions was further strengthened through products in the categories of treasury, capital markets, mutual funds, research, equity and alternative investment services, consolidating the commercial relationship through a specialised approach that meets customers' needs in the immediate and longer term. Against a backdrop of negative interest rates in the financial markets, deposit taking fell sharply, giving way to a range of value products in 2020, most notably the broader spectrum of mutual funds as a result of the acquisition of Sabadell Asset Management SGIIC by Amundi Asset Management.

The pandemic sparked a clear preference for liquidity on the part of institutional investors and the Division focused on supporting customers through broad-reaching information and investment research.

## Religious Institutions

The Religious Institutions Division provides customers with a range of products and services tailored to their specific needs, spanning from transactionality to specialist wealth management.

During the year, the university-level qualification of Adviser to Religious Institutions and Entities belonging to the Tertiary Sector was launched for employees and customers belonging to these groups. At year-end, Banco Sabadell was the only financial institution with employees holding this qualification.

During the pandemic, customers were helped to obtain donations securely by means of the “Done” (Donate) system of electronic lecterns specially designed for that purpose. Banco Sabadell currently has 685 devices in the Done ecosystem, including donation lecterns, digital collection boxes and candle holders.

## Professional Associations and Associate Banking

Banco Sabadell leads the way in serving professional associations throughout the country. Its services for this segment are based on a close relationship with associations, meeting the needs of their members through a range of specifically tailored financial products and services.

This year, Banco Sabadell supported professional and business associations, informing them regarding the measures implemented by the government (ICO facilities to address the effects of COVID-19, moratoria provided by law, etc.), as well as sector-specific aid, such as the solutions launched by Banco Sabadell to mitigate the virus's impact on economic activity.

The pandemic drove innovation and it is now possible to use digital signatures to sign collaboration agreements with professional and business associations and chambers of commerce.

Associated Banking continues to strengthen the link with corporate and business customers, based on a differentiated range of products and services for their executives and employees, as a significant channel for acquiring individual customers at Banco Sabadell.

This Division's contribution to the acquisition of new individual customers, retailers, SMEs, self-employed individuals and businesses materialised in the form of 3,459 collaboration agreements with active professional associations, enabling us to reach 3,200,000 association members, of whom 772,900 are customers of the Bank and benefit from our customised services.

## Official Agreements and Guarantees

The Agreements and Guarantees Division's mission is to manage agreements that provide solutions to customers' financing needs, with a particular focus on companies. Opportunities in the area of official agreements are managed through arrangements with institutions, both national and supranational.

In 2020, we highlight the two ICO COVID-19 guarantee facilities: ICO Liquidez (Liquidity) and ICO Inversión (Investment), which helped mitigate the financial impact of the COVID-19 crisis on self-employed individuals, SMEs and companies by providing them with liquidity.

In addition, the various Mutual Guarantee Societies

were active in granting new guarantees to customers to palliate the impact of the pandemic.

The Bank continued to market EIB facilities: EIB Agro, EIB Fleet Renewal and the newly-launched EIB Investment and Climate Change.

## Private Banking

Through SabadellUrquijo Private Banking, Banco Sabadell offers integrated solutions to customers requiring specialised services and advice tailored to their particular requirements.

The Division comprises 170 private bankers certified by the European Financial Planning Association, distributed over 32 branches and customer care centres to meet the needs of customers throughout Spain who have assets in excess of 500 thousand euros.

The year 2020 was shaped by the impact of COVID-19 on the markets and on everyday relations with customers. SabadellUrquijo BP responded in three phases. The first phase involved identifying the damage caused by the impact on global financial markets. Phase two focused on seeking solutions in connection with credit facilities and enhancing digital banking services. And, last but by no means least, the third phase was devoted to seeking investment opportunities through various initiatives in both fixed-income and equity markets, with an ad-hoc offering encompassing a range of the Bank's open-architecture products.

The unit continued its efforts to design and deliver the best range of products to customers. Mutual funds, discretionary portfolio management and alternative investments remain popular in the current context of negative interest rates. Notable here was the sound performance of discretionary portfolio management in 2020, in both absolute terms and compared with their benchmark indices and competitors.

In 2020, Banco Sabadell launched a new Relationship Model which, in addition to providing advice in wealth management, enables us to anticipate other financial requirements, offering customers a specific, appropriate solution in each case.

This model continues to focus on a close relationship of trust between our customers and the 170 private bankers, a relationship that is very highly rated and allows us to continue enhancing customer experience and setting Banco Sabadell apart from its competitors.

At the end of the year, the Bank had advised 27,324 customers, accounting for a total of 27,832 million euros, of which 25,151 million euros were in customer funds, 38% of which was invested in mutual funds and SICAVs.

The challenges for Private Banking in 2021 are to gain efficiency, continue to improve customer experience and build on the commitment to add new digital capacities to the relationship between customers and private bankers.

## Personal Banking

Banco Sabadell Personal Banking caters for individual customers with more sophisticated financial requirements. This segment represents 8.38% of all individual customers, and accounts for 22.57% of net interest income and 48.45% of customer funds.

In 2020, Banco Sabadell strengthened the value proposition in this segment, offering greater exclusivity by means of a range of products and services tailored to each customer type. Banco Sabadell has also evolved the way it relates to its customers, adapting to the new context created by COVID-19, offering comprehensive advice in remote format, focusing on both convenience and customers' safety.

Especially notable was the Bank's commitment to expanding the range of savings products for customers through its partnership with Amundi, as a result of which Banco Sabadell has the most comprehensive range in this segment nationwide.

The Personal Banking segment had an active media presence throughout the year through the "Empresarios Optimistas" (Upbeat Entrepreneurs) advertising campaign, in which Banco Sabadell emphasised its position as one of the main players, helping Personal Banking customers to make the best financial decisions.

The strategy for Personal Banking in 2021 focuses on executing the Branch Network Specialisation Plan, through the rollout of the Multilocation Personal Banking Manager, offering specialist services to all customers who do not yet have access to them. This, along with the consolidation of the Amundi partnership, will boost the savings-investment business and increase the share in mutual funds, building on Personal Banking's position as a trendsetter in the Spanish market.

## Retail Banking

The retail banking model was implemented throughout the Bank in 2020, enabling almost 400 operating processes to be industrialised and strengthening multi-channel customer management, with the resulting cost savings and productivity boost. Remote customer management and digitalisation were also strengthened, enabling all dealings with the Bank to be performed by self-service channels or using convenient distance means.

The outbreak of COVID-19 also strengthened the retail management model, since customers have opted for remote channels, such as digital or telephone, for their dealings with the Bank. Accordingly, operations at the branch network decreased by 58% overall, and the number of digital retail customers now exceeds 50% of total retail customers.

To boost remote customer management and digitalisation, a broad and intensive communication and support drive was implemented, offering safety advice to minimise the health risks, posting videos showing how to perform common bank transactions and targeting specific actions at more vulnerable groups. Pension payments and unemployment benefits were advanced and customers were

informed of this, so as to stagger visits to branches. This far-reaching support programme helped more than 2.5 million customers.

Having implemented and strengthened the retail banking model, initiatives and assistance for customers to operate with the Bank through self-service or remotely will continue to be rolled out, and more customer sub-segments will be added to this model, so as to continue to maximise efficiency and productivity and enhance customers' experience in all their dealings with the Bank.

## Sabadell Colaboradores

Sabadell Colaboradores is a lever for acquiring customers and business for the branch network via cooperation agreements with referrers.

This channel's contribution to the Commercial Banking business is highly significant, most notably in terms of:

- Commercial margin (million euros): 221 (8% of the total).
- Mortgages (new contracts): 7,475 (28% of the total).
- Customer acquisition: 29,962 (12% of the total).
- AutoRenting vehicle lease (new contracts): 654 (10% of the total).
- Mutual funds (average balance in million euros): 1,267 (6% of the total).

Five new branches were set up this year for top mortgage partners, aimed at providing a nimbler and more specialised service to collaborators and referred customers. This initiative is part of the programme to centralise the mortgage business which is necessary to adapt the distribution model to new trends in this business.

## Corporate segment specialists

### Tourist Hotel Business

Banco Sabadell is the first financial institution to receive the "Q" seal of tourism quality, granted by the Institute for Spanish Tourism Quality, underpinning its position as a leader and trendsetter in this sector, offering expert advice coupled with the very highest quality standards.

The value proposition in this segment focuses mainly on offering specialised financial solutions to a diverse and highly fragmented group of customers, in three main areas: expert advice, a catalogue of specialised products and rapid response.

The Tourism Business Division also received institutional recognition from leading entities in the industry, such as Spain's Tourism Council (Consejo Español de Turismo – Conestur), the Tourism Commission of the Spanish Confederation of Employers' Organisations (CEOE) and the Tourism Commission of the Spanish Chamber of Commerce.

From the first quarter onwards, when hotels were closed due to COVID-19, the Bank launched a "Support Plan" for the sector, offering a comprehensive range of

solutions to meet all needs, including grace periods and payment moratoria on credit lines and loans, credit facilities and lines, as well as ICO and ICO Inversión facilities.

The Division has a portfolio of 12,267 customers and a business volume of more than 4,266 million euros, a year-on-year increase of 7.7%.

## Agriculture

In 2020, Banco Sabadell's Agriculture segment (encompassing farming, livestock, fishing and forestry), which has more than 380 branches and 500 specialised account managers, increased its customer base and broadened the range of specific financial products aimed at meeting the needs of customers in this sector.

Banco Sabadell's firm commitment to this sector, in particular through its personalised support for customers, led to a 3.9% increase in business volume compared to 2019. We continue to earn the trust of our customers, whose numbers increased by 4% compared to the previous year.

The agro-food sector, with the exception of certain specific sub-sectors (such as cut flowers) or those directly affected by the temporary closure of the Horeca channel (such as wineries), evidenced its strength and proved to be essential during the COVID-19 pandemic. For this reason, it was less affected than other economic sectors. The usual trade fairs, however, evidently were affected in 2020, and had to be held online.

## Employer Providential Schemes

By means of its Providential Schemes Division, Banco Sabadell offers solutions and responses to our customers to help them better implement, manage and develop their providential schemes through pension plans and group insurance policies.

In 2020, further progress was made in implementing the life-cycle model among the Bank's customers, a model which adapts customers' investment profile to their age and circumstances, optimising the return on the investment and the protection of accumulated wealth.

For 2021, group providential schemes are expected to be further developed, underpinned by legislative changes proposed by the government, as well as by agreements under the Toledo Agreement. Banco Sabadell stands ready to help its customers with simple, fast custom solutions in pension plans and group insurance as well as flexible remuneration savings solutions.

## Real Estate

The Real Estate area focuses on integrated services to the residential development business by means of a mature specialised business model.

Banco Sabadell's commitment to this sector has led to a year-on-year increase in developer mortgage loans, guarantees and reverse factoring, with a growing associated margin.

2020 was shaped by the situation unleashed by COVID-19. But the Real Estate area nevertheless arranged deals worth a total of 1,490 million euros (down 23% on the previous year), with a margin above 49.3 million euros (down 2% on the previous year).

The Real Estate Division focuses on boosting home deliveries so as to minimise the potential negative impact, as well as monitoring sales in progress.

The main strategy is to maintain our leadership in the sector and to consolidate our market share, prioritising the best business opportunities by pinpointing the most notable projects and soundest customers, with the aim of minimising risk and maximising profit for Banco Sabadell.

## Franchising

Banco Sabadell is a leader in the Franchising segment, where it has more than 25 years of experience reaching agreements with the foremost franchising brands, which refer potential customers wishing to open new franchises in Spain.

Banco Sabadell offers specific customised financing, transactionality and protection solutions via the branch network with the support of the team of specialised Franchise Managers.

Banco Sabadell works closely with the Spanish Franchisors' Association, and was the first bank to secure its partnership and support in this business model.

The franchise market is a growing sector with considerable capacity to absorb the impact of the health crisis due to the backing of major franchising brands. Franchise customers are more valuable (x2 in terms of margin, x3 in loyalty and with very low delinquency: 0.8%) and it is key segment in the corporate business's growth strategy. We have more than 900 brands with referral agreements and more than 7,300 franchise customers who contribute more than 20 million euros to the annual margin.

## BStartup

Banco Sabadell's BStartup is the leading banking service in Spain for newly-created innovative and technology enterprises. It bolsters the banking business by means of a relationship model based on concentration and specialisation, boosting productivity and increasing the margin contributed by these young companies that sometimes attain exponential growth and can have very exacting transactional demands. Despite their youth, the average margin in this customer category in 2020 was 2.84 higher than the overall average among business customers. This segment also scores higher according to other yardsticks, including internationalisation (49.2% vs. 14.3%) and loyalty (an average of 12.27 products, vs. 6.96), based on figures for November 2020.

The figures are starting to confirm the idea with which this service was launched 7 years ago: the large corporations of the future will emerge from among these companies with alternative development models and activities. In fact, this year 85 of them have already contributed a



margin that exceeds the average for business banking customers. We take a distinctive approach to these customers, based on a holistic proposal that takes into account everything a startup might need from a bank:

- Banking products and services specialising in startups, scaleups and the entrepreneurial ecosystem in general. A new distribution model implemented in 2019 was further strengthened in 2020. This model involved the creation of the role of BStartup SME Manager in cities with a high concentration of this kind of customer (Barcelona, Madrid and Valencia, at present). These managers deal only with startups. In 2020, work continued on the concentration of all Catalonia in Barcelona, creating two new portfolios in that city. Additionally, specific powers of attorney were granted to certain staff members in BStartup. Hence, at the end of the year, there will be 10 DPyme BStartups branches. Moreover, in the rest of territories, we have 29 BStartup branches where staff received specialist training during the year. As a result of the COVID-19 situation, there has been a considerable focus on supporting this specialised network and numerous ICO-backed financing deals have been arranged. The total amount arranged in the first half of 2020 matched the figure for 2019 as a whole.
- Investment in equity. This is the traditional method of financing startups in their early phases, and, thanks to the BStartup10 programme, the Bank is present in all forums for newly-created innovation and technology companies. This vehicle, which every year invests a total of 1 million euros among 10 startups in the seed phase, is already obtaining very positive returns, and has a portfolio of 54 investees. Despite the health crisis, its investment activity has continued in areas of technology and innovation that have actually been strengthened since the pandemic, such as cybersecurity or healthcare. Accordingly, in 2020 it held round three of the BStartup Health programme for investing in medical device manufacturers and biotechnology companies, receiving applications from a total of 146 candidate projects from all Spain's regions. Eleven new investments were made in various sectors by the end of the year.
- Open innovation. BStartup works as an innovation radar due to its presence in forums for innovative enterprises in Spain and its agreements with numerous partners. As a result, it filters and channels potential opportunities to InnoCells and other Divisions. For example, during the year a proof-of-concept was conducted with the Advanced Customer Marketing & Analytics unit and a project was implemented involving the Sabadell Go Export platform as a partner.

During the year, BStartup organised or actively participated in 135 entrepreneurial events, most of which were online because of the pandemic, but we stayed connected to the entrepreneurial ecosystem and we even managed to reach more entrepreneurs than before.

Consequently, in 2020 BStartup strengthened its impact and positioning among newly-created, innovative businesses, as evidenced by its 1,606 mentions in offline

and online media, its 13,209 Twitter followers, and its presence in trending topics in the Bank's social media in most months, always with positive coverage.

Business volume increased by 46% to 797 million euros (207 million euros in assets and 591 million euros in liabilities) and there was a 7.6% rise in customer numbers, to 3,467.

## Companies Hub

Banco Sabadell's Companies Hub helps to position Sabadell in the companies segment (especially SMEs) as the bank that best understands the growth and transformation challenges facing companies and as the bank best equipped to accompany them on that journey. It is also an instrument for creating valuable relationships.

The initiative was launched in May 2019, when the first Companies Hub space was opened in Valencia. This is a special space focusing on business growth, a meeting place in the city centre for all kinds of companies, which receive:

- Expert advice in areas such as digital transformation or industry-specific analysis, in addition to specialities already in place at the Bank and at the Companies Hub (financing, internationalisation, startups).
- Programme of training sessions and activities aimed at professionals, executives, self-employed workers, businesspeople and entrepreneurs wishing to keep pace with the latest business trends or acquire know-how in specific areas to grow their enterprises, as well as to learn from others' experience.
- It is a quality workspace at the disposal of business customers, equipped with: meeting rooms, individual workspaces, flexible workspaces for organising meetings with employees or customers, lounge and coffee corner in which to network with other companies and with Sabadell professionals and identify new opportunities.

From 1 January 2020 and until the space was closed due to the health crisis on 12 March, 26 activities were held by the Bank and the space had been booked by 5 businesses, 72 companies had received advice, and meeting rooms had been booked by customers on 100 occasions. A total of 2,552 people had taken part in activities at the Valencia Companies Hub in just over 8 weeks, evidencing the traction the space had already gained in the city as a centre for business.

### Digital Companies Hub (Webinars)

To continue supporting our customers precisely during these times of maximum uncertainty, and adapting to the restrictions and new circumstances, on 3 April we held the first webinar entitled "Reinventing yourself in times of lockdown. Best practices for your e-commerce business." In the first few weeks we targeted these actions towards customers from the Eastern Region, which was already familiar with and involved in Companies Hub initiatives. However, in view of the excellent response in terms of participation and rating, the Companies Hub concept

was taken online to benefit businesses and self-employed individuals located throughout Spain.

Accordingly, the Digital Companies Hub is an online programme for synchronous training sessions aimed at all kinds of companies, led by experts in the sector and by Sabadell specialists, with valuable practical content linked to current hot topics, in which participants may ask questions and experts respond.

It currently sets a monthly calendar with at least two sessions per week. Since 3 April, a total of 63 webinars have been held, attended by 17,652 online participants. Participants rate these sessions very highly: they have scored an average of 8.5 out of 10 in topic and content, and of 8.7 out of 10 in the quality of the instructors, with 30% of those surveyed granting a score of 10 out of 10.

Hence, the pandemic has accelerated the virtual migration of Banco Sabadell's Companies Hub, which now offers two different kinds of service, with the same goal:

- Online services for companies and professionals throughout Spain.
- In-person services in Valencia (to be resumed as soon as the health situation allows).

## Commercial Products

### Financial services

The year 2020 proved to be very challenging, in which the process of digital transformation continued to be crucial to help customers manage their payments and receipts.

### Payment

The POS terminals business was hampered by the crisis unleashed by COVID-19, especially due to the temporary closure of retail establishments and the decline in foreign tourism. Consequently, turnover fell by 10.2% year-on-year. This new scenario drove solutions such as PHONE&SELL to facilitate distance selling for traditional brick-and-mortar retailers. Through subsidiary PAY-COMET, which specialises in digital payments, a process commenced to gradually furnish Banco Sabadell with innovative products for payment at retailers.

With the exception of the March-May period, turnover in the credit card business was similar to the previous year, with a total cumulative decline of 2.6%, although the impact of COVID-19 was very significant due to the restrictions on our individual and business customers' usual shopping activity. During this period, e-commerce purchases increased by around 8.6% and security in this kind of transaction has been enhanced, adding reinforced customer authentication (a requirement of PSD2) over the course of the second half of the year.

The high uptake of services associated with mobile payments, which have grown by more than 80%, evidence the steady increase in the digitalisation of our customers' payments.

## Cash Management Service

This year, work continued on the optimisation and digitalisation of cash, focusing efforts on providing a service that meets the needs of retailers, companies and public administrations in managing both coins and bills. In 2020, we continued to add solutions that are increasingly suited to the needs of these establishments, with the firm aim of helping Banco Sabadell customers to improve the cash flow efficiency of their businesses.

The idea is to offer integration between the customer's management systems and the Bank's payment systems, as well as to provide a cash collection service where necessary, offering competitive financing for the overall solution whenever customers need it.

## Savings and Investment

With regard to savings and investment products, the most significant event was the signing of a strategic agreement between Banco Sabadell and Amundi Asset Management aimed at placing savings and investment in a central position in the Bank's relationship with customers.

Amundi is Europe's largest investment manager and is among the world's ten largest in terms of assets under management. Amundi has outstanding capacities and experience in its relationship with bank distribution networks and this, along with the advisory services of Banco Sabadell's branch network, will help provide customers with the best investment solutions.

During the first few months of the agreement, new products were added to the range, notably including services for customers with more conservative profiles, various liquidity management alternatives for companies, and diversification opportunities for customers with larger balances, all in a very difficult context.

The main roll-outs included:

- Amundi Funds Protect 90, FI, a new generation of investments capable of adapting to various market scenarios with the dual aim of obtaining returns and partially protecting savings.
- The idea is to build on the market opportunities offered by products like Sabadell Horizonte 2026, FI and Amundi Buy&Watch High Income Bond 08/2025, FI, which are aimed at customers in the Private Banking and Personal Banking segments. These funds tapped the investment opportunity offered by private fixed-income after the market corrections in April.
- The first set of sustainable funds was launched in July: Sabadell Acumula Sostenible, FI and Sabadell Crece Sostenible, FI. These were the first mutual funds in the range to invest on the basis of ESG (environment, social and good governance) factors. Close to 7,500 account managers received training in responsible investing.
- Moreover, the crisis unleashed by COVID-19 exacerbated the context of negative interest rates in Europe. Central banks held interest rates close to zero or even in negative territory so as to avoid an even deeper crisis and to foster a fast recovery. As a result, any wealth that

is kept liquid has a cost. This especially affects business customers, who require an alternative to meet their liquidity and risk limitation needs. Accordingly, business liquidity solutions were developed. A selection was made of four money-market and fixed-income funds with time horizons ranging from 1 day to 2 years. Two new mutual funds — Amundi Cash Institutions, SRI and Amundi 6M — were added to the range, which includes Sabadell Rendimiento, FI and Sabadell Interés Euro, FI.

Moreover, investment continued during the year to develop and strengthen the technology solutions required to offer the advisory model in savings and investment products. Developments focused on improving the usability of managers' applications and on adapting systems to offer services remotely, enabling digital signatures on most operations.

Support for the branch network played a vital role, and was reinforced, where necessary, in a segmented fashion by commercial functions and territories.

Furthermore, customer support was greatly enhanced, especially by means of new content sent to customers by e-mail and/or posted on the estardondeestes website, social media, digital newspapers and audiovisual platforms.

There were two major new and improved solutions for Personal Banking customers. One was access to the portfolio advice model based on model portfolios classified by risk profile. And the other was Conversations, a new financial planning guide that we use to engage in valuable conversations with our customers with a clear goal: to help them make the best financial decisions.

The Ahorro Expansión service is being offered to customers in the Retail Banking segment, in view of the current context dominated by the pandemic which has evidenced the need for households to reconsider their economic priorities and set aside some savings. Ahorro Expansión is a new, smart, simple digital savings method to help customers get into the habit of periodically setting aside an amount of their choosing from their usual account. The solution is aimed at making saving easier for customers by automating the routine. The idea is to build savings week by week from small contributions to an amount — especially helpful to people who are not in the habit of saving.

## Funding Solutions

Trends in financing for individual customers, both consumer loans and mortgages, were shaped by the pandemic and by a change in customers' spending habits. The increase in digital customers and in the use of tools that allow loans to be arranged online or remotely has simplified processes for consumers, especially in consumer lending.

Production in the first quarter of 2020 was in line with the year-ago quarter, but demand at branches declined in the second quarter as a result of the pandemic. In order to continue supporting our customers, an array of solutions were launched to help customers affected by the COVID-19 situation through the loan holiday implemented by the Spanish government and the moratorium adopted by the Spanish Banking Association (AEB).

Demand began to pick up in the second half of the year, with the increased use of digital tools to enable consumer loans to be arranged digitally end-to-end.

In mortgage production, we continued to boost the fixed rate range, which provides customers with greater security amid the uncertainty of financial markets (80% of new mortgages are now fixed rate).

Financing aimed at acquiring sustainable assets remains a priority for the Bank, and it now offers two new products in this connection, namely the ECO loan for refurbishments and the Green Mortgage, with which the Bank reiterates its commitment to achieving a more sustainable economy.

With regard to short-term financing solutions, Línea Expansión continued to offer individuals a fast flexible way of accessing financing entirely online.

Working capital financing for businesses was directly impacted by the low business activity deriving from the COVID-19 crisis. In any event, companies have continued to make active use of specialist financing products to fund their receipts and payments, such as factoring and reverse factoring, as well as more traditional products such as discounting and credit lines.

The difficult circumstances of 2020 led to a 20.8% decrease in factoring activity. Reverse factoring performed better, declining by 10.9%.

In any case, in 2020 a considerable effort was made to adapt the range of credit and reverse factoring policies to companies' needs, developing solutions for these products linked to ICO guarantee facilities.

Note also the financing solutions for companies and self-employed individuals to meet the needs of their businesses and overcome the economic effects of COVID-19, including financing linked to ICO facilities.

## Leases (finance or operating)

In 2020, Sabadell Renting focused activities in its vehicle lease business on sustainability as a driver of change. Because of the pandemic, we made our product more flexible to adapt it to market needs, including a grace period, asymmetrical instalments and per-kilometre leases, in a bid to respond to customers' demands, for example in essential sectors and for private individuals. At the same time, the digital product range was reinforced in order to increase the uptake of online leads and sales through this channel.

Sabadell Renting has built upon the capital goods business's focus on sustainability, with a range that includes sustainable products such as solar panels, electric vehicle charging stations, LED lighting, etc. It has also adapted its range of products and services to the current situation, marketing products such as Trabajo Seguro (for a Covid-free working environment at companies and retail establishments), Trabajo Activo (technology leasing for teleworking and in-person working) and Learning Renting (an initiative to modernise the IT capabilities of schools, teachers and students). It also strengthened specific value proposals for customer segments —such as agriculture or religious institutions— where it is a strong market player.

In 2020, Banco Sabadell adapted its range of leasing products to the Covid situation and our customers' new requirements. Accordingly, the "leasing delivery" product was launched to finance delivery vehicles, and protective equipment leasing was introduced to finance the necessary investments to adapt to new healthcare regulations. Furthermore, to support projects, real estate ECO leasing was introduced, to provide favourable terms for acquisitions of industrial warehouses and commercial premises certified with energy ratings A or B.

## Bancassurance

At 31 December 2020, the Banco Sabadell Group's pensions and insurance business was based on 50%-owned insurers and the pension manager under the agreement with the Zurich Group (BanSabadell Vida, BanSabadell Seguros Generales and BanSabadell Pensiones) and the revenues from the bancassurance broker (BanSabadell Mediación).

The contribution of net profit and marketing fees to the Banco Sabadell Group's consolidated figures amounted to 53.3 million euros and 176.5 million euros, respectively, at year-end. The lead company in the strategic alliance, BanSabadell Vida, reported business volumes that ranked it among the leaders of the sector in terms of savings managed and premiums issued. Bansabadell Seguros Generales logged significant growth in premium volume (8.2%) buoyed by subscriptions to its Blink policies (Household and Autos) and the co-insurance agreement with Sanitas, a leading health insurer.

The future strategy for the Bancassurance business is based on further digitalisation of solutions and processes

in order to enhance the customer experience whenever they interact with the company, and also on adapting the range to the requirements of each customer profile, in property and casualty, personal or business solutions, as well as in savings and providential products. This line also encompasses plans to develop the health business, through an agreement with Sanitas and the ongoing development of providential solutions to adapt to market demands. The situation triggered by COVID-19 in 2020 posed a major challenge in responding adequately to the situation of each of customer and, at the same time, it changed the forward-looking strategy to adapt to the significant challenges facing the sector in the short term.

## International solutions

In the International Business, COVID-19 had a significant impact from March 2020 onwards. Imports and exports registered growth in the first quarter of the year, but stagnated from the second half of March until the end of June as a result of lockdowns. Activity returned to a semblance of normality from June and July, as evidenced by the positioning in export documentary credit, where 1 in every 3 transactions (30%) involved Banco Sabadell, and in import documentary credit, where the figure is 1 in every 5 (15%).

This stagnation in activity triggered a change in the trade trends, with International Business Managers focusing mainly on supporting companies as they faced new scenarios in documentary operations and goods transport in Spain. Efforts were aimed at supporting the continuity of operations hampered by the restrictions on international mobility and their effects on the distribution of goods, and ensuring a successful outcome.

At the same time, work was ongoing to improve financing products and remote operations with companies, primarily in documentary products.

The ICO Comex facility was launched to finance Spanish companies' main export and import activities, covering export pre-financing and import financing, invoice replacement and commercial discounting, providing comprehensive support to the working capital requirements of Spanish companies focusing on international business.

A direct pay letter of credit (Direct L/C) service was launched through online banking in order to generate digital documentary credit operations 24/7. In this way, we are supporting customers by issuing letters of credit digitally, facilitating the entire digital process.

As a differentiating element, this year a series of sessions on international business was launched, targeting a group of more than 5,000 Spanish companies interested in entering or developing their presence in international markets.

As part of the Export to Grow programme, various technical sessions provided information on logistics and customs in the main markets for Spanish companies.

Early in the year, due to the introduction of Incoterms 2020, a number of training sessions were held throughout Spain to keep companies informed regarding these requirements.

Building on the success of past editions, another training cycle was implemented for companies in the Sabadell International Business Programme, aimed at helping companies to draft a plan to foster international business.

Also during the year, due to the increase in digital foreign trade operations and cyber fraud, we launched two initiatives. The first was to create a specific cyber fraud factsheet for international operations and to set up specific training sessions for companies in order to raise awareness regarding the increase in this kind of fraud and how to prevent it.

The second was to publish an international business newsletter with articles of interest for Spanish companies interested in internationalisation and in expanding foreign trade, offering a technical perspective concerning the most salient current issues for internationalised companies.

## **Sabadell Consumer finance**

Sabadell Consumer Finance is the Group company specialising in point-of-sale consumer financing, and it conducts its business through various channels, by establishing partnerships with retailers.

The company continues to expand the commercial offering, ensuring a rapid response to customers' needs.

In 2020, activity was hampered by the March-May lockdown triggered by the pandemic, in which production fell to just 37% of the previous year's figure. However, once activity resumed, the sharp decline was largely offset, to a total and production reached 85% of the previous year's level.

This recovery, which was a direct result of the company's swift commercial coverage and rapid response to immediate operating needs, boosted Sabadell Consumer Finance's market share.

The delinquency rate was 5.8%. The loan-loss coverage ratio was 95.57%.

Sabadell Consumer Finance drew up a successful plan to tackle the impact of COVID-19, providing an efficient response to both referrers and end customers, adapting to the consumer protection policies indicated by regulators and in accordance with the principles of the company's agreements and those of the group.

For the next year, the plan is to continue boosting links to current referrers and financing mobility in buildings and improvements for ownership associations and energy efficiency, implementing actions in the company's systems and processes aimed at digitalising the business, with a view to both internal efficiency and enhancing the experience of our customers and retail establishments.

Overall, the company performed 202,946 new transactions through more than eleven thousand points of sale distributed throughout Spanish territory, resulting in 897.2 million euros of new loan production in 2020, bringing the company's total outstanding exposure to above 1,690 million euros.

These improvements helped the company to keep its cost-to-income ratio to 32.98%.

## Corporate & Investment Banking coordinates specialised teams to offer an innovative, global service tailored to customers' needs.

### Highlights

- Present in Spain and 17 other countries.
- Capital Markets encompasses Debt Capital Markets, Debt Asset Management, Equity Capital Markets and M&A.

Corporate Banking – lending volume in other countries

# 62%

### Business overview

Corporate & Investment Banking offers financial solutions and advisory services to large companies and financial institutions, both Spanish and foreign, through branches throughout Spain and in 17 other countries. It encompasses Corporate Banking, Treasury, Trading & Custody, Structured Finance, Capital Markets, Global Financial Institutions, Venture Capital and M&A.

### Management priorities in 2020

Corporate & Investment Banking continued to evolve in 2020 to improve the value contribution to our customers and thereby help enhance their growth and future results. To this end, we nurtured and innovated our specialist skills, most notably in capital markets, where we can currently cater for 100% of our customers' financial requirements. Our teams are also constantly expanding their international coverage, always focusing on those markets in which our customers invest or have commercial interests.

The exceptional circumstances of 2020 as a result of the health crisis led the CIB team to work especially hard, particularly from the second quarter onwards, to support our customers, either by providing liquidity solutions or offering the necessary advice to strengthen their financial situation.

The key areas in which Corporate & Investment Banking works to transmit value to our customers are as follows:

- Know-how through specialisation. The Corporate Banking teams located in the various geographies where we operate have not only specialised knowledge of the large corporates segment but also industry specialisation so as to better meet our customers' needs based on the specifics of their business.
- Coordination. Large corporates require special solutions that are the result of involving several of the Bank's areas (specialist teams or even teams from different

countries). Coordination of all these teams is pivotal for providing value to our customers.

- Specialist product. Corporate & Investment Banking has units that develop tailored products for large corporates and financial institutions (corporate finance, project finance/project bonds, commercial paper programmes, debt issues, M&A, venture capital, asset finance, risk hedges, etc.). The units responsible for developing this range of products are horizontal to the entire Banco Sabadell Group and their capabilities also extend to the Business Banking and Institutional Banking segment.
- Innovation. This is the last, but by no means the least important, of the key areas. Transitioning from idea to action is vital to evolve in such a dynamic and demanding market as that of large corporates. In this regard, we have created the necessary spaces and mechanisms to enable our teams to spend part of their time on innovation, in the broadest sense of the term: innovation in products, in transactions and even in how we coordinate among ourselves.

As in previous years, the key figures that best define Corporate & Investment Banking's performance will continue to be total revenues, risk-adjusted return on capital (RAROC), strict risk monitoring and advance warning of potential impairments, as well as the net promoter score (NPS), which is the best measure of how our customers perceive the service.

### Key figures

Net profit amounted to 93 million euros in 2020, a year-on-year decrease of 48.0%, due to higher NPL provisions and lower revenues from more sluggish activity as a result of the pandemic.

Gross income totalled 472 million euros, a 7.5%

increase on the back of the positive contributions from the sale of loans as compared to 2019, and net banking revenues decreased by 3.0% to 458 million euros.

Net interest income amounted to 317 million euros, down 2.8% on the previous year, due mainly to lower interest rates.

Net fees and commissions amounted to 141 million euros, a 3.4% drop on the previous year.

Net trading income and exchange differences increased as a result of extraordinary sales of loan portfolios in 2020.

Operating expenses and depreciation and amortisation charges totalled 144 million euros, down 4.6% year-on-year.

Provisions and impairments amounted to -230 million euros, a significant increase compared with the previous year due to higher insolvency provisions.

Million euros

	2020	2019	Year-on-year change (%)
<b>Net interest income</b>	<b>317</b>	<b>326</b>	<b>(2.8)</b>
Fees and commissions (net)	141	146	(3.4)
<b>Net banking revenues</b>	<b>458</b>	<b>472</b>	<b>(3.0)</b>
Net trading income and exchange differences	19	(19)	(200.0)
Equity-accounted affiliates and dividends	1	(4)	(125.0)
Other operating income/expense	(6)	(10)	—
<b>Gross income</b>	<b>472</b>	<b>439</b>	<b>7.5</b>
Operating expenses and depreciation and amortisation	(144)	(151)	(4.6)
<b>Pre-provisions income</b>	<b>328</b>	<b>288</b>	<b>13.9</b>
Provisions and impairments	(230)	(39)	489.7
Capital gains on asset sales and other revenue	35	7	400.0
<b>Profit/(loss) before tax</b>	<b>133</b>	<b>256</b>	<b>(48.0)</b>
Corporation tax	(38)	(80)	(52.5)
Profit or loss attributed to minority interests	2	(3)	—
<b>Profit attributable to the Group</b>	<b>93</b>	<b>179</b>	<b>(48.0)</b>
<b>Cumulative ratios</b>			
ROE (profit / average shareholders' equity)	7.0%	13.9%	—
Cost-to-income (general administrative expenses / gross income)	27.8%	31.7%	—
NPL ratio	3.2%	1.2%	—
NPL coverage ratio of Stage 3	61.6%	109.6%	—

Corporate & Investment  
Banking – Income  
statement summary

Outstanding gross loans and advances increased by 3.0% and customer funds on the balance sheet declined by 7.8%

as a result of demand deposit performance, while off-balance sheet funds decreased by 4.1%.

Million euros

	2020	2019	Year-on-year change (%)
<b>Assets</b>	<b>22,315</b>	<b>24,669</b>	<b>(9.5)</b>
Outstanding gross loans and advances	15,376	14,934	3.0
<b>Liabilities</b>	<b>20,941</b>	<b>23,350</b>	<b>(10.3)</b>
On-balance sheet customer funds	7,348	7,968	(7.8)
<b>Allocated capital</b>	<b>1,374</b>	<b>1,319</b>	<b>4.2</b>
<b>Off-balance sheet customer funds</b>	<b>605</b>	<b>631</b>	<b>(4.1)</b>
<b>Other indicators</b>			
Employees	746	709	—
Branches	20	20	—

Corporate & Investment  
Banking – Balance sheet  
summary

## Corporate Banking

### Business overview

Corporate Banking is the unit in charge of large corporates which, because of their size, complexity and unique features, require a customised service in which transactional banking services are supplemented by specialised units; the result is a comprehensive solution model for their needs. The business model is based on close strategic relations with customers, providing them with global solutions that are tailored to their needs while also taking account of the specific features of their business and the markets in which they operate.

### Management priorities in 2020

The year 2020 was shaped by the outbreak of a health crisis that affected both households and business, although, in the latter case, unevenly from one sector to the next. Crucially, authorities and the banking sector joined forces to roll out aid and implement measures to mitigate the crisis for companies, with banks taking a very active role by providing either the necessary liquidity or the support and advice needed to find a range of solutions to help businesses strengthen their financial position.

Against this backdrop, net lending increased by 8.64% in 2020, to 18,388 million euros, of which 62.36% were loans outside Spain (lending abroad increased by 10.65%). This international growth is a reflection of the decision to diversify risks and revenue sources made some years ago by Banco Sabadell, which has developed the necessary capabilities to operate in other markets. The volume of deposits shrank by 0.36% in 2020, concentrated mainly in countries under the influence of the euro, in response to a policy of not actively pursuing deposits given the Banco Sabadell Group's ample liquidity position.

The results, expressed as net revenue, were very favourable, increasing by 9.60% in 2020. RAROC, specifically in the EMEA region where its performance is closely monitored, was 13.7% at year end, slightly lower than in the previous year (14.00%), due mainly to lower revenues from customer deposits and an increase in the cost of risk, both of which were partly offset by the larger contribution from fees and commissions and, in particular, those associated with value products (M&A, DCM, ECM, structured finance, derivatives, etc.), which rose 32.99% year-on-year.

### Priorities in 2021

In 2021, we will continue to focus on contributing value to the large corporations segment in the various markets where they operate, with a range of services aimed at covering 100% of their current and non-current financing needs and as well as providing direct on-balance sheet funding or even financing through investors with DCM/ECM products. Contributing value to the large corporations segment and ensuring value for our shareholders in the form of profitability will remain crucial in our approach to this capital-intensive segment.

## Treasury and Markets

### Business overview

Treasury and Markets is responsible for marketing treasury products to customers through the Group units to which that task has been assigned, ranging from the branches through specialist distributors.

In addition, it manages the Bank's short-term liquidity position and handles and oversees compliance with regulatory coefficients and ratios. It also manages the risk in the proprietary trading book and interest rate and exchange rate risk, basically due to operational flows with both internal and external customers originating from the activity of the Distribution units.

### Management priorities in 2020

The Treasury and Markets Division responded swiftly to the impact of COVID-19, implementing teleworking and adapting systems without compromising the high quality and security standards. COVID-19 strengthened the Division's commitment to increasing the digitalisation of its operations with customers, improving the Sabadell Forex application, increasing the electronic delivery of documentation and establishing new communication channels with customers. Projects focusing on broadening the range of foreign currency products and savings and investment products were implemented to adapt to the new market situation, which has placed new demands on our customers. Trading capacity was enhanced to undertake and control currency risk generated by our customers.

### Priorities in 2021

In 2021, activity linked to foreign currency products will continue to be a core pillar of the strategy, and projects will be rolled out in connection with the Sabadell Forex platform that offer added value services to our customers. With regard to institutional customers, capacities will be enhanced so as to offer a broader range of products tailored to this segment, also on the back of the forecast growth in the Capital Markets Division. In trading, the aim is to boost the capacity to manage risk on our own books, reducing hedges with other entities, and continuing to develop collateral management in order to take the fullest advantage of it.



## Trading, Custody and Research

### Business overview

As a stock market member, this Division performs the functions of broker for Banco Sabadell: processing and executing sale and purchase orders directly via its trading desk; also, as product manager, it is responsible for the Group's equities. It also provides investment guidance and recommendations in equities and credit markets, and creates and revitalises the offering of brokerage and custodian services for retail and private banking customers and Group companies.

The COVID-19 pandemic affected the way our equity investors connect with our brokerage service. We now receive 95% of equity purchase and sale orders from our branch customers through the digital platform, whereas prior to the pandemic the figure was closer to 85%. At present, the channel most used by retail customers to send sale and purchase orders is the Bank's mobile app.

The makeover of our online platform, which involved a significant improvement in the quality of the research service and access to markets compared with the previous version, has paved the way for a natural transition in the way our investing customers operate.

### Management priorities in 2021

To grow the equities brokerage business, in Spain and other countries, by working along three lines: firstly, improving retail customers' experience by developing and broadening the range of services in our Sabadell Broker digital platform, contributing value with investment ideas and recommendations from our Research service; secondly, building an exclusive service for access to brokerage via our equities trading desk, to cover the liquidity of Spanish companies listed not only in Spanish stock markets but in international bourses; thirdly, enhancing our international agent banking service for listed Spanish companies seeking financing in regulated international equity and fixed-income markets.

## Structured finance

### Business overview

Structured Finance encompasses the Structured Finance and Global Financial Institutions units. This Division operates globally and has teams in Spain, the US, the UK, Mexico, France, Peru, Colombia and Singapore.

Structure Finance focuses on the origination and execution of corporate financing products and M&A, project & asset finance, global trade finance and commercial real estate, with the capacity to underwrite and syndicate operations in Spain and other countries. The Division is also involved in trading in the primary and secondary markets in syndicated loans.

Structured finance business

Lines of business	
Specialist Finance	Advisory/Distribution
Project Finance and Asset Finance	Syndication
Corporates and Acquisitions	Commercial Real Estate
LBO (Leveraged buyout)	Global Financial Institutions
Trade Finance	

The Global Financial Institutions Unit focuses on relations with the international banks with which Banco Sabadell has collaboration agreements, i.e. some 3,000 correspondent banks worldwide, to ensure that Banco Sabadell Group customers have the maximum reach in their international transactions. It also ensures optimal support of customers in their internationalisation processes, in coordination with the Group's international network of branches, subsidiaries and investees.

### Management priorities in 2020

In 2020, Banco Sabadell maintained its policy of supporting customers and adapting to meet their emerging needs within the Spanish and international macroeconomic context amid changing credit market conditions.

Banco Sabadell is a leader in the Corporate Banking segment in Spain and is exporting its know-how to other geographies. Structured Finance ranked 5th among syndicated loan MLAs and 3rd among the leaders in project finance in the Spanish market.

The year was shaped by the impact of COVID-19, which also affected Structured Finance. We managed to successfully adapt our teams to remote working in all regions without impacting on the activity, due to the agility afforded by a combination of the latest technology and a highly committed group of people.

That obliged us to provide an organised response to companies' liquidity requirements, maintaining the pace of new project finance contracts (relatively unaffected by COVID-19, such as renewable energy projects).

Million euros

Ranking	Mandated Lead Arranger	Amount	Number
1	Santander	9,334	165
2	BBVA	6,368	127
3	Bankia	4,717	114
4	CaixaBank	5,733	108
5	Banco de Sabadell, S.A.	3,714	82
6	BNP Paribas	3,440	38
7	Credit Agricole CIB	2,264	27
8	SG Corporate & Investment Banking	1,680	24
9	Deutsche Bank	1,738	19
10	Natixis	1,326	12

Syndicated loan MLAs  
— Spanish market  
2020

Million euros

Ranking	Mandated Lead Arranger	Amount	Number
1	Santander	911	24
2	Bankia	857	24
3	Banco de Sabadell, S.A.	645	18
4	Bankinter	376	14
5	CaixaBank	545	11
6	BNP Paribas	635	10
7	Abanca Corporación Bancaria, S.A.	299	10
8	Credit Agricole CIB	348	8
9	BBVA	258	6
10	ING	248	6

Project finance  
MLAs — Spanish  
market 2020

## Strategies and Priorities in 2021

The year 2021 will unquestionably be affected by the ongoing impact of the pandemic, and we must adapt to the "new normal" in business.

The priorities for the next year will focus on:

- Supporting our customers by designing tailored, long-term financing structures for new projects, acquisitions, internationalisation, etc.
- Helping our customers to restructure their debt in the wake of COVID-19 through syndicated loans that ensure stable debt positions, evaluating potential solutions in combination with capital markets.
- Continuing to lead deals, underwriting and subsequently syndicating when circumstances allow, in order to offer our customers the most comprehensive solution.
- Forging an even closer relationship with our entire network of correspondent banks to optimise the entire foreign trade service.
- Making further progress in incorporating ESG and sustainability criteria into structured deals.
- Studying new sectors of activity (fibre, logistics, etc.) so as to secure the broadest and most specialised offering possible in all the countries where we operate.

## Capital markets

Capital Markets is the CIB Division that coordinates the channelling of institutional investors' liquidity to the Bank's business customers, in both debt products and capital instruments.

Furthermore, via its M&A areas, SCF provides advice on company acquisitions and disposals, mergers and the incorporation of new shareholders.

2020 was a year of consolidation for Banco Sabadell's Capital Markets franchise, with a 68% increase in earnings despite the difficult circumstances.

The team was again one of the most active in the origination of public issues, taking part in 48 in total, most notably by Spanish regions, acting as Joint Lead Manager for the Madrid, Galicia and Basque regions. 2020 was another record year in terms of the Capital Markets Division's participation in commercial paper programmes, attaining a market share of over 15%.

The team strengthened its involvement in niche operations such as project bonds, securitisations and direct lending. With regard to renewable energy project bonds, two public deals were arranged amounting to 645 million euros, with a monoline guarantee, rated AA by S&P.

This year the Division made a strong commitment to the domestic middle-market segment. Capital Markets structured the first receivables securitisation trust, financed via commercial paper underwritten by CESCE and rated A-. Capital Markets also remained focused on tailored financing solutions, in bond or loan format, in a variety of sectors, from real estate to infrastructure.

The Equity Capital Markets team strengthened its position by means of various operations, notably as joint bookrunner in the Cellnex follow-on issue, and co-bookrunner in the same company's convertible bond issue.

It was an exceptional year for mergers and acquisitions, with the merger of two leading manufacturers of fluid conductors in Israel and the following sale transactions: a container terminal in Turkey, an elderly home care services firm to Urbaser, vocational training company MasterD to KKR, a portfolio of wind and solar farms with an installed capacity of 74 MW and a baby food company to an Italian mutual fund.

The Capital Markets Division's strategy in 2021 involves building the business to make extraordinary earnings recurrent as part of the process to channel investment to our business customers.

2021 must be the year of consolidation of the SME financing project, as well as projects such as the Senior Debt Fund, the factoring initiative with institutional investors and a fund focusing on the hotel sector.

## Banco Sabadell Capital

### Business overview

Banco Sabadell Capital is the division that manages Banco Sabadell Group's industrial (i.e. non-real estate) holdings. It focuses on acquiring temporary holdings in companies with the main goal of maximising the return on investment.

### Management priorities in 2020

Banco Sabadell Capital managed the portfolio very actively, especially in those companies most affected by the impact of COVID-19. Specifically, action plans were devised for Aurica III investees, coordinating the internal and external communication of this impact on the portfolio.

Notable actions include the push for investment, along with Capital Markets, in a Senior Debt Fund to finance Spanish middle-market companies; work on the REM 2.0 project targeting middle-market companies; and European Investment Fund guarantee for venture debt and mezzanine loans.

In venture capital, Aurica III arranged investments in three new companies.

In renewables, note the restructuring and sale of the Gate Solar project, as well as the entry into operation of a solar plant in Chile, and the commissioning and financial completion of farm in Mexico, both already in the portfolio.

In venture capital, development of the Framework of Action continued, having invested in more than 15 digital or tech startups.

With regard to Banco Sabadell's global strategy in the healthcare sector, the investment in Ysios Biofund III FCRE was formally arranged, and there is a commitment to invest in the Ship2B Impact fund, focused on ESG projects.

In addition, Banco Sabadell divested its position (bankruptcy debt and equity) in Nueva Pescanova, S.L., and sold a portfolio of wind and solar projects after restructuring.

### Strategies and Priorities in 2021

Banco Sabadell Capital will work to achieve ready-to-build status in certain renewable projects, and to arrange the sale of other projects in operation.

The aim is also to complete fundraising for the Senior Debt Fund and commence operations in the first quarter, as well as to undertake initial deals in the COR / REM 2.0 project.

The Division plans to apply for and access a new Pan-European Guarantee Fund (EGF) from the EIF, aimed mainly at SMEs and SMCs, for new venture debt and mezzanine operations.

With regard to Private Equity, the Division plans to start fundraising for Aurica IV.

# Sabadell Miami Branch

## Business overview

Banco Sabadell has been operating in the US for more than 25 years via an international full branch managed from Miami through Sabadell Securities, which has been operating since 2008. These business units together manage the international corporate banking and private banking business in the United States and Latin America.

With its current structure, Sabadell Miami Branch is the largest foreign branch in Florida. It is one of the few financial institutions in the region with the capability and experience to provide a full range of banking and financial services, from highly complex and sophisticated products for large corporate clients, including project finance, through international private banking, to products and services for professionals and companies of any size. To supplement its structure in Miami, the Bank has representative offices in New York, Peru, Colombia and the Dominican Republic.

## Sabadell Securities USA, Inc.

This unit provides equities brokerage and investment advisory services to complement and strengthen the business strategy in connection with private banking customers resident in the United States, meeting their needs by means of investment advice in the capital markets.

## Management priorities in 2020

2020 was already expected to be a year of low interest rates, making it very challenging, but the emergence of the COVID-19 pandemic at the end of the first quarter forced the Federal Reserve to aggressively cut rates, pushing the benchmark rate to zero. This deterioration in global economic conditions and low interest rates put pressure on the Branch's performance.

In order to safeguard the Branch's net profit, strategies were implemented and developed to protect net interest income, fees and commissions, cut operating costs and contain delinquency. These goals materialised in the form of a set of initiatives, including:

- Protecting margins:
  - Implementing a system to improve monitoring and performance of customer deposits in order to quickly adapt the cost of deposits to market rates.
  - Tapping price opportunities in the secondary market for syndicated loans generated by the economic uncertainty as a result of the pandemic. The economic shock created the conditions for these instruments pertaining to companies with solid fundamentals to be undervalued. In 2020, this strategy contributed 4.5 million dollars to the net margin.
- Generating fees and commissions:
  - Efforts to standardise fees and commissions and reduce exceptions, as well as to migrate from mutual funds custody, improved the average return from fees

generated by the Private Banking business in 2020, despite the corrections in market value in the first half of the year.

- Cutting operating expenses: at the end of the third quarter, an efficiency plan was implemented to adapt the Branch's structure to current market conditions and the new operating dynamic.
- Containing delinquency: definition and launch of processes for early detection and monitoring of loan operations affected by the economic conditions stemming from the pandemic.

In addition, efforts continued in 2020 to achieve greater financial self-sufficiency and operating improvement.

Highlights include:

- Updates of the technology platform (Project Aspire) continued, in order to improve the capabilities available to customers and business and support units. In October 2020, the Core banking system update was completed, an important step in Phase II. The project was completed within the established deadlines and under budget. 25% of this phase remains to be completed and Phase III has yet to commence (expected to conclude in 2023).
- Yankee CDs issuance to institutional customers commenced, adding alternative funding sources at an appealing cost.

## Key figures

In 2020, the volume under management exceeded 14,000 million dollars, an increase of 8.0% year-on-year. Customer loans and advances increased by 14.0% to almost 6,000 million dollars, while customer deposits fell by 3.0% to around 3,500 million dollars. Off-balance sheet customer assets also increased, by 9.0%.

Net interest income amounted to 130 million dollars, down 9.2% year-on-year as a result of lower interest rates since the end of 2019. Net fees and commissions came to 45 million dollars, a 5% increase on 2019. Gross income amounted to 175 million dollars, a year-on-year increase of 5.7%, while administrative expenses and depreciation and amortisation charges rose by 1.7%, including part of the effect of investment in the technology platform. Net profit in the year amounted to 75.5 million dollars, a year-on-year decrease of 9.0%.

# 2020 marked a milestone in the Group's strategy to reduce NPAs.

2020 marked a milestone in the Group's strategy to reduce NPAs, which it commenced in 2018 by arranging the sale of significant NPA portfolios and the sale of 100% of SDIN Residencial, S.L. Completion of these sales signified a comprehensive transformation of the Group's risk profile, by normalising the volume of problem exposures, especially real estate assets.

In 2020, due to the COVID-19 crisis, a plan was rolled out to support customers with a view to providing solutions to the financial difficulties resulting from the lack of activity and lockdowns.

## Business overview

This Division operates horizontally to manage the Group's non-performing credit risk and non-performing real estate exposures.

It is focused on designing and implementing the strategy to transform non-performing assets, with a view to optimising and maximising their recovery. The main goals are:

The Asset Transformation Division, as part of the Risk Management Division, takes advantage of their accumulated experience and know-how to boost synergies and achieve four fundamental goals:

- Drive proactive management of the loan book.
- Ensure profitability.
- Develop risk models that enable finance products to be marketed efficiently and dynamically through the new digital channels.
- Safeguard effective management of non-productive assets.

## Management milestones in 2020

In 2020, Banco Sabadell tackled the crisis unleashed by COVID-19 by supporting its customers, affording them solutions tailored to their needs. The Division closely monitored customers' situations to anticipate their needs, proactively manage them and head off delinquency.

All these feats helped to maintain the reduction in doubtful exposures and keep non-performing real estate assets stable.

## Management priorities

Having practically normalised its non-performing exposures, the Group still maintains demanding targets for systematically reducing this type of exposure in the coming years.

The strategy for managing and reducing non-performing assets (NPA) is designed around three strategic priorities:

- 1 Continuous reduction of NPAs until full de-risking has been achieved.
- 2 Focus on managing the oldest non-performing exposures.
- 3 Maintenance of solid, sufficient coverage of non-performing assets.

These three strategic priorities translate into six principles for managing non-performing assets, which are:

- Early action to manage delinquency and preventive action to avoid delinquency, both of which are vital to de-risking. Early action to manage delinquency maximises the recovery and liquidity of non-performing assets, as it minimises the risk of deterioration in credit quality and preserves collateral quality.
- Segmented management of all non-performing and potentially non-performing exposures (potential delinquency).
- Large-scale reduction of the non-performing loans and foreclosed assets that have been on the balance sheet the longest, which is especially important from a management perspective since the various capacities, solutions and tools require a specialised approach to the oldest balances that differs from the approach to new defaults, delinquencies and foreclosures.
- Business intelligence and continuous process improvement. In recent years, the Bank has developed capabilities of segmentation and prediction in the recovery process. Business intelligence enables clusters of customers with specific behaviour patterns to be identified in advance, thereby allowing anticipatory actions to be implemented to head off delinquency, while avoiding action on clusters that do not pose delinquency risk. This improves efficiency, by targeting resources where they are most needed, and efficacy, by starting recovery actions sooner.
- Financial capacity, i.e. not just having sufficient book coverage of the expected loss but also having the capacity to generate future revenues to guarantee robust capital levels with which to absorb any unexpected losses on NPAs.
- A solid governance system based on three lines of defence, in which the first line of defence, featuring the specialised Non-Performing Asset Management Division, and the business units that approved the exposures, is backed by a second independent line of oversight, comprising the Risk Control and Compliance Divisions, and a third line of defence, namely Internal Audit, which reviews the adequacy and quality of the entire process.

## Key figures

Net profit amounted to -365 million euros in 2020, down 38.8% year-on-year.

Gross income was -11 million euros, a reduction on the previous year, due mainly to the lower revenues associated to buildings on the back of the Solvia sale, the negative contribution from investees Promontoria Challenger and Solvia, and the extraordinary results in 2019 linked to the sale of institutional portfolios.

Administrative expenses and depreciation and amortisation charges totalled -66 million euros, a decline of 18%.

Provisions and impairments, including real estate sales, amounted to -345 million euros, 6.2% less than in the previous year.

Million euros

	2020	2019	Year-on-year change (%)
<b>Net interest income</b>	<b>11</b>	<b>26</b>	<b>(57.5)</b>
Fees and commissions (net)	3	27	(89.0)
<b>Net banking revenues</b>	<b>14</b>	<b>54</b>	<b>(74.1)</b>
Net trading income and exchange differences	—	31	(99.9)
Equity-accounted affiliates and dividends	(22)	—	—
Other operating income/expense	(3)	42	—
<b>Gross income</b>	<b>(11)</b>	<b>127</b>	<b>—</b>
Operating expenses and depreciation and amortisation	(66)	(81)	(18.0)
<b>Pre-provisions income</b>	<b>(78)</b>	<b>46</b>	<b>—</b>
Provisions and impairments	(345)	(368)	(6.2)
<i>Of which: profit or loss on sales</i>	8	54	(85.2)
Capital gains on asset sales and other revenue	(3)	27	—
<b>Profit/(loss) before tax</b>	<b>(426)</b>	<b>(296)</b>	<b>43.8</b>
Corporation tax	61	32	89.4
Profit or loss attributed to minority interests	(0)	—	—
<b>Profit attributable to the Group</b>	<b>(365)</b>	<b>(263)</b>	<b>38.8</b>
ROE (profit / average shareholders' equity)	—	—	—
Cost-to-income (general administrative expenses / gross income)	—	—	—
NPL ratio	41.8%	41.2%	—
NPL coverage ratio of Stage 3	48.6%	40.7%	—

Asset Transformation –  
Income statement summary

Outstanding gross loans and advances decreased by 320 million euros year-on-year and net real estate exposure increased by 871 million euros.

Intercompany funding amounted to 2,562 million euros, a decline of 24.1% on the previous year.

Million euros

	2020	2019	Year-on-year change (%)
<b>Assets</b>	<b>3,470</b>	<b>3,339</b>	<b>3.9</b>
Outstanding gross loans and advances	865	1,185	(27.0)
Non-performing real estate assets (net)	871	791	10.2
<b>Liabilities</b>	<b>2,698</b>	<b>2,510</b>	<b>7.5</b>
On-balance sheet customer funds	69	263	(73.9)
Intercompany funding	2,562	2,065	24.1
<b>Allocated capital</b>	<b>772</b>	<b>829</b>	<b>(6.9)</b>
<b>Off-balance sheet customer funds</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other indicators</b>			
Employees	127	209	(39.2)
Branches	—	—	—

Asset Transformation –  
Balance sheet summary

## Banking Business UK

### Business overview

TSB (TSB Banking Group plc) offers a range of retail banking services and products to individuals and small business banking customers in the UK. TSB has a multi-channel and nationwide distribution model, including full digital (internet and mobile) and telephony capability and national branch coverage across Great Britain.

TSB offers current and savings accounts, personal loans, mortgages and credit/debit cards for retail customers and a broad range of current, savings and lending products for SME customers.

### Management priorities in 2020

Few companies could have imagined the events which were about to unfold during 2020 and it has never been more important to truly focus on what's important to our customers, and adapt to what they genuinely value and need.

TSB's three-year growth strategy, introduced at the end of November 2019, helped TSB navigate the challenges of 2020. The strategy is built on three pillars: customer focus; simplification and efficiency; and operational excellence. All three became even more important as the UK economy was transformed during 2020.

In the most difficult of times, TSB staff continued to support customers and clearly demonstrated TSB's purpose: to provide Money Confidence. For Everyone. Every Day."

### Executing Strategy

As changes in consumer behaviour accelerated, particularly the shift to online services and communications, TSB responded by accelerating the delivery of its strategy.

TSB has over two million digitally active customers with over 90% of transactions undertaken through digital or automated channels in 2020.

Operating on a UK-based, modern, multi-cloud platform underpinned by strong data capabilities allows TSB to offer more services and introduce new features faster than banks on legacy systems. This has been facilitated through TSB's partnership with IBM and underpinned by its modern technology platform.

Backed by these capabilities, TSB has been able to offer new services to improve the customer experience. We launched TSB Smart Agent, our automated live chatbot, in March 2020 to extend our opportunities to support customers and, working with Adobe, have provided online alternatives for most of the services traditionally provided in person through branches.

TSB has launched new products such as its 'Spend and Save' current account, mortgages tailored for first-time buyers, as well as 'Fix and Flex' mortgages that give customers a more flexible mortgage option combined with the certainty of fixed rates. Meanwhile further services have been made

available to customers through new partnerships with fin-techs such as ApTap and Wealthify.

Importantly, in September 2020, TSB announced further changes to the branch network, including the closure of 164 branches. These plans were already within the three year strategy, but were accelerated as the pace of consumer behaviour changed during the pandemic.

## Doing what matters during COVID-19

Despite all the challenges faced in 2020, TSB remained open throughout to serve its five million customers through branches, telephone operations and digital channels.

As well as providing day-to-day banking services, TSB responded to what mattered most to customers, colleagues and communities during this crisis. That included special help for vulnerable customers, who received calls to establish what they needed from TSB.

To date, TSB has granted around 114,000 payment holidays, related to £5.1 billion in loans. TSB was an early member of the schemes arranged by the UK Government to support businesses, and has now provided over £0.6 billion in Bounce Back Loans (BBLs).

## Building on TSB's brand and contributing to society

TSB continues to improve its reputation with its brand score at a three-year high. Customers are turning to the safety of established providers and this affords

opportunities for an established and well-known brand like TSB.

As well as launching the new brand proposition, Life Made More, TSB significantly expanded its social and environmental strategy through the launch of the Do What Matters plan. The plan focuses on areas where people rightly expect TSB to do more. These include helping customers to be more money confident through the market-leading Fraud Refund Guarantee, as well as supporting small businesses, building a diverse and inclusive workplace, and reducing environmental impact. During 2020, TSB became the first major retail bank to join the Good Business Charter – a clear statement of its social and environmental ambitions.

## Key figures

Net profit amounted to -220 million euros in 2020, hampered by provisions linked to the COVID-19 scenario, accelerated restructuring costs and provisions relating to compensating customers with overdrafts in the fourth quarter.

Net interest income amounted to 885 million euros, down 9.6% year-on-year, mainly because of lower overdraft fees on current accounts due to the measures introduced to tackle the COVID-19 impact, pressure on mortgage margins, and lower interest rates in the UK.

Net fees and commissions fell by 17.2% year-on-year, due primarily to the moderation in activity owing to COVID-19, and lower credit card fees after reducing the volume of foreign revenues (new regulation).

Million euros

	2020	2019	Year-on-year change (%)
<b>Net interest income</b>	<b>885</b>	<b>979</b>	<b>(9.6)</b>
Fees and commissions (net)	96	117	(17.5)
<b>Net banking revenues</b>	<b>981</b>	<b>1,095</b>	<b>(10.4)</b>
Net trading income and exchange differences	25	15	68.7
Equity-accounted affiliates and dividends	—	—	—
Other operating income/expense	2	(20)	(108.3)
<b>Gross income</b>	<b>1,008</b>	<b>1,091</b>	<b>(7.6)</b>
Operating expenses and depreciation and amortisation	(1,035)	(1,052)	(1.6)
<b>Pre-provisions income</b>	<b>(27)</b>	<b>39</b>	<b>(169.6)</b>
Provisions and impairments	(240)	(72)	233.3
Capital gains on asset sales and other revenue	(4)	(4)	(1.5)
<b>Profit/(loss) before tax</b>	<b>(271)</b>	<b>(38)</b>	<b>613.3</b>
Corporation tax	51	(8)	(739.0)
Profit or loss attributed to minority interests	—	—	—
<b>Profit attributable to the Group</b>	<b>(220)</b>	<b>(45)</b>	<b>388.8</b>
ROE (profit / average shareholders' equity)	—	—	—
Cost-to-income (general administrative expenses / gross income)	86.8%	84.0%	—
NPL ratio	1.3%	1.2%	—
NPL coverage ratio of Stage 3	57.4%	43.1%	—

Banking Business UK  
– Income statement  
summary



Other products and charges showed an improvement as the 2020 figures included the final payment by Lloyds Banking Group for the migration process and also factored in 20 million euros of insurance indemnities linked to the technology migration. The previous year included the positive impact of renegotiating the services contract with VISA Inc.

Operating expenses amounted to 875 million euros, a 4.5% year-on-year decrease due mainly to lower recurring personnel costs. Total costs in the year included 101 million in non-recurring expenses linked to the efficiency plan (18 million euros in the fourth quarter).

Provisions and impairments came to 240 million euros, a significant increase on the previous year because of the provisions arising from COVID-19 and associated with compensating customers with overdrafts.

Capital gains on asset sales and other income included -3 million euros linked to restructuring costs in 2020.

Loans and advances amounted to 36,977 million euros as at 31 December 2020, a year-on-year increase of 1.3%. At constant exchange rates, the year-on-year increase was 7.1% due to the increase in the mortgage portfolio and the UK government's Bounce Back Loans.

Customer funds on the balance sheet amounted to 38,213 million euros, up 7.9% in the year. At constant exchange rates, there was a 14.0% year-on-year increase due to the increase in current accounts and deposits, reflecting lower consumer spending and benefiting from the liquidity provided by Bounce Back Loans and growth in customers from the Incentivised Switching Scheme (ISS).

Million euros

	2020	2019	Year-on-year change (%)
<b>Assets</b>	<b>47,284</b>	<b>46,449</b>	<b>1.8</b>
Outstanding gross loans and advances	36,977	36,496	1.3
<b>Liabilities</b>	<b>45,566</b>	<b>44,924</b>	<b>1.4</b>
On-balance sheet customer funds	38,213	35,423	7.9
Wholesale funding in the capital markets	2,319	2,423	(4.3)
<b>Allocated capital</b>	<b>1,736</b>	<b>1,525</b>	<b>13.9</b>
<b>Off-balance sheet customer funds</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other indicators</b>			
Employees	6,709	7,394	(9.3)
Branches	454	540	(15.9)

Banking Business UK –  
Balance sheet summary

## Banking Business Mexico

### Business overview

As part of the internationalisation process that commenced under the previous strategic framework, the Bank decided to focus on Mexico, a country that represents a clear opportunity as an attractive market for the banking business and one in which Sabadell has been operating since 1991, first by opening a representative office and then through its interest in Banco del Bajío, held for 14 years (from 1998 to 2012).

The business was established in Mexico through an organic project with the creation of two financial vehicles, starting with a SOFOM (Mexican multi-purpose financial company), which commenced operations in 2014, followed by a bank. The banking licence was obtained in 2015 and the bank commenced operations in early 2016.

Both vehicles operate using a customer-focused approach, with agile processes, digital channels and no branches. The roll-out of commercial capacities is based on the aforementioned two vehicles and the following business lines:

- Corporate Banking, with the focus on companies and major corporations: 3 branches (Mexico City, Monterrey and Guadalajara) and sector-specific specialisation.
- Banking for Companies, which reproduces the group's original business relationship model: launched in 2016 with 13 branches, it has continued to expand since then.
- Personal Banking, based on a disruptive digital model initially focused on capturing customer funds, recently buoyed by commercial alliances to offer consumer credit.

# Management priorities in 2020

The global COVID-19 pandemic defined the year, affecting various economic sectors in Mexico and elsewhere, and leading to business closures and, as a consequence, a deceleration in lending and higher delinquency. This situation led the local regulator to encourage banks to grant support to borrowers affected by the pandemic. In this context, the Mexican subsidiaries (Banco Sabadell, IBM) performed well, despite falling short of their targets for the year.

During 2020, the Mexican subsidiaries continued to focus on growth, financial self-sufficiency, and profitability. The following initiatives were implemented during the year:

- In Corporate Banking, Banco Sabadell's Trusts Division was launched and we obtained authorisation from the Bank of Mexico for proprietary trading in derivative financial instruments. These initiatives will enable us to offer a more comprehensive service in structured financing, strengthening relations with customers.
- In Business Banking, we continued to enhance our transactional capabilities, an initiative that will continue in 2021. Initiatives in the commercial model and a new incentive scheme seek to boost banker productivity and efficiency and to continue offering an excellent service, which has been a distinctive feature since this segment was created.
- The Personal Banking segment made significant efforts to deploy new transactional products and services such as a 100% digital account, debit card, CoDi mobile payments, instant transfers and bank and non-bank correspondent services, most of which were available in 2020. In addition, commercial partnerships were established towards the end of the year, which will enable us to position ourselves in the Mexican consumer lending market with an all-digital online value proposition.
- The COVID-19 support programme broadly consisted of helping the most vulnerable sectors through loan restructurings, granting a payment holiday of up to 6 months for capital and/or interest, not considering arrears provided the borrowers were classified in a portfolio as of 28 February 2020. This support programme ran from 26 March to 31 July 2020.

Other horizontal initiatives implemented in the year include: 1) a delinquency prevention plan with restructuring support, 2) strengthening IT architecture, 3) industrialisation and outsourcing of operational processes, and 4) establishment of new funding lines in MXN and USD. The latter initiatives served to optimise funding and capital in the Mexican franchise.

A financial planning exercise was conducted in 2020 in line with that of Banco Sabadell Group to determine the main lines of strategic action for Banco Sabadell in Mexico with the goal of driving value creation by the Group's Mexican franchise, as summarised below:

- Enhancement of ROE by increasing revenues without capital consumption (through greater fees and commissions and fostering new business lines, such as consumer lending, derivatives, currency trading, trusts, etc.).
- Promotion of financial self-sufficiency actions, through: i) the incorporation of transactional services and products that increase customer loyalty; and ii) improvement of our Personal Banking customer onboarding platform.

On 29 June, HR Ratings confirmed the long- and short-term credit ratings in Mexico, ratifying the upgrade from HR AA to HR AA+ (long-term), maintaining the Stable Outlook and also maintaining the HR1 rating (short-term), which is based on the financial and operating support from the parent company and on continued low NPA levels (evidenced to be adequate despite the increase in the lending portfolio over the last 12 months), as well as suitable capital ratios and lending portfolio diversification, by geography.

Banco Sabadell México ended the year with a consolidated gross loan portfolio of 88,349 million pesos (3,631 million euros), a 12% increase on the previous year's close, ranking it in 10th place in lending to businesses. Customer acquisition at the end of the year amounted to 49,097 million pesos (2,018 million euros), 15% higher than in 2019, and consolidated net profit amounted to 216 million pesos (9 million euros), a 54% decrease on 2019, due mainly to the increase in loan portfolio reserves, lower fee and commission revenues and increased administrative costs.

## Key figures

Net profit amounted to 4 million euros in 2020, a year-on-year decrease due mainly to lower fees and commissions and higher provisions, partially offset by lower expenses.

Net interest income amounted to 114 million euros, down 2.1% as a result of the Mexican peso's exchange rate. At constant exchange rates, it increased by 11.3% due to the lower cost of funding.

Net fees and commissions totalled 7 million euros, lower than in the previous year because of the slowdown triggered by COVID-19.

Other operating revenues and expenses increased in the year, mainly as a result of the strong growth in customer funds, resulting in a higher contribution to Instituto para la Protección al Ahorro Bancario (IPAB).

Operating expenses decreased by 10.1% year-on-year, impacted by the exchange rate. At constant exchange rates, the increase was 2.2% due to higher general expenses.

Provisions and impairments amounted to 27 million euros, an increase on the previous year due to higher NPL provisions as a result of COVID-19.

Million euros

Banking Business Mexico –  
Income statement summary

	2020	2019	Year-on-year change (%)
<b>Net interest income</b>	<b>114</b>	<b>117</b>	<b>(2.2)</b>
Fees and commissions (net)	7	19	(60.8)
<b>Net banking revenues</b>	<b>122</b>	<b>136</b>	<b>(10.4)</b>
Net trading income and exchange differences	4	1	345.7
Equity-accounted affiliates and dividends	—	—	—
Other operating income/expense	(14)	(9)	—
<b>Gross income</b>	<b>112</b>	<b>127</b>	<b>(11.8)</b>
Operating expenses and depreciation and amortisation	(82)	(91)	(10.3)
<b>Pre-provisions income</b>	<b>30</b>	<b>36</b>	<b>(15.5)</b>
Provisions and impairments	(28)	(16)	72.1
Capital gains on asset sales and other revenue	—	—	—
<b>Profit/(loss) before tax</b>	<b>3</b>	<b>20</b>	<b>(85.6)</b>
Corporation tax	1	(2)	(165.6)
Profit or loss attributed to minority interests	—	—	—
<b>Profit attributable to the Group</b>	<b>4</b>	<b>19</b>	<b>(77.9)</b>
ROE (profit / average shareholders' equity)	0.8%	3.5%	—
Cost-to-income (general administrative expenses / gross income)	64.3%	62.9%	—
NPL ratio	0.5%	1.2%	—
NPL coverage ratio of Stage 3	231.6%	108.9%	—

Outstanding loans and advances amounted to 3,574 million euros, a 1.8% decrease year-on-year as a result of the Mexican peso's depreciation. At constant exchange rates, growth was 13.0%.

Customer funds on the balance sheet amounted to 1,994 million euros, a slight 0.1% year-on-year reduction due to the Mexican peso's depreciation. At constant exchange rates, they increased by 14.9%.

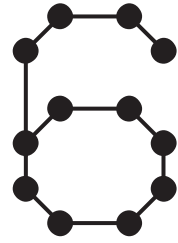
Million euros

Banking Business Mexico –  
Balance sheet summary

	2020	2019	Year-on-year change (%)
<b>Assets</b>	<b>4,584</b>	<b>4,695</b>	<b>(2.4)</b>
Outstanding gross loans and advances	3,574	3,640	(1.8)
Real estate exposure (net)	—	—	—
<b>Liabilities</b>	<b>4,041</b>	<b>4,160</b>	<b>(2.8)</b>
On-balance sheet customer funds	1,993	1,996	(0.1)
<b>Allocated capital</b>	<b>551</b>	<b>535</b>	<b>3.0</b>
<b>Off-balance sheet customer funds</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other indicators</b>			
Employees	489	450	8.7
Branches	15	15	—



# Risks



113 Strategic risk management and control processes

113 Main 2020 milestones in risk management and control

Strategic risk

Credit risk

Finance risk

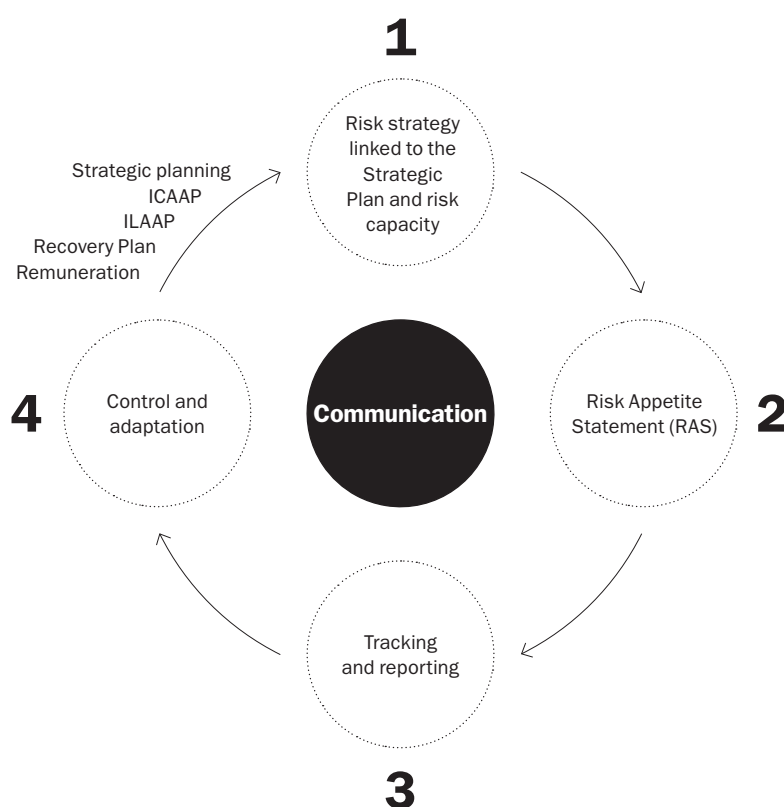
Operational risk

# In 2020, Banco Sabadell Group continued to strengthen its risk management framework by making improvements in line with best practices in the financial sector.

The Group maintains a medium-low risk profile, in accordance with the risk appetite defined by the Board of Directors.

The Group's risk strategy is fully implemented and linked to the Strategic Plan and the Group's risk capacity, articulated through the Risk Appetite Statement (RAS), under which all material risks are monitored, tracked and reported, and the necessary control and adaptation systems are established to ensure compliance:

## Strategic risk management and control processes



## Main 2020 milestones in risk management and control

The most salient aspects of managing the first-tier risks identified in the Banco Sabadell Group risk taxonomy, and the steps taken in this connection in 2020, are set out below.

## Strategic risk

### Definition:

Risk of losses (or negative impacts in general) as a result of strategic decisions or their implementation. It also includes the inability to adapt the Group's business model to changes in the environment in which it operates.

### Main milestones in 2020:

#### (i) Strategy and reputation

— An outstanding position supporting customers during the health crisis and in the transition towards a more digital model.

#### (ii) TSB:

— Presentation in the fourth quarter of 2020 of the project to accelerate the restructuring process with the aim of improving profitability. The project will provide savings on recurring costs, enabling break-even to be achieved ahead of schedule.

#### (iii) Improved capital position:

— The CET1 ratio improved to 12.0% in fully-loaded terms at 2020 year-end, driven significantly by organic capital creation. The regulatory capital requirements were amply met.  
— The total capital ratio was 15.9% at 2020 year-end, while the leverage ratio reached 5.05%, from 4.75% a year ago (in fully-loaded terms).

#### (iv) Profitability:

— Group net profit amounted to 2 million euros in 2020. The Group's banking revenues remain strong and are close to pre-crisis levels.  
— Steps were taken during the year to lay the foundations for greater profitability in the future. A new efficiency programme includes initiatives to increase digitalisation of customer service as well as organisational restructuring and simplification projects.

## Credit risk

### Definition:

The possibility that losses may be incurred as a result of borrowers failing to meet their obligations or through losses in value due simply to deterioration in borrower quality.

### Main milestones in 2020:

#### (i) Reduction in non-performing assets:

— The NPL ratio declined to 3.60%, from 3.83% a year earlier, due to the lower classification of assets as non-performing and to active management of non-performing assets, following a slight upswing in the second quarter, and also to the sale of portfolios in the fourth quarter of 2020.  
— The net non-performing assets/total assets ratio ended the year at 1.4% (from 1.7% at 2019 year-end).

#### (ii) Concentration:

— The portfolio is well diversified in terms of industries, with rising exposure to sectors with greater credit quality. Real estate exposure was reduced and is now one-third of the level at 2014 year-end.  
— Risk metrics relating to concentration of large exposures have also declined, while the credit rating of the main borrowers improved.  
— Geographically, the portfolio is positioned in the most dynamic regions, in Spain and overseas.  
— International exposure continues to represent almost one-third of the loan book, with year-on-year increases in the main geographies (Mexico and TSB).

#### (iii) Lending performance:

— Outstanding loans continued to grow year-on-year in all geographies: +13.0% in Mexico, +7.1% at TSB and +3.2% in Spain.  
— In Spain, ICO loans to large companies, SMEs and self-employed workers catalysed growth in net loans and advances in the second quarter, followed by a gradual recovery and firming of new loan production to individuals in the third quarter. The expiration of a sizeable volume of loan holidays did not have an impact on credit quality.

#### (iv) TSB lending performance:

— At TSB, all loan categories registered solid growth following the first COVID-19 lockdown. Growth in mortgages benefited from increased mortgage market activity as well as TSB's operational resilience to absorb the increase in demand. Consumer credit and personal loans rebounded once the lockdown was lifted. Companies' demand for credit under the Bounce Back Loans programme surged, particularly in the second quarter of 2020.

## Finance risk

### Definition:

The possibility of obtaining insufficient returns or having insufficient liquidity such as to prevent compliance with requirements and future expectations.

### Main milestones in 2020:

#### (i) Sound liquidity position:

- The liquidity position was sound, with a Liquidity Coverage Ratio (LCR) of 198% at Group level at the end of 2020 (218% excluding TSB and 201% at TSB), after optimising funding sources by obtaining 27,000 million euros under the ECB's new long-term facility (TLTRO III).
- The loan-to-deposit ratio was 98% at 2020 year-end, with a balanced retail funding structure. In 2020, Banco Sabadell fulfilled its issuance plan, and strong investor appetite enabled it to optimise the associated costs.
- At year-end, the Bank had exceeded the MREL (Minimum Required Eligible Liabilities).

#### (ii) Structural interest rate risk:

- The Bank continued to adapt the balance sheet structure to the current and expected environment of negative rates in the Eurozone, showing great resilience to possible future declines. The mortgage book in Spain is exhibiting an increasing preference for fixed rates. On the liabilities side, the customer deposit base makes it possible to pass negative rates on to the wholesale segments.
- The Bank maintained its programme of adaptation to the new benchmark indices following the entry into force of the European Benchmark Regulation (BMR) and it successfully achieved the milestones set for the EUR and other affected currencies (mainly USD and GBP).

## Operational risk

### Definition:

Operational risk is defined as the risk of loss resulting from failures or inadequacies in people, processes, and systems or from unforeseen external events.

### Main milestones in 2020:

#### (i) Technology function:

- A significant increase in the use of digital/self-service channels in terms of both volume and type of transactions, mainly due to the effects of the COVID-19 pandemic. In general, this increase in transactions was not matched by a proportional increase in the losses associated with this type of channel; accordingly, the control environment is considered to have performed appropriately.
- There was also a change in the risk profile associated with the execution of internal processes, as there was a change in the work methods due to the need to implement telework solutions, and specific controls had to be implemented to protect employees and the information they handle from their homes; consequently, corporate laptops were distributed to enable employees to work from home with appropriate security measures.

#### (ii) COVID-19 protocols:

- The plans in place for pandemics and contingencies were triggered in the various geographies. Those protocols have been reviewed and updated based on experience and the spread of COVID-19 and its effect on the Group. Triggering the protocols enabled the Group to proactively address potential operational risks that might arise from the situation and prepared the Group companies to adapt their systems, processes and activities as well as their range of products and services so as to minimise exposure to risks and develop and implement new opportunities, such as support measures offered by governments and those provided by the banking industry.

For more details of the corporate risk culture, the global risk framework and the overall organisation of the risk function as well as the main financial and non-financial risks, see note "4 – Risk management" in the consolidated annual financial statements for 2020.



# Other material information



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- 118 Average period of payment to suppliers
- 118 Material post-closing events

## R&D and innovation

The bank's activities in the technology area responded to the specific needs of each of the geographies; in Spain, they focused on the search for efficiency, digitalisation and promoting the use and management of data. TSB concentrated on improving communications and transferring management of the technology platform to TSB itself (from technology subsidiary Sabis). In Mexico the focus was on developing the "Banking as a Service" platform.

### In the domestic market

In 2020, the Bank concentrated on increasing operational efficiency, enhancing the offering and managing data, as well as boosting resilience and innovation in the platform to adapt to new technology trends.

In the area of Commercial Banking, the plan to upgrade the ATM fleet was completed, enabling the Bank to serve customers more efficiently. Existing ATMs were replaced with state-of-the-art machines in order to offer more self-service operations and relieve the branches of administrative tasks. At the same time, development continued of the API channel under the PSD2 framework as the basis of the Open Banking platform, focusing on agreements with third parties that market the bank's products through digital channels. Also in this area, T2-T2S consolidation provided synergies in securities settlements and payments.

As for digitalisation, progress was made in the service offer by promoting conversational banking, adding new customer interaction capabilities (through digital onboarding and a chat service). New features were added to increase the number of remote transactions available to customers, including, for example, the possibility of registering with the Bank without having to visit a branch in person.

Development of the Proteo4 initiative commenced with the aim of creating an efficient, standardised application development framework with a clear focus on cloud technology, as well as developing cloud-native applications that will offer greater resilience and scalability when new digital applications are put into production.

Another noteworthy area was the management, governance and use of data with the Data1 program, the first phase of which was rolled out during 2020; its aim is to automate data processing, create self-service models and strengthen and increase the agility of financial and regulatory reporting.

Also important in 2020 was the continuity of the Discovery program, which began in 2019 with the signature of a 10-year technology services outsourcing contract with IBM. The first half of 2020 focused on the handover from Sabis, the former supplier, to IBM (this transition phase was completed successfully on schedule on 1 July). The second half of the year focused more on the construction of the new data processing centres (DPC) in Alcalá de Henares. Also during the second half, the process of migrating applications and production loads to the new DPC was designed and planned with a view to implementing the migration in 2021.

WhatsNext is a program that was developed to provide a rapid response to the health crisis by providing new collaboration tools to make it easier for employees to telework, increasing their digital capabilities and transforming their work habits by supporting them in the efficient use of the available technology.

## The international context

Within TSB, much of the effort focused on responding to the situation created by COVID-19, for example by improving communication tools so as to enable remote testing of mobile apps and the integration of webchat systems. In terms of digital channels, the Proteo4UK platform was integrated with its new cloud architecture, and fraud detection systems were enhanced. Other milestones included improvements in operations through, e.g. the automation of mortgage application systems.

In 2020, Sabadell Mexico also focused on the "Banking as a Service" programme and landed new lines of business by marketing banking services to partners. Additionally, in order to continue improving its services for retail customers, the Bank began developing a number of initiatives such as biometric systems. Following the migration of critical infrastructures from Spain to Mexico in previous years, the migration process of the other infrastructures and systems continued in 2020.

## Trading in own shares

See note 23 to the consolidated financial statements.

## Average period of payment to suppliers

The average period of payment to suppliers by consolidated undertakings based in Spain was 30.13 days (15.72 days in the case of the Bank).

## Material post-closing events

No material events meriting disclosure have occurred since 31 December 2020.

## Non-Financial Disclosures Report

In accordance with the provisions of Law 11/2018, of 28 December, on non-financial and diversity disclosures, Banco Sabadell Group has drawn up a Non-Financial Disclosures Report for 2020, which, in accordance with article 44 of the Commercial Code, forms part of this report and is attached as a separate document.

## Corporate Governance

In accordance with the provisions of article 540 of the Capital Companies Law, Banco Sabadell Group has drawn up the Annual Corporate Governance Report for 2020, which, in accordance with article 49 of the Commercial Code, is a part of this Directors' Report and is attached as a separate document; it contains a section setting out the degree to which the Bank adheres to the recommendations on corporate governance in Spain.

The information about corporate governance is available on the Group's corporate website ([www.grupobancosabadell.com](http://www.grupobancosabadell.com)) directly in the section entitled "Corporate Governance and Remuneration Policy", which is linked to from the Home page.



# Non-Financial Disclosures Report



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# 1. Introduction

Banco Sabadell, S.A. (hereinafter, “Banco Sabadell”, “the Bank” or “the Institution”) is the parent company of a group of entities which it controls directly and indirectly and which, together with the Bank, form Banco Sabadell Group (hereinafter, “the Group”). Banco Sabadell is comprised of different financial institutions, brands, subsidiaries and investees that cover all aspects of financial business. It operates mainly in Spain, the United Kingdom and Mexico. The corporate information, subsidiaries forming part of the Group and the Group’s business model are provided in the Directors’ Report. TSB (TSB Banking Group PLC) is a bank that operates nationwide throughout the United Kingdom and represents a substantial portion of the Group’s business. The Banco Sabadell Foundation (Fundación Banco Sabadell) steers part of Banco Sabadell Group’s commitment to society.

The Bank’s development objectives are focused on profitable growth and the generation of shareholder value through a strategy of business diversification based on high returns, efficiency and quality of service together with a conservative risk profile, while maintaining high standards of ethics and professional conduct combined with sensitivity to stakeholders’ interests.

The management model is focused on long-term customer retention, through ongoing efforts designed to build customer loyalty based on a resourceful and proactive approach to customer relationships. The Bank offers a comprehensive range of products and services, competent, highly qualified personnel, an IT platform with ample capacity to support future growth, and a relentless focus on quality.

Banco Sabadell has an internal governance framework, reviewed in December 2020, which sets out in detail the following aspects:

- Shareholder structure
- Group structure
- Composition and operation of the Management Body
- Matrix of skills and diversity of members of the Board of Directors
- Corporate governance structure
- Organisational structure
- Internal control functions
- Key function
- Risk management framework
- Policy map

Information on the organisation, markets, objectives and strategies, as well as the principal factors and trends which can impact on business performance, are described in detail in the annual Directors’ Report.

This Non-Financial Disclosures Report for the present financial year, which forms part of the Banco Sabadell Group consolidated Directors’ Report for 2020, and which is annexed to that report as a separate document, complies with the general provisions published in Law 11/2018 of 28 December, amending Articles 44 and 49 of the Code of Commerce in relation to non-financial disclosures and

diversity, using the Global Reporting Initiative standards set out in Annex 2 of this report as a framework of reference.

This report details the actions implemented in relation to the Sustainable Finance Plan, incorporating relevant aspects in terms of business continuity, the ESG commitments (Principles for Responsible Banking, Climate Action and the Task Force on Climate-related Financial Disclosures (TCFD) model) undertaken and other material issues for the Bank in accordance with the Law, as well as the response to the impacts arising from COVID-19, focused on the needs of stakeholders, as well as the Institution’s activities.

## 1.1. Vision

Sustainability has become part of the Group's business purpose and strategy, being understood as development that meets the needs of the present without compromising the capacity of future generations, ensuring a balance between economic growth, environmental care and social welfare.

The transformation carried out by the Institution in recent years, a process focused on digitisation and new technologies, has been accompanied by initiatives geared towards the transition to sustainable development and a sustainable economy.

Thus, since 2019, a series of initiatives have been carried out that have represented a turning point in the Bank's commitment to a more sustainable economy, including the following milestones:

- The creation of the Sustainability Division, which replaces the CSR Division and offers a broader cross-cutting approach through its actions and skills in Environmental, Social and Governance (ESG) areas.
- The incorporation of the Sustainable Development Goals (SDGs) into corporate strategy, identifying those considered a priority and those considered additional, according to the stakeholders and business activity concerned.
- The adoption of new commitments, such as signing up to the United Nations Principles for Responsible Banking, the first global framework defining the role and responsibilities of the banking sector to ensure a sustainable future, and the ratification of the Collective Commitment to Climate Action, which reinforce the Bank's alignment with the SDGs in relation to the Paris Agreement.

## The Sustainable Finance Plan approved by the Board of Directors establishes the key guidelines and the programmes and actions in the area of Sustainability.

This stage culminates with the launch, this year, of the Sustainable Finance Plan approved by the Board of Directors, which establishes the key guidelines and the programmes and actions in the area of sustainability, aimed at achieving four main objectives:

- Support customers in the transition to a more sustainable model, offering sustainable products and services for all segments and incorporating ESG criteria in risk management and control through stock mapping, the creation of a Sustainability Indicator for companies, analysis of exposures based on NACE industry classification, and physical risk estimation. In this regard, an Eligibility Guide has been prepared, as well as Sectoral Standards that establish the criteria for approval and restriction.
- Enable investors to contribute to sustainability through the issuance and offering of sustainable products, whilst also establishing a Framework for the Issuance of Sustainability Bonds intended for the same purpose.
- Adapt the organisation to this new paradigm through a range of actions, such as reducing emissions, setting diversity targets, establishing a governance framework and developing a communication plan appropriate to the new environment, adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) model for these purposes.
- Contribute to the transition to a more sustainable society through partnerships and social programmes that promote inclusive education and champion the fight against poverty and inequality.





### Support customers in the transition to a sustainable economy

- Range of sustainable financial products for all segments.
- Inclusion of sustainability criteria in the approval flow.
- Advice to companies in their transition to more sustainable activities (KPIs and comparable companies).

1



Contribute to promoting sustainable towns and communities

2



Encourage and support companies' transition to a sustainable model



### Enable investors to contribute to sustainability

- Issuance of sustainable investment products, by both the Bank and its issuer customers.

3



Contribute to responsible investment



### Adapt the organisation

- Define and identify climate change risks and exposure in the organisation.
- Promote diversity, equality and work-life balance in the organisation.
- Reduce the Institution's carbon footprint.
- Transparency and simplification.
- Inclusion of sustainability in governance and in risk assessment.

4



Define and identify climate change risks and exposure in the organisation

5



Include sustainability criteria in risk management and control

6



Reduce the Institution's carbon footprint

7



Promote environmentally and socially responsible policies and practices



### Contribute to the transition towards a sustainable society

- Promote social programmes that contribute to a sustainable society.
- Establish partnerships to confront challenges.

8



Fight against poverty and inequality

9



Promote quality education that is inclusive and egalitarian

## 1.2. Sustainable Finance Plan








Over the course of 2019 and 2020, the priorities of the Sustainable Finance Plan were established, taking into account the SDGs considered priorities by the Bank, the ESG environment, as well as global trends and practices in the banking sector.

Additionally, regulatory considerations were integrated, as well as the needs of stakeholders.





### Integration of the SDGs in strategy

### Integration of developments in the ESG environment and adherence to international initiatives

#### Priority SDG

	JOB programme (SOGEVISO) WORLDCCO		Financial education		Equality policies		Long-term employment (indefinite contracts)
	JOB programme (SOGEVISO)		Sustainable building and mobility		Financing and investment in renewable energies		Partnerships WORLDCCO SHIP2B

#### Additional SDG

	Sabadell Life (Healthy lifestyle workshops)		Portfolio of finance products and services		Integrating Sabadell criteria into the value chain		Anticorruption measures
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In addition, the requirements related to the new commitments adopted during this period, such as the United Nations Principles for Responsible Banking and the Collective Commitment to Climate Action promoted by the Spanish Banking Association (AEB), have been incorporated into the Sustainable Finance Plan.

## Regulatory environment and supervisory expectations

Within the framework of the regulatory environment stemming from the European Commission's Action Plan on Financing Sustainable Growth (2018), a Project Management Office (PMO) for Sustainable Regulation has been created to ensure the tactical implementation of related regulations (SFDR, Supervisory Expectations, ECB) and of the Task Force on Climate-related Financial Disclosures (TCFD) model, recently signed up to by the Bank, which have been incorporated into the Sustainable Finance Plan along with an outline of the next steps to be taken.

## Integration and consideration of communication channels

Through the various communication channels, the Bank identifies the needs of stakeholders and reflects them in the ESG aspects of the Sustainable Finance Plan, focusing its main areas of action on supporting economic agents, customers and businesses in the transition to a sustainable economy with sustainable products and services, enabling investors to contribute to sustainability, identifying opportunities for collaboration and progress in terms of diversity, work-life balance, transparency, emissions reduction and governance, as well as further progressing the Bank's own transformation process, and promoting programmes and partnerships that contribute to a more sustainable society.

## 1.3. Materiality

The Bank has undertaken a materiality analysis to identify and prioritise relevant sustainability issues, from a strategic point of view and from the perspective of its stakeholders.

This included an analysis of the body of regulations and major trends in sustainability, the expectations of ESG analysts and investors and the Bank's ESG strategy. This process is set in motion through the actions undertaken by the Institution within the framework of its commitments in this area, and through dialogue with stakeholders via the relevant channels. To this end, the following were considered:

- Regulators and supervisory authorities: responding to legislative consultations and regulatory drafts, collaborating with the Spanish Banking Association (AEB), the European Banking Federation (EBF), the European Banking Authority (EBA), the European Central Bank

(ECB), the European Securities and Markets Authority (ESMA), among others.

- Economic agents (General Government, Public Bodies, Associations): maintaining an active relationship through participation in joint public-private and industry webinars, attending events, and participating or presenting in workshops, academic forums and business schools.
- Investors and rating agencies: holding virtual meetings, one-to-one meetings, quarterly roadshows following presentation of results and specific roadshows (strategic plans, fixed income issues), as well as participation in rating agency questionnaires that allow the Bank to identify gaps in areas such as cybersecurity, data protection, and ESG requirements related to sustainable investment and financing.
- Customers: visiting companies, conducting customer questionnaires, interacting on social networks and through an active relationship with economic agents such as Professional and Industry Associations, Chambers of Commerce and Professional Associations.
- Employees: through the IN Sabadell and Sabadell Life platforms, the ongoing relationship with the Employee Assistance Office (EAO), holding internal forums for employee innovation (Banco Sabadell Idea, Qualis Awards) and internal and external dissemination of information (Sabadell Forum), to identify new opportunities for collaboration and to further progress the transformation of the organisation and the business.
- Society: through the Bank's interactions with the media (through interviews, press articles and conferences), via the platform for health and solidarity initiatives for employees (Sabadell Life), participation in social networks (with 20 profiles nationwide) and through an active and direct relationship with General Government, public bodies, associations, think-tanks, foundations and NGOs.

The results of this analysis have been used to draw up a list of significant issues, some of which are reflected in the Sustainable Finance Plan, the backbone of the Institution's sustainability strategy. Other matters, due to their cross-cutting nature, are integrated into the Bank's operations and stem from the action principles and commitments adopted by the Bank.

The significant issues not directly associated with the Sustainable Finance Plan are the following:

- Transparency
- Consumer protection and safety, including cybersecurity and data protection
- Professional development and talent management
- Diversity, especially of gender
- Financial education and volunteering programmes

Note: significant matters obtained in compliance with the Non-Financial Information Law can be consulted in the Non-Financial Information Law Table.

## 1.4. Governance

Both the governance system and the organisation of the Bank's different decision-making levels have also been adapted to the needs of the new environment generated by sustainability.

### Board of Directors

The Board of Directors of Banco Sabadell is the highest decision-making body and is basically configured as an instrument of supervision and control. To ensure better and more diligent performance of its general supervisory duties, the Board is directly responsible for approval of the Bank's general strategies. It also approves the Bank's policies, and is therefore responsible for establishing principles, commitments and objectives in the area of Sustainability, as well as their integration in the Institution's strategy.

In 2020, the Board of Directors approved its new Sustainability Policy, which aims to provide a framework for all of the Institution's activities within ESG parameters, which incorporate environmental, social and corporate governance factors in decision-making and, at the same time, based on those parameters, to respond to the needs and concerns of all of its stakeholders.

### Board Committees

The Appointments Committee has the functions attributed to it by the Sustainability Policy in relation to the monitoring and control of the various initiatives and procedures related to said Policy and the rules on environmental, social and corporate governance matters, in accordance with recommendations 53, 54 and 55 of the CNMV's Good Governance Code of Listed Companies revised in June 2020, except for those functions that correspond to the Audit and Control Committee and the Risk Committee in accordance with the Articles of Association, the Board Regulations, its own terms of reference or those deriving from a policy approved by the Board of Directors.

### Committees

In addition, the Sustainability Committee, established in 2020, is the body in charge of establishing the Bank's Sustainable Finance Plan and monitoring its execution, as well as defining and disseminating the general principles of action in the area of sustainability and promoting the development of projects and initiatives.

It is composed of 15 members, 3 of whom are executive directors on the Board of Directors, is chaired by the CEO and meets once a month. In relation to the achievement of objectives, a synthetic sustainability indicator (SSI) is established, which includes KPIs for ESG matters and is linked to the variable remuneration of employees, forming part of the group objectives with a weight of 10%.

In addition, a Project Management Office (PMO) has been created for the Sustainable Finance Plan to ensure the timely implementation of the Sustainable Finance Plan programmes, as well as a Project Management Office (PMO) for Sustainable Regulation to ensure the tactical implementation of related regulations (SFDR, Supervisory Expectations, ECB) and of the Task Force on Climate-related Financial Disclosures (TCFD) model, recently signed by the Institution.

## 2. Responsible business

Banco Sabadell has incorporated sustainability, in a cross-functional way, into its business model, risk assessment and management, and into its relationships with stakeholders to thus step up its contribution to sustainable development. This is a dual approach: on one hand, it requires adapting the organisation and its activities to sustainable practices and, on the other, it involves focusing squarely on the customer, which also entails adapting the Institution's business and its teams to this new vision, seeking financing solutions, savings products

and sustainable investment mechanisms, whilst paying special attention to people in vulnerable circumstances. In risk assessment and management, which is key to all of the Institution's activities, the transformation process has already begun to incorporate Environmental, Social and Governance (ESG) criteria and the fight against climate change.

In 2020, through the Sustainable Finance Plan, the progress made on commitments to combat climate change and new commitments adopted, such as the Bank's adherence to the TCFD (Task Force on Climate-related Financial Disclosures), indicate the momentum of this new stage.

**In this respect, the Bank values its role as a financial institution to serve as a key agent in the mobilisation of resources to move forward in social and environmental areas.**

### 2.1 Sustainable finance



(SDG 1, SDG 9, SDG 10, SDG 11, SDG 13)

Environmental, Social and Governance (ESG) criteria have become increasingly important, not only because of the attention paid to them by regulators and supervisors, but also because of their impact on the decisions of customers, investors and shareholders globally. Similarly, world authorities, to a greater or lesser extent, have been committed to ensuring that economic recovery is green and linked to sustainability objectives.

In this context, the transition to a sustainable economy involves a transformation that is just as significant and cross-cutting as digitisation, if not more so. As a financial institution, this situation implies a triple responsibility. On one hand, the Bank must attend to all that sustainability implies in its organisation and, on the other hand, it must be a lever for transition, assisting and financing the efforts of other economic agents in the process. In addition, the Bank should counterbalance systemic risks with appropriate management of exposure to economic sectors during the transition to a more resilient and sustainable economy.

In this regard, the most significant sustainability commitments to which the Bank adheres or has subscribed are as follows:

- The United Nations Principles for Responsible Investment in the asset management category.
- Since 2005, adherence to the corporate responsibility initiative of the United Nations Global Compact and its

principles in the areas of human rights, labour, environment and anti-corruption.

- Signatory of the Equator Principles, since 2011, which incorporate social and environmental criteria in the funding of large-scale projects and corporate loans.
- Signatory of the Carbon Disclosure Project (CDP).
- Adherence to the United Nations Principles for Responsible Banking, the first global framework defining the role and responsibilities of the banking sector to ensure a sustainable future, and the ratification of the Collective Commitment to Climate Action, which reinforce the Bank's alignment with the SDGs in relation to the Paris Agreement. In this regard, as an institution committed to the goal of achieving a low-carbon economy, in November 2020, the Bank joined the TCFD (Task Force on Climate-related Financial Disclosures) for the disclosure of risks and opportunities related to climate change in accordance with TCFD recommendations.

In these areas, over the last few years, the Institution has adhered to and committed itself to the various initiatives that have been developed and embodied in the new Sustainable Finance Plan explained in detail in the previous section.

In addition, and in response to this situation, in 2020 the Sustainable Finance Plan was reinforced with the alignment of the Bank's actions around macroeconomic trends and regulatory issues, whilst paying special attention to the possible impacts arising from COVID-19, placing greater focus on social matters, which impact both the needs of stakeholders and the Bank's activity.

In relation to communication and within the framework of this Plan, the Bank is strengthening its

# Launch of the “Commitment to Sustainability” brand label. This label identifying the Bank’s commitment to sustainability is applied to all communication and marketing of services and products with environmental and social content.

transparency in sustainability matters with the launch of the “Commitment to Sustainability” brand label. This label identifying the Bank’s commitment to sustainability is applied to all communication and marketing of services and products with environmental and social content.

At the Governance level, in 2020 the Sustainability Committee was established as the body responsible for establishing and promoting the Sustainable Finance Plan and monitoring its execution, as well as defining and disseminating the general principles of action in the area of Sustainability and promoting the development of related projects and initiatives. This Committee is composed of 15 members, 3 of whom are executive directors of the Board of Directors, and it is chaired by the CEO. At the operational level, it regularly reports to the Management Committee and at least once a year to the Delegated Committee on the progress of the Sustainable Finance Plan. To this end, the evolution of the Synthetic Sustainability Indicator (SSI), created in 2020, and the incorporation of ESG KPIs linked to employees’ variable remuneration are also monitored on a monthly basis as part of the Group’s objectives. The metrics that comprise this indicator include:

- Environment: Definition of the Bond Issuance Framework and Governance thereof; increased investment in Renewable Energy Project Finance for 2020; Definition of a Sustainable Activities Guide; 9.9% reduction of CO<sub>2</sub> emissions (tonnes) for 2020 relative to 2019.
- Social: Increase the number of people in talent programmes.
- Diversity: Increase the percentage of women in senior management positions: General Management; Corporate Directors/Top Management and Board members; Increase diversity in TSB.

## 2.1.1. Sustainable investment

Through its subsidiary Sinia Renovables, Banco Sabadell continues to implement its investment cycle, initiated in 2016, with capital of 150 million euros earmarked for investments in this area, encompassing both wind farms and photovoltaic plants. This cycle builds on the Bank’s sustainability and internationalisation strategy, which includes investments in Spain, Europe, Mexico and other Latin American countries. Sinia has undertaken capital investments in Mexico, where it has interests in wind farms with 247 MW installed capacity in operation in the Tamaulipas and Baja California regions. In Peru it has an equity interest in two wind farms in the north-east region with a combined 37 MW installed capacity, and in Chile it has invested in a 103 MWp photovoltaic plant in the northern region. The projects in Mexico, Chile and Peru commenced operations in 2020. Additionally, in the Iberian Peninsula, of particular note is the Bank’s investment, through subordinated debt, in two wind farms in Navarre with a combined 94 MW capacity, which became operational in 2020. With regard to investment in assets for development and construction, Sinia, together with a local developer, is developing around 241 MWp in Catalonia and a 49.5 MW wind farm in Galicia, where construction will begin in 2021.

At the end of 2020, wind and photovoltaic assets of 71 MW and 3 MW respectively were divested from the Spanish portfolio, and a 47.5% stake was maintained in a 22.5 MW biomass-hybridised solar thermal plant operation in Catalonia. In relation to the only project in operation, the renewable electric energy attributable to Banco Sabadell in Spain at the end of 2020 is 40 GWh. This renewable energy prevents the emission of around 7,600 metric tonnes of CO<sub>2</sub> equivalent per year, equivalent to the average consumption of approximately 11,500 Spanish households.

At a global level, Sinia Renovables has an equity interest in renewable energy projects with a combined installed capacity of 503 MW, of which 57 MW is attributable to its investments, both in facilities in operation and under construction, corresponding to the sustainable generation of around 206 GWh of electricity annually, equivalent to the average consumption of approximately 59,000 Spanish households. These figures position the Group as one of the leaders within the financial sector in equity investment in renewable energy projects.

## 2.1.2. Sustainability bonds issuance

# Banco Sabadell launched its framework for the issuance of bonds linked to the Sustainable Development Goals (SDGs) in July 2020, and made an inaugural 500 million euros green bond issue in September 2020.

It identifies sustainable goals that Banco Sabadell is currently promoting, as well as those that it aims to promote in the future. This framework defines the priority areas of action and identifies the criteria that will serve as the basis for Banco Sabadell's promotion of its green, social and sustainability bond issuance.

In this respect, green bonds target projects with environmental benefits, such as the reduction of greenhouse gas emissions, pollution prevention and climate change adaptation. Green project categories prioritise renewable energy, pollution prevention and control, sustainable water management, clean transportation, energy efficiency and green buildings. Social bonds, on the other hand, focus on the generation of benefits that provide access to essential services, facilitate social inclusion and promote the generation and maintenance of employment. Sustainability bonds finance a combination of green and social activities. The proceeds obtained from issuing these types of bonds will be used to fully or partially finance or re-finance new, existing or future loans or projects for the purposes set out in the framework governing the issuance of SDG bonds.

To this end, Banco Sabadell has selected ten Sustainable Development Goals (SDGs) that will determine the eligibility of both loans and projects. Eligibility is based on the Bank's Eligibility Guide, which is in turn based on the European Union Taxonomy for Sustainable Activities and the ICMA (International Capital Market Association) Green Bond Principles. The SDGs are the goals that the Bank has identified as being important to promote. Specifically, these ten SDGs are: no poverty (SDG 1), good health and well-being (SDG 3), quality education (SDG 4), clean water and sanitation (SDG 6), affordable and clean energy (SDG 7), decent work and economic growth (SDG 8), reduced inequalities (SDG 10), sustainable cities and communities (SDG 11), responsible consumption and production (SDG 12) and, finally, climate action (SDG 13).

In September 2020, having published its Framework for SDG Bond Issuances (SDG Framework) in July, Banco Sabadell carried out its inaugural green bond issuance of Senior Preferred debt in the amount of 500 million euros with a 6.5-year maturity and a call option at 5.5 years, with a coupon rate of 1.125%. Subsequently, the Bank carried out a second green issuance of Senior

Preferred debt for 120 million euros with a legal maturity of 4.5 years and a call option after 3.5 years.

## 2.1.3. Sustainable financing - CIB (Corporate & Investment Banking)

To complement activities to finance renewable energy projects and in response to the demand from Corporate & Investment Banking, in 2020 governance was strengthened with the creation of its own division specialising in sustainability, which has defined two types of Sustainable Financing solutions:

- Financing with Sustainable Application ("SaF"), in which the use of the funds is the main criterion for determining their green, social or sustainable nature. This category would include the financing of activities included in the Eligibility Guide and those linked to the Sustainability Bonds Framework.
- Sustainability-related Financing ("SrF") refers to any type of financing that encourages the achievement of sustainability objectives, linking the transaction margin to the achievement of certain KPIs, such as, improvement of the customer's ESG rating (with performance measured according to its reduction of CO<sub>2</sub> emissions and/or wage gap reduction, among other factors).

Overall in 2020, more than 50 sustainable financing transactions were arranged for a total value of more than 16.4 billion euros by Corporate & Investment Banking (which includes Project Finance transactions and bond placements), in addition to more than 300 million euros of sustainable financing arranged by Commercial Banking, increasing the overall sustainable financing portfolio by more than 2.1 billion euros. A significant part of this work was carried out in Spain, complemented by work carried out in other regions where the Bank is present: United Kingdom, France, Portugal, United States and Mexico.

Banco Sabadell has participated in more than 30 green loans for projects with a positive impact on the environment (mainly with a Project Finance structure for renewable energies) for more than 3.3 billion euros, with an increase in investment of more than 1 billion euros as a result.

Complementing the above, 14 transactions were arranged in the form of sustainability-related loans, in which the applicable interest rate varies according to the achievement of certain sustainability targets, for a total amount of 10 billion euros, including Banco Sabadell's participation of more than 800 million euros.

In the capital markets, Banco Sabadell has participated as bookrunner in seven issuances classified as green or sustainable, which has involved the placement of 3 billion euros. Investor appetite for these operations was very high, in line with growing interest in including assets of this kind in the formation of investment portfolios.

Furthermore, at a time when sustainable financing takes on particular importance as a factor in economic recovery, which requires the participation of everyone, not least the financial sector, Banco Sabadell has joined the Spanish Observatory for Sustainable Financing (Observatorio Español de la Financiación Sostenible or OFISO). This is a forum for discussion and information on sustainable financing for companies, financial institutions, investors, public administrations, advisors, rating and certification agencies, law firms and other agents of the financial industry to share ideas and promote best practices.

## Financing renewable energies (Project Finance)

During the year and at Group level, Banco Sabadell also participated in the financing of renewable energies with more than 1.13 billion euros and 35 operations, including new lending, refinancing and restructuring projects. Of these, 35 operations and 930 million euros correspond to financing arranged in Spain, the remainder corresponding to the USA, in the amount of 173 million euros, and the United Kingdom with a total of 26 million euros.

### Financing renewable energies

# 1,130<sup>M€</sup>

### Transactions

# 35

In this respect, the Bank continues to lead in the Iberian Peninsula through the financing of new projects (with 15 projects across Spain and Portugal), which across all the banks participating in these financing operations represent a total of 3.3 GW and, considering those led by Banco Sabadell, a total of 1.2 GW. Most noteworthy among these are Enlight's 300 MW Alpha Project, which is the largest merchant wind farm in Spain (of those not receiving State aid), as well as the 250 MW Elawan wind farm; all of these financing operations were successfully syndicated.

Even though, compared to the previous year, there was a lower volume of operations, both in Spain and in other geographies; this was not reflected in financing amounts.

The decreased volume was due to delays in granting licences for some projects at State level and the standstill of renewable energies in Mexico. In Spain, projects have not been affected by COVID-19, but rather, by the increase in the number of projects under way, which have brought about delays in the receipt of licences.

In addition, Banco Sabadell's leadership and contribution to renewable financing has also been reflected by its participation in more than 20 conferences, forums and podcasts on renewable financing in Spain organised by entities such as UNEF, AAE, Solar Market Parity Spain, Intersolar, PV Box, AleaSoft and Aurora Energy Research.

## Sustainability bond placements

Additionally, in 2020, Banco Sabadell was the placement agent for green and sustainability bond issues in the capital markets, acting as Joint Lead Manager in public sector issues for the Comunidad de Madrid (for 1,250 million euros with a 10-year maturity), for the Xunta de Galicia (for 500 million euros with 7-year maturity) and for the Basque Government (for 600 million euros with a 10-year maturity). It was also Joint Lead Manager in the Green Project Bond for renewable energies (photovoltaic) of Quintas Energy, for 43 million euros with an 18-year maturity.

Of the public sector issues, the issue of the Basque Government's sustainability bond for an amount of 59 million euros, with 39-year maturity, was placed exclusively by Banco Sabadell acting in the role of Sole Lead Manager (sole placement agent of the bond/private placement).

## Other financing mechanisms

### Syndicated Financing for Corporates

The total volume of Sustainable Financing granted by Banco Sabadell in syndicated financing operations amounts to just over 1.5 billion euros, distributed among 30 operations. Of these, three are green loans for more than 130 million euros and the remaining 27 are sustainability-related financing with 23 funding lines linked to sustainability indicators (both environmental and social KPIs, the ESG rating being the one used in 13 of these cases) and four of them linked to purely environmental indicators. Of the above, 15 new syndicated loans were arranged in 2020, the Bank's investment amounting to more than 800 million euros, the most noteworthy being those granted to El Corte Inglés, Colonial and Kinkardine Offshore Windfarm.

Through Banco Sabadell in Mexico, sustainable loans for 564 million US dollars have been provided, mainly in the Renewable Energy and Real Estate sectors, and 30% of the loan portfolio in the Energy and Infrastructure sector is dedicated to green projects. Additionally, 15% of the real estate portfolio has sustainable certification (Leed or Rainforest), meeting the required climate change mitigation criteria.



## Bilateral Finance

As a complement to syndicated financing, in the last four months of the year, we started working with our Corporate Banking customers to offer sustainable financing solutions on a bilateral basis, both in the form of loans and transactional banking products (factoring, reverse factoring).

### 2.1.4. Credit facilities with multilateral banks

Since 2019, Banco Sabadell Mexico has had a 100 million US dollars, 10-year credit facility granted by International Finance Corporation (IFC), a member of the World Bank Group, to boost the development of sustainable tourism and construction in Mexico; these funds are granted to customers seeking help to develop sustainable projects.

### 2.1.5. Funding solutions for SMEs and individuals

#### Energy efficiency

At present, the Bank offers its customers, both private and corporate, a set of solutions incentivising energy saving measures.

#### Expansión ECO-improvements loan:

For individual customers, in September 2020, the ECO-improvements loan was launched to incentivise customers to install energy-saving measures, such as fitting or upgrading cladding, doors and windows, the installation of LED lighting systems or the replacement of household appliances with others of a higher energy category. At year-end, the volume of loans certified as sustainable (in force since October) was 363,934 euros.

#### ECO Mortgage

In October 2020, the ECO fixed-rate mortgage was launched, offering a discounted rate for the purchase of a home with an energy certification of B or higher. At year-end, the volume of mortgages certified as sustainable (mortgage for a home with energy certification of A and B) was 217,328,157 euros.

**ECO Constant Amortisation Loan (PAC)** For business customers, we continue to offer the ECO Constant Amortisation Loan (PAC), which is also aimed at incentivising the refurbishment of premises, offices, warehouses, etc. in order to reduce energy consumption and CO<sub>2</sub> emissions by replacing or upgrading power systems, heating or recycling systems with more efficient and sustainable ones, and by replacing fleets of commercial or industrial vehicles. At year-end, the volume of ECO PAC loans was 798,908 euros.

## ECO Agro Loan

In the field of solutions for agricultural activities, Banco Sabadell offers customers the ECO Agro Loan, intended for agricultural and livestock farmers who wish to transform their production methods to adapt to EC regulations on organic farming.

## Sustainable capital goods leasing

In the field of equipment leasing, Sabadell Renting backs up its sustainable focus with a range of leasing products for energy efficient installations, electric vehicle charging stations and LED lighting, among other things. In 2020, this range was complemented with specific campaigns that will be extended during the coming year, such as leasing of photovoltaic panels for power generation for companies and electric forklifts for markets.

Given the circumstances of the health crisis, the range on offer has been expanded with a number of new lines to respond to the needs of certain sectors:

- Active Work (Trabajo Activo) – leasing of IT equipment for on-site work and teleworking.
- Safe Work (Trabajo Seguro) – leasing of equipment to sanitise premises and stores, such as air purifiers, hydrogel dispensers, etc.
- Leasing for Learning (Learning Renting) – IT upgrades in schools and for teachers and students.

For both capital goods and vehicles, Sabadell Renting and Banco Sabadell have supported their customers in this difficult year, offering payment facilities, contract extensions, grace period renewals and liquidity financing, when necessary.

## Sustainable property leasing

In terms of property leasing, in 2020 the Bank has expanded the range of sustainable leasing products, with the incorporation of ECO Property Leasing (ECO Leasing Inmobiliario), aimed at financing the acquisition by companies of new industrial buildings and commercial premises with energy certification A or B, as well as pre-owned properties that involve a refurbishment and improvement project to reduce energy consumption, provide thermal insulation, improve enclosures, install photovoltaic panels for own use, etc.

As a result of COVID-19, Banco Sabadell has created a leasing product for deliveries (Leasing Delivery), for the purchase of transport means to facilitate home delivery work, which includes motorcycles, and a leasing product for protective equipment (Leasing Equipos de Protección) to enable businesses and companies to protect their employees and customers and prevent contagion. In addition, the Bank introduced an offer for customers, which remains available, to restructure and novate existing contracts to help them overcome the impact of the COVID-19 crisis.

## Mobility solutions

In 2020, through Sabadell Renting, the Bank has focused its vehicle leasing activity on sustainability as a driver of

change. The range of ECO-vehicles (hybrid and electric vehicles with the DGT (Spanish Driver and Vehicle Licensing Agency) 'ECO' or 'Zero Emissions' environmental label) has been extended to 25% of all models offered, with at least one sustainable vehicle model featured in the range all year round.

#### Offer of ECO vehicles

**+25%**

New contracts for ECO vehicles have increased year-on-year from 8.73% in 2018, to 10.91% in 2019 and 12.37% in 2020. Sustainable solutions have gained visibility through a massive radio campaign broadcast in Madrid and Barcelona, and through direct communications with Banco Sabadell customers throughout the year. ECO vehicles will continue to be promoted in 2021, with a special focus on the electric range.

In the context of the health crisis, new, more flexible forms of vehicle leasing have been created, incorporating grace periods, asymmetric instalments and per-kilometre leasing. It has thus been possible to respond to the demands of certain customers, for example, individuals and those working in essential sectors. After the standstill in overall activity during the spring lockdown period, it can be seen that commercial activity at year-end has returned to 2019 levels.

Even though the full lockdown period in the spring generated a standstill in overall activity (sales, production, vehicle deliveries or collections, etc.), and the number of new contracts will be lower in 2020 than in the previous year, it can be seen that commercial activity at year-end has returned to pre-COVID-19 levels.

During this unusual year, emphasis has been placed on the digital offer, both through Banco Sabadell's own channels and through external distribution and dissemination channels. The remote sales circuit, in which customers can choose their vehicle and sign up for a leasing contract without having to visit a branch, has been consolidated.

### **2.1.6. Support for corporates and SMEs**

As part of its commitment to support ecological transition, Banco Sabadell has included the first sustainability questionnaire in its routine visits to companies.

There has also been a significant increase in sales of used vehicles, especially small and medium-sized vehicles. This offer consists of vehicles less than four years old that contribute to the renewal of the vehicle fleet and to the environmental improvement of urban environments.

With regard to leasing, 140 ECO commercial vehicles were financed in the year, through ECO Leasing of "A" label vehicles, launched at the end of 2019.

The Bank also offers an ECO Car Loan. This solution, aimed at retail customers, enables the purchase of a "Zero emissions" or "ECO" labelled vehicle, under attractive conditions, thereby encouraging consumer uptake of vehicles that are less polluting and suited to the new low-emissions zones in larger cities.

As part of its commitment to support ecological transition, Banco Sabadell has included the first sustainability questionnaire in its routine visits to companies. This questionnaire involves managers having a conversation with customers to learn more about their company's sensitivity to SDGs and about their plans to invest in becoming more sustainable. In addition, the input received from the customer contributes, together with other markers, to the creation of its first sustainability indicator in the customer portfolio that will evolve over time.

To generate appropriate advice for the Bank's network and hold an appropriate conversation about sustainability during the annual visit to customers (360-degree vision programme), an online course on sustainability has been developed to allow the branch network to understand the concept and context of sustainable finance and solutions for customers. This course explains:

- What the SDGs are
- How a business can get started on the road to a green transition
- What the EC taxonomy is and what purposes it serves
- What financing solutions can be applied in each case
- How to hold a conversation with the customer to identify their level of sensitivity to sustainability

The development of the customer questionnaire and the branch network training both required a trial with a group of companies and managers in order to generate the best possible set of questions. For this reason, from May to July 2020, several visits were made to customers to validate the questions in the questionnaire.

This questionnaire should evolve over time to become a sustainability rating tool that will enable the Bank to identify customers who need more specific support and financing to become a sustainable company.

### **2.1.7. Sustainable savings and responsible investment solutions**

In the area of investment, both pension fund manager BanSabadell Pensiones EGFP SA in 2012 and, since 2016, Aurica Capital, a venture capital enterprise that invests in Spanish companies with plans to expand in foreign markets, have adopted the United Nations Principles for Responsible Investment (PRI) in the investment manager category. In 2020, pension funds individually subscribed to the PRIs by BanSabadell Pensiones EGFP SA include BanSabadell Pentapension Empresa FP, the Banco Sabadell Employees' Pension Fund MF2000, the Banco Sabadell Employees' Pension Fund GM (in 2020) and the Coca-Cola Employees' Soft Drinks Company fund in Spain. These principles cover social, environmental and governance criteria in management policies and practices.

With regard to investment funds, throughout 2020, the range of products that follow sustainability criteria has increased thanks to the strategic alliance signed with Amundi, Europe's largest investment fund manager. As of 30 June, Sabadell Asset Management became a

wholly-owned subsidiary of Amundi, offering a unique and exclusive service to Banco Sabadell.

At the offering level, two multi-asset investment funds were developed in 2020 (Sabadell Crece Sostenible, FI and Sabadell Acumula Sostenible, FI) that complement traditional financial analysis with rigorous quantitative and qualitative ESG criteria, with combined assets of 117.91 million euros as at 31 December, in addition to Sabadell Economía Verde, launched in 2019, with assets of 92.9 million euros at year-end 2020, which invests mainly in shares of companies that promote actions related to improvement of the environment and reduction of environmental risks, regardless of the sector. Furthermore, the Amundi Cash Institution fund has been added to the range of liquidity solutions for companies. In addition to financial criteria, this fund applies ESG criteria in the selection of its investments, thus complying with the French SRI rating.

In 2021, we intend to increase the range of products that follow sustainable criteria, to encompass all the main asset categories. Two new equity funds, with launches already in the pipeline, which will follow ESG criteria will be added: Sabadell Estados Unidos Bolsa, FI and Sabadell Europa Valor, FI. Lastly, and pursuant to application of the European SFDR (Sustainable Finance Disclosure Regulation), Sabam/Amundi are committed to integrating sustainability criteria into most of their funds during the coming year.

Banco Sabadell encourages responsible investing through its range of savings and investment products for customers, complemented by specific products that also contribute to charitable projects. Products in this area include Sabadell Inversión Ética y Solidaria F.I., BS Ético y Solidario, P.P. (pension plan) and BanSabadell 21 F.P. (pension fund), as well as G.M. PENSIONES, F.P., (pension fund) intended for the Bank's employees.

In 2020, the Sabadell Ethics Committee, which raises funds for charitable endeavours through the investment fund Sabadell Inversión Ética y Solidaria, F.I., selected a total of 28 humanitarian projects mostly aimed at addressing risks of social exclusion, improving the living conditions of people with disabilities and meeting their basic nutrition and healthcare needs. This year, 351,309 euros have been granted to different charitable organisations and projects.

With regard to BanSabadell Pensiones, in recent years various actions have been carried out to encourage the development of socially responsible investment among its pension plans, and it was one of the first in the sector to offer an ethical and charitable pension plan which, in addition to investing according to socially responsible criteria, also donates a portion of the management fee to Oxfam Intermón to fund selected projects. In 2018, BanSabadell Pensiones jointly with Banco Sabadell and the Spanish Workers' Commission (CCOO) signed an agreement on a socially responsible investment (SRI) clause for inclusion in the Statement of investment policy principles of workplace pension funds. BanSabadell Pensiones currently manages ten pension funds that

explicitly incorporate a socially responsible investment (SRI) mandate in their investment policy, with assets of 1,030 million euros as at year-end.

COVID-19 has had an impact both in terms of BanSabadell Pensiones' platforms for employees and in terms of benefits for customers, with a further increase in digitisation. Additional coverages have also been incorporated in some products to cover possible COVID-19 related benefits. The Institution has contributed financially to the creation of a "health sector" policy, with the participation of the entire insurance sector, to provide coverage for all healthcare personnel by offering free life insurance for all of them. In this respect, the contribution of BanSabadell Vida and of BanSabadell Seguros Generales was 1,359,284 euros. In addition, various contributions have been made to fund research into COVID-19, such as the donation of 75,000 euros to finance part of the technological infrastructure of 9 biobanks required to conduct scientific research into vaccines against COVID-19.

### 2.1.8. Social housing management

Through Sogeviso, an institution which is wholly owned by the Bank, Banco Sabadell manages some of the complexities of social housing with the aim of responsibly addressing situations of social exclusion affecting its more vulnerable mortgage borrowers. This is carried out under the framework of the Bank's ESG policies, specifically its commitment to contribute, through its activity, to the transition towards a fairer society. Sogeviso's activities aim to fight against poverty and inequality.

As at 31 December 2020, Sogeviso managed 2,751 properties under social and affordable rental arrangements specifically aimed at these vulnerable customers. In 27% of these cases the "Social Contract" has been incorporated. The Social Contract is an innovative model for managing vulnerable customers. Specifically, it is a service for customers who rent a property under a social rental arrangement, in which specific support is provided by a social manager based on three independent lines of approach: connect these customers with the public services; collaborate with public or private companies and, in particular, with the voluntary sector; and, the JoBS programme. The JoBS programme offers an employability service which aims to empower these customers, through training, coaching or interview preparation, so that they may succeed in finding work. Since the launch of the Social Contract in 2016, 4,509 families who are customers of Banco Sabadell have improved their situation and 2,250 people have found work thanks to the JoBS programme. It should also be noted that, of those who have found work, more than 53 % were hired for more than 100 days during this period and more than 21% were hired for over a year, a fact which increases the chances of improvement in the long term.

Social rentals managed by Sogeviso

# 2,751

Since the launch of the Social Contract in 2016:

# 4,509

Banco Sabadell customer families whose situation has improved

# 2,250

People who found work through JoBS

The Social Contract currently provides services to 738 families, including 313 individuals actively seeking employment through the JoBS programme.

Also during 2020, in order to limit the effects of over-indebtedness and facilitate the recovery of debts owed by debtors at risk of social exclusion, the Bank has reiterated its commitment to the Code of Good Banking Practice, approving 47 mortgage loan restructuring operations.

Since 2013, Banco Sabadell has been a participant of the Social Housing Fund (Fondo Social de la Vivienda, or FSV) and has contributed 400 properties to this initiative, primarily aimed at customers who have had to surrender their properties to settle their debt or who have lost their properties through foreclosure proceedings since January 2008. Of this housing stock, 78% is covered by social rental agreements currently in effect.

Furthermore, the Bank has assigned 110 properties to 44 non-profit institutions and foundations, intended to lend support to disadvantaged social groups.

Properties assigned

Foundations and non-profit organisations

# 110 → 44

As a result of the sale of real estate portfolios, Sogeviso coordinated, on behalf of Banco Sabadell, the exercise of the right of first refusal contemplated in the regional regulations of Catalonia, Valencia and the Balearic Islands, which resulted in the sale to these administrations of 273 properties (62 in Catalonia and 211 in Valencia).

Sogeviso is the first Spanish social housing management company to obtain the necessary score to obtain the prestigious international B-Corp certification. This certificate certifies Sogeviso's social and environmental impact, and ratifies its high standards of ethics, transparency and social responsibility.

During 2020, the COVID-19 pandemic has had a particular impact on the most vulnerable groups, worsening their socio-economic situation. To mitigate these effects, and pursuant to Decree Law 11/2020, which included measures such as payment holidays on rentals

or the extension of contracts expiring during the state of emergency, Sogeviso managed and approved 384 rent payment holidays and 59 contract extensions on social or affordable contracts associated with vulnerable families.

## 2.2. Risk assessment with ESG criteria



(SDG 1, SDG 9, SDG 11, SDG 13)

# The Eligibility Guide establishes criteria and the supporting documents required for 99 activities to qualify as sustainable. Of these, 74 are green and 25 are social.

Within the framework of the Sustainable Finance Plan, several initiatives were identified in 2020 and are being developed with a specific focus on risks associated with climate change and global warming, transition risks and physical risks, with a commitment to transition our balance sheet and support our customers in progressing towards a more sustainable and low-carbon economy, and to meet the different future regulatory expectations.

To that end, in March 2020 Banco Sabadell created its internal Eligibility Guide, which defines sustainable financing actions across the entire Group. The Eligibility Guide establishes criteria and the supporting documents required for 99 activities to qualify as sustainable. Of these, 74 are green and 25 are social. The technical eligibility criteria are based on the EU Taxonomy, the International Capital Markets Association (ICMA) Green Bond Principles and Social Bond Principles, and best practices in the market.

Through these actions, the Bank has:

- Obtained a list of finance activities that can be considered sustainable if they meet a pre-defined series of criteria.
- Calculated the volume of sustainable financing that the Bank has in its portfolio that meets the established requirements and has the necessary documentation, as well as its exposures that could potentially be considered sustainable based on specific requirements concerning the information to be included in supporting documents, and at a sectoral level. An analysis has been made of the different portfolios, particularly those with a high impact on climate change, by classifying activities into 'CO<sub>2</sub>-intensive' and 'high environmental impact'.

- Identified, in the acceptance process and in systems, the necessary modifications to record/store sustainable transactions with the supporting information required to consider a financing transaction as sustainable. In 2020, the process to implement the Eligibility Guide in systems began with a schedule planned for implementation in phases during 2021.

In relation to activities with the highest environmental impact, the Bank began to assess the carbon-related assets metric and aims to consolidate this work in 2021.

In relation to the policy framework, the Bank has prepared an ESG Risk Integration Policy for savings and investment products, with approval expected during the first quarter of 2021, which aims to describe the Bank's policy on integrating sustainability risks in investment decision-making and on providing advice on Banco Sabadell savings and investment products, in compliance with the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. This regulation is part of the actions developed by the European Commission's Sustainable Finance Action Plan to direct private capital flows towards sustainable investments, integrate sustainability into financial management and promote transparency.

The scope of this policy focuses on the functions performed by the Institution in accordance with Article 2, paragraphs 1 and 11 of Regulation (EU) 2019/2088 and affects the following products and/or services: Discretionary Fund Management, UCITS funds, and Alternative Investment Funds.

The Bank has also created its first sustainability indicator to assess companies' sensitivity to sustainability. To this end, it has created a questionnaire for small and medium-sized enterprises and also for large corporations, designed to gather information about their ESG initiatives and indicators and identify possible financial solutions that they may require to improve their energy efficiency and mitigate their environmental impact. The indicator takes into account the company's activity, the company's score based on its answers to the questionnaire, as well as information about ESG topics and from external sources.

In addition, the Bank is also defining sectoral standards, which will establish the defining framework for a limited number of activities considered unsustainable ("brown" activities) whose financing it has decided to restrict or prohibit. The sectoral standards currently being defined include the restriction of financing to certain sectors, such as energy, mining, infrastructure and agriculture, as well as high environmental impact activities, including coal-related activities, such as new coal mines or coal-fired power plants.

The Bank is also working on defining a methodology to assess the impact of physical risks. The first stage will focus on the risk to collateral, particularly in its mortgage, real estate development and CRE (commercial real estate) portfolio. In 2021, it plans to evaluate this first stage relating to physical risk and hopes to gain an initial overview of Banco Sabadell's transition risk.

## 2.2.1. Equator Principles

Since 2011, Banco Sabadell has adopted the Equator Principles, an international voluntary credit risk management framework, coordinated by the International Finance Corporation (IFC), a sister organisation of the World Bank, which aims to identify, assess and manage environmental and social risks relating to the structured finance projects of 10 million US dollars or more and corporate loans from 50 million US dollars upwards. With these principles, a social and environmental assessment is made of the possible impacts, covering in certain cases their appropriate minimisation, mitigation and offsetting, which is then reviewed by an independent expert. Every year, Banco Sabadell publishes a report on its corporate website which gives full details of each of each and every project associated with the Equator Principles.

In 2020, Banco Sabadell signed a total of 30 projects which incorporate the Equator Principles, 80% of which relate to renewable energy projects.

Sector	Number of projects	Category	Country	Region	Designated country	Independent review
Renewable Energies	1	B	Chile	Americas	Yes	Yes
	5	B	USA	Americas	Yes	Yes
	1	B	Mexico	Americas	No	Yes
	1	B	Portugal	Europe	Yes	Yes
	4	A	Spain	Europe	Yes	Yes
	11	B	Spain	Europe	Yes	Yes
	1	C	United Kingdom	Europe	Yes	Yes
Oil and gas	1	B	USA	Americas	Yes	Yes
Infrastructure	4	A	France	Europe	Yes	Yes
Commercial Real Estate (CRE)	1	NA	Spain	Europe	Yes	NA

## 2.2.2. Task Force on Climate-related Financial Disclosures (TCFD)

In November 2020, Banco Sabadell joined the Task Force on Climate-related Financial Disclosures (TCFD) and is implementing a work plan to align with these disclosure standards and supervisory expectations.

The Institution's actions in relation to each strand of TCFD guidance are set out in detail below.

## Governance

- A)** In December 2020, the Sustainability Policy was approved by the Board of Directors of Banco Sabadell Group, which is ultimately responsible for this Policy. This document defines Banco Sabadell's approach to sustainability, as well as the responsibility of the various divisions involved and the governance structure in relation to Environmental, Social and Governance (ESG) matters. Additionally, the Appointments Committee is responsible for monitoring and controlling the various initiatives and procedures related to the Sustainability Policy and the rules on environmental, social and corporate governance matters.
- B)** The Sustainability Committee was set up in 2020 as the body responsible for establishing and promoting the Sustainable Finance Plan and monitoring its execution, as well as defining and disclosing the general action principles related to sustainability and promoting the development of related projects and initiatives. At the operational level, it regularly reports to the Management Committee and at least once a year to the Delegated Committee on the progress of the Sustainable Finance Plan.
- C)** A Sustainability Division has been created, which replaces the CSR Division and offers a broader cross-cutting approach through its actions and skills in ESG areas.
- D)** A Policy on Integration of Sustainability Risks is being drafted, to provide guidance for making investment decisions and advising on Banco Sabadell's investment and savings products, which is expected to be approved in the first quarter of 2021.
- E)** Objectives linked to a sustainability indicator (SI), including ESG KPIs, have been defined for the Bank's employees.

## Strategy

- A)** The Sustainable Finance Plan has been defined, which is a cross-cutting framework that establishes the actions in the area of Sustainability, determining, in turn, a new roadmap to transform the organisation based on ESG criteria, which will form part of the Institution's Strategic Plan for the coming years. To that end, the plan has been structured around four pillars:
  - 1)** Assist customers in the transition to a sustainable economy through a range of sustainable financial products for all segments, with the incorporation of sustainability criteria in approval flows and in our engagement with customers and companies as they transition to more sustainable activity.
  - 2)** Enable investors to contribute to sustainability with responsible investment formulas and ESG criteria, in addition to promoting the issuance of sustainable investment products both by the Bank itself and by customers.

- 3)** Move forward, at the organisational level, with the incorporation of ESG criteria in the analysis, management and control of risks, identifying exposure to climate change and promoting environmentally and socially responsible policies and practices. Other actions included are the development of programmes in line with the Principles for Responsible Banking and the SDGs, the promotion of transparency and the incorporation of sustainability in governance.
  - 4)** Contribute to the transition to a sustainable society through social programmes and the promotion of partnerships to meet the challenges involved in the fight against poverty and vulnerability, as in the case of social housing.
- B)** Transparency in terms of sustainability has been reinforced with the launch of the "Commitment to Sustainability" label, which applies to all communication and marketing of services and products with environmental and social content.
  - C)** A roadmap has been defined for 2021 and 2022, to comply with the recommendations of the TCFD, as well as the expectations of the ECB, with the aim of achieving compliance therewith in 2021 and 2022.
  - D)** In July 2020, Banco Sabadell's Framework for SDG Bond Issuances was approved, which complies with the voluntary guidelines of the Green Bond Principles, the Social Bond Principles and the ICMA (International Capital Markets Association) Sustainability Bond Guidelines.

## Risk management

Within the framework of the Sustainable Finance Plan, several initiatives have been identified and are being developed, among the most significant:

- A)** The internal Eligibility Guide, created in March 2020, which defines sustainable financing activities across the Group based on the technical eligibility criteria of the EU taxonomy, the ICMA Green and Social Bond Principles and best market practices.
- B)** Sectoral standards are being defined to restrict financing to those sectors with the greatest environmental impact: energy, mining, infrastructure and agriculture.
- C)** Work is being carried out to define a methodology for the assessment of physical risk impacts, and we expect to have an overview of the Institution's transition risk during 2021.
- D)** In 2011, the Bank signed up to the Equator Principles, which incorporate social and environmental criteria in financing of large-scale projects and corporate loans.
- E)** It is creating an indicator to assess companies' sustainability levels.

## Metrics and Targets

- A) Volume of sustainable financing in the Bank's loan book.
- B) Sectoral exposure according to the classification of CO<sub>2</sub>-intensive activities with high environmental impact, and the incorporation of Carbon Related Assets is planned for 2021.
- C) Carbon footprint (Scopes 1, 2 and 3).
- D) Synthetic sustainability indicator (SI) that includes a subset of ESG metrics, linked to the variable remuneration of all employees.

## 2.3. Tax information



(SDG 8)

Banco Sabadell Group is firmly committed to fostering responsible taxation, maintaining a cooperative relationship with the Tax Authority and promoting transparency when disclosing tax information to the various stakeholders.

These commitments are embedded in the Group's Tax Strategy and Good Taxation Practices, published on its corporate website<sup>1</sup>, which lists and describes the Group's principles of action in matters relating to taxation. These principles include the principle of efficiency, prudence, transparency and the mitigation of tax risk, based on which the Group makes its tax contributions in accordance with the law and the relevant international guidelines and principles established by the OECD.

Consolidated pre-tax profit in each country, as well as the tax and public subsidies received, all of which correspond to training activities, are shown below.

Thousand euro

Country	Pre-tax consolidated profit		Corporation tax paid	
	2020	2019	2020	2019
Spain	98,084	597,082	3,653	236,768
United Kingdom	-287,727	228,024	6,071	-14,194
Andorra	10,752	11,388	124	357
Bahamas	-80	-54	0	0
Brazil	0	0	9	0
Cuba	1,744	1,493	0	0
USA	63,126	95,906	19,825	28,040
France	-8,280	-9,465	0	7,030
Luxembourg	-110	-319	0	58
Mexico	1,317	26,010	4,578	5,921
Morocco	1,479	1,862	814	517
Portugal	-1,136	-850	26	3
<b>Total</b>	<b>-120,831</b>	<b>951,077</b>	<b>35,100</b>	<b>264,500</b>

Consolidated profit before tax in each country

Subsidies received in Spain in 2020 (Training) of 985,315 euros.

<sup>1</sup> <https://www.grupbancsabadell.com/corp/en/sustainability/fiscal-transparency.html>



## 2.4 Transparency and digitisation



(SDG 16)

### 2.4.1. Transparency

Through the Sustainability Policy, Banco Sabadell establishes a series of principles to adapt the organisation to the challenges and opportunities arising from sustainability. One of these pillars is transparency, and in this regard, the Bank promotes information transparency and responsible, simple and close communication with all its stakeholders aiming, in particular, to:

- Promote clear, balanced, objective and transparent communication about financial products and services, as established in the commercial communication policy.
- Ensure maximum transparency in the supplier tender process. The Bank also ensures that the selection of suppliers complies with the internal regulations in force at any given time and, in particular, with the values of the Group's code of conduct. This code defines guidelines on conduct to be followed by companies working as suppliers in terms of compliance with current legislation, ethical behaviour and implementation of measures to prevent bribery and corruption and to safeguard security, the environment and confidentiality.
- It offers complete, clear and truthful information to all analysts, investors and shareholders through the different communication channels available to the Group, which are published in the policy on communication and contacts with shareholders, institutional investors and proxy advisors, available on the corporate website.
- The Bank's Tax Strategy is based on principles of transparency, in accordance with current legislation.

In addition, the Bank promotes transparency in the dissemination of information, adopting responsible communication practices that avoid manipulation of information and protect integrity and fairness, at all times, in accordance with the recommendations of the Code of Good Governance of Listed Companies of the Spanish National Securities Market Commission (CNMV).

Furthermore, with the entry into force of MiFID II in 2018, Banco Sabadell prioritised its advisory services as the service model for the distribution of financial instruments. Since then, the Bank has been using the "Sabadell Inversor" tool, which serves as a guide for managers to recommend the product most suited each customer's investment characteristics and needs. The information provided to the customer, following the guidelines of this directive, is always impartial, clear and unambiguous. In relation to the health crisis, the Bank has facilitated

a greater number of remotely handled customer interactions, which have been subject to constant scrutiny to ensure maximum transparency in the formulation of proposals.

In accordance with its policies and procedures, the Bank has mechanisms in place to ensure that all information provided to customers is transparent and that all of the products and services which it offers are suited to their needs at all times. Before bringing a new product or service to market, an internal process (known as a "product workflow") takes place in which the validation of the various units is ratified by a high level committee (Technical Product Committee), and checks are run to ensure that the Bank meets transparency standards, existing regulations as well as the Bank's own measures for cybersecurity and customer data protection.

The branch network is also given information about products and services through pre-contractual information sheets, which make it easier for relationship managers to give the appropriate explanations to help customers and consumers understand the characteristics of the products which they acquire. At the same time, when advising customers on investments, relationship managers also carry out the necessary tests to ensure that the financial products are in line with their needs and requirements, and assess customers' knowledge and experience in relation to such products.

Furthermore, it should be noted that since 2010, the Bank has been a member of the Asociación para la Autorregulación de la Comunicación Comercial (the independent advertising self-regulatory organisation in Spain, more commonly known as 'Autocontrol'), and through this membership, it undertakes the commitment to deliver responsible advertising that ensures the accuracy of the information and the adequacy of the acquisition process and operational characteristics of the advertised products.

### 2.4.2. Digitisation and data protection

During 2020 and in the wake of the pandemic, Banco Sabadell has seen an acceleration in the use of digital channels, which has allowed it to advance new solutions for customers and employees, in addition to strengthening data protection measures.

In line with this, the Bank has deployed various digital integration and support solutions for its customers. In the business segment, more than 80% of customers are already digital. Among other features, the customer may make use of digital signature facilities through mobile and e-mail channels, which are even available for customers without remote banking, with which it has arranged remote signing of more than 140,000 contacts for ICO loans and payment holidays. The Bank has also launched new features such as the 'Pulso' tool, which is available to the general public, free of charge, and which provides an interactive barometer of economic recovery in Spain, and Sabadell Forex, a digital platform for trading foreign currencies.

Another new feature is the fact that it is now easier for business customers to make payments and transfers from the Bank's website using accounts opened with other financial institutions, thanks to the account aggregator. This functionality, which is possible thanks to the Open Banking (PISP) capabilities, makes Banco Sabadell one of the first European institutions to offer this type of service, as part of its commitment to facilitate remote operations for the self-employed, companies and families.

In terms of data protection, and within the framework of COVID-19, the Institution has managed to maintain its range of banking services, avoiding, as far as possible, trips to the branch by customers and always guaranteeing the protection of their personal data. The Bank's IT Security unit has reinforced remote operational security for customers as well as the operational security of the Bank's own systems so that employees can access them from home. In addition, measures specific to the COVID-19 environment have been included in the 2LoD control plan.

In relation to the organisation's technological adaptation, during 2020 and continuing into 2021, in addition to the technical solutions that will be implemented, the Bank has developed two transformational programs, WhatsNext and Discovery, which are delivering different degrees of development in the areas of sustainability, customer service, digitisation and security.

— The WhatsNext programme (Next Generation Workplace or NGWP) – a transformation of the way the

Group's employees work so as to achieve better relationships between employees, partners and customers, by deploying new communication devices and tools that foster sharing and co-creation. One of the critical aspects of this new solution has been to transfer the high level of IT security from the current model, based on the centralised and virtual solution within our data centres, to a new distributed model where the employee can access the Bank's resources from anywhere and at any time. This new model that makes it possible to work from home or any other place also creates opportunities to reduce CO<sub>2</sub> emissions due to decreased work-related travel and to reduce corporate spaces due to fewer staff attending the office.

— Discovery Programme – corresponds to the modernisation and transformation of technological infrastructures, including migration to new the data centres, and the simplification and automation of the operating model, based on supplier consolidation and the establishment of new, more efficient infrastructure management and operational processes. The objectives of this programme are to improve continuity and availability, increase resilience, gain scalability, improve the operating model and increase economic efficiency. The new data centres are being installed with additional levels of security as well as providing more efficient use of energy.

### 2.4.3. Cybersecurity

## Banco Sabadell has established a control framework for the security of its information systems and the protection of corporate, customer and employee information.

In view of the importance of cybersecurity risks in recent years, Banco Sabadell has established a control framework for the security of its information systems and the protection of corporate, customer and employee information. This control framework includes the Information Systems Security Policy, the definition of cybersecurity responsibilities across the three lines of defence and in the governing bodies, and the need to protect corporate, customer and employee information and systems, including payment systems.

Furthermore, Banco Sabadell has an in-house team of 30 cybersecurity specialists dedicated to ensuring that protection measures are suitably aligned with cybersecurity risks. To this end, the following activities are carried out on a regular basis: continuous review and assessment of information systems and security controls, incident preparedness through drills, training and awareness-raising

among staff and customers. In this regard, Banco Sabadell has launched multiple awareness-raising initiatives for customers on cybersecurity risks and digital fraud, via email and social media campaigns.

Through the Technological Security Division, Banco Sabadell establishes measures to protect its information systems, which are set out in policies and procedures, to guarantee security in systems access and to deal with new cyber threats. These measures include role-based access control and regular recertification of these permissions, two-factor authentication for remote access, malware protection systems and a 24x7 security incident response team recognised as an official Computer Emergency Response Team (CERT). In addition, the availability of redundant infrastructures and regularly tested recovery procedures are ensured to guarantee the continuity of technological services.

## Security in Digital Transformation initiatives

Banco Sabadell participates in business initiatives and technological projects by helping in the assessment of security risks, defining the security controls and measures to be incorporated and carrying out technical security tests to check that no vulnerabilities are introduced.

## COVID-19 preparedness and response

In February 2020, an assessment of the Bank's preparedness for contingencies in the context of COVID-19 was conducted and the following actions were set in motion:

- Review and reinforcement of remote access infrastructures in terms of dimensioning and availability.
- Review and reinforcement of security measures related to remote access. The most important protective measure is two-factor authentication, which had already been deployed in 2018.
- Reinforcement of the Computer Emergency Response Team (CERT) in relation to security incident response, to step up the monitoring and management of alerts related to remote access, COVID-19-related phishing, etc.

— Reinforcement of communications issued to customers, employees and suppliers in relation to security awareness.

During the year, an increased number of malicious email campaigns and digital fraud were observed; these were successfully managed by the security incident response team (CERT) with no significant impact for Banco Sabadell.

## 3. People

### 3.1. Workforce information



(SDG 8)

Banco Sabadell has a committed and professional workforce focused on helping people and companies to make the best economic decisions.

Banco Sabadell has policies and procedures in place aimed at developing talent, promoting the commitment of its workforce and encouraging diversity and inclusion.

The Bank currently has 23,458 professionals distributed in the various regions in which the Bank operates,

of whom almost all have permanent (indefinite duration) contracts. This workforce is diverse in terms of their location (33% are in international locations) and gender (55.1% are women).

Professionals

**23,458**

International

 **33%**

Women

 **55.1%**

## Total number and distribution of employees of Banco Sabadell Group

Professional category	2020			2019		
	Men	Women	Total	Men	Women	Total
Senior management	516	180	696	511	168	679
Middle management	2,422	1,324	3,746	2,446	1,302	3,748
Specialist staff	6,855	8,970	15,825	6,972	9,192	16,164
Administrative staff	738	2,453	3,191	863	3,000	3,863
<b>Total</b>	<b>10,531</b>	<b>12,927</b>	<b>23,458</b>	<b>10,792</b>	<b>13,662</b>	<b>24,454</b>

Group data as at 31/12/2020. 'Senior management' includes executive directors, general management, corporate directors and top management. 'Middle management' includes directors not included in the 'Senior management' category. In Spain, roles classified as technical roles are included in the 'Specialist staff' category, in accordance with the Collective Bargaining Agreement for Private Banking.

Age range	2020			2019		
	Men	Women	Total	Men	Women	Total
Under 31	991	1,258	2,249	1,170	1,474	2,644
Between 31 and 49	5,486	7,636	13,122	5,729	8,143	13,872
Over 49	4,054	4,033	8,087	3,893	4,045	7,938
<b>Total</b>	<b>10,531</b>	<b>12,927</b>	<b>23,458</b>	<b>10,792</b>	<b>13,662</b>	<b>24,454</b>

Country	2020			2019		
	Men	Women	Total	Men	Women	Total
Spain	7,571	8,141	15,712	7,774	8,288	16,062
United Kingdom	2,408	4,343	6,751	2,499	4,936	7,435
Mexico	306	192	498	273	184	457
Other regions	246	251	497	246	254	500
<b>Total</b>	<b>10,531</b>	<b>12,927</b>	<b>23,458</b>	<b>10,792</b>	<b>13,662</b>	<b>24,454</b>

In 2020, the Group's workforce was reduced as a result of a Group-wide efficiency plan, from 24,454 to the current 23,458 employees. The main actions have been restraining the growth of the Group workforce and reducing the workforce of our British subsidiary TSB by a total of 685 people in 2020 (equivalent to 9%) and the sale of Sabadell Asset Management to the Amundi Group.

In addition, during the last quarter of the year, in Spain the Bank rolled out a voluntary redundancy programme, negotiated with workers' legal representatives and agreed with the majority, as part of the Group's digitisation and efficiency plan. At the end of the year, more than 1,800 people had joined the programme and will leave the company during the first quarter of 2021.

## Number of departures from the Group due to dismissal

There were 641 departures due to dismissal in 2020, 37% more than in 2019, mainly due to the restructuring of the UK subsidiary TSB. In Spain, the number of dismissals has been similar to previous years.

Professional category	2020			2019		
	Men	Women	Total	Men	Women	Total
Senior management	16	9	25	13	9	22
Middle management	27	19	46	35	15	50
Specialist staff	76	129	205	129	131	260
Administrative staff	35	330	365	30	43	73
<b>Total</b>	<b>154</b>	<b>487</b>	<b>641</b>	<b>207</b>	<b>198</b>	<b>405</b>

Group data as at 31/12/2020. 'Senior management' includes executive directors, general management, corporate directors and top management. 'Middle management' includes directors not included in the 'Senior management' category. In Spain, roles classified as technical roles are included in the 'Specialist staff' category, in accordance with the Collective Bargaining Agreement for Private Banking.

Age range	2020			2019		
	Men	Women	Total	Men	Women	Total
Under 31	21	19	40	21	18	39
Between 31 and 49	76	126	202	98	103	201
Over 49	57	342	399	88	77	165
<b>Total</b>	<b>154</b>	<b>487</b>	<b>641</b>	<b>207</b>	<b>198</b>	<b>405</b>

Group data as at 31/12/2020.

## Types of contracts in the Group

Practically all Group employment contracts (99.5%) are permanent contracts, and only 109 are temporary (of which 55 are in Spain).

Note: no breakdown of part-time contracts is provided

as the total number of part-time contracts in Spain as at December 2020 is 29 (0.18% of Spanish contracts). The breakdown of the average annual number of contracts is also not provided as there is no significant seasonality, so the deviation between annual average data and final data as at 31 December 2020 is less than 3%.

Type of contract and gender	2020			2019		
	Men	Women	Total	Men	Women	Total
Permanent	10,474	12,875	23,349	10,738	13,579	24,317
Temporary	57	52	109	54	83	137
<b>Total</b>	<b>10,531</b>	<b>12,927</b>	<b>23,458</b>	<b>10,792</b>	<b>13,662</b>	<b>24,454</b>

Number of contracts by type

Group data as at 31/12/2020.

Professional category	2020			2019		
	Permanent	Temporary	Total	Permanent	Temporary	Total
Senior management	693	3	696	677	2	679
Middle management	3,739	7	3,746	13,053	101	13,154
Specialist staff	15,746	79	15,825	6,736	22	6,758
Administrative staff	3,171	20	3,191	3,851	12	3,863
<b>Total</b>	<b>23,349</b>	<b>109</b>	<b>23,458</b>	<b>24,317</b>	<b>137</b>	<b>24,454</b>

Number of contracts by type

Group data as at 31/12/2020. 'Senior management' includes executive directors, general management, corporate directors and top management. 'Middle management' includes directors not included in the 'Senior management' category. In Spain, roles classified as technical roles are included in the 'Specialist staff' category, in accordance with the Collective Bargaining Agreement for Private Banking.

Type of contract and age range	2020			2019		
	Permanent	Temporary	Total	Permanent	Temporary	Total
Under 31	2,197	52	2,249	2,569	75	2,644
Between 31 and 49	13,076	46	13,122	13,819	53	13,872
Over 49	8,076	11	8,087	7,929	9	7,938
<b>Total</b>	<b>23,349</b>	<b>109</b>	<b>23,458</b>	<b>24,317</b>	<b>137</b>	<b>24,454</b>

Number of contracts by type

Group data as at 31/12/2020.

## 3.2. SmartWork: the response to COVID-19, example of commitment and resilience



(SDG 4)

Under the umbrella of the SmartWork concept, a series of initiatives have been launched to protect the health of the workforce, promote new, more agile ways of working and foster team cohesion, as well as support the unstoppable process of digitisation.

Human capital has been a fundamental pillar of the Bank's response to the exceptional health crisis. Since the declaration of the state of emergency, protecting the health of our workforce, both physical and emotional, has been a priority and a guiding principle for action, as well as a key element in ensuring business continuity. At the beginning of the year, Banco Sabadell implemented a system of continuous monitoring of the pandemic in all the regions in which it operates, including of the impact on the country or region, applicable health recommendations and regulations and the effect on our workforce.

To this end, in addition to following the recommendations and measures of health authorities, a wide-ranging plan of action and support for employees has been put in place, aimed at the adaptation of workplace conditions, risk prevention and staff well-being, including ongoing and transparent two-way communication – an extraordinarily valuable element as a cohesion and protection factor.

The measures include:

### 3.2.1. Organisational measures

#### Branch network:

- During the state of emergency: fortnightly shifts alternating on-site presence and teleworking to ensure the safety of staff and customers. This allowed us to keep 70% of our branch network in Spain open with 30% of the staff working from home.
- During the lockdown easing and second wave: flexible staff management based on objective indicators of further outbreaks (from closure to full occupancy).

#### Corporate buildings:

- During the state of emergency: 100% of employees working from home (except for critical services).
- During lockdown easing: implementation of a hybrid shift system with a maximum 50% capacity at the centres.
- During the second wave: working from home was preferred.
- Adaptation of IT equipment and infrastructure.

### 3.2.2. Health and Safety measures

- Distribution of the necessary safety equipment to all staff: face masks, hydroalcoholic gel, disposable paper towels and methacrylate screens for branches.
- Creation of a COVID-19 protocol for monitoring cases and close contacts of staff in adherence to the guidelines established by the health authorities.
- Suspension of face-to-face events and training sessions, as well as business trips, promoting the use of digital channels. Adaptation of office spaces and corporate buildings to maintain social distancing and implementation of a clean desk policy.
- Limiting the maximum permitted capacity in the network's branches.
- Limiting the maximum permitted capacity in meeting rooms in corporate buildings and adapting these rooms to hold hybrid meetings.
- Signage and posters with reminders of the safety instructions at various points both in the branch network and in corporate buildings.
- Appointment of centre managers to carry out comprehensive monitoring of the measures implemented.
- Enhanced cleaning practices in all facilities.
- Emotional support through a free, unlimited and anonymous telephone service with specialised professionals available to any employee who needs it.
- Doubling the number of doses of the flu vaccine to be given to employees who wish to be vaccinated.

### 3.2.3. Support measures

- Intensive, clear and approachable communication from the start of the pandemic:
  - A daily newsletter (Flash COVID) to all employees in Spain and regular communications to our employees abroad, specifying the measures and actions required, as well as promoting a message of unity and commitment.
  - Weekly communication with managers (Eres Manager) to set criteria, promote cohesion and support them in team management.
  - SmartSite Portal: with all the latest news, instructions and protocols related to COVID-19:
    - SmartWork Guide for branch network and corporate buildings.
    - SmartWork Manifesto.
    - SmartWork news and current events.
    - Specific content on health and safety, work-life balance and flexibility, as well as on technology to help employees organise their work more efficiently.
  - News on the corporate Intranet (SabadellIN) and the Employee Portal.
  - Townhall CEO and senior management communications.
  - Guides and infographic resources to communicate all the measures.

- Support plan with open sessions and webinars with informative, training and inspirational content for the entire workforce, with a focus on team collaboration, efficiency, as well as providing context and cross-cutting skills to tackle the job at hand. Assessment of staff satisfaction and well-being through regular surveys.

### 3.2.4. Work-life balance and flexibility measures

In view of the measures and restrictions imposed by the authorities to limit mobility and contain the spread, various measures were activated to facilitate, as far as possible, the staff's work-life balance needs:

- Speed in processing any leaves of absence requested by staff.
- Facilitating reductions in working hours.
- Promotion of the MeCuida Plan.
- In March, progress was made in the implementation of the summer timetable, eliminating extended hours on Thursdays.
- Flexibility to adapt working hours (start and finish times) and digital detox hours (from 6 pm to 8 am).

All these measures have been taken under the oversight and management of the corresponding committees, including the Management Committee and the Crisis Committees. In addition, at all times, coordination and dialogue has been maintained with the employees' legal representatives, intensifying communications.

## 3.3. Commitment to talent



(SDG 4)

Banco Sabadell aspires to provide its employees with the best place to develop their professional careers. To make this possible, a solid talent management model, a framework of professional opportunities within the Bank (internal recruitment, promotions and training) and the capacity to attract the best external talent stand out. To these must be added the professional development and skills of the management team.

### 3.3.1. Talent management model

## The talent management model continued to be improved in 2020.

In 2020, the talent management model continued to be improved, with significant enhancements in terms of feedback, bringing forward the annual performance review to December. The priority is to encourage the development of internal talent, focusing on the development of each individual's potential and the goals for the new year. Improvements have also been introduced in performance measurement (e.g., in the case of managers, a good assessment of their management by the team is essential for a complete assessment). At TSB, initiatives were rolled out throughout 2020 to support the identification of talent and develop strong and diverse sources of future talent. The system of coaching by senior management for talented employees in senior positions and people with specific development needs was kept in place. The introduction of a more objective assessment of talent is beginning to result in stronger development plans and internal recruitment for key positions.

Additionally, Banco Sabadell has continued to develop systems to ensure it has the most up-to-date information on current talent, and their potential, to ensure appropriate decision making in terms of people, well as well as effective and efficient management of those changing roles within the Bank and the effective development of senior managers and upcoming senior managers.

#### Promotions

## Meritocracy is key to developing talent in a sustainable way in the long term.

Our talent model prioritises the promotion of employees who achieve the expected results, whilst putting our values into practice on a daily basis. Promotions to roles with greater responsibilities are approved by internal bodies, with the

On the other hand, employees with the best performance and greatest potential have been provided with opportunities and access to differential training and events for their personal development throughout the year.

### 3.3.2. Professional opportunities

#### Internal recruitment

In 2020, efforts were made to increase internal opportunities, both in terms of volume and transparency. Consequently, 1,387 employees moved to another job internally during the financial year, representing 8% of the workforce. Some of these applied through internal recruitment processes, in which vacancies are published internally so that any Group employee may apply. In the same vein, a number of internal employability campaigns have been successfully carried out, which have enabled us to fully leverage the skills of our professionals.

Internal relocations

**1,387**

As % of workforce

**8%**

#### Training

## In 2020, training was adapted to the needs of the business and the environment.

Worthy of note is the new Teleworking Area of the Campus, which has been in operation since April, offering training resources that help to improve remote work, and which employees had accessed more than 54,400 times by September.

support of the Human Resources Division. In 2020, 994 members of staff were promoted to positions with increased responsibility in Spain.



# In Spain, 31% of the training received was voluntary and 88% was online.

In 2020, training was adapted to the needs of the business and the environment, within the health restrictions, ensuring the health of employees, while continuing to offer them training and professional development resources. Thus, the online and virtual training offer has been strengthened, to the detriment of face-to-face sessions, which have become live virtual sessions. Worthy of note is the new Teleworking Area of the Campus, which has been in operation since April, offering training resources that help to improve remote work, and which employees had accessed more than 54,400 times by September. In September, this support space was transformed into the SmartSite space, attracting 16,161 visits in its first month.

In addition, a large percentage of training hours continued to be focused on regulatory actions. In 2020, more than 1,100 employees obtained their certifications in MiFID and, with a training plan that began at the end of 2019, 7,865 employees received their certification in LCCI (new mortgage lending law). It is also worth highlighting the efforts made by employees, who completed ongoing training to attain this IDD certification, with 85% of employees recertified.

Investment in training has also focused on the need to keep training employees digitally. Therefore, in addition to continuing with the Digital Plus Programme, through which 635 employees have completed the EADA Advanced Course on Digital Banking Skills, the Digital Tech

Programme was launched, which 439 employees have already completed.

Virtually all employees (98%) have received training in 2020, with 1,025,602 total hours of training at Group level (equivalent to an average of 44.6 hours per employee), which has improved both the professional skills of our staff and their future employability within the organisation.

Employees who received training in 2020

**98%**

Total training hours

**1,025,602**

Hours per employee

**44.6**

	2020	2019	
Employees who have received training (%)	98%	97%	Training

Serving employees as at 31/12/2020. Training data refers to the entire Group.

	2020		2019		Total training hours and average by professional category
	Hours of training	Average hours	Hours of training	Average hours	
Senior management	25,862	39.67	21,980	32.37	
Middle management	197,194	53.63	188,551	50.31	
Specialist staff	727,833	47.01	634,063	39.23	
Administrative staff	74,713	23.57	128,786	33.34	
<b>Total</b>	<b>1,025,602</b>	<b>44.63</b>	<b>973,381</b>	<b>39.80</b>	

Serving employees as at 31/12/2020. Training data refers to the entire Group. In Spain, roles classified as technical roles are included in the "Specialist staff" category, in accordance with the Collective Bargaining Agreement for Private Banking.

## In-house trainers

This year, the enormous contribution of our group of in-house trainers is, once again, commendable. They play a key role in the transfer of knowledge and dissemination of the Banco Sabadell culture. A total of 699 professionals have shared their expertise with colleagues, dedicating, on average, 9 hours per trainer. Among their activities,

it is worth highlighting the support they have provided for the adoption of the new digital tools of the Microsoft Office 365 suite. Since May, a total of 312 internal trainers have participated as "buddies" for their colleagues, helping them to learn and efficiently use the new tools that make it easier to work in a hybrid model (on-site and WFH).

### 3.3.3. Attracting external talent

#### Talent incubators

The talent acquisition initiative, commenced in 2015, continued in 2020 through young talent incubation programmes. To date, these programmes have attracted the participation of 125 students and 216 young recent graduates.

The incorporation in 2020 of 56 young workers through the 2020 Young Talent Programme with mainly STEM training stands out among these initiatives.

The integration and mobility of new recruits is key. This year, networking spaces have been designed and organised between the programme's graduates through the figure of the "buddy" and the organisation of meeting points with senior management to promote their development. These programmes have had a positive impact on the promotion of gender diversity, with 56% of new recruits being women, and on the social impact of our employees, including the organisation of a datathon with the Pasqual Maragall Foundation.

#### Employer brand

Banco Sabadell has a staff selection process which ensures that objective criteria assessing professionalism and suitability are applied in finding the right person for each job and career path. Keeping a close relationship with universities continues to be a key factor in acquiring talent and building a strong employer brand. This year, it involved the Bank's participation in events, of different kinds, at leading universities. It is also worth mentioning the corporate web page on LinkedIn, which had attracted more than 123,500 followers this past December, a 22.5% increase year-on-year.

LinkedIn followers

**123,500**

Growth year-on-year

**+22.5%**

### 3.3.4. Leadership programme

Our managers are the backbone of the Group's development. The long-term future of our Institution depends on their ability to take care of their people, create an efficient work environment, empower their teams and collaborate with others.

#### Corporate Management Programme

The Corporate Management Programme, undertaken by people who are promoted to a management role, continues to offer a training pathway for our managers focusing on skills, collaboration and values. 86 recently appointed managers undertook this demanding training journey in 2020.

#### High-Potential Employees Programme

To prepare the professionals who will tackle the challenges of the future, the first edition of the Career Acceleration Programme was launched in 2019 and concluded in 2020. The programme was designed with the aim of accelerating the career development of upcoming senior managers considered to have great potential, who represent the values and attitudes that the Bank seeks to promote. It also seeks to facilitate the requisite level of diversity that we aim to achieve among our senior management. In the first edition, 106 upcoming senior managers participated, 56% of whom were women.

Upcoming senior managers participating

**106**

Women participating

 **56%**

Conceived as a high-value relational and networking space, the Career Acceleration Programme envisages a series of benefits for its participants: growth as leaders, the ability to provide vision and greater insight and strategic knowledge for decision-making. The programme includes self-knowledge processes, training with the ESADE Business School, the assignment of a mentor from senior management, sessions with general management and participation in the Banco Sabadell Foundation's projects.

It is worth noting that during the two years of the programme, among other positive results, 20 senior managers have been appointed among the participants, in addition to 29 other cases in which there has been a promotion or assignment of greater responsibility.

## **You are the Manager (Eres Manager)**

To ensure that our managers are aligned with our purpose and embody our values, "Eres Manager", a performance and development programme, was deployed to recognise managers, supporting them to enhance their capabilities in order to create a more agile, exciting and connected bank. It is based on training and facilitation sessions with teams of managers from different divisions and constant communications, strengthening their roles and skills.

More than 2,900 managers have already received the training sessions associated with the programme, both in person before the COVID-19 health crisis and in virtual format after its onset. In addition, a fortnightly newsletter is sent to all team managers to inform them of the Bank's news, reinforce their role and help them to adopt the desired behaviours as team managers.

## **Leadership development at TSB**

In 2020, all team leaders had access to Leadership Essentials, TSB's online leadership development tool and training plan, which they could access as needed or in support of development plans. New leaders could access the content as a "roadmap" to get a clear picture of all the elements of leadership. For more experienced leaders, access was provided to more recent insights and comments from psychologists specialising in business or sport.

In 2020, we have expanded this offering with specific programmes:

- TSB Manager – which trains team managers in the fundamentals of management through four learning modules, with an emphasis on informed decision-making, reducing unconscious biases and managing mental health.
- "Talking Performance" online training – integrates TSB's approach to performance management from the perspective of having a performance-focused mindset. Performance experts provide tools and insights for attendees to understand and embrace their own performance journeys and get each employee to perform at their best.
- "Leader as coach" online training – shows how a leader's motivational skills can create a culture of meeting

big challenges with a high level of support through coaching relationships.

Furthermore, all team leaders receive Leadership Insights, a monthly newsletter that communicates current and future research-based concepts aligned with the strategic priorities of TSB's team and business leaders. Leaders will be able to explore topics in an extensive content library to broaden their thinking and advance their development. More experienced team managers have continued their training with the 9-12-month Leading In TSB programme, which clarifies concepts and gives access to case studies and feedback on leadership behaviours that enable employees and teams to perform at their best while at work.

Finally, in 2020, TSB started the Leader as Coach pilot programme for senior leaders. This programme further deepens coaching skills through blended learning, skills practice and mentoring by International Coaching Federation-certified professionals in a 3-month programme. The programme will be launched in full in 2021.

## 3.4. Diversity



(SDG 5, SDG 10)

The Group views diversity as a source of corporate wealth and promotes actions to encourage diversity in terms of gender, roles and age.

In 2020, a diversity indicator was incorporated into the sustainability objective that is part of the Group's corporate objectives.

Banco Sabadell remains committed to fostering workplace environments in which people are treated with respect and dignity, seeking to further the professional development of its workforce and ensuring equal opportunities in its candidate selection, staff training and promotion processes, offering a workplace environment that is free from any form of discrimination based on gender, age, sexual orientation, religion, ethnicity or any other personal or social circumstance.

This commitment is exemplified by the inclusion in 2020 of a diversity indicator in the sustainability

objective that is part of the Group's corporate objectives.

The publication in 2020 of TSB's responsible business plan "Do What Matters" reinforces the commitment to:

- Create a TSB for all through our behaviour and the way we work.
- Build a diverse and balanced workforce that mirrors the customers TSB serves.
- Put accessibility at the heart of TSB's approach to inclusion, and generate trust to discuss mental health internally and with our customers.
- Support social mobility in local communities.

### 3.4.1. Gender

The Bank's workforce is diverse in terms of gender, with women making up 55% of its total staff.

At the senior management level, women represent 25.9%, with an increase of 1.2pp in 2020, following the continuous trend of improvement in recent years. However, the commitment to continue to increase diversity at the senior management level is still undertaken. Therefore, it is key to make progress in diversity in middle management, where more than 35% of women held these positions in 2020.

In Spain, the proportion of women in senior management positions has increased from 23.1% to 25.6% (+2.5pp) of senior managers and from 34.2% to 34.7% (+0.5pp) of managers, in line with the trend observed in previous years. It is also worth highlighting the increase

in the ratio of promotions given to women (55.6% in 2020 compared to 53.01% in 2019), which demonstrates the commitment to improving gender diversity and the results obtained with the measures that have been put in place.

<b>Gender</b>	<b>2020</b>	<b>2019</b>
Men	10,531	10,792
Women	12,927	13,662
<b>Total</b>	<b>23,458</b>	<b>24,454</b>
<b>As percentages</b>	<b>2020</b>	<b>2019</b>
Senior management	25.86%	24.70%
Middle management	35.34%	34.70%
Specialist staff	56.68%	56.90%
Administrative staff	76.87%	77.70%
Women promoted vs. the total number of promotions during the year	55.6%	50.35%

Figures have been calculated for the Group's workforce as at 31.12.2020, with the exception of promotions relating to Spain. 'Senior management' includes executive directors, general management, corporate directors and top management. 'Middle management' includes directors not included in the 'Senior management' category. In Spain, roles classified as technical roles are included in the 'Specialist staff' category, in accordance with the Collective Bargaining Agreement for Private Banking.

The favourable performance of the indicators is the result of the implementation of various measures, among which the following stand out:

### Talent Management

- Involvement in professional development and leadership programmes. One highlight is the increased number of women taking part in High Potential programmes, designed to foster the development of the talent pool for upcoming senior managers (55% of participants in the edition concluded in 2020 were women).
- Promotions given to women and gender diversity in the workforce are monitored by the Performance Evaluation Committees (with particular emphasis on senior managers and upcoming senior managers).
- Review of gender results in the assessments of the annual 2020 Performance Appraisals and Assessments of Potential process. Analysis of gender non-bias.

### Internal regulations and labour relations

- Equality Plan and Code of Conduct.
- Anti-Abuse and Anti-Discrimination Policy.

### Recruitment

- Women are present in all three-person groups of candidates for senior management positions.
- Monitoring and analysis of new hires, by gender and Division.
- Use of inclusive language in internal and external job offers, including a final non-discrimination clause.
- Use of inclusive and diverse images in talent acquisition campaigns.
- Young Talent Programme 2020: 56 people recruited, 55% of whom are women.
- Presence at the 2020 STEM Women Congress.

### Training

- Gender equality course (compulsory for middle managers).
- Course to promote and facilitate work-life balance.

### Remuneration

Monitoring of discretionary bonuses to prevent gender bias, with follow-up and corrective measures. The Bank's inclusion of gender criteria for discretionary bonuses in 2020 and the specific action plan to reduce the gap among senior managers are noteworthy.

### Work-life balance

A series of measures that help both men and women to achieve a balance between their personal and professional lives, such as the option to purchase annual leave, reduce working hours or work from home. Planning and monitoring of measures through the figure of the work-life balance consultant.

In 2020, special emphasis was placed on internal communication and dissemination of all the measures taken by Banco Sabadell in terms of diversity. SWING organised two major events for the entire workforce in 2020 on the topic of "Conversations on Diversity". The first event was attended by all Banco Sabadell's female directors and the second by TSB CEO Debbie Crosbie and Director and General Manager David Vegara.

# The SWING (Sabadell Women Inspiration Group) initiative has been promoted at the request of the Bank's female senior managers, which seeks to empower women in Banco Sabadell and emphasise the value of diversity and its benefits.

Furthermore, the network extended the SWING&Co initiative to all those interested in diversity issues. More than 300 employees are already part of the initiative with regular sessions to discuss diversity issues. In 2021, more actions open to the entire organisation and which will expand on the work done by this group, offering mentoring to women who do not hold senior management positions but who have potential, and conveying the importance of diversity.

At an external level, since November 2020, Banco Sabadell has been part of the working group of the Women in Banking project. This is an initiative to share best practices among banks in Spain and promote a network of women within the banking sector.

Since December 2019 and throughout 2020, Banco Sabadell has been collaborating with the Quiero Trabajo Foundation, through which female volunteers of the Bank mentor women at risk of social exclusion to advise them so that they can rejoin the working population. Throughout 2020, 52 female employees took part in this programme.

In recognition of this commitment, in 2018 Banco Sabadell received the Spanish Government's 'Equality in the Workplace' Seal of Distinction and, in May 2020, presented the Seal of Distinction Annual Report, strengthening its commitment to it. Furthermore, Banco Sabadell's Chief Executive Officer signed an initiative launched by the Adecco Foundation and the Spanish Confederation of Employers' Organisations (Confederación Española de Organizaciones Empresariales, or CEOE) called "CEOs supporting diversity" ("CEO por la diversidad").

## Diversity in the Board of Directors

The Board of Directors and the Appointments Committee of Banco Sabadell, in accordance with the recommendations of the CNMV's Good Governance Code revised in June 2020 and with the Banco Sabadell Director Candidate Selection Policy approved by the Board of Directors at its meeting of 25 February 2016, and amended on 28 March 2019, endeavour to ensure an appropriate balance in the selection of candidates, which, as a whole, enriches decision-making and contributes diverse points of view to the debate on the matters within its remit. In particular, they ensure that the procedures facilitate the selection of female directors and, in general, do not suffer from implicit bias that could result in discrimination.

Since 2019, Banco Sabadell has had a competency and diversity matrix in place, which was revised by the Board of Directors on 29 January 2021, in view of the changes that took place within the Board of Directors.

In addition, the Bank has adopted policies and established measures to increase the number of female directors over the last few years. The Appointments Committee has prioritised gender diversity by promoting the selection of independent directors of the under-represented gender in order to increase equality on the Board.

The composition of the Board of Directors is diverse and efficient. It is of the appropriate size to perform its functions effectively by drawing on a depth and diversity of opinions, enabling it to operate with a level of quality and effectiveness and in a participatory way. It combines a suitable diversity in terms of competency, professional background, origin and gender, as its members have extensive experience in banking, finance, insurance, risk and auditing, regulatory affairs and the law, as well as the academy, human resources and consulting, business and the international arena.

	2020	2019	Diversity in the Board of Directors
Men	11	12	
Women	4	3	
<b>Total</b>	<b>15</b>	<b>15</b>	

Number of directors as at 31/12.

In 2020, the proportion of women on the Board of Directors has increased to 27%.

### 3.4.2. Disabled persons

The Group establishes measures for the adjustment of workstations as required by those with different abilities, in line with the occupational health and safety service's procedures relating to sensitive risk groups. The Institution also assists employees with paperwork and formalities at municipality, autonomous community and state

level that help to improve these employees' well-being beyond a strictly professional sense. Pursuant to the General Disability Law (Ley General de Discapacidad), the Bank implements alternative supported employment measures by hiring services and supplies from special employment centres.

As at December 2020, the Group had 482 employees with some form of disability (531 as at the end of 2019).

Professional category	2020			2019		
	Men	Women	Total	Men	Women	Total
Senior management	8	3	11	9	4	13
Middle management	26	11	37	25	9	34
Specialist staff	144	148	292	149	158	307
Administrative staff	27	115	142	32	145	177
<b>Total</b>	<b>205</b>	<b>277</b>	<b>482</b>	<b>215</b>	<b>316</b>	<b>531</b>

Employees with disabilities in the Group

In 2019, actions were taken to support role diversity both inside and outside the Bank. These were still in place in 2020:

- Project Taskforce: the Catalonia Territorial Division and the Eastern Territorial Division hired 30 people with a disability of 33% or more on an internship contract to provide holiday cover over the summer. After the expiry of these internship contracts, in 2019 four people have been added to the Group workforce with a permanent contract and are still employed today.
- Support and collaboration with the Adecco Foundation in its "Vulnerables" campaign for the International Day of Persons with Disabilities and dissemination through the organisation's internal and external channels.

### 3.4.3. Multigenerational workforce

The Bank monitors the generational diversity of its workforce, identifying the complexity of experience, skills, abilities and training of each of the generations in the workforce and formulating proposals for improvement that take into account their main interests, needs, expectations and concerns.

## 3.5. Remuneration policy



(SDG 8)

**In 2020, Banco Sabadell has introduced quantifiable and measurable sustainability targets within the variable remuneration of its employees.**

Banco Sabadell Group's remuneration policies are consistent with the objectives of its risk and business strategy, its corporate culture, the protection of its shareholders, investors and customers, the Group's values and long-term interests, as well as with customer satisfaction targets and the measures implemented to prevent conflicts of interest without encouraging excessive risk-taking.

The Banco Sabadell Group Remuneration Policy is based on the following principles:

1. Promote medium and long-term business and social sustainability, as well as an alignment with Group values. This involves:
  - Aligning remuneration with shareholders' interests and with the creation of long-term value.
  - Implementing rigorous risk management, considering measures to prevent conflicts of interest.
  - Ensuring an alignment with the Group's long-term business strategy, objectives, values and interests.

2. Reward performance in order to align remuneration with individual results and the level of risk taken:
  - Finding an adequate balance between the various remuneration components.
  - Considering current and future risks and results, without providing incentives for excessive risk-taking beyond the Group's tolerated threshold.
  - Ensuring that the remuneration scheme is simple, transparent and clear, as well as intelligible and easily shared with all staff.
3. Ensure the existence of a competitive and fair remuneration system (external competitiveness and internal fairness) that:
  - Is able to attract and retain the best talent.
  - Rewards professional experience and responsibility, irrespective of the employee's gender. Remuneration Policies are based on providing equal remuneration to employees for the same work or for work of equal value.
  - Is aligned with market standards and flexible, so that it can be adapted to changes in the environment and in the sector's requirements.

All of these principles on which the Group Remuneration Policy is based are compliant with European Directives and Regulations and other regulations currently in force, particularly Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, EBA Guidelines EBA/GL/2015/22 of 27 June 2016, on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and the disclosures under Article 450 of Regulation (EU) No 575/2013 (hereinafter, "EBA/GL/2015/22 Guidelines"), EBA Guidelines on internal governance (GL 2017/11) of 26 September 2017, Bank of Spain Circular 2/2016 of 2 February, to credit institutions, on regulation and solvency, which completes the transposition into Spanish law of Directive 2013/36/EU and Regulation (EU) No 575/2013, Commission Delegated Regulation (EU) No 604/2014, of 4 March 2014, supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile and the Senior Managers and Certification Regime (SMCR) in the United Kingdom.

With regard to the gender pay gap, Banco Sabadell, when dealing with the same roles, responsibilities and length of service, does not make any type of wage discrimination between genders when recruiting staff or during its employees' salary reviews.

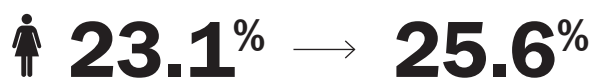
In Spain, based on the various groups of senior management, middle management, specialist staff and administrative staff (without any other additional criteria), a wage difference of 11.79% is determined (see calculation note at the end of this section), compared to

11.87% in 2019. This pay gap is primarily due to the shorter length of service of women at the organisation and the smaller proportion of women holding senior management positions.

In this regard, actions taken in previous years to reduce the pay gap have continued to be further implemented, again with positive results:

- The proportion of women in senior management positions has increased from 23.1% to 25.6%. In terms of women in middle management roles, which provide an in-house talent pool for future senior management roles, the proportion of women has increased from 34.2% to 34.7%.
- 55.6% of promotions have been given to women (38.1% in senior management positions), through careful monitoring by the Performance Evaluation Committees, ensuring that women formed part of the three-person candidate groups.
- Monitoring of discretionary bonuses.

#### Women in senior management



#### Women in middle management



#### Promotions given to women



#### Of whom, senior management



In the case of TSB, the average Gender Pay Gap for 2020 (following the calculation methodologies defined by the local supervisor, with data as at the date of submission to the competent authority, 5 April 2020, which reports the difference between the average remuneration of the male workforce and the average remuneration of the female workforce) was 32.9% (31.1% in 2019). The pay gap in TSB is explained by the smaller number of women in senior positions and by the higher percentage of women in positions of less responsibility.

TSB remains committed to paying a living wage. In August 2016, TSB was accredited as a "Living Wage Employer", thus becoming part of a pioneering group of companies in the UK that go beyond the legal requirement to pay a minimum wage, undertaking to pay both its direct staff and third party contractors who work in its facilities the established living wage or higher.

With regard to average pay, all members of the Board of Directors, both male and female directors, are remunerated according to the same criterion, i.e. the number of Board or committee meetings in which they participate or, if applicable, that they chair, without any variation among them for any other reason.



Average remuneration of the Board of Directors

Age range	2020		2019	
	Members	Remuneration <sup>(3)</sup>	Members	Remuneration
Men	11	155,796	12	153,492
Women	4 <sup>(1)</sup>	132,917	3	140,167
<b>Total</b>	<b>15 <sup>(2)</sup></b>	<b>152,277</b>	<b>15</b>	<b>150,827</b>

(1) (2) (3) For the calculation of the average remuneration, the 13 members of the Board of Directors (11 men and 2 women) who have served as directors during the entire financial year are considered.

Only remuneration received for work carried out throughout the year is reported. The remuneration paid for work carried out in the capacity of director includes remuneration for the number of committees served or chaired by each member, and excludes any amounts received for the senior management duties included in the categories of the following tables on average total remuneration.

For further information on the remuneration of the members of the Board of Directors, see the Directors' Remuneration Policy, the Annual Report on Directors' Remuneration and the Annual Report on Corporate Governance published on the corporate website of Banco Sabadell Group ([www.grupbancsabadell.com](http://www.grupbancsabadell.com)).

<https://www.grupbancsabadell.com/corp/es/gobierno-corporativo-y-politica-de-remuneraciones/politica-de-remuneraciones-de-consejeros.html>

<https://www.grupbancsabadell.com/corp/es/gobierno-corporativo-y-politica-de-remuneraciones/informe-anual-sobre-remuneraciones-de-los-consejeros.html>

<https://www.grupbancsabadell.com/corp/es/gobierno-corporativo-y-politica-de-remuneraciones/informe-anual-de-gobierno-corporativo.html>

Average total remuneration in Banco Sabadell Spain

Professional category	2020						2019					
	Employees			Remuneration			Employees			Remuneration		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Senior management	394	136	530	185,014	139,973	173,456	379	114	493	186,491	135,930	174,799
Middle management	2,025	1,077	3,102	72,193	62,497	68,827	2,081	1,084	3,165	71,861	62,414	68,625
Specialist staff	5,099	6,794	11,893	47,595	42,368	44,609	5,257	6,953	12,210	47,269	42,007	44,273
Administrative staff	52	134	186	23,808	23,682	23,717	57	137	194	23,152	23,363	23,301
<b>Total</b>	<b>7,570</b>	<b>8,141</b>	<b>15,711</b>	<b>61,164</b>	<b>46,354</b>	<b>53,490</b>	<b>7,774</b>	<b>8,288</b>	<b>16,062</b>	<b>60,462</b>	<b>45,660</b>	<b>52,824</b>

Data as at 31.12.2020. Average remuneration in euros. 'Senior management' includes executive directors, general management, corporate directors and top management. 'Middle management' includes directors not included in the 'Senior management' category. Roles classified as technical roles are included in the 'Specialist staff' category, in accordance with the Collective Bargaining Agreement for Private Banking. The data relating to staff and remuneration as at 31/12/2020 of the remuneration table do not include the start of the new CEO in December. This new joiner is considered in the other staff tables.

Age range	2020						2019					
	Employees			Remuneration			Employees			Remuneration		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Under 31	246	227	473	37,319	33,691	35,578	311	267	578	35,708	32,448	34,202
Between 31 and 49	3,856	5,403	9,259	54,747	44,432	48,728	4,107	5,731	9,838	54,317	43,995	48,304
Over 49	3,468	2,511	5,979	69,990	51,635	62,281	3,356	2,290	5,646	70,276	51,367	62,607
<b>Total</b>	<b>7,570</b>	<b>8,141</b>	<b>15,711</b>	<b>61,164</b>	<b>46,354</b>	<b>53,490</b>	<b>7,774</b>	<b>8,288</b>	<b>16,062</b>	<b>60,462</b>	<b>45,660</b>	<b>52,824</b>

Data as at 31.12.2020. Average remuneration in euros. The calculation of average total remuneration takes into account: fixed remuneration, variable remuneration, personal bonus payments and benefits, as well as annualised remuneration paid. The data relating to staff and remuneration as at 31/12/2020 of the remuneration table do not include the start of the new CEO in December. This new joiner is considered in the other staff tables.

Average total remuneration in TSB

Professional category	2020						2019					
	Employees			Remuneration			Employees			Remuneration		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Senior management	99	40	139	282,268	261,609	276,323	109	51	160	237,420	215,482	230,428
Middle management	205	151	356	111,818	106,409	109,524	172	120	292	109,037	105,277	107,492
Specialist staff	1,411	1,831	3,242	51,383	45,637	48,138	1,405	1,897	3,302	48,726	44,111	46,074
Administrative staff	669	2,303	2,972	27,352	27,475	27,448	790	2,850	3,640	26,104	26,504	26,417
<b>Total</b>	<b>2,384</b>	<b>4,325</b>	<b>6,709</b>	<b>59,424</b>	<b>40,086</b>	<b>46,958</b>	<b>2,476</b>	<b>4,918</b>	<b>7,394</b>	<b>54,005</b>	<b>37,177</b>	<b>42,812</b>

Data as at 31.12.2020. Remuneration in euros. Exchange rate as at 31/12/2020: GBP 0.89903 = EUR 1

Age range	2020						2019					
	Employees			Remuneration			Employees			Remuneration		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Under 31	649	959	1,608	34,281	31,884	32,852	760	1,118	1,878	31,915	29,177	30,285
Between 31 and 49	1,269	1,946	3,215	65,273	44,060	52,433	1,281	2,137	3,418	61,271	41,897	49,158
Over 49	466	1,420	1,886	78,515	40,178	49,650	435	1,663	2,098	71,200	36,490	43,686
<b>Total</b>	<b>2,384</b>	<b>4,325</b>	<b>6,709</b>	<b>59,424</b>	<b>40,086</b>	<b>46,958</b>	<b>2,476</b>	<b>4,918</b>	<b>7,394</b>	<b>54,005</b>	<b>37,177</b>	<b>42,812</b>

Data as at 31.12.2020. Remuneration in euros. Exchange rate as at 31/12/2020: GBP 0.89903 = EUR 1

The calculation of average total remuneration takes into account: fixed remuneration, variable remuneration, personal bonus payments and benefits, as well as annualised remuneration paid.

Note on calculating remuneration: remuneration in Spain has been calculated based on target remuneration. In TSB, remuneration figures represent remuneration received in the year (in the case of deferred remuneration, they consider the full remuneration earned in the year).

Note on calculating the pay gap: the pay gap in Spain has been calculated based on the sum of the average total pay gap, weighted by category.

#### 1) Average total pay gap

First, the pay gap between men and women, by professional category, is calculated using the following formula:  $1 - \frac{\text{Average total remuneration received by women}}{\text{Average total remuneration received by men}}$ .

#### 2) Average total pay gap, weighted by category

The figure obtained from the previous calculation is multiplied by the percentage of employees within each professional category to give the average total pay gap weighted by category. Formula:  $\text{Average total pay gap by category} \times \frac{\text{employees in category}}{\text{total employees}}$ .

#### 3) Weighted average total pay gap

The last step consists of adding the pay gap obtained in the previous step for all the categories reported in the Non-Financial Disclosures Report to obtain the 11.79% indicated in the section regarding pay gap. Formula:  $\frac{\text{Sum of average total pay gap, weighted by category}}{\text{Total employees}}$ .

## 3.6. Workplace environment and organisation



(SDG 3)

The Bank's workforce has access to a series of social benefits established by the Group and union representatives in the agreement on measures to improve the work-life balance of employees.

Changes in the business, labour relations and society as a whole require the creation of more flexible and efficient workplace environments that incorporate technology into the services provided by the company and its employees.

### 3.6.1. Work-life balance

All of these benefits have been communicated to the entire workforce, and they are published on the employee intranet, therefore they are well-known by all employees, who have been requesting and enjoying these benefits for some time.

These benefits include: a reduction of working hours (paid, unpaid, for nursing mothers), extended leaves of absence (maternity leave, to care for family members), special leave (for studies, personal reasons or international adoption), extension of leave for the birth of a child and flexible working hours.

The Group also offers a wide range of measures aimed at improving the work-life balance of its workforce, enabling them to arrange services and purchase products via the employee portal, which not only offers them a chance to save money, but it also allows them to save time, as they receive these products at their place of work, thus saving the time that would otherwise be spent on travel or on having to run the errand outside of their working hours. In addition to these benefits, it is also worth mentioning the range of services available to staff working in central services, which are designed to make it easier for them to run personal errands.

Teleworking has experienced an accelerated uptake, which, far from being temporary, is destined to last and to be one of the core pillars of SmartWork.

Employees continue to make use of the measures launched in previous years, such as the option to purchase annual leave and the advice offered by the work-life balance consultant ('gestor de conciliación'), which are unique aspects of our employee value proposition.

TSB has a flexitime policy that gives all employees the opportunity to request a temporary or permanent change in their way of working, at any stage of their careers and regardless of their personal reasons for requesting this change. Although the flexitime option is not an automatic entitlement, the flexitime policy provides a fair and consistent basis on which to make requests, to ensure that requests to work flexitime hours are only rejected if such an arrangement will have a clear, detrimental impact on the business. TSB's policy is to help employees find a good balance between their work and their lives outside of work. This enables the company to retain a qualified workforce and to attract and recruit the best talent available.

TSB's existing digital work platform enabled a quick shift to working from home, and underwent continuous improvements in 2020. Teleworking was enabled for 4,500 people, with 3,500 working full-time from their homes at the height of the pandemic. Planning is under way to develop future ways of working based on the lessons and experiences of 2020.

### 3.6.2. Health and safety

The Group applies a policy of hazard prevention and continuous improvement of the health and safety conditions of employees. In accordance with current legislation, the Bank has an occupational hazard prevention plan that includes all of the preventative activities carried out by the company, which are published annually in a report that is available on the employee intranet and on the corporate website. In 2020, this activity has become particularly relevant, ensuring the implementation of the guidelines from health authorities in each region and developing new protocols for action.

All of the Group's existing staff and all new hires receive information on occupational hazard prevention and complete mandatory training relating to health and safety in the workplace through an online course. The training course is completed through publications, ergonomic handbooks and manuals on how to use work equipment, all relating to the risks inherent in the Bank's activity.

In Spain, Banco Sabadell also carries out an initial occupational hazard assessment for each new work centre, and whenever work centres are reformed or updated. Equally, when a certain period of time has elapsed since the assessment, individual workstations and common areas are assessed in all of the facilities, along with the installations and technical aspects of the workspace (temperature, lighting, etc.).

As regards TSB, the subsidiary has undertaken to maintain the highest health, safety and fire protection standards in all of its business activities. The Bank constantly strives to do the right thing by implementing appropriate measures that are aligned with TSB's values in order to support employees and help them understand that they too have a legal and moral obligation to themselves and to those around them. TSB uses training, skill sets and adequate methods of communication throughout the Bank to enable all employees to embrace these measures and avoid taking unnecessary risks, with clear standards and guidelines that allow controls to be implemented.

TSB's working methods have prioritised employee health and well-being during the COVID-19 pandemic. Furthermore, key initiatives include the development of an inclusive leadership approach starting with awareness training on discrimination and mental health for all TSB supervisors, to be completed by the end of 2021, and the launch of a new digital tool that will help all TSB employees to proactively look after their mental health (1 in 3 employees have already registered to use the platform).

Indicators of absence from work in Spain	2020	2019
Total hours (accidents and ill health)	918,666	936,560
Total hours (ill health associated with COVID-19)	119,764	—

Indicators of absence from work

Indicators of absence from work in TSB	2020	2019
Total hours (accidents and ill health)	395,613	460,373
Total hours (ill health associated with COVID-19)	110,907	—

	2020			2019		
	Men	Women	Total	Men	Women	Total
Work centre	22	39	61	42	65	107
Whilst commuting	25	45	70	43	102	145
Travel during workday	6	9	15	15	23	38
Other work centres	0	0	0	0	2	2
<b>Total</b>	<b>53</b>	<b>93</b>	<b>146</b>	<b>100</b>	<b>192</b>	<b>292</b>

Types of accident in Spain

	2020			2019		
	Men	Women	Total	Men	Women	Total
Total hours	7,745	8,067	15,812	6,749	6,297	13,046
Frequency rate	2.14	3.42	2.80	4.22	6.30	5.29
Severity rate	0.06	0.06	0.06	0.05	0.04	0.05

Accident rate in Spain

Rates calculations exclude accidents occurring whilst commuting.

Frequency rate (No. accidents [ex-whilst commuting] / No. hours worked)\* 1,000,000.

The severity rate relates to the length of the absence from work (working hours lost / theoretical working hours [collective agreement] \* 100).

Although all absences due to COVID-19 can be likened to an accident at work for the purposes of social security benefits, they are not included in the accident rates.

TSB, in compliance with UK legislation, does not keep a record of accidents.

In 2020, hours of employee absence have increased compared to the previous year, with a decrease in the number of employees taking leaves of absence and an increase in the duration of these absences. The hours of absence associated with COVID-19 are also detailed.

A protocol has been established for its implementation in the workplace to guarantee people's health and avoid infections of COVID-19. Among the measures adopted is a PCR test for the detection of SARS-Cov-2 to ensure that people who have been diagnosed with COVID-19 can return to work safely and without risk of infecting others.

### 3.6.3. Trade union rights and right of association

Banco Sabadell guarantees the basic rights of employees in relation to freedom of association and collective bargaining, in accordance with Spanish law. These principles are set out in the Human Resources Policy, specifically, Human Resources 7305 – Basic Applicable Labour Law, which makes specific reference to the current Collective Bargaining Agreement for Banks. These rights are set out

in chapter twelve of this agreement, on Union Rights, in Articles 58, 59 and 60.

The Bank currently has 11 trade union sections in Spain, including state and regional sections. Workers' representatives are voted in every four years, in accordance with the guidelines set forth by the Spanish Banking Association (Asociación Española de Banca, or AEB), together with the most representative state union sections of the Spanish banking industry. The results of the union elections determine the composition of the different Works Councils, as well as staff delegates, who are the main points of contact representing the company and who take part in collective bargaining negotiations. If no specific negotiations are taking place, they meet as and when required. The elected trade union representatives are allocated hours from their normal working hours to engage in their trade union activities. 100% of employees are covered by collective bargaining agreements in Spain. In other countries, the legislation in force is applied.

Workers' representation in formal health and safety committees of employees and employers in Spain:

- State Health and Safety committees created in companies:
  - Banco de Sabadell S.A.
  - Business Services for Operational Support, S.A.

- Sabadell Information Systems, S.A.
- Prevention delegates (role envisaged in legislation that can be held by a maximum of eight people per company or work area).

In terms of participation in TSB, there is a fluid and direct relationship with workers' representatives (24 meetings a year, equivalent to two meetings per month). There are currently two recognised unions (Unite the Union and Accord) and one unrecognised union (TBU). Workers' representatives in Unite the Union and Accord are elected by TSB employees. In 2019, new representatives were elected to Accord; however, the representatives on Unite the Union remained the same. No further elections were necessary in 2020. Unions follow the legislation laid down by the UK government, as well as the guidelines established by the Advisory, Conciliation and Arbitration Service (ACAS), a non-departmental public body in the United Kingdom.

### 3.7. Dialogue with employees: more connected than ever



(SDG 3)

Banco Sabadell has various mechanisms in place for communicating with employees and listening to their concerns, which are key to anticipating their needs and building the best place to develop a professional career. In 2020, important elements were launched, both for issuing and receiving communications, which have effectively supported the management of the health crisis and cultural evolution.

In the chapter on new information resources, Flash stands out – first a daily communication and later issued on a weekly basis, aimed at the entire workforce and with sustained audiences of over 80%, with information, guidelines, context and messages from Senior Management, which has been an informative and cohesive component of the Bank, at a time of major uncertainty in which it was key to keep the team excited and committed beyond their physical location.

In terms of news on listening efforts, the launch of “quick” surveys in the Flash newsletters and in the fortnightly publication “Eres Manager” is worthy of note. These surveys were aimed at capturing the Bank’s sentiment at various points in time and they have helped to verify the high degree of commitment of employees at all times.

“The Bank we aim to be”, our survey to ascertain, among other factors, the commitment of our employees to our current and future project, recorded high ratings in a good number of indicators, with 71% of the workforce giving a satisfactory or very satisfactory rating to the Bank’s general performance. Almost all of the other factors measured, such as the quality of management, meritocracy and internal collaboration, also showed significant improvements.

The Employee Assistance Office has played a key role in this exceptional year, seeing the number of queries received increase by 66% compared to 2019, to 71,340 queries. Despite the increase in the number of queries received, the quality of service has not diminished, achieving a 4.5 out of 5 in user satisfaction.

“Link” is TSB employee forum, dating back to the creation of the company in 2013. Its members act as spokespersons for employees and come from all departments and levels within the Bank. Link has 125 members who are split into five regional groups. All groups discuss the same issues, which are jointly decided by the groups themselves and the Executive Committee. Every quarter, following the Link regional group meetings, four members of the forum meet with the Executive Committee to give their ideas, comments and recommendations.

In 2020, Link group representatives also attended a TSB Board meeting to share their progress and present their recommendations for 2020, which included initiatives to support employees’ ways of working and well-being during the pandemic, implementing TSB’s strategy and its Blueprint, increasing digital skills across the organisation through the Digital Academy, and streamlining internal processes to make it easier to work well.

**Employees who rate the bank’s performance as satisfactory or very satisfactory**

**71%**

**Increase in queries with respect to 2019**

**66%**

**No. of queries**

**71,340**

## 4. Environment

# In the transformation process carried out by the Bank in recent years, sustainability and the fight against climate change have become part of the Bank's purpose and business strategy.

To this end, the Bank has made the changes required to transition towards a sustainable economy and achieve sustainable development, taking the 2015 Paris Agreement and the United Nations Sustainable Development Goals as a basis, targeting its activities, organisation and processes to this purpose.

This commitment to environmental sustainability and the fight against climate change is embodied in the Sustainability Policy, aimed at framing all the Institution's activity and organisation within the ESG (Environmental, Social and Governance) parameters approved by the Board of Directors in 2020, and in the Group's Environmental Policy. In addition to incorporating sustainability in a cross-functional way into its business model and strategy, with regard to environmental aspects, Banco Sabadell ensures the minimisation of its processes and facilities, and sustainability is the pillar on which the environmental management system (EMS) implemented in 2006 is based, following the ISO 14001 global standard.

As part of its environmental commitment, the Bank undertakes to set specific targets to reduce its CO<sub>2</sub> emissions and has also signed up to several important global initiatives on environmental protection and the integration of risks and opportunities in relation to climate change, such as:

- The Principles for Responsible Banking, of which it is a founding signatory.
- The Collective Commitment to Climate Action.
- The Carbon Disclosure Project (CDP).
- The Task Force on Climate-related Financial Disclosures (TCFD), which it uses as a model to follow for disclosing the risks and opportunities associated with climate change, providing information for decision-making and helping financial market participants to understand this environment is another milestone worth highlighting.

With regard to the transformation taking place in the organisation, in the area of environmental training and awareness, the entire workforce has access to an online training course, completion of which is mandatory for all employees in the various certified corporate buildings. Moreover, in 2020, in order to support customers in the transition process, the Bank launched a new specialised sustainability course for managers.

The organisation's good practices and expertise are also assessed through the BSIdea internal platform, where employees can put forward ideas and suggestions for improving environmental aspects and the fight against climate change, such as the "Contribute to the SDGs" and "Stop paper" challenges, with 127 and 154 ideas published respectively, and through Qualis, in which the "Best sustainability project" category has been recently included in recognition of the projects implemented with an impact on the Bank's contribution to the Sustainable Development Goals and on ESG matters, in which the work carried out in financing renewable energies was ultimately recognised.

With all these initiatives, the Bank is taking another step forward in acting on its responsibility as a key player in the creation of a sustainable economy and in the fight against climate change, both as a financial agent and at the level of its own organisation.

### 4.1. CO<sub>2</sub> emissions



(SDG 11, SDG 12, SDG 13)

Banco Sabadell is a signatory of the Carbon Disclosure Project, thus undertaking a commitment to actively combat climate change. In 2015, a CO<sub>2</sub> emissions reduction target of 3% was set for the 2015-2020 period in Spain. With regard to the organisation's commitment and its progress in reducing emissions, strengthened by its adherence to new international frameworks, a new annual reduction target of 9.9% (Scopes 1 and 2) was set in 2020, linked to the synthetic sustainability indicator that has an impact on the organisation's variable remuneration.

Therefore, in addition to implementing energy-efficiency measures each year in both its facilities and services, in 2020 the Bank developed new projects including the self-generation of energy with photovoltaic panels at its headquarters, the annual replacement of 8-9% of machines with new ones with better energy performance and actions taken to reduce the use of paper and plastics.

In 2020, the Bank set a new target of reducing Co<sub>2</sub> emissions (scope 1 & 2) by 9.9% per year, tied to the synthetic sustainability indicator, with an impact on variable remuneration in the organisation.

In 2020 the Bank developed new projects including the self-generation of energy with photovoltaic panels at its headquarters, the annual replacement of 8-9% of machines with new ones with better energy performance and actions taken to reduce the use of paper and plastics.

	2020	2019	2018	CO <sub>2</sub> emissions in tonnes (t.CO <sub>2</sub> )
Scope 1: Direct activities	2,410	3,088	4,471	
Scope 2: Indirect activities	26.44	18.16	19.95	
Scope 3: Other indirect activities	1,780	5,917	5,637	
<b>Total emissions generated by the Group in Spain</b>	<b>4,216</b>	<b>9,023</b>	<b>10,128</b>	
<b>Total emissions generated per employee</b>	<b>0.27</b>	<b>0.56</b>	<b>0.60</b>	

Data for 2020 includes the effects of COVID-19 and would, therefore, not be comparable with 2019 and 2018. These effects were: corporate buildings and branches closed from March to August and, in the case of commuting and work-related travel, there was unrestricted movement until March.

### Scope 1/Direct activities:

Includes emissions generated by facilities through the use of fuel such as diesel (including that used in mobile branches), propane gas, natural gas, fluorinated greenhouse gases(1) and the fleet of company vehicles (excluding travel between home and the work centre).

The figures relating to fluorinated greenhouse gases correspond to the leaks of F-gases due to breakdowns of HVAC systems in corporate buildings and branches. To reduce these leaks, every year the Bank renovates its air conditioning systems, introducing more effective equipment that uses gas with a lower environmental impact. Each year, approximately 8% of the equipment is replaced.



	2020		2019		2018	
	Consumption	Emissions t.CO <sub>2</sub>	Consumption	Emissions t.CO <sub>2</sub>	Consumption	Emissions t.CO <sub>2</sub>
Diesel	8,339 L	22.37	14,246 L	38.22	14,084 L	37.78
Propane gas	693 m <sup>3</sup>	3.97	486 m <sup>3</sup>	2.79	745 m <sup>3</sup>	4.30
Natural gas	194,874 m <sup>3</sup>	627.50	257,920 m <sup>3</sup>	830.50	303,663 m <sup>3</sup>	977.80
Leaks of refrigerated gases	922 kg	1,714.49	1,144 kg	2,091.49	1,551 kg	3,320.44
Fleet of company vehicles <sup>(1)</sup> <sup>(2)</sup> 241,000 km		41.97	832,000 km	124.73	875,000 km	131.00
<b>Scope 1. Total emissions</b>		<b>2,410 t.CO<sub>2</sub></b>		<b>3,088 t.CO<sub>2</sub></b>		<b>4,471 t.CO<sub>2</sub></b>

Data for 2020 includes the effects of COVID-19 and would, therefore, not be comparable with 2019 and 2018. These effects were: corporate buildings and branches closed from March to August and, in the case of commuting and work-related travel, there was unrestricted movement until March.

<sup>(1)</sup> Data refers to business trips and do not include travel from home to the workplace.

<sup>(2)</sup> Corresponds to actual data (and not estimates), unlike the other periods in which an estimate was made for December based on actual data from the previous year.

Conversion factors used in Scope 1 for diesel, propane gas and natural gas based on the GHG Inventories Report 1990-2016 (2018 Edition), Spain; for leaks of fluorinated gases based on the practical guide for the calculation of greenhouse gas (GHG) emissions, 2019 version of the Catalan Office for Climate Change, for vehicles based on DEFRA 2020 (Government GHG Conversion Factors for Company Reporting).

## Scope 2/ Indirect activities:

Includes emissions resulting from electricity usage in Spain. Of particular relevance in this scope is the

procurement of energy with a renewable energy guarantee of origin (REGO), which has allowed Scope 2 emissions in Spain to be reduced by 99.79% since 2014, with 12,890 t.CO<sub>2</sub>.

	2020		2019		2018	
	Consumption	Emissions t.CO <sub>2</sub>	Consumption	Emissions t.CO <sub>2</sub>	Consumption	Emissions t.CO <sub>2</sub>
Cepsa/Nexus electricity	67,929 MWh	0	78,491 MWh	0	81,915 MWh	0
Iberdrola electricity	5 MWh	1.50	0.1 MWh	0.04	2 MWh	0.52
Electricity -Other	58 MWh	24.94	42 MWh	18.12	45 MWh	19.43
<b>Scope 2 - Total emissions</b>		<b>26.44 t.CO<sub>2</sub></b>		<b>18.16 t.CO<sub>2</sub></b>		<b>19.95 t.CO<sub>2</sub></b>

Generated by the Group in Spain

Data for 2020 includes the effects of COVID-19 and would, therefore, not be comparable with 2019 and 2018. These effects were: corporate buildings and branches closed from March to August.

Conversion factors used in Scope 2 for Cepsa and Nexus based on their 100% REGO certificates; for the other marketers based on the Spanish National Energy Commission, Electricity Labelling and Guarantees Report, "Guarantee of Origin and Electricity Labelling System, 2017".

## Scope 3/ Other indirect activities:

This scope includes other indirect activities in Spain and takes into account emissions during travel by train, aeroplane and car (except company cars), and the use of water, paper and plastic, as well as waste management in Spain.

In 2020, emissions in tonnes (tn) of CO<sub>2</sub> as a result of the use of water, paper and plastic amounted to 471 tn CO<sub>2</sub>, compared to 845 tn CO<sub>2</sub> in 2019 and 1,475 tn CO<sub>2</sub> in 2018. Emissions in relation to waste management amounted to a total of 110 tn CO<sub>2</sub> in 2020, 160 tn CO<sub>2</sub> in 2019, and 245 tn CO<sub>2</sub> in 2018.

During 2020, coin blister packs and folders, made exclusively of plastic, were eliminated, reducing plastic consumption compared to 2019 by around 80%. Moreover, during the year, the Bank joined the Kick Out Plastic Foundation's initiative to fight for a world free of single-use plastics, while combating other environmental issues.

With regard to business trips and travel, environmental and expenditure rationalisation criteria are regularly applied, encouraging the use of transport with lower CO<sub>2</sub> emissions. In terms of travel whilst commuting, car-pooling is encouraged, and employees can advertise spare seats for car-pooling in the main buildings. The outbreak of the COVID-19 pandemic has led to the interruption of almost all business trips within the Group since March 2020.

It should be noted that the Bank was already firmly committed to teleworking with the deployment of a pilot scheme in some areas. The health emergency has resulted in a quantitative and qualitative quick deployment, so that teleworking ceased to be a pilot project and has become a day-to-day reality for almost all employees. There are multiple objectives and benefits associated with these changes, ranging from an improved work-life balance to an evident saving in time, energy and emissions.

	2020		2019		2018	
	Consumption	Emissions t.CO <sub>2</sub>	Consumption	Emissions t.CO <sub>2</sub>	Consumption	Emissions t.CO <sub>2</sub>
Water	343,225 m <sup>3</sup>	41.19	396,260 m <sup>3</sup>	47.55	409,800 m <sup>3</sup>	49.18
Paper <sup>(1)</sup>	655 t.	399.61	1,030 t.	628.51	1,047 t.	1,255.20
Plastic	13 t.	30.46	71 t.	169.36	72 t.	171.55
Waste	1,174 t.	110.40	1,353 t.	160.81	1,985 t.	245.36
Travel by airplane	<sup>(2)</sup> 3,174 thousand km	410.04	15,947 thousand km	1,632.58	18,257 thousand km	2,106.47
Travel by train	<sup>(3)</sup> 1,623 thousand km	8.99	7,960 thousand km	44.10	9,916 thousand km	213.68
Travel by car <sup>(5)</sup>	<sup>(4)</sup> 4,469 thousand km	778.89	10,679 thousand km	1,601.87	10,637 thousand km	1,595.48
<b>Scope 3 - Total emissions</b>		<b>1,780 t.CO<sub>2</sub></b>		<b>5,917 t.CO<sub>2</sub></b>		<b>5,637 t.CO<sub>2</sub></b>

Data for 2020 includes the effects of COVID-19 and would, therefore, not be comparable with 2019 and 2018. These effects were: corporate buildings and branches closed from March to August and, in the case of commuting and work-related travel, there was unrestricted movement until March.

Conversion factors used in Scope 3 for water, paper and waste based on the Carbon Footprint Report of the University of Cordoba (UCO), plastic based on ADEME (Agence de l'Environnement et de la Maîtrise de l'Énergie). Travel is based on DEFRA 2020 (Government GHG Conversion Factors for Company Reporting) with the exception of travel by train, which uses data published by RENFE in the Renfe Non-Financial Disclosures Report for 2019.

<sup>(1)</sup> Paper consumption in 2018 was 48% virgin paper and 52% recycled paper, in 2019 and 2020 paper consumption was 100% recycled.

<sup>(2)</sup> <sup>(3)</sup> <sup>(4)</sup> Change in methodology: includes actual data compared to 2019 and 2018, where an estimate was made for December based on actual consumption in the previous year.

<sup>(5)</sup> Travel by car (except company vehicles).

## 4.2. Circular economy and waste management & prevention



(SDG 11, SDG 12, SDG 13)

Banco Sabadell Group has internal procedures in place to ensure that 100% of paper and plastic is removed and recycled by authorised waste management firms. Corporate buildings and branches are equipped with facilities for the collection of packaging, organic waste and batteries.

Specific control mechanisms exist for waste management in branches due to be closed or merged. Surplus computer equipment and furniture in good condition at branches or work centres due to be closed or merged are donated by the Bank to NGOs and local non-profit organisations.

	2020		2019		2018	
	Waste t.	Emissions t.CO <sub>2</sub>	Waste t.	Emissions t.CO <sub>2</sub>	Waste t.	Emissions t.CO <sub>2</sub>
Total non-hazardous waste	1,172	110.30	1,350.75	160.69	1,962	244.35
Total hazardous waste	1.22	0.096	1.78	0.114	24	1.01
<b>Total waste</b>	<b>1,174 t.</b>	<b>110.40 CO<sub>2</sub></b>	<b>1,353 t.</b>	<b>160.80 t. CO<sub>2</sub></b>	<b>1,985 t.</b>	<b>245.36 t. CO<sub>2</sub></b>

Breakdown of waste (W)

Conversion factors used for waste based on the UCO Carbon Footprint Report 2016.

Non-hazardous waste includes: scrap metal, inert plastic, bulky general waste, incandescent light bulbs, paper and cardboard, glass, organic waste, grease trap and wood. The top 3 waste products in 2020 were paper and cardboard with a waste of 1,053.36 t (59.420 t.CO<sub>2</sub>), bulky general waste with a waste of 45.34 t (29.260 t.CO<sub>2</sub>) and inert plastic with a waste of 38.58 t. (4.630 t.CO<sub>2</sub>).

Hazardous waste includes: chemical containers, absorbents (filters), lead batteries, oils, fluorescent lamps, electronic equipment, batteries, aerosols and toner. All consumptions were less than 1 tonne. The two biggest waste products were electronic equipment with a consumption of 0.664 t and an emission of 0.056 t.CO<sub>2</sub> and fluorescent lamps with a consumption of 0.356 t and an emission of 0.030 t.CO<sub>2</sub>.

## 4.3. Sustainable use of resources



(SDG 11, SDG 12, SDG 13)

As regards its own infrastructure, Banco Sabadell has an environmental management system (EMS) that follows the international ISO 14001 standard, and six corporate buildings in Spain have been certified to this standard. As at 2020 year-end, 17.45% of the workforce in Spain worked in one of these certified buildings (16.93% in 2019). Average occupancy during the end of the year and in the COVID-19 environment has been approximately 20% of the total staff assigned. In parallel, the environmental management system is being progressively rolled out to other work centres.

### 4.3.1. Energy consumption

In 2020, Banco Sabadell's total energy consumption in Spain was 71,184 MWh, down 14% on the previous year (82,779 MWh in 2019).

Electricity consumption in Spain in 2020 reached 67,993 MWh (compared to 78,553 MWh in 2019 and 81,962 MWh in 2018) with 99.92% from renewable sources, through Nexus Renovables and Cepsa, energy suppliers with a 100% renewable origin guarantee.

As a new initiative during this period, the installation of photovoltaic panels began in one of the main corporate buildings (CBS Sant Cugat with 50,000 m<sup>2</sup>), to generate energy for self-consumption in various areas of the building. This initiative, which is aligned with the Bank's sustainability strategy and the adaptation of the organisation, will allow, on the one hand, the reduction of the CO<sub>2</sub> footprint by reducing emissions by 364 tonnes per year, which is equivalent to the CO<sub>2</sub> that 18,200 trees can filter in a year, and on the other hand, the reduction of energy dependence on third parties by being able to produce 5.1% of the energy that this centre needs to operate by its own means.

In addition, to reduce its energy consumption, Banco Sabadell continuously develops measures to improve the eco-efficiency of its facilities and processes:

- Every year, it replaces 8% of its HVAC equipment with more energy-efficient models, and it has gradually been updating the lighting systems of its branches, opting for LED (Light Emitting Diode) technology.
- The majority of the branch network is equipped with a centralised low energy consumption HVAC and lighting system, as well as light activation systems for billboard advertising adapted to daylight hours. Additionally, most branches are equipped with Thin Client computers (central network infrastructure, where applications and software are virtually linked to servers) which consume 90% less energy. Since 2015, these computers have also started to be installed in corporate buildings.
- Corporate buildings are equipped with motion-sensitive lighting systems and LED lights. In these corporate buildings and larger offices, HVAC installations are equipped with energy recovery systems.

	2020	2019	2018	Total electricity consumption
Total energy consumption (MWh)	67,993	78,533	81,962	
Electricity provided by Cepsa and Nexus Renovables, 100% REGO (% supplied out of total electricity)	99.92%	99.96%	99.94%	

### 4.3.2. Water consumption

The Group's water consumption in Spain was 343,225 m<sup>3</sup>. This consumption is limited to sanitary use and for the watering of certain landscaped areas. 100% of the water consumed comes from the supply network. The Group's headquarters are located in urban areas where the water collected and discharged is done so through the urban network.

With regard to eco-efficiency, bathroom facilities and taps are fitted with water-saving mechanisms. The headquarters in Sant Cugat have a device that collects rainwater and greywater to reuse it as irrigation water. At the same time, the landscaped areas are comprised of native plants with low irrigation requirements.

### 4.3.3. Paper consumption

Paper consumption in Spain in 2020 amounted to 655 tonnes, compared to 1,030 tonnes in 2019 and 1,047 tonnes in 2018 – a reduction of 36.4% and 37.4% respectively.

In order to reduce paper consumption, a series of measures were implemented, such as the set-up of a 24-hour service for customers through remote channels and digital platforms, the use of tablets and digital systems

in branches, which allow customers to sign documents digitally and thus eliminate the use of pre-printed documents, in addition to the change of printing settings in the Bank's printers so that the default option is for double-sided printing. In 2019, the initiative to use only recycled paper was extended to the entire Group. And in 2020, a project was implemented to reduce the number of printers at corporate buildings, achieving a reduction of around 50% in the number of printers.

Banco Sabadell also continued with the programme to reduce and streamline correspondence, helping to reduce paper consumption. This programme started in 2019. The progressive digitisation of customer profiles and the consolidation of the model of a single monthly account statement have enabled a reduction of 14.59% compared to the previous year.

The conventional paper used by the Bank is certified to international standards ISO 9001 and ISO 14001 on quality and environmental management systems, and its production is chlorine-free under the criteria of the FSC (Forest Stewardship Council), with a Blue Angel certification and an EU Ecolabel.

	2020	2019	2018	Paper consumption
Volume of paper (DIN A4 format) used during the year (tonnes)	655	1,030	1,047	
Recycled paper used in branches and corporate buildings in relation to total paper consumption (white and recycled) in Spain (%)	100%	100%	52%	
Recycled paper used in 13 corporate buildings with a postal service (courier) in relation to total paper consumption (white and recycled) (%)	100%	100%	87%	

	2020		2019		2018		Paper breakdown
	Consumption t.	Emissions t. CO <sub>2</sub>	Consumption t.	Emissions t. CO <sub>2</sub>	Consumption t.	Emissions t. CO <sub>2</sub>	
Virgin paper	0	0.00	0.18	0.33	501	922.45	
Recycled paper	655	399.61	1,030	628.18	545	332.75	
<b>Total paper</b>	<b>655</b>	<b>399.61</b>	<b>1,030</b>	<b>628.51</b>	<b>1,047</b>	<b>1,255.20</b>	

Conversion factors used for paper based on the Carbon Footprint Report of the University of Cordoba (UCO) 2016.

## Energy consumption and sustainable use of resources in TSB

In 2020, TSB launched its first responsible business plan known as the “Do What Matters Plan” (DWMP), which is aligned with its strategy and sets out the actions planned to contribute to a better society. These include reducing its environmental impact while helping customers and employees to reduce theirs. TSB is committed to being a responsible user of resources and continues to think of ways to reduce its environmental impact.

In 2020, TSB has reduced its total emissions by 20% compared to 2019 (Scopes 1, 2 and 3 in the table below).

Since October 2019, TSB has purchased all energy from renewable sources, resulting in a 66% reduction of operational (Scope 1 and 2) market-based (1) carbon emissions. Scope 1 and 2 emissions are those that come directly from TSB’s activities, e.g. heating and fleet vehicles (Scope 1) and electricity used by the Institution (Scope 2). Scope 3 emissions relate to TSB’s business trips.

Where property investment has taken place, TSB considers ways it can mitigate the environmental impact by looking at energy efficient equipment. In 2020, TSB completed the refurbishment of Henry Duncan House in Edinburgh investing almost 2 million pounds in reducing energy through new LED lighting and the replacement of the building air conditioning system. Less business travel and reducing the use of paper and plastic in our workplaces has also contributed to lower carbon emissions.

The table below shows TSB’s greenhouse gas emissions as required by the UK’s Streamlined Energy and Carbon Reporting (SECR) Regulations. TSB reports the mandatory emissions as a “large organisation” and has used the data gathered to establish a strategy towards a net-zero carbon future, including a decarbonisation plan, travel plan and engagement campaign.

In addition, TSB has a Renewable Energy Guarantees of Origin (REGO) energy purchase agreement which

started in October 2019 and has supported the reduction of greenhouse gas emissions. TSB is committed to continue with this source of electricity supply.

The data has been compiled in accordance with the GHG Protocol - Corporate Accounting and Reporting Standard and has been independently audited by Concept Energy Solutions Limited.

	2020	2019
<b>Emissions – Location-based <sup>(2)</sup> in gross tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e<sup>(3)</sup>):</b>		
Scope 1 emissions:		
Combustion of gas <sup>(4)</sup>	2,601	2,645
Fuel for transport purposes	33	164
Heating oil	61	54
Fugitive gas	66	147
Scope 2 emissions:		
UK Electricity - Location-based <sup>(4)(5)</sup>	5,561	7,139
Electricity – Market-based <sup>(1)</sup>	0	5,274
Scope 3 emissions:		
Business travel <sup>(6)</sup>	221	647
<b>Total emissions (Scope 1, 2 &amp; 3)</b>		
<b>Location-based emissions</b>	<b>8,542</b>	<b>10,796</b>
<b>Market-based emissions</b>	<b>2,982</b>	<b>8,930</b>
Energy consumption kWh (million)	38,601	43,720
<b>Intensity ratio <sup>(7)</sup></b>	<b>1.29</b>	<b>1.50</b>
Paper consumption (tonnes)	807	1,127
Water consumption (m <sup>3</sup> )	67,408	91,433

1) Market based emissions are those associated with renewable energy supplies which carry a zero-rated emission.

(2) Location-based emissions are those measured using the UK national grid electricity conversion factors, updated annually.

(3) tCO<sub>2</sub>e: carbon dioxide equivalent is the measure of greenhouse gas emissions.

(4) Estimated consumption rates, based on consumption rates for previous years, have been used to compile data for a small number of properties where meter readings were unavailable.

(5) Scope 2 emissions (for SECR) include only direct commercial electricity supplies and are location-based. The small amount of domestic or cross charged consumption from landlords is not included, but TSB is working on improvements for the next reporting period.

(6) Emissions from rental cars and employee-owned vehicles where TSB is responsible for purchasing the fuel.

(7) Calculated as the sum of (SECR) emissions divided by the average number of full-time employees of 6,563 (2019: 7,114).

## Other environmental issues in the COVID-19 context

In 2020, the network of offices and branches has been shrinking for reasons not related to COVID-19. At the start of 2020, TSB had 536 branches and, during the year, 82 branches were closed. There were 7 branches that were originally closed due to COVID-19 and that were ultimately not reopened because they were part of the 2021 branch closure programme, with a total of 447 retail branches operational as at 31 December.

On the other hand, the impact on energy consumption has been minimal, as electricity and heating consumption has not been completely eliminated even when these branches were closed.

## 5. Information regarding human rights



(SDG 5, SDG 8, SDG 10)

Banco Sabadell supports, respects and protects internationally recognised fundamental human rights in all the territories in which it operates, in accordance with the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and other internationally recognised codes.

Given the types of services provided by the institutions and the main regions in which it operates, these being Spain, the United Kingdom and Mexico, regions whose legislature and case law provide for the defence of human rights, no inherent direct risk in this regard is deemed to exist.

In particular, the Bank identifies, prevents and mitigates the negative impacts on human rights arising from its activities and processes, particularly in terms of its business lending, human resources management model, supplier onboarding processes and its collaboration with organisations and institutions, as set out in the new Sustainability Policy approved in December.

Banco Sabadell also has a Code of Conduct and an Ethics and Human Rights Policy in place, both of which were approved by the Board of Directors in 2003. Likewise, the Bank has implemented a Code of Conduct for suppliers, through which it ensures that its own commitment to safeguarding human rights is also applied throughout its supply chain.

Furthermore, the Group is a signatory of a number of major national and international agreements relating to human rights:

- The United Nations Global Compact, which it signed in 2005, officially undertaking to commit to the ten principles, including the first and second principles on human rights and labour.
- The Equator Principles, signed in 2011, which is a risk management framework for assessing and managing environmental and social risk, which considers a number of aspects including the responsibility to respect

human rights and to undertake due diligence in order to prevent, mitigate and manage adverse impacts.

These commitments aim to eliminate discrimination in respect of employment and occupation, uphold the freedom of association and recognise the right to collective bargaining pursuant to the legislation of the country in which employees work (ILO Convention No. 87 on freedom of association and the right to organise and ILO Convention No. 98 on the right to organise and collective bargaining). They also aim to foster measures to ensure employees' well-being and a healthy work-life balance.

The Bank also encourages and maintains an environment in which all employees are treated with dignity and respect and where they are treated fairly, without any form of discrimination by reason of gender, race, skin colour, age, social background, religion, nationality, sexual orientation, political opinion, physical or psychological disability or by reason of their capacity as legal representatives of employees.

Given the cross-cutting nature of this area, different communication channels are available to the different stakeholders.

On one hand, Banco Sabadell Group has a Whistle-blowing Channel used to report both breaches of the Code of Conduct and any other corporate crime or potentially criminal act committed by the person(s) concerned, in other words, by any employee, partner, supplier or third party in the course of their relationship with the Group. The competent body responsible for resolving and responding to reports or communications received through

this channel is the Corporate Ethics Committee of Banco Sabadell Group. No human rights violations were reported using this channel in 2020.

Additionally, Banco Sabadell provides its workforce with access to the Equality Plan's Whistleblowing Channel, which is used by those on the Grievance Committee to open a case file. The Grievance Committee then sends the reports received and procedures applied in relation to any potential cases of discrimination, workplace and/or sexual harassment or sexual abuse to the Equality Committee. In terms of trade union representation, the Committee is comprised of one Workers' Representative or Trade Union Delegate for each of the Trade Union organisations signing the Equality Plan, and an equal number of Representatives of the Bank. It meets twice a year in February and September.

The Bank also prohibits all forms of forced and compulsory labour, servitude and labour under indentured labour contracts. In the same vein, the Institution does not hire any minors under the legal working age and in no case under the age of 15.

Regarding customers and society in general, the Bank offers products and services that contribute to generating a positive impact on people's lives through responsible business practices: risk prevention through assessments of the risk of human rights violations in Project Finance, social housing management and financial inclusion. Any questions or queries can be sent via the sustainability mailbox, available on the corporate website.

In accordance with its policies and procedures, the Bank has mechanisms in place to ensure that all information provided to customers is transparent and that all of the products and services which it offers are suited to their needs at all times, as indicated in the section on Transparency of this report.

To ensure that personal data are processed pursuant to data protection regulations (Charter of Fundamental Rights of the European Union and Treaty on the Functioning of the European Union) and in line with the Universal Declaration of Human Rights, the Institution has a mechanism that comprises three lines of defence, through which all members of the organisation, in line with their authority and discretions, actively take part in the management, control and supervision of the Institution's data processing.

The Institution also has a Data Protection Officer (DPO) who advises the various areas of the Bank to ensure compliance with regulations, a Chief Data Officer (CDO) responsible for data governance and for the identification and record-keeping of all data processing activities carried out, an Information Security Team that takes part in the evaluation, assessment and implementation of security measures as needed, a Compliance Control Team that draws up an Annual Control Plan to identify and rectify weaknesses, as well as an Audit Team that acts as a supervisor and verifies compliance with policies, controls and procedures.

In relation to the policy, the Institution has its own privacy and personal data protection policy that it uses as

an instrument to ensure the protection of natural persons in relation to personal data processing and which mentions the different procedures and controls put in place for this purpose. The Bank has also established its own data protection control plan which is put into motion as often as required as the second line of defence. Additionally, the DPO plays a role in privacy by design and the third line of defence (audit) discharges its audit duties on an ongoing basis.

In 2020, the Bank also reiterated its commitment to the Code of Good Banking Practice, in order to limit the effects of over-indebtedness of people and families and thus enable the financial inclusion of debtors at risk of social exclusion.

Regarding procurement management, the Bank has procedures in place which ensure that human rights are respected throughout the end-to-end supplier approval, selection and evaluation process, as described in the relevant section of this report.

In the UK, the Modern Slavery Act is designed to prevent people from being forced to work, being exploited, trafficked or purchased or sold as 'property', or controlled with mental or physical threats. TSB adheres to the Modern Slavery Act and each year it publishes a specific statement in which it sets out the actions taken over the year to prevent any and all risks of modern slavery related to its business or its suppliers. In last year's statement, which is available on its website and relates to 2019, TSB undertook to create a healthy and inclusive culture, empowering its partners to do their best work. In terms of the ways in which it works with its customers, TSB gives its partners guidance on the risks that need to be considered at all stages of its customer relationship.

TSB has internal policies to ensure its suppliers understand its business principles and apply them in their own business activities. Some examples of policies updated in 2019 are: TSB Partner Employment Policy, Anti-Money Laundering and Counter Terrorist Financing Policy, Customer Treatment Policy, Whistleblowing Policy and the Procurement Policy.

As regards Banco Sabadell Mexico, since 2016 it has been a signatory of the Sustainability Protocol, "Protocolo de Sustentabilidad de la Banca", of the Mexican Banking Association (ABM), which is based on the rules of the International Finance Corporation, the Equator Principles and the UN Principles. Since 2019, Mexico has been working with the Mexican Centre for Philanthropy (CE-MEFI) to be certified as a Socially Responsible Company (Empresa Socialmente Responsable, or ESR).

In 2020, Sabadell Mexico joined forces with the Mexican Banking Association (ABM) to prepare the first sustainability report of the Mexican banking system, in line with its 2030 Agenda, which was prepared under the guidance of the United Nations Development Programme and was designed to be an initial reflection on the actions taken by full-service banks in Mexico for the benefit of the country's sustainable development.

In terms of its employees, in addition to signing the Group-wide policies and actions, it has also implemented

a Policy on Occupational Health and Well-being, which is aligned with standard NOM 035 which came into force on 23 October 2019. NOM 035 sets out the minimum conditions required in relation to environment, health and safety in the workplace, in order to prevent work-related accidents and ill health. The first version of the aforesaid policy lays down measures for prevention, identification of employees exposed to severe traumatic events and the distribution of information.

## 6. The fight against corruption and bribery



(SDG 16)

As a signatory of the United Nations Global Compact, Banco Sabadell is committed to complying with the ten principles established therein, among them that of working to combat corruption in all its forms, including extortion and bribery.

Banco de Sabadell, S.A. undertakes to safeguard integrity and promote a culture of zero-tolerance towards corruption, expressly prohibiting any and all actions of this kind.

One of the basic elements for consolidating a corporate culture is the existence of a set of regulations applicable to 100% of the Bank's members that reflects the firm commitment of all units to comply with legislation, starting with the Management Body. Banco Sabadell, which already had a Code of Conduct and Policies on Compliance, Conflicts of Interest, Anti Money Laundering & Counter Terrorist Financing and Corporate Crime Prevention, added an Anti-Corruption Policy in 2019, which is applicable to the entire Group. This Anti-Corruption Policy defines all those actions included in the concept of corruption, as well as related actions that are prohibited.

In relation to the identification and control of corruption-related risks, it is worth highlighting that the Institution has a Corporate Crime Prevention Programme, which has a specific section on the fight against corruption. Furthermore, its training programme includes a specific course on anti-corruption, which all employees are required to complete. As a result of the activities carried out as part of the aforesaid Corporate

Crime Prevention Programme and the management of the whistleblowing channel, which is described later on in this document, it is also worth noting that no risks related to corruption have materialised in 2020.

In relation to Anti-Money Laundering and Counter-Terrorist Financing, both Banco de Sabadell, S.A. and Banco Sabadell Group have a series of Anti-Money Laundering and Counter-Terrorist Financing Policies in place, approved by the Board of Directors, which establish the principles, critical management parameters, governance structure, roles and responsibilities, procedures, tools and controls applicable in relation to Anti-Money Laundering and Counter-Terrorist Financing (hereinafter, AML/CTF) and which describe the main procedures through which AML/CTF risks should be identified and managed at all levels of the Bank or of the Group. These policies incorporate basic principles (Board of Directors to drive and oversee the adaptation and implementation of the AML/CTF model, Senior Management to drive and lead the implementation and development of the model, independent discharge of AML/CTF duties, effective management and control of AML/CTF, assurance of compliance with regulations, proactive collaboration with competent authorities and coordination and cooperation with other



areas within the Institution). They also include critical management parameters (appointment of a representative to liaise with competent authorities, establishment of a risk appetite in relation to AML/CTF, establishment of criteria and control systems for customer onboarding and correspondent banks, controls for customer identification and KYC, application of due diligence depending on the risk associated with customers or transactions, ongoing monitoring of the business relationship through tracking systems, controls to detect and block terrorist financing and international sanctions, analysis and reporting of suspicious transactions, and specific training plans on AML/CTF, among other things).

Banco de Sabadell, S.A. always follows a policy of strict compliance with AML/CTF regulations, going beyond the requirements of legal standards. As such, in addition to the policies described above, it also has manuals with internal regulations to which all employees are subject, which relate not only to anti-money laundering and counter-terrorist financing, but also to the application of international sanctions, establishing three lines of defence (business and management units, Compliance and Risk Control, and Internal Audit), with a control structure in place comprising an Internal Control Body for matters related to AML/CTF and a technical AML/CTF unit that executes the controls of the second line of defence. The Institution has a communication channel that can be easily accessed by all employees, where they can submit different queries, suggestions or complaints, even anonymously. They can also report breaches, with the assurance that the information they provide will be kept in confidence and that no retaliation will be taken, provided the channel is used in good faith. The Institution's Internal Control Body for matters related to AML/CTF is informed of the management and/or resolution of all of them.

The Bank also pays particular attention to the oversight of loans and accounts held by political parties, by following a very rigorous customer onboarding protocol, and to the controls over any donations and contributions received from third parties. Similarly, the Bank does not make contributions of any kind to political parties, politically exposed persons or related institutions. Likewise, in terms of transparency, all donations to NGOs and foundations are analysed and assessed by the Bank's Sponsorship Committee or by the Board of Trustees of the Foundation, in accordance with the principles laid down in the Bank's social action policy. The accounts of the Banco Sabadell Foundation are also duly audited.

It should also be noted that the Banco Sabadell Group Code of Conduct explicitly provides for the non-acceptance of gifts from customers, as well as the obligation to comply with the provisions of internal regulations with regard to gifts from suppliers, in order to avoid this limiting or otherwise affecting the ability to make decisions.

In light of the exceptional health emergency generated by COVID-19, it is worth noting that the Institution has deemed it essential to extend its control framework in all of the affected areas, additionally identifying crimes that

are considered more likely to be committed as a result of the pandemic. To this end, control plans have been reviewed, additional measures have been implemented and the Regulatory School has intensified its initiatives to strengthen the Bank's compliance culture.

As regards TSB, conduct risk is also a key part of TSB's strategic planning, decision-making, proposition development and performance management processes. Throughout the end-to-end customer journey, it is key to ensure fair treatment of customers, the delivery of fair outcomes and to seek to avoid customer harm.

TSB has Anti-Money Laundering, Anti-Bribery and Corruption and Financial Sanctions Policies. The identification, assessment, management and reporting of conduct risks is the responsibility of each Bank Executive Committee member, with respect to their relevant business areas, as set out in its Statement of Responsibility (SOR) under the United Kingdom's Senior Managers and Certification Regime (SMCR).

TSB promotes an environment of zero tolerance for illicit activities to protect its Partners, customers and communities from financial crime through policies and annual training courses comprising:

- Anti-money laundering and counter-terrorist financing requirements with respect to customer due diligence measures, applicable to different types of customers and in consideration of the geographical, industry and product risk associated with each relationship; enhanced due diligence measures applicable in higher risk situations; and ongoing monitoring controls to ensure that TSB knows and understands its customers throughout the life cycle of the relationship.

TSB designates a Nominated Officer in charge of receiving and submitting suspicious activity reports to the National Crime Agency (NCA) and of ensuring that appropriate controls have been implemented to monitor and manage the investigation into reports of suspicious activities.

- Financial sanctions requirements are in place to ensure compliance with obligations under the UN, EU, UK and US sanctions regimes. TSB takes a prohibitive stance towards transactions and relationships with customers in countries subject to comprehensive international financial sanctions, or of ownership or control by individuals located in such countries.

Partners, customers, suppliers and transactions are screened regularly against relevant sanctions lists and investigated accordingly.

- Anti-bribery and corruption requirements to ensure risk assessment and due diligence practices are in place to assess bribery or corruption exposure via third-party relationships, event sponsorship and charitable donations.

The offer and acceptance of gifts, entertainment and hospitality is permitted, provided these are not seen to be improper or excessive and provided they cannot be viewed as a bribe or potential bribe and as long as they are approved and recorded in accordance with TSB's Compliance, Conflicts of Interest and Market

Abuse Policy. TSB prohibits all activities considered as facilitation payments, political donations or actions which could facilitate tax evasion.

TSB's compliance with requirements of the financial crime framework is monitored via ongoing control testing, assurance, audits, the provision of management information and senior governance committees.

In relation to fraud, TSB stands out in 2020, as it has continued to meet its commitment to refund every TSB customer who has been an innocent victim of fraud, reimbursing over 99% of APP fraud cases, compared to the industry-wide rate of 38%.

In relation to the approach followed to manage the health crisis, TSB has monitored the COVID-19 impact on financial crime prevention policies and procedures throughout 2020, assessing any potential concerns in relation to the proposed changes. Immediately following the lockdown and introduction of government schemes, TSB began to build in a series of additional analytical reports to monitor potential financial crime during the pandemic. Alternative arrangements were also agreed to ensure customers could continue to securely provide identification documents to TSB without the need to visit branches.

On the other hand, the Bank's subsidiary in Mexico has its own Corporate Crime Prevention Programme, which follows the Group model but has been adapted to its own activities and applicable legislation. The aforesaid Programme also identifies corruption-related crimes, for the purpose of their prevention, mitigation and management, and it also provides mandatory training on this subject matter for all staff. In addition, it has a Conceptual Manual for Anti Money Laundering and Counter Terrorist Financing, which mainly aims to establish the measures and procedures that the Bank will carry out in order to prevent, detect and report acts, omissions or operations that could favour or provide any form of help, assistance or cooperation in the perpetration of crimes detailed in Article 139 quater of the Federal Criminal Code or that could be included in the cases listed in Article 400 bis of this legal code.

It also defines policies and establishes the criteria, procedures and standards that must be complied with by all senior managers, representatives, officers and employees of the Bank, as well as all third parties authorised and involved in the customer identification process. The policies and procedures are aimed at protecting the Bank and its staff against any attempt to be used for money laundering or terrorist financing.

## 6.1. Sponsorship, agreements and other social engagement contributions

The Bank takes part in different alliances, forums and initiatives related to the financial sector and in areas that contribute to economic development and society in general, such as research, sustainability, innovation and digital transformation.

In 2020, the amount invested in institutional representation, including the main partnership actions related to sectoral representation, business associations, chambers of commerce and institutions of economic interest, amounted to 2,137,000 euros.

In relation to sponsorship, for which an initial budget had been set at 1,594,000 euros, 1,463,000 euros have been invested, mainly in culture and sport. The only event that did not take place in the end was the cycling tour of the Basque Country, which was cancelled due to the health and safety measures taken to combat COVID-19. Also worthy of note were the changes to the 2020 edition of the Barcelona Open Banc Sabadell Trofeo Conde de Godó, where just 15% of the amount initially earmarked for this event was ultimately used for arrangements to hold the event in a hybrid format, in which players would compete in person and fans would follow the tournament online, this being the largest scheduled event of the year. For 2021, mindful of the circumstances brought about by the pandemic, the Bank has decided to continue sponsoring this tournament, as an act of responsibility and a show of support for the city of Barcelona, in a clear commitment to the city's economic and business activity.

The Banco Sabadell Private Foundation, through its sponsorship actions, carries out the majority of its activities in collaboration with the leading institutions in the sector in order to achieve its objectives in both the cultural and talent spheres, whilst at the same time highlighting the work of other institutions with extensive experience and impact.

In 2020, the Banco Sabadell Private Foundation received 4.1 million euros from Banco Sabadell to carry out its activities. The contributions allocated to each area of activity, and the number of events/initiatives in which it was a collaborating partner, are shown below:

	<b>No. events/initiatives</b>	<b>Amount allocated</b>
<b>Culture</b>	<b>82</b>	<b>1,616,725.19 €</b>
Visual arts and design	29	450,095.99 €
Literature and performing arts	17	400,000.00 €
Music and festivals	23	560,629.20 €
Heritage	12	193,500.00 €
Society	1	12,500.00 €
<b>Talent</b>	<b>83</b>	<b>1,808,135.10 €</b>
Culture	17	271,414.11 €
Training	46	787,570.74 €
Innovation	7	122,000.00 €
Research	13	627,150.25 €
<b>Grand total</b>	<b>165</b>	<b>3,424,860.29 €</b>

\* A single institution can have more than one event/initiative in which the Banco Sabadell Private Foundation is a collaborating partner. As at 31/12/2020, the Foundation had collaborated with a total of 135 institutions.

In terms of its own activities (awards and research grants), the Banco Sabadell Private Foundation gives these directly to the recipients. In 2020, there were a total of 18 recipients, who received a total of 220,000 euros (included in the table)

Every year, the Banco Sabadell Private Foundation publishes its annual report on <https://www.fundacionbancosabadell.com/>

Annual information on <https://www.fundacionbancosabadell.com/fundacion/memoria-2020/>

Additionally and in relation to COVID-19, as an alternative to traditional Christmas celebrations and in order to adhere to the restrictions on movement and social distancing measures imposed by the authorities, Banco Sabadell employees voted on their preferred recipients of a 400,000 euro donation to help those most affected by the pandemic. They voted to split the donation between food banks, Aldeas Infantiles, Cáritas and Cruz Roja (Red Cross).

## 7. Society

# Banco Sabadell mainly steers its commitment to society through the Banco Sabadell Private Foundation, in order to contribute to progress and social well-being, collaborating with leading institutions in the social sector and focusing on the areas of culture and talent.

In 2020, the Board of Trustees of the Banco Sabadell Private Foundation (hereinafter, Banco Sabadell Foundation) approved allocating 3,798,758 euros, of which 3,424,860 euros were eventually invested in partnerships with other institutions, contributing towards actions that pursue the SDGs defined as being priority or additional by Banco Sabadell, thereby promoting work with organisations with extensive experience and broad social impact.

Given the exceptional crisis generated by the COVID-19 pandemic, the Banco Sabadell Foundation has reviewed all of its activity and the events/initiatives in which it has been a collaborating partner to date, providing finance of 260,000 euros for new projects directly related to COVID-19, including affordable youth camps for those struggling financially, the seroprevalence study of the Hospital Parc Taulí, the collaboration with the B-Value programme and the “Reto Futuro” project.

In addition to the Banco Sabadell Foundation, other divisions and subsidiaries of the Bank have also contributed to education and the fight against poverty, through initiatives including corporate volunteering, social housing management and charity fundraising.

### 7.1. Commitment to sustainable development



(SDG 1, SDG 4)

#### 7.1.1. Commitment to education

Banco Sabadell continues to promote and take part in a number of financial education initiatives. By engaging in this type of activity, the Institution aims to not only meet the different training requirements of society in general,

but also to be by their side to help them develop skills and decision-making abilities.

These initiatives are aimed at different target audiences:

For children up to age 13: the children’s drawing competition ‘What is money for?’ (¿Para qué sirve el dinero?), at <http://paraquesirveeldinero.com/>, has been running since 2010 and is aimed at both customers and non-customers of the Institution. It includes a series of educational activities and materials, prepared in cooperation with teachers and educators, to foster the understanding of the importance of saving, the value of money and solidarity.

For the first time this year, the competition has been held exclusively online, in view of the new health recommendations. For each drawing submitted, Banco Sabadell donates 1 euro to a charitable cause. In this edition, donations were made to the online teaching project “Escuelas digitales resilientes” arranged by Ayuda en Acción. By the time this year’s edition of the competition ended on 15 January, 846 drawings had been submitted.

For adolescents: For the eighth consecutive year and since its inception, Banco Sabadell is participating in the Financial Education for Schools in Catalonia (EFEC, for its acronym in Spanish) programme, in which, thanks to the corporate volunteers of the participating institutions, more than 121,998 students have been trained in basic finance.

In this edition, which has been partially held online due to lockdown restrictions imposed in the wake of the pandemic, the programme has been taught in 327 educational centres, and Banco Sabadell has participated with 91 volunteers, contributing with the other partnering institutions to the training of 15,733 young people.

In terms of its version for adults, 14 of the Bank’s volunteers have held 69 workshops in adult schools and correctional institutions. The estimated figures for the “EFEC adultos” programme was 101 centres<sup>2</sup> and 4,894 students.

<sup>2</sup>Although 101 people were enrolled as at 13 March, many of them were unable to attend as centres were closed due to COVID-19.

In relation to the ‘Your finances, Your future’ (Tus finanzas, tu futuro) initiative of the Spanish Banking Association (AEB) and the Junior Achievement (JA) Foundation, in this year’s edition, which was held entirely online, 48 volunteers from the Institution took part, in 24 three-hour programmes.

For entrepreneurs and young talent: another of the Institution’s commitments to society is to support leading universities by offering financial aid and grants to give students access to more educational opportunities, to foster artistic talent among young people and those working in the social sector, through awards and support programmes, and to contribute to excellent research with financial assistance for pre-doctoral students, which is supplementary to other grants.

Through the Banco Sabadell Foundation, young people who are brilliant in their respective disciplines take part in competitions organised by Celera, the only people accelerator that currently exists in Spain, which each year selects 10 exceptional young people to offer them resources, training and opportunities.

The Banco Sabadell Foundation’s Biomedical Research, Economic Research and Scientific Research awards aim to drive forward and recognise the careers of young Spanish researchers who stand out for their excellence and innovation in these three specialties, and they are recognised as the most important awards in their respective fields.

With the same aim of fostering high-quality research, the Banco Sabadell Foundation and CIDOB (Barcelona Centre for International Affairs) have launched the “Global Talent Programme”, which offers a paid research stay and two applied research awards aimed at young researchers.

In 2020, acting on its commitment to education and digitisation, the Banco Sabadell Foundation has launched the “Reto Futuro” project with the Exit Foundation and Imagine, to reduce the digital divide between those with access to new technology and those without, and it has also collaborated in projects such as the Programme for the Development of Innovation Management and Digital Skills organised by the Las Palmas University Foundation (FULP), and the eDuo Exit programme, an educational innovation programme designed to improve the employment prospects of young people from vulnerable populations.

It also takes an active part in collaborations that aim to help university students find employment, such as the University of Murcia’s TOOLBOX project.

For SMEs: as part of its commitment to provide training in internationalisation to small and medium-sized enterprises, Banco Sabadell, in collaboration with AENOR, AMEC, Arola, CESCE, Cofides, Esade and Garrigues, has been promoting the “Export to Grow” (Exportar para crecer) programme since 2012. This programme supports SMEs in their internationalisation process, through online tools, specialised information services and the

organisation of roundtables throughout the country. Within this framework, the International Business Conferences (Jornadas de Negocio Internacional) have been held in 2020, in which more than 6,241 companies have taken part. It is also worth noting that 1,555 companies took part in specific Brexit training sessions on the technical aspects of new customs arrangements and logistics.

The Institution has also held the fourth edition of the Sabadell International Business Program, a university-certified training programme that offers advice to business customers, in which more than 300 companies engaging in international business have taken part. Furthermore, the International Business Newsletter is distributed every month, which contains information about international markets and activity sectors most prone to internationalisation or exports.

In terms of its commitments to training, it is also worth highlighting the arrangements made with Francisco de Vitoria University to launch the first edition of an online expert advice programme, the university-accredited course on ‘Financial advice for religious institutions and non-profit organisations’ and the 2020 edition of ‘The World of Tomorrow’ (El Mundo Que Viene), a series of monthly meetings for all types of companies seeking to keep up with emerging business and social trends, organised together with the Valencian Startup Association (Asociación Valenciana de Startups).

Through *BStartup*, Banco Sabadell has become a leading institution in the industry when it comes to supporting early-stage innovative and technology-based companies. This year, BStartup has taken part in 135 entrepreneurship events, most of which were held online due to the pandemic, focusing on offering solutions to meet the liquidity needs of this sector and explaining the different public support measures put in place. Once again, this year it has taken part in the *Ship2B Impact Forum*, the annual congress of the Ship2B Foundation, creating an ecosystem of startups, companies and investors committed to improving their social and environmental impacts. In this online edition, invested startups *BStartup Inbrain* and Aplanet presented their project along with 33 other impact startups.

BStartup, meanwhile, has once again sponsored Climate Launchpad, the world’s largest green business ideas competition, organised by EIT Climate-KIC and Avaesen, participating as a member of the panel to select the winning idea.

Banco Sabadell’s subsidiary in Mexico, in partnership with the International Finance Corporation (IFC), also designed snippets of information to encourage sustainable banking projects aimed at companies and corporate clients.

For families/society: bringing culture closer is another lever of social commitment, acted on through the joint promotion, together with flagship cultural centres, of exhibitions and performing arts productions with differential value that contribute to a more informed society. Particular note should be taken of the following:

'Atempo, arts i formació', a project supported by the Banco Sabadell Foundation, which aims to forge links between the educational world and the artistic world, training professionals from both sectors and making it easier for young people to take an active part in cultural life, as well as fostering innovative processes.

It is also worth highlighting the ConectArte Conferences, held in collaboration with SONAR+D, to put partnering cultural institutions in touch with each other, as well as projects such as Imagine Express, the Entrepreneurship and Leadership Programme of the Reina Sofia School of Music for young classical musicians, and the B-Value Social Innovation Programme. The Foundation has collaborated in an artistic project together with the Amigos del Teatro Real Foundation, in order to offer professional opportunities to young students of the Reina Sofia School of Music. It has also supported the Dentre

Cine artistic education project aimed at young people from vulnerable populations, with the dual aim of giving them practical and film language training and providing them with tools for dialogue.

On the other hand, through the Bank's digital channels and during the 9 months following the outbreak of the pandemic, the Institution has held more than 250 internal and external events for training purposes, such as support webinars, video shorts and online sessions, including 65 online training webinars organised by Sabadell Business Hub, and for the purpose of supporting those receiving the training in matters such as cybersecurity and digitisation, distributing specific content related to the measures put in place by the Institution at this difficult time (ICO loans, mortgage payment holidays, advances of redundancy pay or pensions).

## 7.1.2. Solidarity

Banco Sabadell puts the talent of its employees at the disposal of those who need it the most, thus reinforcing its commitment to building a better, more sustainable world, paying particular attention to vulnerable groups.

### Cooperation with voluntary service and solidarity

More than 600 volunteers have contributed to the social causes promoted by the Bank and/or its Foundation. This is triple last year's number.

This year, amidst extremely complex circumstances, more than 600 volunteers have contributed to the social causes promoted by the Bank and/or its Foundation. This is triple last year's number.

The initiatives and cooperation and solidarity programmes carried out include:

- Supporting non-profit organisations taking part in the B-Value social innovation programme, which aims to help disadvantaged groups and those at risk of social exclusion.

Since the first edition of B-Value in 2017, the Banco Sabadell Foundation has given out different economic awards to the winning participating entities. These awards help them to continue with their projects and gives visibility to the causes that they support, putting

the spotlight on talent and teamwork. The Foundation also offers opportunities for the Bank's employees to volunteer as mentors. This year, 63 employees enrolled in a senior manager training course have supported these entities in developing their social impact and innovation projects.

- The Banco Sabadell Foundation has also taken part in the Impulsa Cultura Programme, an annual training and support plan offered free of charge by the Catalunya Cultura Foundation to 30 cultural projects in the region. 10 of the Bank's senior managers have also taken part as mentors in this year's edition.

- In 2020, the Banco Sabadell Foundation, together with the Imagine Creativity Centre and the Exit Foundation, has co-created the social entrepreneurship programme

'Reto Futuro', a programme aimed at vulnerable young people that gives them access to educational content, technology tools and support from mentors to allow them to have an experience that will prepare them for a future that they themselves have created. 12 volunteers from the Bank have taken part by coaching young people, along with other educators and facilitators.

- To meet the potential needs of social entities arising as a result of the crisis caused by the lockdown measures taken to combat COVID-19, the Banco Sabadell Foundation put into motion a Support Plan for Social Entities, in which 19 of the Bank's employees with

experience in other mentoring programmes shared their experience with these social entities in areas such as marketing, finance, communication and customer experience.

- Also in response to the COVID-19 crisis, 31 Banco Sabadell employees took part in the #NingúnMayor-Solo initiative promoted by DKV together with Spain's Psychology Council (Consejo General de la Psicología de España) and the Spanish Society of Geriatrics and Gerontology (Sociedad Española de Geriátría y Gerontología), offering telephone support for lonely elderly people during the pandemic.

## Through Sabadell Life, a consolidated internal portal in place since 2016 and which has over 11,500 users, the Bank and its employees have the possibility of proposing charitable and/or volunteering initiatives.

Banco Sabadell also continuously encourages employees to engage in community and volunteer work by providing them with the necessary means and resources. Through Sabadell Life, an internal portal in place since 2016 and which has more than 11,500 users, the Bank and its employees can put forward proposals for charity and/or volunteering initiatives. This way, the more community-minded employees can either donate directly or exchange their prizes for donations, using gamification, in order to contribute to one of the charitable causes sponsored by the portal, together with Worldcoo, through the Actitud Solidaria platform.

In 2020, employees have responded effectively to several calls for emergency aid linked to the pandemic through Worldcoo's IT platform, through which three campaigns have been launched, selected by the employees themselves, to help those most severely affected: Save the Children, Cáritas and Aldeas Infantiles SOS have been the beneficiaries of these campaigns.

As an alternative to traditional Christmas celebrations and in order to adhere to the restrictions on movement and social distancing measures imposed by the authorities, Banco Sabadell employees decided to donate 400,000 euros to four social entities devoted to helping those most affected by the pandemic. A company-wide vote was held in which employees voted to split this donation between food banks, Aldeas Infantiles, Cáritas and Red Cross (Cruz Roja).

In 2020, Banco Sabadell's Ethical Committee, which raises funds for charitable endeavours through the investment fund Sabadell Inversión Ética y Solidaria, IF, has selected a total of 28 humanitarian projects to receive financial aid, most of which aim to reduce risks of social

exclusion, meet basic needs and improve people's living conditions. A total of 351,309 euros have been given to these beneficiary entities.

In relation to charitable donations, 712 contactless donation boxes installed through Project DONE have been used to help different charities and social entities, both religious and non-profit, thus channelling economic funds used to meet the needs brought about by the effects of the pandemic.

Our UK subsidiary TSB also works to support local communities. Since 2015, it has raised over 3.5 million pounds for local causes. COVID-19 has brought about significant challenges for communities across the country.

- In 2020, TSB launched the TSB Charity Partnership programme, designed in line with the bank's corporate strategy, which aims to support 68 charities across Britain, all of whom carry out crucial work in the communities that TSB serves to support those struggling due to health reasons, financial difficulties, vulnerability, mental health issues or cancer.
- TSB Fundraising Hub was launched in October 2020, powered by the JustGiving crowdfunding platform. It brings together all of the charities supported by the organisation on one platform and enables TSB employees and customers to donate online.
- TSB entered into a new partnership with Citizens Advice, donating 250,000 pounds to Citizens Advice and Citizens Advice Scotland to help them continue their work of providing support and advice to those that need it most. It has also launched a new volunteering initiative, matching TSB colleague skills and Citizens Advice team skills gaps.



In the case of our subsidiary in Mexico, support for the pandemic that broke out this year was two-fold: direct donations were made, on one hand, to projects organised by private assistance institutions and, on the other hand, to other projects designed to support the country's economic revival. In terms of the former, it supported the #Nopodemospasar campaign organised by the Quiera Foundation, which together with the ABC Hospital Foundation donated 1 million Mexican pesos for the purchase of medical equipment and PPE for the COVID-19 unit of the Observatorio campus. In terms of the latter, it supported the economic recovery of vulnerable groups that earn their income through sales or direct services by taking part in the CanastaXMéxico programme, an initiative that garnered support from collaborators, ultimately helping 16,840 families.

Lastly, it is important to note that, in relation to housing management, the Bank has assigned 111 properties to 45 non-profit institutions and/or foundations, aimed at supporting the most disadvantaged social groups, and since 2013 it has been contributing to the Social Housing Fund (Fondo Social de la Vivienda, or FSV) with 400 homes mostly for customers, obtained from payments in kind or foreclosures.

## Social integration

The Banco Sabadell Foundation collaborates in projects aimed at social integration, such as Balía Foundation's 'Conecta Mayores-Conecta Jóvenes', which unites two different generations in order to break down stereotypes and eliminate the digital divide between young people and adults. It has also sponsored the Dentro Cine, Horagai and Lart taller de música art education projects, aimed at providing vulnerable young people with practical, film language and artistic training whilst also giving them tools for dialogue and integration.

In the same vein, the Entrepreneurship and Leadership Programme of the Reina Sofia School of Music is also worth highlighting. Through it, young classical musicians create innovative projects, many of which are aimed at the social sector, in order to take classical music to groups at risk of social exclusion. Likewise, as mentioned previously, the Foundation has promoted the social entrepreneurship programme Reto Futuro, which aims to give vulnerable young people the opportunity to access training and experience personal growth, through educational content, accessible technology tools and the support of mentors.

In relation to programmes that use the Bank's employees' knowledge and experience to help vulnerable sectors and/or those at risk of social exclusion, particular note should be taken of the Exit Foundation's Project Coach, a corporate volunteer scheme that seeks to improve the employability of young people from vulnerable groups, in which 27 mentors from the Bank have taken part online, as well as the 'Ace your job interview' ('Triunfa en tu entrevista de trabajo') programme, arranged together with the Quiero Trabajo Foundation, which aims to help

vulnerable young women prepare for job interviews, empowering them and improving their self-esteem. 52 of the Bank's employees have mentored the women taking part in the programme, 80% of whom attended a job interview and 65% of whom were hired.

In relation to integration and employability projects, one particularly worthy of note is the JoBS programme of Sogeviso, an institution wholly owned by Banco Sabadell, which manages the complex issue of social housing. Since the start of the specific programme designed to offer support and improve the employment prospects of vulnerable mortgage borrowers (JoBS), 2,250 people have found work; of these, over 53% were hired for more than 100 days and more than 23% were hired for long-term positions, after having received training, coaching and interview practice.

## Medical research and health

In addition to the three Awards for Biomedical, Economic and Scientific Research, the Banco Sabadell Foundation also supports scientific research through programmes promoted by flagship institutions in the sector. For example, its membership of the Board of Trustees of BIST (Barcelona Institute of Science and Technology) has helped it to promote the Science and Engineering Award. Other noteworthy endeavours include programmes such as "Intensifica't al Taulí" promoted with the Parc Taulí Hospital in Sabadell to give scientists the opportunity to dedicate 12 months of their time to their lines of research, and the research grants awarded to students at San Jorge University in Zaragoza.

Another of the flagship research institutions with which the Banco Sabadell Foundation collaborates is the National Cancer Research Centre (CNIO, for its acronym in Spanish), which organises conferences to disclose the latest news about the most significant advances made in cancer research. Since 2018, the Banco Sabadell Foundation has been part of SciTech DiploHub, the Barcelona Science and Technology Diplomacy Hub, a non-profit, independent and non-partisan civil initiative led by an international team of scientists, engineers and professionals. The Foundation is committed to paving the way to make Barcelona the first city in the world to implement a science and technology diplomacy strategy.

This year, it is particularly important to note that the Banco Sabadell Foundation has collaborated in the first seroprevalence study on COVID-19 carried out by the Parc Taulí Hospital in Sabadell. This is a ground-breaking study into the immune response among the hospital's medical staff and a large group of patients, as well as in the wider population. In the same vein, note should be taken of the Back on Track project, an independent clinical trial that seeks to validate rapid testing as a strategy that can be used to hold concerts or other in-person events in a way that is safe but does not require social distancing.

BanSabadell Vida and BanSabadell Seguros Generales have also contributed to research into COVID-19, by

donating 75,000 euros to finance part of the technological infrastructure of 9 biobanks required to conduct scientific research into vaccines against COVID-19.

Lastly, this year saw the third edition of BStartup Health, a programme designed to support health projects and in which invested funds are primarily used to validate technology, research and business. This year's edition ended with record levels of participation, with 146 enrolled startups, from which 4 projects were selected. Each of these will receive an investment of 100,000 euros and will benefit from a support and mentoring programme.

## Economic development

It is worth highlighting the 2020 Economic Research Award, given for research into the strategic decisions made by companies and how these contribute to their export performance and their capacity for innovation.

## 7.2 Consumers, outsourcing and suppliers



(SDG 5, SDG 8, SDG 13)

### 7.2.1. Consumers

In Spain, Banco Sabadell has a Customer Care Service (SAC, for its acronym in Spanish) which deals with complaints and claims. Customers and users may also appeal to the Customer Ombudsman, an independent body of the Institution that has the authority to resolve any issues referred to it, both in the first and second instances. Decisions by the Customer Care Service or the Ombudsman are binding on all the Bank's units.

The SAC, in accordance with its Regulations, handles and resolves complaints and claims from customers and users of Banco de Sabadell, S.A., as well as those deriving from other entities associated with it: BanSabadell Financiaci3n, E.F.C., S.A., Sabadell Asset Management, S.A., S.G.I.I.C. Sociedad Unipersonal, Urquijo Gestic3n, S.G.I.I.C, S.A. and Sabadell Consumer Finance, S.A.U.

The Customer Care Service and its head, who is appointed by the Board of Directors, report directly to the Secretary General. Its main function is to handle and resolve complaints and claims brought forward by customers and users of the financial services of the Bank and its associated entities, under the principles of transparency, impartiality, effectiveness, coordination, speed and security.

Up to 31 December 2020, a total of 42,534 complaints and claims were received, of which 3,048 were complaints (7.17%) and 39,486 were claims (92.83%), in addition to a further 778 cases that were pending as at 31 December 2019. Of this total, 42,169 were processed in 2020,

of which a total of 33,449 were accepted for processing and resolved, 8,720 were declined and 1,143 remained pending.

For more details, see Note 42 to the consolidated annual financial statements for 2020.

In the case of TSB, if we use the figure for the year up to December 2020, the number of recorded complaints, claims and other communications is 75,326 (approximately 75,000). The volume recorded during the same period in 2019 was 98,125 (approx. 98,000) and, therefore, 2020 represents a 23% reduction (22,799 or approx. 23,000) on these figures. The decrease is primarily related to improvements made to customer journeys and improvements to system stability. Of the total number of complaints, claims and other communications recorded in 2020, a total of 74,305 (99%) were resolved before the end of the year, 31 December 2020.

### 7.2.2. Outsourcing and suppliers

The new challenges of competition require cooperative behaviour between the Group and its suppliers, considering the latter as strategic partners and collaborators through which we also interact within and outside the region in which we operate.

In order to establish this long-term cooperation, it is necessary to understand the needs and goals of suppliers, maintaining a willingness to honour commitments and making them compatible with the Group's requirements and vision. Based on this principle, the Bank has a Supplier Policy, as well as several protocols and standards through which it extends to the supply chain both its own commitment to socially responsible practices and the explicit advocacy of the areas of human rights, labour, environment and freedom of association. These mechanisms cover the entire relationship with suppliers and include the monitoring of environmental, social and governance (ESG) criteria from their approval through to the procurement process.

In 2020, the top 20 suppliers represented 51.13% of all supplier invoicing. Other noteworthy aspects are included in the following table:

	2020	2019	2018
Total number of suppliers who have invoiced more than 100,000 euros at year-end	557	520	595
% of major <sup>1</sup> suppliers and providers of essential services <sup>2</sup> (out of total suppliers)	5%	2.11%	2.35%
Total number of approved suppliers	1,043	831	740
Amount invoiced by special employment centres	€2.9m	€2.8m	€2.3m
Average time taken to pay suppliers (days payable outstanding) <sup>3</sup>	30.13	37.28	32.89

These figures exclude those relating to brokerage, securities firms, subsidiaries, duties and taxes, pension funds, homeowners' associations, SOCIMIs (REITs) and rental of premises.

<sup>1</sup> Suppliers invoicing more than 250,000 euros

<sup>2</sup> According to the criteria of the EBA/GL/2019/02 Guidelines

<sup>3</sup> Average time taken to pay suppliers (days payable outstanding), based on consolidated entities located in Spain. Information included in Note 21 "Other financial liabilities" to the consolidated annual financial statements for 2020.

Data as at end December 2020.

## Registration and approval of suppliers

The Bank has an online portal where suppliers who wish to register must accept the General Contract Conditions, as well as the Code of Conduct for Suppliers, which includes:

- The United Nations Universal Declaration of Human Rights.
- International Labour Organization conventions.
- United Nations Convention on the Rights of the Child.
- The principles of the United Nations Global Compact, signed by the Bank in February 2005, in the areas of human rights, labour, environment and freedom of association.

In order to proceed with the approval process, suppliers must provide their legal documentation, financial information, quality certificates, proof that they are up to date with their social security payments and tax obligations, as well as their CSR/sustainability policy. Accordingly, ISO certifications (ISO 9001, ISO 14001 and other certificates related to quality, environmental management, labour relations and occupational hazard prevention or similar) are requested, as well as disclosures of information related to the company's corporate social responsibility and/or sustainability. In addition, details of the characteristics of the products made available to the Bank by the supplier (recycled, ecological and reusable products) may also be requested.

Banco Sabadell carries out audits of its suppliers, periodically checking that the documentation provided by suppliers is fully up-to-date to ensure compliance with supplier approval criteria, and establishing mechanisms for sending periodic alerts. On the other hand, in relation to information security, specific audits are carried out depending on the inherent risk of the supplier, which include social and environmental aspects. In 2020, due to COVID-19, these audits have taken place remotely.

## Contracts and supervision

The Bank maintains final control over the activities carried out by suppliers, ensuring that outsourcing does not entail any obstacle or impediment to the implementation of internal control models or the intervention by the supervisor or any other competent supervisory authority or body.

Furthermore, the Bank ensures compliance with the laws and regulations applicable at any given time. Contracts should stipulate the ability to require suppliers to adapt their activities and service level agreements to these regulations.

In relation to the Bank's response to the health crisis (more details in the Directors' Report, "Banco Sabadell Response to the COVID-19 health crisis"), measures are put in place in relation to critical suppliers. These measures mainly considered the criticality of suppliers in order to focus (on a fortnightly basis or more frequently) on elements that might jeopardise service continuity. Among the most important measures is the establishment of a dashboard to assess the level of criticality of suppliers and to evaluate: (i) the degree to which services are affected, (ii) compliance with SLAs, or (iii) the response capacity.

Supplier recruitment in the international network is decentralised, hiring only local suppliers and affecting only products for the sole use by the relevant branch or office in its daily activities. The hiring of local suppliers (those whose tax identification number coincides with the country of the company receiving the goods or services) contributes to the economic and social development of the regions in which the Group operates.

Moreover, in relation to the supplier approval process of the UK subsidiary TSB, the Bank carries out its overall supplier due diligence as part of its selection process and before contractual terms are agreed. Supplier due diligence checks include financial due diligence, policy due diligence, subcontractors' management and financial crime. A supplier's corporate social responsibility is assessed as part of the policy due diligence process. TSB assesses suppliers' CSR as part of the supplier approval process. There are three key areas in the assessment,

which includes more than 20 questions that the supplier must answer:

- Responsible company: it assesses whether the supplier has a documented CSR policy, a community engagement policy and what kind of charitable and volunteer activities are carried out.
- Labour standards: it assesses whether the supplier has a labour standards policy which includes slavery, whistleblowing and internal audits.
- Environment: it assesses whether the supplier has an environmental policy, including ISO 14001 Certification, its environmental records and its environmental improvement plans.
- Details of the supplier questionnaire are included in TSB's Policy Due Diligence Tool.

TSB has been monitoring its supply chain closely during the COVID-19 pandemic and its supply base has proven to be largely resilient. Regular reporting on its higher risk suppliers was in place during the height of the pandemic and its supplier management teams remain alert with their supplier portfolios, particularly those whose industries, countries and regions are more exposed to COVID-19 risks and impacts.

The basic contract with suppliers includes clauses on safeguarding human rights and abiding by the ten principles of the United Nations Global Compact with regard to human rights, labour, the environment and anti-corruption. Where required due to the activity involved, contracts also include environmental clauses.

## Annex 1.

### Corporate standards and institutional commitments

Beyond the actions and initiatives summarised in this Non-Financial Disclosures Report, Banco Sabadell has a series of codes, policies and standards in place which determine its commitment to the Group's corporate purpose, and it is also a signatory of various national and international agreements which also enshrine this commitment. The policies and commitments listed below are those corresponding to the Institution's non-financial areas and they are available on the website.

### Non-financial principles and policies



(SDG 17)

- Code of Conduct: this applies to all persons who directly form part of the Group, whether through a professional association or through their membership of its governing bodies.
- Internal Code of Conduct relating to the securities market.
- Code of Conduct for Suppliers.
- Sustainability Policy
- Anti-Corruption Policy
- Banco Sabadell Group Policy on restrictions on financing and investment in activities associated with the arms industry.
- Ethics and Human Rights Policy.
- Shareholders and Investors Policy.
- Customers Policy.
- Human Resources Policy.
- Environmental Policy.
- Suppliers Policy.
- Social Action Policy.
- Banco Sabadell Group Remuneration Policy.
- Banco Sabadell Equality Plan.
- Guidance for the use of social media.
- Tax Strategy and Good Taxation Practices:
  - Tax Strategy.
  - Tax Liability and Good Taxation Practices.

### Pacts, agreements and commitments



(SDG 5, SDG 13, SDG 17)

- Signatory of the United Nations Global Compact on human rights, labour, the environment and anti-corruption.
- Founding signatory of the UNEP Finance Initiative (UNEP FI) Principles for Responsible Banking, committing to strategically align its business with the Sustainable Development Goals and the Paris Agreement on Climate Change.
- Has undertaken the collective commitment of Spanish banks to climate action.
- Adheres to the United Nations Principles for Responsible Investment.
- Signatory of the Equator Principles, which incorporate social and environmental criteria in the funding of large-scale projects and corporate loans.
- Adheres to the Task Force on Climate-related Financial Disclosures (TCFD).
- Member of the Spanish Observatory of Sustainable Financing (Observatorio Español de la Financiación Sostenible - OFISO)
- Renewed membership of the agreement signed between the Spanish Banking Association (AEB), the Spanish Securities Market Commission (CNMV) and the Bank of Spain for the pursuit of courses of action within the framework of the National Plan for Financial Education.
- Signatory of the Code of Good Banking Practice.
- Member of AUTOCONTROL (the independent advertising self-regulatory organisation in Spain).
- Awarded the Gold Seal of Excellence from the European Foundation for Quality Management (EFQM).
- ISO 14001 Certification for the six corporate buildings.
- Signatory of the Carbon Disclosure Project (CDP) for action against climate change.
- Awarded the “Equality in the Workplace” (“Igualdad en la Empresa”) Seal of Distinction by the Ministry of the Presidency, Relations with the Courts and Equality.
- Integrated CSR into corporate practices following ISO 26000 guidelines.

## General Disclosures

		Response/page	GRI Disclosure Number	GRI Description
<b>Business model</b>	Brief description of the Group's business model	DR 1.1 Organisational structure	102-2	Activities, brands, products and services
			102-7	Scale of the organisation
	Markets in which it operates	DR 1.1 Organisational structure DR 1.2 Business model, main objectives achieved and actions implemented	102-3 102-4 102-6	Location of headquarters Location of operations Markets served
<b>Business model</b>	Organisation's objectives and strategies	DR 1.1 Organisational structure DR 1.2 Business model, main objectives achieved and actions implemented	103-2	The management approach and its components
		1.1. Vision 1.2. Sustainable Finance Plan 1.3. Governance 2.1. Sustainable finance 2.1.8. Social housing management 2.2. Risk assessment with ESG criteria 2.2.2. Task Force on Climate-related Financial Disclosures (TCFD) 2.4. Transparency and digitalisation 3.2. SmartWork: the response to COVID-19, example of commitment and resilience 3.5. Remuneration policy 3.6. Workplace environment and organisation 4. Environment 5. Information regarding human rights 6. The fight against corruption and bribery 7. Society Annex 1 - Corporate standards and institutional commitments		
	Key factors and trends that could affect its future performance	2.2. Risk assessment with ESG criteria 2.2.1. Equator Principles 2.2.2. Task Force on Climate-related Financial Disclosures (TCFD) DR.6 Risks	102-15	Key impacts, risks and opportunities
<b>General</b>	Reporting <i>framework</i>	1. Introduction	102-54	Claims of reporting in accordance with the GRI Standards
	Materiality principle	1.3. Materiality	102-46 102-47	Defining report content and topic boundaries List of material topics
<b>Management approach</b>	Description of applicable policies	1.1. Vision 1.2. Sustainable Finance Plan 1.3. Governance 2.1. Sustainable finance 2.1.8. Social housing management 2.2. Risk assessment with ESG criteria 2.2.2. Task Force on Climate-related Financial Disclosures (TCFD) 2.4. Transparency and digitalisation 3.2. SmartWork: the response to COVID-19, example of commitment and resilience 3.5. Remuneration policy 3.6. Workplace environment and organisation 4. Environment 5. Information regarding human rights 6. The fight against corruption and bribery 7. Society Annex 1 - Corporate standards and institutional commitments	103-2	The management approach and its components

## General Disclosures

		Response/page	GRI Disclosure Number	GRI Description
<b>Management approach</b>	Results of those policies	2.1.1. Sustainable investment 2.1.2. Sustainability bonds issuance 2.1.3. Sustainable financing - CIB (Corporate & Investment Banking) 2.1.4. Credit facilities with multilateral banks 2.1.5. Funding solutions for SMEs and individuals 2.1.6. Support for corporates and SMEs 2.1.7. Sustainable savings and responsible investment solutions 2.1.8. Social housing management 2.2. Risk assessment with ESG criteria 2.2.1. Equator Principles 2.2.2. Task Force on Climate-related Financial Disclosures (TCFD) 3.1. Workforce information 3.3.1. Talent management model 3.6.2. Health and safety 4.1. CO <sub>2</sub> emissions; 4.3. Sustainable use of resources 7. Society	103-2	The management approach and its components
	The main risks related to these matters linked to the Group's activities	2.2. Risk assessment with ESG criteria 2.2.1. Equator Principles 2.2.2. Task Force on Climate-related Financial Disclosures (TCFD) DR.6 Risks	102-15	Key impacts, risks and opportunities

## Environmental matters

		Response/page	GRI Disclosure Number	GRI Description
<b>Environmental management</b>	Detailed information about the current and foreseeable effects of the company's activities on the environment and, where applicable, on health and safety	4. Environment (Introduction) 2.2. Risk assessment with ESG criteria 2.2.2. Task Force on Climate-related Financial Disclosures (TCFD) 4.1. CO <sub>2</sub> emissions 4.3. Sustainable use of resources	102-15	Key impacts, risks and opportunities
	Environmental assessment or certification procedures	4.3. Sustainable use of resources	103-2	The management approach and its components
	Resources dedicated to environmental risk prevention	4. Environment (Introduction) 2.2. Risk assessment with ESG criteria 2.2.2. Task Force on Climate-related Financial Disclosures (TCFD)	103-2	The management approach and its components
	Application of the precautionary principle	4. Environment (Introduction) 2.2. Risk assessment with ESG criteria 2.2.2. Task Force on Climate-related Financial Disclosures (TCFD) 4.1. CO <sub>2</sub> emissions; 4.3. Sustainable use of resources	102-11	Precautionary principle or approach
	Amount of provisions and guarantees for environmental risks	2.2. Risk assessment with ESG criteria 2.2.2. Task Force on Climate-related Financial Disclosures (TCFD)	103-2	The management approach and its components
<b>Pollution</b>	Measures to prevent, reduce or be mindful of carbon emissions that severely affect the environment; taking into account any form of atmospheric pollution caused by a specific activity, including noise and light pollution.	Banco Sabadell considers this to be a material topic purely because of its indirect contribution through finance and investment.  2.1 Sustainable finance 2.1.2. Sustainability bonds issuance 2.2.1. Equator Principles	103-2	The management approach and its components
<b>Circular economy and waste prevention and management</b>	Measures on the prevention, recycling, reuse and other forms of recovery and disposal of waste	4.2. Circular economy and waste prevention and management	103-2 306-2 (2020) in relation to generation of hazardous and non-hazardous waste	The management approach and its components Management of significant waste-related impacts
	Actions to combat food waste	Banco Sabadell does not consider this topic to be material in relation to its activity	103-2	The management approach and its components



## Environmental matters

		Response/page	GRI Disclosure Number	GRI Description
<b>Sustainable use of resources</b>	Water consumption and water supply in accordance with local restrictions	4.3. Sustainable use of resources	303-5 (2018) in relation to total water consumption	Water consumption
	Consumption of raw materials and measures adopted to make their use more efficient	4.3. Sustainable use of resources	301-1	Materials used by weight or volume
	Direct and indirect energy consumption	4.3. Sustainable use of resources	302 -1 in relation to consumption of energy from non-renewable sources	Energy consumption within the organisation
	Measures taken to improve energy efficiency	4.3. Sustainable use of resources	103-2 302-4	The management approach and its components Reduction of energy consumption
	Use of renewable energies	4.3. Sustainable use of resources	302-1 in relation to consumption of energy from renewable sources	Energy consumption within the organisation
<b>Climate change</b>	Greenhouse gas emissions generated as a result of the company's activities, including the use of the goods it produces and the services it provides	4.1. CO <sub>2</sub> emissions	305-1 305-2 305-3 305-4	Direct (Scope 1) GHG emissions Energy indirect (Scope 2) GHG emissions Other indirect (Scope 3) GHG emissions GHG emissions intensity
	Measures adopted to adapt to the consequences of climate change	4.1. CO <sub>2</sub> emissions	103-2 201-2	The management approach and its components Financial implications and other risks and opportunities due to climate change
	Voluntary reduction targets established for the medium and long term to reduce greenhouse gas emissions and the measures implemented for such purposes	4.1. CO <sub>2</sub> emissions	305-5 in relation to greenhouse gas emissions	Reduction of GHG emissions
<b>Protection of biodiversity</b>	Measures taken to preserve or restore biodiversity	Banco Sabadell considers this to be a material topic purely because of its indirect contribution through finance. 2.2.1. Equator Principles	103-2	Habitats protected or restored
	Impacts caused by activities or operations in protected areas	Banco Sabadell considers this to be a material topic purely because of its indirect contribution through finance. 2.2.1. Equator Principles	103-02 304-2	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas Significant impacts of activities, products and services on biodiversity

## Corporate and staff-related matters

		Response/page	GRI Disclosure Number	GRI Description
<b>Employment</b>	Total number and breakdown of employees by country, gender, age and professional category	3.1. Workforce information 3.4.1. Gender	102-8 405-1	Information on employees and other workers Diversity of governance bodies and employees
	Total number and breakdown of types of employment contract	3.1. Workforce information	102-8	Information on employees and other workers
	Annual average by type of contract (permanent, temporary or part-time) and by gender, age and professional category	Banco Sabadell's activities are not linked to any significant seasonality. For this reason, the changes between data as at 31 December and data averages are not material.	102-8	Information on employees and other workers
	Number and breakdown of dismissals by gender, age and professional category	3.1. Workforce information	103-2	The management approach and its components
	Average remuneration and its evolution, broken down by gender, age and professional category or its equivalent	3.5. Remuneration policy	103-2 405-2 in relation to ratio of remuneration of women to men, by professional category	The management approach and its components Ratio of basic salary and remuneration of women to men
	Average remuneration of directors and senior managers, including variable pay, subsistence allowances, severance pay, payments into long-term retirement plans or any other amounts received, broken down by gender	3.5. Remuneration policy	103-2 405-2 in relation to ratio of remuneration of women to men, by professional category	The management approach and its components Ratio of basic salary and remuneration of women to men
	Pay gap	3.5. Remuneration policy	103-2 405-2 in relation to ratio of remuneration of women to men, by professional category	The management approach and its components Ratio of basic salary and remuneration of women to men
	Implementation of policies safeguarding employees' right to disconnect	3.2.4. Work-life balance and flexibility measures	103-2	The management approach and its components
<b>Workplace organisation</b>	Employees with disabilities	3.4.2. Disabled persons	405-1	Diversity of governance bodies and employees
	Organisation of working hours	3.2. SmartWork: the response to COVID-19, example of commitment and resilience 3.6. Workplace environment and organisation 3.6.1. Work-life balance 3.6.2. Health and safety 3.6.3. Trade union rights and right of association	103-2	The management approach and its components
	Number of hours of employee absence	3.6.2. Health and safety	403-9 (2018) in relation to absentee hours	Work-related injuries
	Measures aimed at facilitating the achievement of a work-life balance and encouraging the equal enjoyment of such measures by both parents	3.6.1. Work-life balance	103-2	The management approach and its components

## Corporate and staff-related matters

		Response/page	GRI Disclosure Number	GRI Description
<b>Health and safety</b>	Health and safety conditions in the workplace	3.2. SmartWork: the response to COVID-19, example of commitment and resilience 3.6.2. Health and safety	103-2 403-1 (2018) 403-2 (2018) 403-3 (2018)	The management approach and its components Occupational health and safety management system Hazard identification, risk assessment, and incident investigation Occupational health services
	Workplace accidents, in particular their frequency and severity, broken down by gender	3.6.2. Health and safety	403-9 (2018) in relation to work-related injuries	Work-related injuries
	Occupational illnesses, broken down by gender	Social Security does not define any occupational illnesses in the banking sector.	403-10 (2018) in relation to work-related ill health	Work-related ill health
<b>Workplace relations</b>	Organisation of social dialogue, including procedures for informing and consulting with staff and for negotiating with them	3.6.3. Trade union rights and right of association	103-2	The management approach and its components
	Percentage of employees covered by a collective bargaining agreement, by country	3.6.3. Trade union rights and right of association	102-41	Collective bargaining agreements
	Status of collective bargaining agreements, particularly in relation to occupational health and safety.	3.6.3. Trade union rights and right of association	403-4 (2018)	Worker participation, consultation, and communication on occupational health and safety
<b>Training</b>	Policies implemented in relation to training	3.3. Commitment to talent	103-2 404-2	The management approach and its components Programs for upgrading employee skills and transition assistance programs
	Total hours of training, broken down by professional category	3.3.1. Talent management model	404-1 in relation to average hours of training, by employee category	Average hours of training per year per employee
<b>Accessibility</b>	Integration and universal accessibility for people with disabilities	3.4.2. Disabled persons	103-2	The management approach and its components
<b>Equality</b>	Measures adopted to promote equal treatment and opportunities between men and women	3.4. Diversity 3.4.1. Gender	103-2	The management approach and its components
	Equality Plans (Chapter III of Organic Law 3/2007, of 22 March, on effective equality between men and women)	3.4.1. Gender	103-2	The management approach and its components
	Measures adopted to promote employment, protocols against sexual abuse and sexual harassment	3.4. Diversity 3.4.1. Gender	103-2	The management approach and its components
	Policy against all forms of discrimination and, where applicable, gender diversity management	3.4. Diversity 3.4.1. Gender	103-2	The management approach and its components

## Disclosures on respecting human rights

		Response/page	GRI Disclosure Number	GRI Description
<b>Human rights</b>	Application of due diligence procedures in relation to human rights, prevention of risks of human rights violations and, where applicable, measures to mitigate, manage and redress any such violations	Banco Sabadell foresees no direct risk inherent in this topic.	102-16 102-17	Values, principles, standards, and norms of behaviour Mechanisms for advice and concerns about ethics
		5. Information regarding human rights No reports have been made in relation to human rights in 2020.		
	Reported human rights violations	No reports have been made in relation to human rights in 2020.  5. Information regarding human rights	103-2 406-1	The management approach and its components Incidents of discrimination and corrective actions taken
	Advocacy of, and compliance with, the provisions of fundamental conventions of the International Labour Organisation related to safeguarding the freedom of association and the right to collective bargaining; elimination of workplace discrimination and job discrimination; elimination of forced or compulsory labour; effective abolition of child labour	5. Information regarding human rights	103-2 407-1 408-1 409-1	The management approach and its components Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk Operations and suppliers at significant risk for incidents of child labour Operations and suppliers at significant risk for incidents of forced or compulsory labour

## Information regarding the fight against corruption and bribery

		Response/page	GRI Disclosure Number	GRI Description
<b>Corruption and bribery</b>	Measures adopted to prevent corruption and bribery	6. The fight against corruption and bribery	103-2	The management approach and its components
			102-16	Values, principles, standards, and norms of behaviour
			205-2	Mechanisms for advice and concerns about ethics
			205-3	Communication and training about anti-corruption policies and procedures
				Confirmed incidents of corruption and actions taken
	Measures to combat money laundering	6. The fight against corruption and bribery	103-2	The management approach and its components
			102-16	Values, principles, standards, and norms of behaviour
			205-2	Mechanisms for advice and concerns about ethics
			205-3	Communication and training about anti-corruption policies and procedures
				Confirmed incidents of corruption and actions taken
	Contributions to foundations and non-profit organisations	6.1.1. Sponsorship, agreements and other social engagement contributions	102-13	Membership of associations
		2.1.7. Sustainable savings and responsible investment solutions	201-1 in relation to community investments	Direct economic value generated and distributed
		2.1.8 Social housing management		Political contributions
		7.1.2. Solidarity	415-1	

## Information regarding society

		Response/page	GRI Disclosure Number	GRI Description
<b>The company's commitments to sustainable development</b>	The impact of the company's activities on local employment and development	2.1.8. Social housing management 7.1.1. Commitment to education 7.1.2. Solidarity	103-2 203-2 in relation to significant indirect economic impacts	The management approach and its components Significant indirect economic impacts
	Impact of the company's activities on local communities and in the area	2.1.8. Social housing management 7.1.1. Commitment to education 7.1.2. Solidarity	413-1	Operations with local community engagement, impact assessments, and development programs
	Relationships with key members of local communities and the different forms of dialogue with the same	2.1.8. Social housing management 7.1.1. Commitment to education 7.1.2. Solidarity	102-43 413-1	Approach to stakeholder engagement Operations with local community engagement, impact assessments, and development programs
	Association and sponsorship activities	6.1.1. Sponsorship, agreements and other social engagement contributions 7.1.1. Commitment to education 7.1.2. Solidarity Annex 1. Corporate standards and institutional commitments	103-2 201-1 in relation to community investments	The management approach and its components Direct economic value generated and distributed
<b>Outsourcing and suppliers</b>	Inclusion in the procurement policy of social, gender equality and environmental matters	7.2.2. Outsourcing and suppliers	103-2	The management approach and its components
	Consideration in relationships with suppliers and subcontractors of their social and environmental responsibilities	7.2.2. Outsourcing and suppliers	102-9 308-1 414-1	Supply chain New suppliers that were screened using environmental criteria New suppliers that were screened using social criteria
	Supervision and audit systems and their results	7.2.2. Outsourcing and suppliers	102-9 308-1	Supply chain New suppliers that were screened using environmental criteria
<b>Consumers</b>	Consumer health and safety measures	2.4. Transparency and digitalisation 2.4.1. Transparency 2.4.2. Digitisation and data protection 2.4.3. Cybersecurity 5. Information regarding human rights 7.1.1. Commitment to education	103-2	The management approach and its components
	Whistle-blowing systems, complaints received and their resolution	7.2.1. Consumers DR 1.5 The customer Consolidated annual financial statements, Note 42	103-2	The management approach and its components
<b>Tax information</b>	Country-by-country earnings obtained	2.3. Tax information	103-2 201-1 in relation to pre-tax profit received	The management approach and its components Direct economic value generated and distributed
	Corporation tax paid	2.3. Tax information	103-2 201-1 in relation to corporation tax paid	The management approach and its components Direct economic value generated and distributed
	Public subsidies received	2.3. Tax information	201-4	Financial assistance received from government

The content included in Annex 3 on Principles for Responsible Banking has been verified as part of the process to review the content of the Non-Financial Disclosures Law, pursuant to the Table provided in that Law included in Annex 2.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank's full response/ relevant information
<b>Principle 1 Alignment</b>		
We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.		
<b>1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</b>	<p>The Bank's business model is geared towards profitable growth that generates value for shareholders. This is achieved through a strategy of business diversification based on high returns, efficiency, sustainability and quality of service together with a conservative risk profile, while maintaining high standards of ethics and professional conduct combined with sensitivity to stakeholders' interests.</p> <p>The Bank's management model focuses on a long-term vision of customers, through constant efforts to promote customer loyalty and by adopting an initiative-based, proactive approach. The Bank offers a comprehensive range of products and services, competent, highly qualified personnel, an IT platform with ample capacity to support future growth, and a relentless focus on quality.</p> <p>During the last ten years, Banco Sabadell has expanded its geographic footprint and increased its market share in Spain through a number of acquisitions and organic growth. Banco Sabadell has a market share of 8% in lending and 7% in deposits at a national level. Banco Sabadell also has a strong position in other products: 9% in commercial credit, 10% in lending to companies, 6% in mutual funds, 10% in securities trading and 17% in POS turnover.</p> <p>Banco Sabadell still occupies a leading position in the sector when it comes to quality, and it is among the top 3 of its peers in customer experience (based on the Net Promoter Score) in the Personal Banking, SMEs and Large Corporations segments.</p> <p>The Bank has become one of the largest banks in Spain's financial system. It has a geographically diverse business (72% in Spain, 26% in the UK and 2% in Mexico) and its customer base is now six times larger than it was in 2008, and it has achieved all of this while safeguarding its solvency and liquidity.</p>	Directors' Report: 1.2 Business model, main objectives achieved and actions implemented
<b>1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks</b>	<p>In June 2019, the Board of Directors approved the Sustainable Development Goals (SDGs), placing them at the core of its strategy for the coming years, meaning that they are a key priority for the Bank in the performance of its activity.</p> <p>In light of the United Nations Climate Change Conference (COP25), held in Madrid, Banco Sabadell has signed up to the "Collective Commitment to Climate Action", organised by AEB, CECA and ICO, under which it will aim to reduce the carbon footprint of its balance sheet.</p> <p>In the same vein, the Sustainable Finance Plan (in effect since 2020) establishes the goals and actions associated with the SDGs in relation to the following lines of action and lays down the new organisational foundations, as well as the new assessment and management models.</p>	1.1. Vision 1.2. Sustainable Finance Plan 2.1. Sustainable finance

## Principle 2 Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

**2.1 Impact analysis: Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements**

**a) Scope:**

**The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.**

**b) Scale of Exposure:**

**In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.**

**c) Context & Relevance:**

**Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.**

**d) Scale and intensity/salience of impact:**

**In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))**

**Show that building on this analysis, the bank has:**

- **Identified and disclosed its areas of most significant (potential) positive and negative impact.**
- **Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts.**

In March 2020 Banco Sabadell created its internal Eligibility Guide, which defines sustainable financing actions across **the entire Group**. The Eligibility Guide establishes criteria and the supporting documents required for 99 activities to qualify as sustainable. Of these, 74 are green and 25 are social.

The technical eligibility criteria are based on the **EU taxonomy**, the ICMA Green Bond Principles and Social Bond Principles and the best practices in the market.

Through these actions, the Bank has:

- Obtained a list of finance activities that can be considered sustainable if they meet a pre-defined series of criteria.
- Calculated the volume of sustainable financing that the Bank has in its portfolio that meets the established requirements and has the necessary documentation, as well as its exposures that could potentially be considered sustainable based on specific requirements concerning the information to be included in supporting documents, and at a sectoral level.
- Identified the exposure to sectors, according to the classification of CO<sub>2</sub>-intensive activities with a high environmental impact.
- Analysed its different portfolios, particularly those that have a high impact on climate change.
- An analysis has been made of the different portfolios, particularly those with a high impact on climate change, by classifying activities into 'CO<sub>2</sub>-intensive' and 'high environmental impact'. In relation to activities with the highest environmental impact, the Bank began to assess the carbon-related assets metric and aims to consolidate this work in 2021.

The Bank is also working on defining a methodology to assess the impact of physical risks. The first stage will focus on the risk to collateral, particularly in its mortgage, real estate development and CRE (commercial real estate) portfolio. In 2021, it plans to evaluate this first stage relating to physical risk and hopes to gain an initial overview of Banco Sabadell's transition risk.

The Bank has also created its first indicator of a company's sustainability, which it will use to assess sensitivity to sustainability. To this end, it has created a questionnaire for small and medium-sized enterprises and also for large corporations, designed to gather information about their ESG initiatives and indicators and identify possible financial solutions that they may require to improve their energy efficiency and mitigate their environmental impact. The indicator takes into account the company's activity, the company's score based on its answers to the questionnaire, as well as information about ESG topics and from external sources.

2.2. Risk assessment with ESG criteria



**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.**

Based on the commitments and actions undertaken by the Bank in relation to sustainability, which are mentioned in the Bank's vision statement, and based on feedback received from its stakeholders, the Bank has identified a series of material topics which include, on one hand, the Sustainable Finance Plan and, on the other, topics related to aspects that are more to do with ethics and integrity, transparency vis-à-vis customers and the management of human resources. Additionally, the Bank has been able to use its Eligibility Guide to conduct its first analysis of the different portfolios, particularly those that have a high impact on climate change.

**2.2 Target Setting** Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

The Bank has created a synthetic sustainability indicator that includes ESG metrics that are linked to the variable remuneration of all employees, thus forming part of the Group's targets for the current year.

The metrics that comprise this indicator include:

**Environment:**  
Definition of the Bond Issuance Framework and Governance thereof; increased investment in Renewable Energy Project Finance for 2020; Definition of a Sustainable Activities Guide; 9.9% reduction of CO<sub>2</sub> Emissions (tonnes) for 2020 relative to 2019.

**Social:**  
Increase the number of people in talent programmes.

**Diversity:**  
Increase the percentage of women in senior management positions: General Management; Corporate Directors/Top Management and Board members; Increase diversity in TSB.

1.2.Sustainable Finance Plan  
1.4. Governance  
2.1.Sustainable finance

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.**

The Bank has established qualitative and quantitative targets for its priority ESG aspects and in relation to the SDGs that it considers to be material. In 2020 it has attained a high level of achievement of these targets. In 2021, new targets will be set to enable the Bank to continue improving the way it manages the impacts of its activities.

**2.3 Plans for Target Implementation and Monitoring** Show that your bank has defined actions and milestones to meet the set targets.

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

The synthetic sustainability indicator (SSI) is monitored on a monthly basis.

This indicator is analysed in every meeting of the Sustainability Committee, chaired by the Chief Executive Officer, which is the body in charge of establishing the Bank's Sustainable Finance Plan and monitoring its execution, as well as defining and disclosing the general action principles related to sustainability and promoting the development of projects and initiatives.

The Bank has also created a Sustainable Finance PMO responsible for ensuring the implementation of the programmes envisioned in the Sustainable Finance Plan.

1.2.Sustainable Finance Plan  
1.4. Governance  
2.1.Sustainable finance

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank's full response/ relevant information
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**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.**

The Bank, through the Sustainability Committee and the Sustainable Finance and Sustainable Regulation PMOs, is responsible for establishing the Sustainable Finance Plan and monitoring its execution, as well as defining and disclosing the general action principles related to sustainability and promoting the development of projects and initiatives.

**2.4 Progress on Implementing Targets**  
**For each target separately:**  
**Show that your bank has implemented the actions it had previously defined to meet its set target.**  
**Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.**  
**Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (Where feasible and appropriate, banks should include quantitative disclosures).**

In 2020, the Bank has achieved a high level of compliance with the metrics related to the synthetic sustainability indicator.

**Environment:**

- Published the Sustainability Bonds Issuance Framework, with a first issuance of green bonds in September 2020
- Provided Project Finance for Renewable Energy projects amounting to 1,130 million euros
- Prepared Eligibility Guide in March 2020
- Reduced Scope 2 CO<sub>2</sub> emissions (tonnes) by 99.79% compared to base year (2014)

**Diversity:**

- 26% of women in senior management positions
- 35% of women in Directors group

1.4. Governance  
2.1.3. Sustainable financing - CIB (Corporate & Investment Banking)  
3.4. Diversity  
4.1. CO<sub>2</sub> emissions

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets**

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

### Principle 3 Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

**3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.**

Through the Sustainability Policy, Banco Sabadell establishes a series of principles to adapt the organisation to the challenges and opportunities arising from sustainability. One of these pillars is transparency, and in this regard, the Bank promotes information transparency and responsible, simple and close communication with all its stakeholders.

In accordance with its policies and procedures, the Bank has mechanisms in place to ensure that all information provided to customers is transparent and that all of the products and services which it offers are suited to their needs at all times. Before bringing a new product or service to market, an internal process (known as a "product workflow") takes place in which the validation of the various units is ratified by a high level committee (Technical Product Committee), and checks are run to ensure that the Bank meets transparency standards, existing regulations as well as the Bank's own measures for cybersecurity and customer data protection.

2.4.1. Transparency

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank's full response/ relevant information
<p><b>3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/ implemented, products and services developed, and, where possible, the impacts achieved.</b></p>	<p>As part of its commitment to support ecological transition, Banco Sabadell has included the <b>first sustainability questionnaire</b> in its routine visits to companies. This questionnaire involves managers having a conversation with customers to learn more about their company's sensitivity to SDGs and about their plans to invest in becoming more sustainable.</p> <p>To generate appropriate advice for the Bank's network and hold an appropriate conversation about sustainability during the annual visit to customers (360-degree vision programme), an online course on sustainability has been developed to allow the branch network to understand the concept and context of sustainable finance and solutions for customers.</p>	<p>2.1.6. Support for corporates and SMEs</p>

## Principle 4 Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

<p><b>4.1 Describe which stakeholders (or groups/ types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</b></p>	<p>Through the various communication channels, the Bank has identified the needs of stakeholders and reflects them in the ESG aspects of the Sustainable Finance Plan, focusing its main areas of action on supporting economic agents, customers and businesses in the transition to a sustainable economy, responding with sustainable products and services, enabling investors to contribute to sustainability, identifying opportunities for collaboration and progress in diversity, work-life balance, transparency, emissions reduction and governance, the Bank's own transformation process, and promoting social programmes and partnerships to overcome challenges in order to contribute to a more sustainable society.</p>	<p>1.2.Sustainable Finance Plan 1.3.Materiality</p>
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## Principle 5 Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

### 5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.

The **Board of Directors** of Banco Sabadell is ultimately responsible for the **Banco Sabadell Group Sustainability Policy**, which it approved in December 2020. This document defines Banco de Sabadell's approach to sustainability, as well as the responsibility of the various divisions involved and the governance structure in relation to ESG. Additionally, the **Appointments Committee** is responsible for monitoring and controlling the various initiatives and procedures related to the Sustainability Policy and the rules on environmental, social and corporate governance matters.

The **Sustainability Committee** was set up in 2020 as the body responsible for establishing and promoting the Sustainable Finance Plan and monitoring its execution, as well as defining and disclosing the general action principles related to sustainability and promoting the development of related projects and initiatives.

At the operational level, it regularly reports to the Management Committee and at least once a year to the Delegated Committee on the progress of the Sustainable Finance Plan. In addition, a **Project Management Office (PMO)** has been created for the Sustainable Finance Plan to ensure the implementation of the Sustainable Finance Plan programmes, as well as a **Project Management Office (PMO) for Sustainable Regulation** to ensure the tactical implementation of related regulations (SFDR, Supervisory Expectations, ECB) and of the Task Force on Climate-related Financial Disclosures (TCFD) model, recently signed by the Bank.

A Sustainability Division has been created, which replaces the CSR Division and offers a broader cross-cutting approach through its actions and skills in Environmental, Social and Governance (ESG) areas.

A **Policy on Integration of Sustainability Risks** is being drafted, to provide guidance for making investment decisions and advising on Banco Sabadell's investment and savings products, which is expected to be approved in the first quarter of 2021.

1.2.Sustainable Finance Plan  
1.4. Governance  
2.1.Sustainable finance

### 5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others

#### Online course on sustainability for the branch network

To generate appropriate advice for the Bank's network and hold an appropriate conversation about sustainability during the annual visit to customers (360-degree vision programme), an online course on sustainability has been developed to allow the branch network to understand the concept and context of sustainable finance and solutions for customers. This course explains: What the SDGs are, How a business can get started on the road to a green transition, What the EC taxonomy is and what purposes it serves, What financing solutions can be applied in each case, and How to hold a conversation with the customer to identify their level of sensitivity to sustainability.

#### Synthetic Sustainability Indicator that is linked to the variable remuneration of all employees.

A synthetic sustainability indicator (SSI) is established, which includes KPIs for ESG matters and is linked to the variable remuneration of employees, forming part of the Group objectives with a weight of 10%.

2.1.6. Support for corporates and SMEs  
1.2.Sustainable Finance Plan  
1.4. Governance  
2.1.Sustainable finance

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank's full response/ relevant information
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**5.3 Governance Structure for Implementation of the Principles**

Show that your bank has a governance structure in place for the implementation of the PRB, including:

- a) target-setting and actions to achieve targets set
- b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

The Sustainability Committee was set up in 2020 as the body responsible for establishing and promoting the Sustainable Finance Plan, which addresses the Principles for Responsible Banking, and for monitoring its execution, as well as defining and disclosing the general action principles related to sustainability and promoting the development of related projects and initiatives.

1.4. Governance

**Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.**

Banco Sabadell has strengthened its governance structure through the creation of the Sustainability Committee, chaired by the Chief Executive Officer, and the creation of PMOs responsible for implementing the programmes envisaged in the Sustainable Finance Plan.

This structure enables it to properly implement the Plan and act on the Commitments it has undertaken.

## Principle 6 Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

**6.1. Progress on Implementing the Principles for Responsible Banking.**

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

Details regarding the progress made in implementing the Principles are included in our consolidated Non-Financial Disclosures Report for the period from 1 January to 31 December 2020. The Non-Financial Disclosures Report, which forms part of the Banco Sabadell Group consolidated Directors' Report for 2020, and which is annexed to that report as a separate document, complies with the general provisions published in Law 11/2018 of 28 December, amending Articles 44 and 49 of the Code of Commerce in relation to non-financial disclosures and diversity, using the Global Reporting Initiative standards set out in Annex 2 of this report as a framework of reference.

Banco Sabadell has also embraced the main local and international initiatives that promote the development of responsible business practices. As such, it:

- Is a founding signatory of the UNEP Finance Initiative (UNEP FI) Principles for Responsible Banking.
- Has undertaken the collective commitment of Spanish banks to climate action.
- Has adhered to the United Nations Principles for Responsible Investment in the "asset management" category.
- Is a signatory of the Equator Principles, which incorporate social and environmental criteria in the funding of large-scale projects and corporate loans.
- Adheres to the Task Force on Climate-related Financial Disclosures (TCFD).
- Is a member of the Spanish Observatory of Sustainable Financing (Observatorio Español de la Financiación Sostenible - OFISO)
- Signatory of the Carbon Disclosure Project (CDP) for action against climate change.

Annex 2. Table of contents Law 11/2018  
Annex 1. Corporate standards and institutional commitments

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking**

This Non-Financial Disclosures Report, which forms part of the consolidated Directors' Report and is annexed to that report as a separate document, describes the actions taken in relation to the Sustainable Finance Plan and also includes aspects relevant to business continuity, the ESG commitments undertaken (Principles for Responsible Banking, Climate Action and TCFD disclosures) as well as other issues deemed to be material for the Institution pursuant to Law, in addition to the impacts arising from COVID-19, in terms of both how it has affected both the needs of our stakeholders and the Group's activity.



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## **Independent Assurance Report on the Consolidated Non-Financial Information Statement of Banco Sabadell S.A. and subsidiaries for 2020**

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

To the Shareholders of Banco de Sabadell, S.A.:

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Consolidated Non-Financial Information Statement (hereinafter NFIS) for the year ended 31 December 2020 of Banco Sabadell, S.A. (hereinafter the Parent) and its subsidiaries (hereinafter the Group), which forms part of the Group's consolidated Directors' Report.

The NFIS includes additional information beyond that required by current mercantile legislation concerning non-financial information, which has not been subject to our assurance work. Our work was limited exclusively to providing assurance on the information identified in Appendix 2: "Table of contents. Law 11/2018" of the accompanying NFIS.

### **Directors' Responsibility**

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The Directors of the Parent are responsible for the preparation of the NFIS included in the Group's consolidated Directors' Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) selected based on the content indicated for each topic in Appendix 2: "Table of contents. Law 11/2018" of the NFIS.

This responsibility also encompasses the design, implementation and maintenance of the internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The Parent's Directors are also responsible for defining, implementing, adapting and maintaining the management systems used to obtain the information required to prepare the NFIS.

### **Our Independence and Quality Control**

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We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team comprised professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

## **Our Responsibility**

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Our responsibility is to express our conclusions in an independent limited assurance report, based on the work performed. We conducted our review engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines for assurance engagements on the Non-Financial Information Statement, issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management and of the different units and areas in charge of the Parent that participated in the preparation of the NFIS, reviewing the processes for compiling and validating the information presented in the NFIS, and applying certain analytical procedures and sample review tests, which are described below:

- Meetings with the Parent's personnel to gain an understanding of the business model, policies and management approaches applied, and the principal risks related to these matters, and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the NFIS for 2020 based on the materiality analysis performed by the Parent and described in the "Materiality" section, considering the content required by current mercantile legislation.
- Analysis of the processes for compiling and validating the information presented in the NFIS for 2020.
- Review of the information related to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2020.
- Corroboration, through sample testing, of the information related to the content of the NFIS for 2020 and whether it has been adequately compiled based on data provided by the information sources.
- Procurement of a representation letter from the Directors and management.



*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

## **Conclusion**

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Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of Banco Sabadell, S.A. and its subsidiaries for the year ended 31 December 2020 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and the GRI Standards selected and based on the content indicated for each topic in Appendix 2 "Table of contents. Law 11/2018" of the NFIS.

## **Other Matters**

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On 31 January 2020 a different assurance provider issued a favourable independent assurance report on the Consolidated Non-Financial Information Statement of Banco Sabadell, S.A. and its subsidiaries for 2019.

## **Use and Distribution**

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This report has been prepared in response to the requirement established in current mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

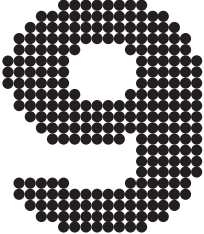
*(Signed on original in Spanish)*

Patricia Reverter Guillot

5 February 2021



# Corporate Governance Report



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## Corporate Governance of Banco Sabadell in 2020

1. Ownership structure (A) <sup>1</sup>
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5. Related party and intragroup transactions (D)
6. Risk control and management systems (E)
7. Internal Control over Financial Reporting (ICFR) (F)
8. Degree of compliance with the corporate governance recommendations (G)
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## Statistical annex

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<sup>1</sup> The letters shown in the headings of each section of this report refer to the corresponding sections of the standard form of the Annual Corporate Governance Report issued by the Spanish National Securities Market Commission (CNMV).

Banco de Sabadell, S.A. (hereinafter, Banco Sabadell, the Bank or the Institution) is firmly committed to strengthening and continuously improving its corporate governance, on which it has been working steadily in recent years.

The Annual Corporate Governance Report is drawn up with the information from the Bank at year-end 2020, and it forms part of the Directors' Report attached to the separate and consolidated financial statements; it was approved unanimously by the Board of Directors at a meeting on 29 January 2021, in compliance with the provisions of article 540 of the Capital Companies Law and Circular 5/2013, of 12 June, of the of the Spanish National Securities Market Commission (CNMV).

The preparation and format of the Report is governed by the provisions of CNMV Circular 5/2013, as amended by CNMV Circular 2/2018 of 12 June and CNMV Circular 1/2020 of 6 October. Following the amendment introduced by Circular 2/2018, of 12 June, the Annual Corporate Governance Report may be submitted in any PDF format provided that it contains the disclosures defined in the regulations in force. Banco Sabadell has decided to adopt this format for the first time in order to explain and disclose the main aspects of its corporate governance with the utmost transparency. This document is available in the "Corporate Governance and Remuneration Policy" section of the Bank's corporate website [www.grupobancosabadell.com](http://www.grupobancosabadell.com).

## Corporate Governance of Banco Sabadell in 2020

During 2020, Banco Sabadell continued the process initiated in previous years of improving and reinforcing corporate governance, in line with best practices and, in particular, with the Good Governance Code for listed companies issued by the Spanish National Securities Market Commission (CNMV), revised in June 2020.

### 1. Board of Directors

In 2020, a preferential goal of the Board of Directors of Banco Sabadell and, in particular, its Appointments Committee was to increase of diversity within the Board by increasing the number of independent directors, the percentage of women and the diversity of knowledge and experience, in line with the recommendations of the CNMV.

Additionally, in 2020, the Appointments Committee, with the active participation of the Lead Independent Director, took the steps envisaged in the Succession Plan for the Chairman and Chief Executive Officer, approved by the Board of Directors on 21 July 2016, which resulted in the appointment of a Chief Executive Officer to replace Mr. Jaime Guardiola Romojaro, which will be effective once clearance has been obtained from the European Central Bank.

#### 1.1. Changes in the composition of the Board of Directors

The following changes were made in the Board of Directors in 2020:

- Ms. Maria Teresa Garcia-Milà Lloveras tendered her resignation as a member of the Board of Directors with effect from 26 March 2020, as the twelve-year period during which she could be considered an independent director had elapsed.
- Ms. Mireya Giné Torrens was appointed as an independent director, at the proposal of the Appointments Committee, by the General Meeting of Shareholders on 26 March 2020.
- Mr. José Luis Negro Rodríguez tendered his resignation as executive director of Banco Sabadell due to his retirement and to facilitate the renewal of the Board, effective 24 September 2020.
- Ms. Alicia Reyes Revuelta was appointed as an independent director, at the proposal of the Appointments Committee, by the Board of Directors on 24 September 2020.
- Mr. César González-Bueno Mayer was appointed Chief Executive Officer, to replace the current Chief Executive Officer, Mr. Jaime Guardiola Romojaro, by the Board of Directors on 17 December 2020; he will take office as soon as the corresponding regulatory authorisations have been received.

Following these changes, the Board of Directors of Banco Sabadell is composed of its Chairman, ten independent directors, three executive directors and one proprietary director.

In addition, Banco Sabadell plans to propose that the forthcoming General Meeting of Shareholders in 2021 amend the Articles of Association so that the Chairman is classified as a non-executive director and as an "other external director"

## 1.2. Changes in the Composition of the Board Committees

Based on a favourable report from the Appointments Committee and in order to enhance the diversity of views that the Committees contribute to the Board, the Board of Directors made changes in their composition aimed at increasing the differentiation in the composition of the Committees, especially the differentiation between the Audit and Control Committee and the Risk Committee, and between the Appointments Committee and the Remuneration Committee.

As a result of Ms. Maria Teresa Garcia-Milà Lloveras ceasing to form part of the Board of Directors on 26 March 2020, and, consequently, of the Audit and Control Committee, the Appointments Committee and the Risk Committee.

The current composition of the Board Committees is as follows:

Committee	Name	Position
<b>Delegated</b>	Josep Oliu Creus	Chairman
	Jaime Guardiola Romojaró	Member
	José Javier Echenique Landiribar	Member
	Pedro Fontana García	Member
	María José García Beato	Non-member Secretary
<b>Audit and Control</b>	Manuel Valls Morató	Chairman
	Pedro Fontana García	Member
	Mireya Giné Torrens	Member
	José Ramón Martínez Sufrategui	Member
	Miquel Roca i Junyent	Non-member Secretary
<b>Appointments</b>	José Manuel Martínez Martínez	Chairman
	Anthony Frank Elliott Ball	Member
	Aurora Catá Sala	Member
	Miquel Roca i Junyent	Non-member Secretary
<b>Remuneration</b>	Aurora Catá Sala	Chair
	Anthony Frank Elliott Ball	Member
	George Donald Johnston III	Member
	José Ramón Martínez Sufrategui	Member
	María José García Beato	Non-member Secretary
<b>Risk</b>	George Donald Johnston III	Chairman
	Aurora Catá Sala	Member
	Manuel Valls Morató	Member
	María José García Beato	Non-member Secretary

### 1.3. Matrix of competencies and diversity in the Board of Directors

Since 2019, Banco Sabadell has had a Matrix of competencies and diversity, which was reviewed by the Board of Directors on 29 January 2021, on the occasion of the appointments and changes that occurred within the Board in 2020. These appointments increased the diversity of the Board, in terms of director category, gender, knowledge, skills and experience.

These appointments strengthen the knowledge, skills and experience in the following areas: banking, retail and corporate; financial and capital markets; finance; insurance; other financial competencies; accounting and auditing; risk management; planning and strategy; governance; risk control; legal; digital and IT (digital transformation); human resources, culture, talent and remuneration; responsible business and sustainability; international experience; governing bodies and corporate governance; management and leadership of organisations; business experience; consulting; regulatory and supervisory bodies; academic, and communication and institutional relations.

The appointments of Ms. Mireya Giné Torrens and Ms. Alicia Reyes Revuelta increased gender diversity, so that Banco Sabadell now has four female directors: three independent directors and one executive director. In 2020, the Bank achieved a ratio of 27% of women on the Board, in line with the general 30% target set by the CNMV, and is on track to meet the targets for 2022.

## 2. Strengthening the risk control and management organisation

During 2020, Banco Sabadell undertook an in-depth review of the risk control organisation and made changes in the organisation of the Risk Regulation and Control Division which are intended to contribute to clarifying the roles and responsibilities between and within each of the three Lines of Defence.

Along the same lines, changes were also made in the risk management organisation, given the need to accommodate the functions of the first and second lines of defence, in order to guarantee an adequate response by the Bank to the challenge of the COVID-19 situation so as to predict and avoid situations of default and improve coordination between the risk and commercial areas, thus achieving a greater vision and culture of risk in the business, and vice versa.

## 3. Sustainability as a key component of Corporate Governance

Sustainability has become part of Banco Sabadell's purpose and business strategy and, in this respect, given the importance of the initiatives derived from the transition towards a sustainable economy and sustainable development, it has set up a Sustainability Committee chaired by the Bank's Chief Executive Officer. This top-tier management committee is the body responsible for establishing and promoting the Sustainable Finance Plan approved by the Board of Directors on 25 June 2020 and for monitoring its implementation, as well as defining and disseminating the general principles of action in the area of Sustainability. The Committee reports periodically to the Management Committee, and at least once per year to the Board of Directors, on the progress of the Sustainable Finance Plan.

The Board of Directors has also approved a Sustainability Policy aimed at framing all the Bank's activities and organisation within ESG parameters, by factoring environmental, social and government aspects into decision making and using them as the basis for responding to stakeholders' needs and concerns.

Banco Sabadell's Non-Financial Disclosures Report for 2020, which forms part of the 2020 consolidated Directors' Report, annexed to the consolidated financial statements, which will be submitted for approval by the Ordinary General Meeting of Shareholders as a separate item on the agenda, details the actions implemented in relation to the Sustainable Finance Plan, which incorporates key issues for business continuity, the ESG commitments (Principles for Responsible Banking, Climate Action and the disclosure framework of the Task Force on Climate-related Financial Disclosures — TCFD model) and other material issues for the Bank under the law, as well as the response to the impacts derived from COVID-19, focused on the needs of stakeholders, as well as those of the Group's activity.

# Contents of the Annual Corporate Governance Report

## 1. Ownership structure (A)<sup>2</sup>

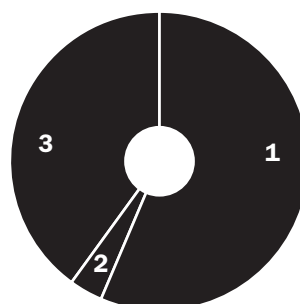
### 1.1. Share capital (A.1)

At 31 December 2020, the share capital of Banco Sabadell was 703,370,587.63 euros, represented by 5,626,964,701 registered shares, with a par value of 0.125 euros each, all fully subscribed and paid up, representing 5,626,964 voting rights, at a ratio of one right for every 1,000 shares. Last amended on 16 November 2017.

The shares of Banco Sabadell are uncertificated and are listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges and on the Spanish "SIBE"/Mercado Continuo stock exchange interconnection system. All shares are of the same class and have the same associated rights.

Banco Sabadell did not issue securities traded on a regulated market in the European Union.

There were 244,225 shareholders at 31 December 2020, distributed as follows:



<b>1</b>	Retail investors	56.5 %
<b>2</b>	Board of Directors	3.7 %
<b>3</b>	Institutional investors	39.8 %

No. of shares	No. of shareholders	Shares	% of capital
1 to 12,000	190,901	611,045,364	10.86
12,001 to 120,000	49,841	1,554,814,439	27.63
120,001 to 240,000	2,085	341,433,296	6.07
240,001 to 1,200,000	1,198	526,131,754	9.35
1,200,001 to 15,000,000	167	477,402,590	8.48
More than 15,000,000	33	2,116,137,258	37.61
<b>Total</b>	<b>244,225</b>	<b>5,626,964,701</b>	<b>100.00</b>

### 1.2. Significant shareholders

(A.2, A.4, A.5, A.6, A.7 and A.8)

At 31 December 2020, the direct and indirect owners of significant stakes in Banco Sabadell were:

Name of shareholder	Voting rights attributed to the shares (%)		Voting rights through financial instruments (%)		Total voting rights (%)
	Direct	Indirect	Direct	Indirect	
Blackrock Inc.	0.00	2.89	0.00	0.42	3.31
Fintech Europe, S.A.R.L.	3.45	0.00	0.00	0.00	3.45
Lewis A. Sanders	0.00	3.47	0.00	0.00	3.47
Norges Bank	3.06	0.00	0.00	0.00	3.06

<sup>2</sup> The letters shown in the headings of each section of this report refer to the corresponding sections of the standard form of the Annual Corporate Governance Report issued by the Spanish National Securities Market Commission (CNMV).

BlackRock Inc. holds its indirect stake via a number of subsidiaries.

Mr. David Martínez Guzmán, a proprietary director, is the indirect owner of the voting rights attributed to the shares held by Fintech Europe, S.À.R.L., as the latter is owned 100% by Fintech Investment Ltd., the investment fund managed by Fintech Advisory Inc. (FAI). FAI is owned 100% by Mr. David Martínez Guzmán.

Lewis A. Sanders is the controlling owner of Sanders Capital, LLC, which is a registered US investment advisor that provides discretionary investment management services to clients; in connection with this service, certain clients grant proxy to Sanders Capital, LLC.

The most significant movements in the ownership structure during the year that were reported to the CNMV by the shareholders and whose disclosures are available on the CNMV's website are as follows:

Name of shareholder	Transaction date	Description of change
Blackrock Inc.	14/01/2020, 06/03/2020 30/03/2020, 09/04/2020	Fell below 5% of voting rights attributed to shares
	04/02/2020, 16/03/2020 02/04/2020	Exceeded 5% of voting rights attributed to shares
	16/04/2020, 29/05/2020	Fell below 5% of voting rights attributed to shares and via financial instruments.
	21/05/2020	Exceeded 5% of voting rights attributed to shares and via financial instruments.
	03/06/2020, 06/10/2020 23/10/2020, 09/11/2020 17/11/2020	Fell below 3% of voting rights attributed to shares
	09/06/2020	Fell below 3% of voting rights attributed to shares and via financial instruments
	05/08/2020	Exceeded 3% of voting rights attributed to shares and via financial instruments.
	06/08/2020, 13/10/2020 30/10/2020, 16/11/2020	Exceeded 3% of voting rights attributed to shares
	18/08/2020	Exceeded 1% of voting rights attributed to shares
	15/10/2020	Fell below 1% of voting rights attributed to shares
Citadel Multi-Strategy Equities Master Fund Ltd.	06/03/2020	Fell below 1% of voting rights attributed via financial instruments
Coltrane Master Fund, Lp	05/02/2020	Exceeded 3% of voting rights attributed to shares
Lewis A. Sanders	17/07/2020, 19/11/2020	Exceeded 3% of voting rights attributed to shares
Norges Bank	18/09/2020	Fell below 3% of voting rights attributed to shares

Banco Sabadell is not aware of any family, commercial, contractual or corporate ties between the owners of significant stakes. Moreover, the Bank and the companies that make up Banco Sabadell Group do not have any family, commercial, contractual or corporate ties with the Bank's significant shareholders other than those arising out of ordinary business relations. The Bank has not been notified of any shareholder agreements and is not aware of any concerted action between shareholders.

### 1.3. Board of Directors stake in share capital (A.3)

The members of the Board of Directors own 3.7% of the Bank's total voting rights. This information is detailed and updated on the Bank's website [www.grupobancosabadell.com](http://www.grupobancosabadell.com). The percentage of voting rights through financial instruments reflects the rights attributed to long-term supplementary incentives which have not vested.

The directors' ownership of capital stock is detailed below:

Name of director	Voting rights attributed to shares (%)		Voting rights through financial instruments (%)		Total voting rights (%)	Voting rights that may be transferred through financial instruments (%)	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Josep Oliu Creus	0.01	0.11	0.01	0.00	0.13	0.00	0.00
José Javier Echenique Landiribar	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jaime Guardiola Romojaro	0.04	0.00	0.01	0.00	0.05	0.00	0.00
Anthony Frank Elliott Ball	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Aurora Catá Sala	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pedro Fontana García	0.00	0.00	0.00	0.00	0.00	0.00	0.00
María José García Beato	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Mireya Giné Torrens	0.00	0.00	0.00	0.00	0.00	0.00	0.00
George Donald Johnston III	0.00	0.00	0.00	0.00	0.00	0.00	0.00
David Martínez Guzmán	0.00	3.45	0.00	0.00	3.45	0.00	0.00
José Manuel Martínez Martínez	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Ramón Martínez Sufategui	0.05	0.01	0.00	0.00	0.06	0.00	0.00
Alicia Reyes Revuelta	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Manuel Valls Morató	0.00	0.00	0.00	0.00	0.00	0.00	0.00
David Vegara Figueras	0.01	0.00	0.00	0.00	0.01	0.00	0.00

### 1.4. Own shares (A.9 and A.10)

The Bank is empowered to acquire own shares by a resolution adopted by the Ordinary General Meeting of Shareholders on 28 March 2019, under item Eight on the agenda, within a maximum period of five years as from the date of the resolution, so that, directly or through subsidiaries, subject to obtaining prior authorisation from the European Central Bank, it may acquire, at any time and as often as it sees fit, shares of Banco de Sabadell by any of the means admitted by law, including against profit for the year and/or unrestricted reserves, and that it may subsequently dispose of or cancel any shares thus acquired or, as appropriate, deliver them to employees or directors of Banco Sabadell as part of their remuneration or as a result of the exercise of stock options which they hold, all in accordance with the provisions of articles 146, 509 and matching articles of the Capital Companies Law.

The limits and requirements for such acquisitions are as follows:

- The par value of the shares thus acquired, directly or indirectly, in addition to any shares already held by the Bank and its subsidiaries, may not exceed, at any

time, the legal limit established from time to time by the legislation in force (currently ten per cent of share capital), subject in all cases to all the limits for acquisition of treasury shares established by the stock market regulators in the markets on which Banco Sabadell shares are listed.

- The acquisition, plus any shares previously acquired by Banco Sabadell (or a person acting in their own name but on the Bank's behalf) and held by it, must not lead to equity being less than the amount of capital plus legal reserves and reserves that are designated as restricted under the Articles of Association.
- The shares acquired must have been fully paid.
- The acquisition price must be no less than par value and no higher than 20 per cent above the stock market price or any other price whereby the shares may be valued as of the date of their acquisition. All acquisitions of own shares must be made in accordance with general stock market rules and regulations.



At 2020 year-end, Banco Sabadell directly held 48,560,867 own shares, representing 0.86% of share capital. The Bank reported the following changes in treasury stock to the CNMV:

Transaction date	Total number of direct shares acquired	Total number of indirect shares acquired	Total % of share capital
9/03/2020	42,937,122	10,155,636	0.944
28/05/2020	53,864,603	—	0.957
24/06/2020	63,441,504	—	1.127
27/08/2020	51,917,013	—	0.923
13/10/2020	65,370,995	—	1.162

## 1.5. Estimated free float (A.11)

At 2020 year-end, the estimated free float was 86.01%, i.e. the percentage of share capital not held by significant shareholders, members of the Board of Directors or as treasury stock.

## 1.6. Transferability and exercise of voting rights (A.12, A.13 and A.14)

There are no restrictions on the free transferability of the Bank's shares such as to hamper the acquisition of control of the Bank through the acquisition of its shares in the market. The only existing restrictions are those established in Spanish law applying to all credit institutions.

Specifically, Act 10/2014, of 26, June, on the Regulation, Supervision and Solvency of Credit Institutions, establishes that in any acquisition of at least 10 percent of the capital or of the voting rights, or that, without attaining that percentage, enables significant influence to be exercised over the institution, as well as any increases such as to exceed 20%, 30% or 50%, or to grant control of the institution, the purchaser must give advance notice to the Bank of Spain, which will process the request for approval or denial by the European Central Bank. The reduction of a stake below those thresholds must be notified by the seller to the Bank of Spain.

The General Meeting of Shareholders has not adopted neutralisation measures against takeover bids and no securities traded on a regulated market in the European Union were issued.

## 2. General Meeting of Shareholders (B)

### 2.1. Regulation of the General Meeting of Shareholders (B.1, B.2, B.3, B.6, B.7 and B.8)

The General Meeting of Shareholders is the Bank's main governing body, where the shareholders adopt the resolutions that correspond to them in accordance with the law, the Articles of Association or its own Regulations, and those business decisions that the Board of Directors considers transcendental for the future of the Bank and the corporate interests.

The terms of reference and the basic rules for the conduct of the Banco Sabadell General Meeting of Shareholders, and the system for giving notice and convening meetings and adopting decisions are set out in the Articles of Association and in the Regulation of the General Meeting of Shareholders, which safeguard shareholders' rights and transparency; the system of quora does not differ from that provided in the Capital Companies Law.

This same criterion is applicable to any amendment of the Articles of Association, which is governed by the same principles as established in the Capital Companies Law, both with regard to the requirements for amendment and the required quorum. Additionally, in the cases defined by law, amendments of the Articles of Association require the authorisation of the supervisor exercising the powers assigned to it by article 10 of Royal Decree 84/2015, of 13 February, implementing Act 10/2014, of 26 June, on Regulation, Supervision and Solvency of Credit Institutions, without prejudice to the functions attributed to the European Central Bank in accordance with the provisions of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

Under the Articles of Association, it is necessary to possess at least 1,000 shares to attend the General Meeting

of Shareholders, and shareholders may cast one vote for every thousand shares they own or represent.

In line with best practices in corporate governance, Banco Sabadell transmits the entire General Meeting of Shareholders live via webcast on the corporate website.

The information about General Meetings is available on the Group's corporate website ([www.grupobancosabadell.com](http://www.grupobancosabadell.com)) directly in the section entitled "Shareholders and investors". Additionally, the information about corporate governance is available on the website directly in the section entitled "Corporate Governance and Remuneration Policy".

### 2.2. General Meeting of Shareholders 2020 (B.4 and B.5)

Attendance at the General Meeting of Shareholders in recent years, and the percentages by which the resolutions were adopted, are published on the corporate website [www.grupobancosabadell.com](http://www.grupobancosabadell.com). Below are the attendance figures for the last three General Meetings, at which all items on the agendas were passed by the shareholders:

Date of General Meeting	% in attendance	% represented	% remote voting		Total
			Electronic voting	Other	
26/03/2020	0.18	61.38	0.00	0.00	61.56
Of which free float:	0.01	61.26	0.00	0.00	61.27
28/03/2019	0.40	58.78	0.00	0.00	59.18
Of which free float:	0.25	58.65	0.00	0.00	58.90
19/04/2018	0.78	60.57	0.00	0.00	61.35
Of which free float:	0.66	60.38	0.00	0.00	61.04

The estimated percentages of free float may include significant holdings held through international custodians.

## 3. Board of Directors (C) (C.1.15)

With the exception of matters falling within the sole remit of the Shareholders' Meeting, the Board of Directors is the highest decision-making body in the Bank and its consolidated Group as it is entrusted, under the law and the Articles of Association, with administering and representing the Bank. The Board of Directors acts mainly as an instrument of supervision and control, and it delegates the management of ordinary business matters to the Chief Executive Officer.

The Board of Directors is subject to well-defined, transparent rules of governance, particularly the Articles of Association and the Board's own rules of procedure, and it conforms to best practices in the area of corporate governance.

There were no amendments to the Articles of Association, the General Meeting of Shareholders Regulation or the Board of Directors Regulation in 2020.

### 3.1. Composition of the Board (C.1, C.1.2, C.1.8 and C.1.29)

At 31 December 2020, the Board comprised 15 members, as follows:

Name of director	Director category	Board committees	Board position	Date of first appointment	Date of last appointment	How appointed
Josep Olu Creus	Executive	● C	Chairman	29/03/1990	28/03/2019	General Meeting decision
José Javier Echenique Landiribar	Independent	●	Deputy Chairman	18/09/2010	28/03/2019	General Meeting decision
Jaime Guardiola Romojaro	Executive	●	Chief Executive Officer	27/09/2007	19/04/2018	General Meeting decision
Anthony Frank Elliott Ball	Independent	⊞ ⊞	Lead Independent Director	30/03/2017	30/03/2017	General Meeting decision
Aurora Catá Sala	Independent	⊞ ⊞ ● C	Director	29/01/2015	28/03/2019	General Meeting decision
Pedro Fontana García	Independent	● ●	Director	27/07/2017	19/04/2018	General Meeting decision
María José García Beato	Executive		Director	24/05/2018	28/03/2019	General Meeting decision
Mireya Giné Torrens	Independent	●	Director	26/03/2020	26/03/2020	General Meeting decision
George Donald Johnston III	Independent	⊞ ● C	Director	25/05/2017	19/04/2018	General Meeting decision
David Martínez Guzmán	Proprietary		Director	27/03/2014	19/04/2018	General Meeting decision
José Manuel Martínez Martínez	Independent	⊞ C	Director	26/03/2013	19/04/2018	General Meeting decision
José Ramón Martínez Sufrategui	Independent	● ⊞	Director	18/09/2010	28/03/2019	General Meeting decision
Alicia Reyes Revuelta	Independent		Director	24/09/2020	24/09/2020	Board decision
Manuel Valls Morató	Independent	● ● C	Director	22/09/2016	30/03/2017	General Meeting decision
David Vegara Figueras	Executive		Director	28/05/2015	28/03/2019	General Meeting decision

#### Board of Directors Committees

- Delegated Committee
- Audit and Control Committee
- ⊞ Appointments Committee
- ⊞ Remuneration Committee
- Risk Committee
- P Chairman

# 11/15

Directors according to  
Articles of Association

# 15

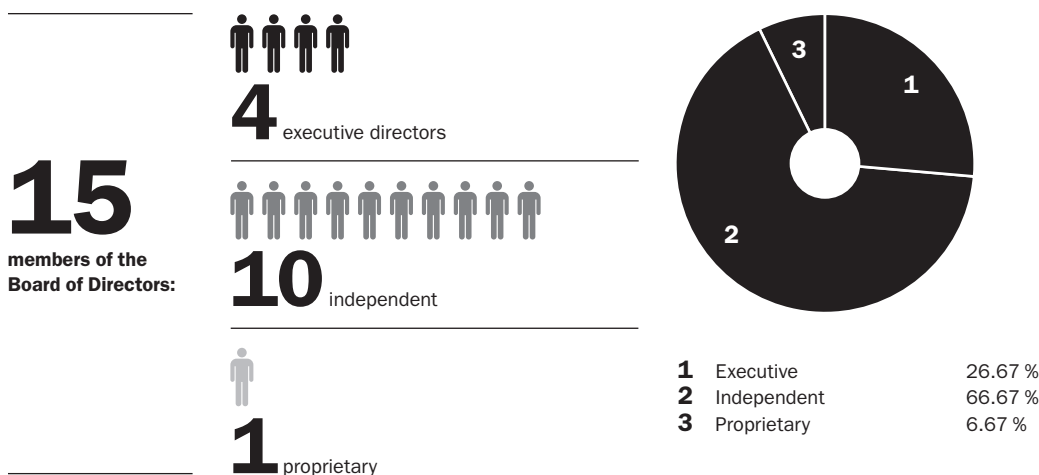
Directors established  
by the General Meeting  
of Shareholders

# 15

Members of the Board  
of Directors

There were no changes in director category in 2020.

Of the fifteen members of the Board of Directors, four are executive directors (26.67% of the total Board) and eleven are non-executive directors: ten independent (66.67% of the total Board) and one proprietary director (6.67% of the total Board).



Mr. Miquel Roca i Junyent, who is not a director, has been Secretary of the Board since 13 April 2000.

There have been no appointments of proprietary directors at the proposal of shareholders owning less than 3% of capital.

Following the process envisaged in the Succession Plan for the Chairman and Chief Executive Officer, on 17 December 2020, the Board of Directors appointed Mr. César González-Bueno Mayer as an executive director and Chief Executive Officer to replace Mr. Jaime Guardiola Romojaro, once the corresponding regulatory authorisations have been received.

The following resignations from the Board of Directors of Banco Sabadell took place in 2020 and have been duly notified to the CNMV in the form of regulatory disclosures:

By means of a letter addressed to all the members of the Board of Directors, Ms. Maria Teresa Garcia-Milà Lloveras presented her resignation from the Board of Directors effective on the date of the General Meeting of Shareholders scheduled for 26 March 2020, at second call, since 13 years had elapsed since her first appointment and, consequently, since she was not classified as an independent director, she wished to favour the appointment of another independent director at that General Meeting of Shareholders.

Mr. José Luis Negro Rodríguez tendered his resignation as executive director on 24 September 2020 by means of a letter addressed to all the members of the Board of Directors, in which he stated that, after a long career at the Bank, he intended to retire before 31 December 2020 and that, for this reason, and in order to facilitate the renewal

of the Board through the incorporation of new members, he was tendering his resignation as from that date.

### 3.2. Director profiles (C.1.3)

The Matrix of competencies and diversity of the members of the Board of Directors is available under “Internal Governance Framework” on the website [www.grupobancosabadell.com](http://www.grupobancosabadell.com), in the section entitled “Corporate Governance and Remuneration Policy”.

<b>Josep Olliu Creus</b> Chairman	<b>Profile</b> Banking / Retail & Corporate Banking / Finance / Academic / International	He holds a degree in economics from the University of Barcelona and a PhD in Economics from the University of Minnesota. Professor of Economic Theory at the University of Oviedo. Appointed Director-General Manager of Banco Sabadell in 1990. Chairman of Banco Sabadell since 1999. Non-executive Chairman of Exea Empresarial and the latter's representative on the board of Puig, S.L. Member of FEDEA (Fundación de Estudios de Economía Aplicada), and a member of the Board of Trustees of the Princess of Asturias Foundation and the Princess of Girona Foundation.
<b>Jaime Guardiola Romojo</b> Chief Executive Officer	<b>Profile</b> Banking / Retail & Corporate Banking / Finance/ Business / International	He graduated in Law from Barcelona University and holds a degree in Business and an MBA from ESADE. He commenced working at BBVA in 1990, where he reached the position of General Manager for Spain and Portugal (2006-2007). Chief Executive Officer of Sabadell since 2007. Trustee of Fundación ESADE and member of the Board of Círculo de Economía.
<b>María José García Beato</b> Director - Secretary General	<b>Profile</b> Banking / Law / Regulatory / Governance	Degree in Law and Diploma in Criminology. Spanish State Attorney (1991). Former positions include State Attorney at the Madrid High Court of Justice, Legal Counsel at the Data Protection Agency, State Attorney as consultant to the State Legal Service, Head of the General Secretariat of Communications, and State Attorney at the National Court. Chief of Staff and Under-Secretary at the Ministry of Justice (2000-2004). General Counsel of Banco Sabadell (2005-2008). Company secretary of Banco Sabadell since 2008. Independent director at listed company Red Eléctrica Corporación, S.A., member of the Boards of Trustees of Fundación Banco Sabadell and Fundación de la Asociación Española de Banca.
<b>David Vegara Figueras</b> Director - General Manager	<b>Profile</b> Financial / Risks / Academic / Regulatory	A graduate in economics from the Autonomous University of Barcelona, he holds an MA in economics from the London School of Economics. Formerly Secretary of State for the Economy in the Spanish government (2004-2009), and Deputy Chief Executive Officer, Banking, in the European Stability Mechanism (2012-2015). Associate professor in the Department of Economics, Finance and Accounting at ESADE (2015- 2018). Member of the Supervisory Board of Hellenic Corporation of Assets and Participations, S.A.
<b>David Martínez Guzmán</b> Proprietary director	<b>Profile</b> Business / Finance / International	Degree in Electrical & Mechanical Engineering from the National Autonomous University of Mexico, Diploma in Philosophy from Universitas Gregoriana (Italy), and MBA from Harvard Business School. Founder in 1987 of Fintech Advisory, which manages the Fintech Investments Limited fund (New York and London). Director of listed companies Alfa, S.A.B., Vitro, S.A.B. and Cemex, S.A.B.

<p><b>José Javier Echenique Landiribar</b> Deputy Chairman Independent</p>	<p><b>Profile</b> Banking / Retail &amp; Corporate Banking /Business</p>	<p>Degree in Economics and Actuarial Science from the University of the Basque Country. Director and General Manager of Allianz-Ercos (1982-1990), General Manager of BBVA Group (1992-2001) and Chairman of Banco Guipuzcoano (2009-2012). Formerly a director of many companies in the energy and construction industries and the media. Proprietary director of listed company ACS, Actividades de la Construcción y Servicios, S.A. and of ACS, Servicios, Comunicaciones y Energía, S.L., both belonging to the same group, director (other external) of listed company Ence, Energía y Celulosa, S.A., and Deputy Chairman and Lead independent director of listed company Telefónica, S.A., director of Telefónica Móviles México, S.A. de C.V. and Telefónica Audiovisual Digital, S.L.U., all belonging to the same group. He is also a trustee of Fundación Novia Salcedo.</p>
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<p><b>Anthony Frank Elliott Ball</b> Lead Independent Director</p>	<p><b>Profile</b> Business / International</p>	<p>Chartered Engineer; MBA from Kingston Business School, Kingston University (London). Honorary Doctorate from the Kingston University Faculty of Business and Law. Formerly Chairman and CEO of Fox Sports International (1995-1996), CEO of Fox Liberty Networks LLC. (1996-1999), CEO of BSkyB Plc. (1999-2004), Chairman of Kabel Deutschland GmbH (2005-2013), and independent director of BT Group (2009-2018). Chairman of Ambassadors Theatre Group Ltd and of Bité Group, both part-owned by Providence Equity Partners LLC.</p>
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<p><b>Aurora Catá Sala</b> Independent director</p>	<p><b>Profile</b> Business / Consulting / Finance / Human Resources</p>	<p>Degree in Industrial Engineering (major in Industrial Organisation) from the Polytechnic University of Catalonia and MBA and PADE from IESE Barcelona. Formerly CFO of Nissan Motor Ibérica, S.A. (1991-1996), Chief Executive Officer of Planeta 2010 (1999-2002), Founder of ContentArena (2002-2003), General Manager of Audiovisual Media at Recoletos Grupo de Comunicación (2003-2008) and member of the Governing Board of Institut Català de Finances (2014). Formerly held a number of directorships. Currently a partner of Seeliger y Conde, S.L., independent director of Atresmedia Corporación de Medios de Comunicación, S.A., Chair of Barcelona Global, and member of the Executive Committee of IESE Alumni.</p>
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<p><b>Pedro Fontana García</b> Independent director</p>	<p><b>Profile</b> Banking / Retail / Business</p>	<p>Degree in Business from ESADE and MBA from Harvard Graduate School of Business Administration. General Manager of COOB'92 (1990-1993), General Manager of Turisme de Barcelona (1993-1994), Chairman of Banca Catalana (1994-1999), General Manager of BBVA Catalonia (2000-2009), Executive Chairman of AREAS (Elior Group) (2012-2017), Deputy General Manager of Elior Group, S.A. (2017-2018), and nominee of EMESA Corporación Empresarial, S.L. on the board of listed company Elior Group, S.A (2018-2019). Independent director of Grupo Indukern, S.L. and of Pax Equityco, S.à.R.L., President of Asociación para el Progreso de la Dirección - Catalonia Chapter, Member of the Board of Trustees of Fundació Privada Cercle d'Economía and of Fundació Barcelona Mobile World Capital, and a director of Fira Internacional de Barcelona.</p>
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<b>Mireya Giné Torrens</b> Independent director	<b>Profile</b> Finance / Academic / Governance / Digital & IT (Digital Transformation)	BA and MA (Cum Laude) in Economics from Pompeu Fabra University, and PhD from the University of Barcelona. Director of International Initiatives, Wharton Research Data Services (WRDS) since 2012, and Associate Professor in the Department of Finance at IESE Business School since 2018. Researcher at the European Corporate Governance Institute since 2018, a member of the World Economic Forum's network of experts since 2019, and member of the Center for Economic Policy since 2020. Independent director of Sabadell Asset Management (2018-2020), which is a subsidiary of Banco Sabadell, and Trustee of Fundación Aula Escola Europea.
<b>George Donald Johnston III</b> Independent director	<b>Profile</b> Banking / Corporate Banking / International	BA in Political Science from Middlebury College, Vermont and MA in International Economics and Latin American Studies from Johns Hopkins University School of Advanced International Studies, Washington DC. Executive Director at Salomon Brothers (1979-1990), Director of Bankers Trust International and member of its Global Executive Committee (1992-1999), Group Head of M&A for Europe and Member of the Europe Executive Committee and of the Global Operating Committee within the investment banking division of Deutsche Bank (1999-2005), Chairman of the M&A Group for Europe at Deutsche Bank (2005-2010). Independent director of listed companies Acerinox, S.A. and Merlin Properties, SOCIMI, S.A.
<b>José Manuel Martínez Martínez</b> Independent director	<b>Profile</b> Business / Insurance / Finance / International.	A Public Works Engineer, he obtained a degree in Economics and Actuarial Science at the University of Madrid. Formerly Chairman of MAPFRE (2001-2012), President of Fundación MAPFRE (2007-2012) and member of the Board of Directors of Consorcio de Compensación de Seguros and the International Insurance Society. Honorary Chairman of MAPFRE.
<b>José Ramón Martínez Sufrategui</b> Independent director	<b>Profile</b> Banking / Business	An architect specialised in urban development, he holds an Executive MBA from IE Business School. Formerly director of Banco Guipuzcoano (1990-2010). Owner and Chairman of an extensive group of companies, he is currently Chairman of Centro Fuencarral, S.A., Comercial del Campo, S.A., Edificios Cameranos, S.A., Inversiete, S.A., Producción y Desarrollo, S.A., Títulos e Inversiones, S.A., and Villa Rosa, S.A.
<b>Alicia Reyes Revuelta</b> Independent director	<b>Profile</b> Banking / Retail & Corporate Banking / Finance / International	Dual degrees in Law and Business Administration from ICADE, Madrid. PhD in Quantitative Methods and Financial markets from ICADE. Formerly held a number of directorships. Country Manager of Bear Stearns for Iberia (2002-2006), Global Head of Structuring of Financial Institutions and Global Head of Insurance Solutions and Strategic Capital Derivatives at Barclays Capital (2010-2014). Partner of Olympo Capital (2014-2015). Independent director (2015-2016), CEO - EMEA (2016-2020) and Acting Chairman (2019) of Wells Fargo Securities International Ltd. Guest lecturer at University College London (UCL) Institute of Finance and Technology, and trustee of NGO Fareshare.

<b>Manuel Valls Morató</b> Independent director	<b>Profile</b> Auditor / Finance	Degree in Economics and Business Studies from the University of Barcelona and a post-graduate qualification in Business Administration from IESE/University of Navarra; he is a registered auditor and a member of Spain's official register of auditors since its creation. Partner of PwC (1988-2013), Head of the Audit Division at PwC (2006-2013) and Chairman of PwC Auditores (2006-2011). Independent member of the Governing Board of Institut Català de Finances (2015-2016). Independent director of listed company Renta Corporación Real Estate, S.A. and Chairman of the Audit, Control and Risk Committee at COBEGA.
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Mr. David Martínez Guzmán, a proprietary director, is the indirect owner of the voting rights attributed to the shares held by Fintech Europe, S.à.R.L., as the latter is owned 100% by Fintech Investment Ltd., the investment fund managed by Fintech Advisory Inc. (FAI). FAI is owned 100% by Mr. David Martínez Guzmán.

At a meeting on 17 December 2020, the Board of Directors appointed Mr. César González-Bueno Mayer as Executive Director and Chief Executive Officer to replace Mr. Jaime Guardiola Romojaro, once the corresponding regulatory authorisations have been received. His profile is detailed below:

<b>César González-Bueno Mayer</b> Appointment is pending regulatory clearance	<b>Profile</b> Banking / Retail & Corporate Banking / Finance / Regulatory / International / Digital & IT (Digital transformation)	Dual degrees in Law and Business Administration from ICADE, Madrid, and an MBA from Yale School of Management. Founder and CEO of ING Direct, N.V. Branch in Spain (1998-2010), General Manager for Spain, France, Italy and United Kingdom of ING Direct, N.V. (2004-2010), Regional Head of Europe at ING Bank (2010-2011), CEO of Novagalicia Banco (now Abanca) (2011-2013), CEO of Gulf Bank (2014-2016) and CEO of ING Spain and Portugal (2017-2019). Currently, non-executive director of TSB Bank, Plc and TSB Banking Group Plc and Trustee of the Fundación Ciudad Escuela de los Muchachos.
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### 3.3. Positions held by directors in other Banco Sabadell Group companies and other listed companies (C.1.10, C.1.11 and C.1.12)

Mr. Josep Oliu Creus and Mr. Jaime Guardiola Romojaro are, respectively, Chairman and non-executive director of the subsidiary Sabadell Consumer Finance, S.A.U. Mr.

Jaime Guardiola Romojaro is non-executive Chairman of the subsidiaries in Mexico, Banco Sabadell, S.A. I.B.M. and Sabcapital, S.A. de C.V., Sofom, E.R., and Mr. David Vegara Figueras is non-executive director of TSB Bank, Plc. Ms. Aurora Catá Sala and Mr. Manuel Valls Morató are non-executive directors of Sabadell Information Systems, S.A.U. (SABIS).

The members of the Board of Directors hold the following positions in other listed companies:

	Name of company	Position
José Javier Echenique Landiribar	ACS Actividades de Construcción y Servicios, S.A.	Director
	Ence Energía y Celulosa, S.A.	Director
	Telefónica, S.A.	Deputy Chairman
Aurora Catá Sala	Atresmedia Corporación de Medios de Comunicación, S.A.	Director
María José García Beato	Red Eléctrica Corporación, S.A.	Director
George Donald Johnston III	Acerinox, S.A.	Director
	Merlin Properties, Socimi, S.A.	Director
David Martínez Guzmán	Alfa, S.A.B. de C.V.	Director
	Cemex, S.A.B. de C.V.	Director
	Vitro, S.A.B. de C.V.	Director
Manuel Valls Morató	Renta Corporación Real Estate, S.A.	Director

In accordance with article 26 of Act 10/2014, of 26 June, the maximum number of directorships at other companies that members of the Board may hold is as follows:

- one executive directorship and two non-executive directorships.
- four non-executive directorships.

The Banco Sabadell Director Candidate Selection Policy, which was approved by the Board of Directors on 25 February 2016 and amended on 28 March 2019, refers to the applicable legislation with regard to the criteria and requirements that directors must fulfil.

### 3.4. Banco Sabadell Diversity Policy (C.1.4, C.1.5, C.1.6, C.1.7, C.1.14, and C.2.2)

Banco Sabadell has policies governing diversity in terms of age, gender, ability, and professional training and experience.

The Banco Sabadell Director Candidate Selection Policy, which was approved by the Board of Directors on 25 February 2016 and amended on 28 March 2019, establishes criteria to be considered in the process of selecting new members and re-appointing incumbent members of the Board of Directors in order to foster diversity. This Policy is available in the "Corporate Governance and Remuneration Policy" section of the Bank's corporate website [www.grupobancosabadell.com](http://www.grupobancosabadell.com).

Under Article 61 of the Articles of Association, the Appointments Committee is entrusted with the function of ensuring compliance with the qualitative composition of the Board of Directors, establishing a target for

representation of the gender that is less represented on the Board of Directors and drawing up guidelines on how to achieve that target.

The candidate selection process pursues an appropriate balance in the composition of the Board of Directors, which, as a whole, enriches decision-making and contributes plural viewpoints to the discussion of matters within its remit.

In fulfilling its duties, the Appointments Committee implemented the policy and measures to increase the diversity of gender, age, education, knowledge and experience that contribute to the collective fitness and suitability of the Board, by proposing the appointment in 2020 of two female independent directors who meet all these criteria.

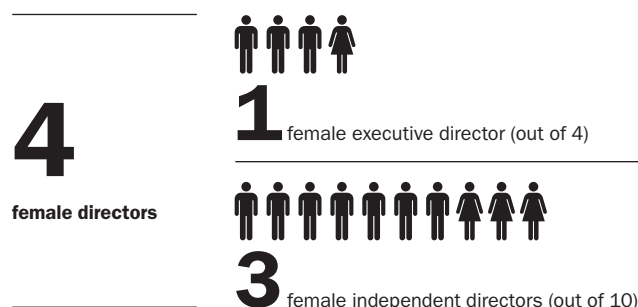
In compliance with Recommendation 14 of the Good Governance Code for listed companies, with the function

assigned in section 4.17 of its Regulations and with the Banco Sabadell Director Candidate Selection Policy, the Appointments Committee verified compliance with the Policy in the appointments made in 2020 by the General Meeting of Shareholders and the Board of Directors, which conformed to the parameters and requirements of both the Policy and the regulations in force for the position of member of the Board of Directors of a credit institution, and concluded that the appointments approved in 2020 favour an appropriate composition of the Board of Directors, by increasing the number of independent directors and also with two women, thus complying with the mandate to the Board of Directors and the Appointments Committee itself to contribute to increasing gender diversity within the Board.

To select candidates, the Appointments Committee relied on the Matrix of competencies and diversity of the members of the Board of Directors of Banco Sabadell, which defines directors' abilities and knowledge. The Committee also relied on external consultants, which provided it with female candidates for director.

At 2020 year-end, there were four female directors; three independent directors out of a total of ten, and one executive director.

The trend in the number of female directors in the Board of Directors and its committees in recent years is as follows:



	Number of female directors				% of total directors in each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive	1	1	1	—	25.00	20.00	25.00	0.00
Proprietary	—	—	—	—	—	—	0.00	0.00
Independent	3	1	2	2	30.00	12.50	20.00	20.00
Other external	—	1	—	—	—	100.00	0.00	0.00
<b>Total</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>26.67</b>	<b>20.00</b>	<b>20.00</b>	<b>13.33</b>

With regard to the presence of women on the Board Committees, the Remuneration Committee is chaired by a female independent director, who is also a member of the Risk Committee and the Appointments Committee, and another female independent director is a member of the Audit and Control Committee. Women chair one of the Board committees and are present in four of the five Board committees. Women account for 25% of the Audit and Control Committee, 33.33% of the Risk Committee, 25% of the Remuneration Committee and 33.33% of the Appointments Committee. The female executive director is also the Secretary (not a member) of the Delegated Committee, the Remuneration Committee and the Risk Committee.

## Number of female directors

	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
Delegated Committee	0	0.00	0	0.00	0	0.00	0	0.00
Audit and Control Committee	1	25.00	1	25.00	1	25.00	1	20.00
Appointments Committee	1	33.33	2	50.00	2	50.00	2	66.67
Remuneration Committee	1	25.00	1	25.00	2	50.00	2	50.00
Risk Committee	1	33.33	1	33.33	1	25.00	1	25.00

In 2020, Banco Sabadell achieved a ratio of 27% of women on the Board, in line with the general 30% target set by the CNMV, and is on track to meet the targets set for 2022.

In addition, Banco Sabadell has a set of policies, internal rules and codes of conduct that guarantee ethical and responsible behaviour throughout the organisation and have an impact on diversity and are equally applicable to the Board of Directors, both in the director selection procedure and in the day-to-day performance of their functions, in matters such as training and professional experience, age, ability and gender. These rules, which are applicable to the entire organisation, guarantee an increase in its diversity.

The percentage of women in senior management is 7.69%. The percentage of female executives at Banco Sabadell is 25.6%, having increased by 2.5% with respect to 2019.

# +2.5%

Increase in the number of female executives

### 3.5. Director Selection (C.1.16, C.1.21, C.1.22 and C.1.23)

In accordance with the provisions of Articles 50, 53, 55 and 61 of the Articles of Association, articles 14, 19 and 20 of the Board of Directors Regulation, the Banco Sabadell Director Candidate Selection Policy, approved by the Board of Directors on 25 February 2016, the procedure for assessing the suitability of the members of the Board of Directors and key function holders of Banco Sabadell, and the procedures for appointment, reappointment, evaluation and removal of directors are as follows:

#### Selection

The Appointments Committee is responsible for analysing the competencies and diversity of the Board of Directors in order to determine the profile of candidates for director, for which purpose it relies on the Matrix of competencies and diversity of the members of the Board of Directors. In compliance with the Policy, it is responsible for performing a prior assessment to ensure that candidates for directorship possess the necessary competencies, knowledge and experience; to that end, it is necessary to consider the balance of knowledge, skills, diversity and experience of the members of the Board of Directors and, for this purpose, to define the roles and

capabilities required of the candidates to fill each vacancy and to evaluate the time and dedication needed for them to effectively perform their duties.

To select candidates, the Appointments Committee may, if deemed necessary, engage a prestigious consultant in the field of personnel selection to initiate a process of finding candidates that fit the desired profile. Additionally, any director may suggest candidates for director provided they meet the requirements of the Banco Sabadell Director Candidate Selection Policy.

#### Suitability assessment

Once a candidate has been selected, the procedure for assessing the suitability of Board members and key personnel must be applied; on this basis, the Appointments Committee analyses the information about the candidates and the reports presented by the Board Secretary, drawn up by the Bank's General Secretariat, as to their commercial and professional integrity, knowledge and experience and their willingness to provide good governance, by application of the requirements defined in Law 10/2014, of 26 June, and having regard to the criteria for assessing the suitability of the members of the Board of Directors as set out in Royal Decree 84/2015, of 13 February, implementing the aforementioned Law 10/2014, of 26 June, and the European Central Bank guidelines on fit and proper assessments updated in May

2018, as well as the Guidelines to assess the suitability of members of management bodies and key function holders (EBA/GL/2017/12) dated 21 March 2018. The Appointments Committee checks that candidates meet the requirements as to integrity, knowledge, experience and governance envisaged in the applicable legislation and draws up a candidate suitability assessment report. In addition, candidates for directorships must be vetted by the European Central Bank.

The Appointments Committee is also entrusted with assessing director suitability on an ongoing basis, evaluating the profile of the persons most suited to being members of the various committees, and making proposals in this regard to the Board of Directors; in particular, it must seek to ensure that the rules on the qualitative composition of the Board of Directors are complied with.

## Appointment

After assessing the suitability of candidates for director, the Appointments Committee is entrusted, among its basic responsibilities in accordance with Article 61 of the Articles of Association, with making proposals to the Board for the appointment of independent directors either by co-optation or for submission to a vote at the General Meeting of Shareholders, and must advise on the proposals to appoint other director categories by co-optation or by referral to the General Meeting of Shareholders.

Ordinary members of the Board of Directors are appointed by the General Meeting of Shareholders. Any vacancies arising on the Board of Directors are filled by the General Meeting unless the Board decides, in the interests of the Bank, to act in accordance with the Capital Companies Law. Directors appointed by co-optation hold office until the next General Meeting of Shareholders.

## Re-appointment

Directors are appointed for a term of at most four years and they can be re-appointed one or more times for periods of the same maximum duration.

The Articles of Association and Board of Directors Regulation do not establish an age or term limit for directors or any other requirements for independent directors that are stricter than those provided by law.

## Specific requirements applicable to the Chairman and Chief Executive Officer

The Succession Plan for the Chairman and Chief Executive Officer of Banco Sabadell establishes the specific requirements for appointment as Chairman of the Board of Directors and Chief Executive Officer; in general, they must be of acknowledged commercial and professional fitness, have suitable knowledge and experience to perform the duties of the office, and be willing to exercise good governance of the Bank.

In particular, they must have proven experience in the financial sector and/or in senior management functions, have sufficient technical training in the fields of finance and/or business management and administration for the performance of the executive functions inherent to their position, and they must accredit a professional career that demonstrates leadership and/or entrepreneurship, in addition to meeting the conditions of suitability required of a director of a credit institution in accordance with the applicable regulations.

## Removal

Directors must step down when their term ends if they are not re-appointed, or when the General Meeting of Shareholders or the Board of Directors so decides using the powers conferred on them by law or the Articles of Association. The Appointments Committee is empowered to make proposals for the removal of independent directors by the General Meeting of Shareholders, and to advise on proposals to remove directors in other categories. The Board does not currently have any powers in this respect under the law or the Articles of Association. The General Meeting of Shareholders may remove directors at any time, as provided in article 50 of the Articles of Association.

## Restrictions

The following may not hold office as members of the Board of Directors:

- Minors.
- Persons disqualified by law, undischarged bankrupts or insolvents, those under convictions involving disqualification from holding public office, and those convicted of serious breaches of the law or Company regulations, or who are prevented from engaging in trade by reason of their office.
- Government officials whose duties are related to, or have a bearing on, the business of the Bank.
- Those in default with respect to any past-due obligation to the Bank.
- Persons in any of the situations of incompatibility or limitation on holding office as provided by law.

## 3.6. Reasons for which a director is obliged to resign (C.1.19, C.1.36 and C.1.37)

Specifically, under article 50 of the Articles of Association and article 23 of the Board of Directors Regulation, and in compliance with the Banco Sabadell Group Code of Conduct and its Policy on Conflicts of Interest of Directors and Senior Executives, directors must disclose any case where there might be a conflict of values or interests

in order to enable the Bank to manage such situations appropriately.

Directors are obliged to resign when they incur in a case of incompatibility, prohibition or limitation as provided for in the applicable regulations.

Additionally, in accordance with article 20 of the Banco Sabadell Board of Directors Regulation, directors must step down when their term ends and when the General Meeting of Shareholders or the Board of Directors so decides using the powers conferred on them by law or the Articles of Association, and;

- If they meet any of the conditions of incompatibility or prohibition envisaged in the law or the Articles of Association.
- If they are arraigned for a crime or are the subject of disciplinary proceedings by the supervisory authorities for a serious or very serious violation.
- Where their continuance on the Board may jeopardise the company's interests.

During 2020, the Board of Directors was not informed and did not otherwise become aware of any situation affecting a director, whether or not related to their performance in the Bank itself, that might impair the Bank's credit and reputation; consequently, it was not necessary to minute any such case.

## 3.7. Operation of the Board of Directors

(C.1.9, C.1.20, C.1.24, and C.1.35)

### 3.7.1. Proxies

Directors must attend Board of Directors meetings in person. However, when they can not attend in person, they may grant proxy to another director. Article 56 of the Articles of Association establishes that non-executive directors may grant proxy only to another non-executive director.

Additionally, the Director Remuneration Policy for 2019, 2020 and 2021, approved by the Shareholders' Meeting on 28 March 2019, which establishes the system of remuneration for directors for their functions as members of the Board of Directors, establishes, in addition to the fixed remuneration for membership of the Board, per diems for meeting attendance, capped at 11 per diems for ordinary meetings; directors may collect per diems for up to two meetings per year missed for just cause provided that they grant proxy.

### 3.7.2. Adopting resolutions

No supermajority is required other than the legal majority.

### 3.7.3. Powers delegated to the Board

The Board of Directors has delegated to the Chairman, Mr. Josep Oliu Creus, general powers to exercise his functions as Chairman of the Board of Directors and Chairman of the Delegated Committee. The Board has delegated to the Chief Executive Officer, Mr. Jaime Guardiola Romojaro, all the powers of the Board, except those that may not by law be delegated, and those powers that are necessary for him to manage the institution effectively as its chief executive. The Director - Secretary General, Ms. María José García Beato, and the Director - Chief Risk Officer, Mr. David Vegara Figueras, have the necessary general powers of attorney to perform their executive duties in the Bank.

All the powers corresponding to the Board of Directors, except the powers that the law or the Articles reserve exclusively for the Board, have been delegated to the Delegated Committee.

### 3.7.4. Information and documentation

The Bank has procedures for providing the directors with the necessary information and material to prepare for meetings of the Board of Directors and its committees in a timely manner.

Article 17.1 of the Board of Directors Regulation establishes that the notice of meeting must always include the agenda, which must contain, among other items, information about subsidiaries and Board committees, and proposals and suggestions by the Chairman and other Board members and the Bank's General Managers, to be received no less than five days in advance of the Board meeting; such proposals must be accompanied by the appropriate material for distribution to the directors.

Additionally, article 21 provides that:

- Directors are vested with the broadest powers to be informed about any aspect of the company, to examine its books, records, documents and other background information on the company's transactions and to inspect all of its installations. The right to information extends to subsidiaries, both domestic and foreign.
- So as not to disturb the ordinary running of the company, requests by directors for information must be channelled through the Chairman or the Board Secretary, who must attend to the director's requests by giving the information directly, providing appropriate access to individuals at the relevant level of the organisation, or providing the means by which the director may carry out the desired examination and inspection on site.

Banco Sabadell has a procedure for providing the directors with the necessary material to prepare for meetings of the Board of Directors and its committees in a confidential and encrypted way, using the Diligent Boards software running on iPads. Information for Board meetings is circulated to the directors one week in advance, and it is elaborated upon or updated in the boardbook as needed; hence, they are duly informed.

### 3.8. Number of Board and Committee meetings, and attendance

(C.1.25 and C.1.26)

The following table shows the number of meetings held by the Board of Directors and its Committees in 2020:

#### Number of meetings

<b>19</b>	<b>0</b>	<b>35</b>	<b>12</b>	<b>16</b>	<b>12</b>	<b>14</b>
Board of Directors	Board of Directors meetings not attended by the Chairman	Delegated Committee	Audit and Control Committee	Appointments Committee	Remuneration Committee	Risk Committee

Additionally, the Lead Independent Director held 2 meetings with the other directors which the executive directors did not attend either in person or by proxy.

Attendance at Board of Directors meetings is shown in the following table:

#### Number of meetings

<b>19</b>	<b>18</b>
Meetings which were attended in person by at least 80% of directors	Meetings at which all the directors were present in person or for which they granted proxy with specific instructions

<b>98.15%</b>	<b>99.63%</b>
Attendance in person as a % of the total number of votes during the year	Votes cast with all directors actually present or having granted proxy with specific instructions, as a % of total votes in the year

### 3.9. Takeover bids (C.1.38)

The Bank has not entered into any significant agreements which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

### 3.10. Evaluation of the Board and its Committees (C.1.17 and C.1.18)

Each year since 2007, the Bank assesses the performance of the Board of Directors and of its committees (Delegated Committee, Audit and Control Committee, Appointments Committee, Remuneration Committee and Risk Committee). In compliance with Recommendation 36 of the Good Governance Code of Listed Companies, every three years the Board of Directors of Banco Sabadell engages an external facilitator to aid in the evaluation process. This facilitator's independence is verified by the Appointments Committee.

It was decided that the performance assessment of the Board of Directors and its committees for 2020 would be performed internally by the Bank in the first quarter of 2021. The internal assessment methodology is based on

two main features: (i) input from the directors, and (ii) analysis of significant corporate documentation of Banco Sabadell relating to key aspects of the Bank's corporate governance system.

In line with the recommendations in the Code of Good Governance for Listed Companies, the evaluation of the performance of the Board of Directors and its committees and of the Chief Executive Officer was organised and coordinated by the Chairman of the Board of Directors, while the Lead Independent Director directed the assessment of the Chairman.

The areas to be evaluated are those indicated in the CNMV's Technical Guide on Nomination and Remuneration Committees, which extends the scope of the evaluation provided for in Recommendation 36 of the Good Governance Code of Listed Companies; quality and efficiency of the functioning of the Board and its committees, including the degree of effective performance and contributions of its members; the size, composition and diversity of the Board and its Committees; the performance of the Chairman, the Deputy Chairman, the Chief Executive Officer, the Lead Independent Director and the Secretary of the Board; the performance and contribution of the Directors; the frequency and duration of meetings; attendance; the content of the agenda and whether sufficient time was

devoted to dealing with the issues in accordance with their importance; the quality of the information received; the breadth and openness of the debates; and training.

Following a report from the Appointments Committee, on 26 March 2020 the Board of Directors approved the 2019 evaluation carried out within the recommended 3-year term with the assistance of independent external consultant Deloitte Legal, S.L.P., relations with which are within the ordinary course of business, and which provided advice on criminal liability matters. Other companies in the Deloitte Group have provided advisory services to Banco Sabadell Group, particularly in the field of information technology and security.

The assessment revealed that, in 2020: (i) the format of the documentation available to directors as background for meetings was improved; (ii) gender diversity on the Board was increased with the appointment of two female independent directors, and the diversity of knowledge and experience on the Board was increased with the incorporation of new profiles and increased knowledge in retail banking; and (iii) the Director Training Programme continued.

### 3.11. Remuneration of directors and senior management (C.1.13 and C.1.14)

Further details of director remuneration may be found in the Annual Report on Director Remuneration for 2020, approved by the Board of Directors on the same date as the Annual Report on Corporate Governance, which is published on the website of the CNMV and available on the corporate website of Banco Sabadell, [www.grupobancosabadell.com](http://www.grupobancosabadell.com), under "Corporate Governance and Remuneration Policy".

Remuneration earned by the Board of Directors in 2020 (thousand euro)	6,779
Amount of pension rights accumulated by current directors since 2000 (thousand euro)	37,084

The members of Banco Sabadell's senior management and the Head of Internal Audit, excluding executive directors, are as follows:

#### Senior management:

##### General Manager

Miquel Montes Güell  
Tomás Varela Muiña  
Carlos Ventura Santamans  
José Nieto De La Cierva

##### Deputy General Manager

Rafael José García Nauffal  
Jaime Matas Vallverdú  
Ramón De La Riva Reina  
Enric Rovira Masachs  
Manuel Tresánchez Montaner

##### Assistant General Manager:

##### Head of Internal Audit

Nuria Lázaro Rubio

Total remuneration of senior management and the head of internal audit (thousand euro)	5,077
Combined contributions to pension plans, structured through insurance policies, in 2020 (thousand euro)	2,174

### **3.12. Indemnities, guarantees clauses and golden handshakes agreed between the Bank and its directors, executives or employees (C.1.39)**

- 40 beneficiaries
- Description of beneficiaries: Chairman, Chief Executive Officer, Director - Secretary General, Director - Chief Risk Officer, and 36 Executives
- Description of agreements:

The contracts with the Chairman, Chief Executive Officer and Director - Secretary General contain a clause providing indemnity in the amount of 2 years' remuneration for cases of unfair dismissal and some limited cases of change of control. The contract with the Director-Chief Risk Officer has a post-contractual non-compete clause for a duration of 2 years from the date of unfair dismissal and some limited cases of change of control, lasting at most until the first date of ordinary retirement, in the amount of two years' fixed remuneration.

The contracts with 21 executives have a clause providing indemnity in the amount of 2 years' fixed remuneration for cases of unfair dismissal and some limited cases of change of control. The contracts with 16 executives have a post-contractual non-compete clause for a duration of 2 years from the date of unfair dismissal and some limited cases of change of control, lasting at most until the first date of ordinary retirement, in the amount of two years' fixed remuneration.

These contracts have been notified to and/or approved by the Board of Directors, and the General Meeting of Shareholders is informed of these clauses.

### **3.13. Audit of the financial statements (C.1.27, C.1.28, C.1.30, C.1.31, C.1.32, C.1.33 and C.1.34)**

The separate and consolidated financial statements of Banco Sabadell are certified beforehand by the Chairman of the Board, the Chief Executive Officer and the CFO.

The Bank's internal units draw up the financial statements such as to present a true and fair view of Banco Sabadell's net worth, financial situation and results, by applying generally accepted accounting principles to all the financial and accounting information, so that the financial statements are drawn up in accordance with current accounting standards.

The Audit and Control Committee reviews Banco Sabadell's financial statements, both separate and consolidated, before referring them to the Board, and exercises vigilance to ensure compliance with the law and the proper application of generally-accepted accounting principles. To this end, it holds regular meetings with the external auditors in order to be informed punctually about the audit process and to be aware sufficiently in advance of any discrepancies or differences of opinion that might arise. In the event of a discrepancy that might lead to a qualification in the auditors' report, the committee seeks to resolve it before the financial statements are authorised. The auditors attend the Board meeting to report on the degree to which the financial statements conform to the accounting standards.

If the discrepancies cannot ultimately be resolved before the financial statements are authorised, the annual report of the Audit and Control Committee must expressly describe the discrepancies and its position in connection with them.

The auditors' reports on the separate and consolidation financial statements for 2020 were unqualified.

In connection with the external auditors, article 60 of the Articles of Association provides that the Audit and Control Committee has the following competencies:

- "4. Proposing to the Board of Directors, for submission to the General Meeting, the appointment of the external auditor, establishing the engagement conditions, the scope of the professional mandate, and revocation or non-renewal, if appropriate; reviewing compliance with the audit contract, and striving to ensure that the opinion on the financial statements and the main content of the auditors' report are drafted clearly and accurately.
- 6. Establishing the appropriate relations with external auditors to receive information about any issues that might jeopardise their independence, to be reviewed by the Committee, and any others related to the process of performing the audit functions and in the audit rules."

The Board of Directors Regulation expresses itself in similar terms: article 30 provides that: "Relations between the Board and the company's external auditors will be conducted through the Audit and Control Committee".

Specifically, in 2020, to preserve the independence of the external auditor, Banco Sabadell was audited for the first time by KPMG Auditores, S.L., upon completion



of the auditor rotation process in compliance with the current legislation; based on a reasoned recommendation from the Audit and Control Committee, the Board of Directors proposed that the General Meeting of Shareholders appoint KPMG Auditores, S.L. as auditors of Banco Sabadell and of the consolidated financial statements of Banco Sabadell Group for the years 2020, 2021 and 2022; that motion was approved by the General Meeting of Shareholders on 28 March 2019.

In 2020, the Audit and Control Committee comprised three independent directors and one other external director until 26 March 2020, when the resignation of the latter presented on 20 February 2020 took effect; the vacancy was filled by the incorporation of a new independent director so that, from 24 September 2020, the Committee comprised four independent directors. The Committee's Regulation, which was current in 2020, includes the provisions of the Articles of Association and the Board of Directors Regulation; article 21.3 provides that, as directors and members of the Committee, those members must act with independence of opinion and action with respect to the rest of the organisation (...)

On 19 April 2016, in conformity with Act 22/2015, of 20 July, on Auditing, and Regulation (EU) No 537/2014, of 16 April, the Audit and Control Committee approved the Group policy for safeguarding auditor independence. The last review of same was approved by the Board of Directors following a recommendation by the Audit and Control Committee. The policy is implemented through procedures that contemplate measures to preserve the auditor's independence by monitoring possible incompatibilities arising from personal circumstances, prohibited services, rotation requirements and fee limits, as well as measures in the processes of auditor selection, appointment, reappointment or replacement, and processes for authorising all the auditor's services, particularly in connection with non-audit services that the auditor is not prohibited from providing.

Additionally, based on information received from the auditors, the Committee vetted the procedures and tools used by the firm to ensure compliance with the auditor independence requirements. Written confirmation of the firm's independence with respect to Banco Sabadell Group was received on 29 July 2020 and 26 January 2021. Based on the results of these checks, the Committee issued a report to the Board of Directors giving a favourable opinion on compliance with the auditor independence requirement before the auditor's report on the accounts was issued, and it issued its annual report on that independence.

Banco Sabadell complies with the principles of transparency and non-discrimination set out in the current legislation with respect to other market players. Specifically, Banco Sabadell: i) takes care not to provide financial analysts with any information that might put them in a position of privilege with respect to other market participants, ii) regularly uses the services of four prestigious rating agencies (Fitch, DBRS, Moody's and Standard and Poor's), and iii) where Banco Sabadell receives advice

from investment banks in certain transactions and, in the course of providing those services, such investment banks become privy to inside information, the institution includes the persons who become privy to such information in its internal control systems, and expressly notifies such persons of the obligation to fulfil their duty of confidentiality and comply with any trading restrictions, and ensure that others comply with them too.

Additionally, Banco Sabadell conforms to the rules set out in its General Policy on Conflicts of Interest that was approved by the Board of Directors, whose ultimate and fundamental objective is that the persons who are bound by it should act in accordance with the ethical norms and principles that govern the Bank's activities, based on the following guidelines:

Existence of measures to prevent conflicts of interest from arising.

Where conflicts of interest arise or are going to arise, existence of measures that enable them to be detected for the purpose of registering them and addressing them immediately.

Where conflicts arise, they must be eliminated; otherwise, steps must be taken to reveal their nature and origin to the customer or the decision-making bodies, as appropriate, for the appropriate decisions to be made.

Banco Sabadell also acts in accordance with the principles established in the Banco Sabadell Policy on Outsourcing of Functions, approved by the Board of Directors.

### 3.13.1. Rotation of external auditors

The incoming auditor is KPMG Auditores, S.L. and the outgoing auditor is PricewaterhouseCoopers, S.L. There was no dispute with the outgoing auditor.

The year 2020 was the first year audited by the incoming auditor, after the Board of Directors, based on a reasoned recommendation from the Audit and Control Committee, resolved at a meeting on 20 December 2018, as disclosed via regulatory disclosure no. 273.045, to appoint KPMG Auditores, S.L. as auditors of the financial statements of Banco Sabadell and the consolidated financial statements of Banco Sabadell Group for the years 2020, 2021 and 2022. This decision was adopted in compliance with current legislation on auditor rotation and as a result of a selection process performed in accordance with the provisions of Regulation (EU) 537/2014 of 16 April, on specific requirements regarding statutory audit of public-interest entities. Based on a proposal by the Board of Directors, the General Meeting of Shareholders approved that appointment on 28 March 2019.

The amount of fees for non-audit work does not include audit-related services for a total of 93 thousand euros (65 thousand euros corresponding to the Company and 28 thousand euros corresponding to Group subsidiaries), since they are independent assurance services, some of which are required by law.

## 4. Board of Directors Committees (C) (C.2.1 and C.2.3)

There are currently five operational Board of Directors committees with the functions defined in the Articles of Association and the Board of Directors Regulation, which are elaborated upon and complemented by the committees' specific terms of reference. Those documents are available on the website [www.grupobancosabadell.com](http://www.grupobancosabadell.com), under "Corporate Governance and Remuneration Policy".

The Committees have sufficient resources to perform their functions, can draw on external advice and are entitled to obtain information about any aspect of the institution, with unrestricted access to senior management and Group executives and to any type of information or documentation at the Bank's disposal in connection with the matters within their competency.

All Board committees draw up an annual self-assessment report on their activities, which is submitted to the Bank's Board of Directors for evaluation. Additionally, the Audit and Control Committee, Appointments Committee, Remuneration Committee and Risk Committee draw up annual reports on their functions and activities, which are available on the website ([www.grupobancosabadell.com](http://www.grupobancosabadell.com)) in the section on "Corporate Governance and Remuneration Policy".

	Separate	Consolidated
Number of consecutive years	1	1
No. of years audited by the current audit firm / No. of years that the company or its group has been audited (%)	2.50	2.78

	Company	Group companies	Total
External auditor's fees for work other than auditing (thousand euro)	214	5	219
Fees for work other than auditing / Total audit fees (%)	10.22	0.09	2.97

## 4.1. Delegated Committee

Chairman	Josep Oliu Creus	
Members	José Javier Echenique Landiribar	Independent
	Jaime Guardiola Romojaro	Executive
	Pedro Fontana García	Independent

The independent director, Mr. José Manuel Martínez Martínez, was appointed as Chairman of the Appointments Committee, and ceased to be a member of the Delegated Committee, on 26 March 2020.

The Delegated Committee is expressly regulated by article 59 of the Articles of Association and article 12 of the Board of Directors Regulation, and it has its own terms of reference that regulate its organisation and functioning.

In accordance with the Board of Directors Regulation, the Delegated Committee must consist of a maximum of six directors, to be appointed by the Board with the favourable vote of two-thirds of its members, and must have a composition similar to that of the Board in terms of categories; it is chaired by the Chairman of the Board. The resolutions of the Committee must be entered in a minutes book, and the minutes must be signed by the Chairman and the Secretary or, where applicable, by those who played those roles at the meeting in question.

It must meet whenever convened by its Chairman or by the Deputy Chairman standing in for the former, and its meetings may be attended by any person, whether related to the Company or otherwise, who is invited to attend, by a decision of the Committee itself or the Chairman of same, for the purposes to be determined on the basis of the matter in question; the Board of Directors will designate the Secretary of the Committee, who need not be a director, and will also designate a person to stand in for the Secretary in the event of absence or illness.

The Delegated Committee is responsible for the adopting any resolutions and decisions under the scope of the powers granted to it by the Board of Directors, and for overseeing the Bank's ordinary activities; it must report the decisions adopted at its meetings to the Board of Directors, without prejudice to the other functions attributed to it by the Articles of Association and the Board of Directors Regulation. In accordance with Article 4 of its Regulations, the Delegated Committee also has informative, consultative and advisory functions in relation to all the powers corresponding to the Board of Directors. The Delegated Committee is also empowered to make decisions within the limits established by the Bank's policies, particularly risk decisions, in accordance with the delegations scheme approved by the Board of Directors.

In 2020, the Delegated Committee monitored the ordinary activities of the Bank, adopted resolutions and decisions falling within the scope of the powers established

by the Board of Directors, and analysed and reviewed other issues, providing favourable reports to the committees with competency in those areas and to the Board of Directors for the adoption of the appropriate resolutions.

The most salient actions undertaken in 2020 by the Delegated Committee in carrying out its functions and discharging its duties and responsibilities included tracking and analysing the financial information and results of the Bank and its Group; analysing the reaction of markets and investors to the Bank's results; being apprised of the strategic plan and tracking strategic issues appropriately; and tracking business performance and trends in own shares and the share price. The Committee also analysed and, as appropriate, approved transactions in connection with the Group's corporate development. It was informed of new developments in legislation, of supervisors' activities and of regulatory matters. It was also informed of the Group's risks, and decided on the risk operations that fell under its remit due to their amount or relevance. It issued favourable reports to the Board of Directors on the incorporation and/or dissolution and liquidation of subsidiaries and investees, as well as changes in capital and other amendments to the articles of association; it informed the Appointments Committee and the Board of Directors of changes in the composition of such institutions' governing bodies. The Delegated Committee reported all decisions to the Board of Directors.

During 2020, the Delegated Committee performed a self-assessment of its performance in 2019 with the support of an independent external consultant; the self-assessment for 2020 is expected to be performed in the first quarter of 2021.

## 4.2. Audit and Control Committee

Chairman	Manuel Valls Morató	Independent
Members	Pedro Fontana Garcia	Independent
	Mireya Giné Torrens	Independent
	José Ramón Martínez Sufrategui	Independent



Ms. María Teresa García-Milà Lloveras, who was classified as an Other External Director, ceased to be a member of the Audit and Control Committee on 26 March 2020 as a result of her resignation as a director, and independent director Ms. Mireya Giné Torrens was appointed as a member of the Committee on 24 September 2020.

The Audit and Control Committee is expressly regulated by article 60 of the Articles of Association and article 13 of the Board of Directors Regulation, and it has its own terms of reference that regulate its organisation, functioning and governance.

The members of the Audit and Control Committee and, in particular, its Chairman, have knowledge and experience in accounting, auditing or both. Mr. Manuel Valls Morató was appointed Chairman of the Committee on 30 March 2017.

In accordance with the Board of Directors Regulation, the Audit Committee must comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least a majority of them must be independent directors, and one must be appointed on the basis of his/her knowledge and experience of accounting and/or auditing. The Board of Directors must appoint the committee's Chairman from among the members who are independent directors, with the favourable vote of two-thirds of its members, and the committee secretary, who may not be a director. The Secretary must take minutes of every meeting, which must be approved at the end of the meeting itself or at the next meeting. The business transacted at Committee meetings must be reported to the Board of Directors at the next meeting by means of a reading of the minutes.

The Committee must meet at least once every three months, and whenever convened by the Chairman at his/her own initiative or at the request of any Committee member, or at the request of the Chairman of the Board of Directors or of the external auditors, to discharge the duties assigned to it.

The purpose of the Audit and Control Committee is to exercise oversight to ensure good banking and accounting practices in the various echelons of the organisation, as well as to ensure that suitable measures are taken to address improper conduct or methods. It also has a watchdog function, ensuring that the measures, policies and strategies defined by the Board are duly implemented. The Audit and Control Committee has the responsibilities established by law, including:

a. Reporting to the General Meeting on all issues raised by shareholders that are within its remit.

When notice is given of a General Meeting of Shareholders, the Committee makes the report on its activities during the year available to shareholders so as to inform them of the issues and actions under its area of competence.

b. Supervising the effectiveness of the company's internal control, internal audit and risk management systems, including those relating to tax risk, as well as discussing with the auditors or audit firms any significant weaknesses in the internal control system that were detected in the course of the audit.

During the year, the Committee carried out a review of the Group's risk management and control functions via reports from the persons in charge of internal control and internal audit at the Bank, and satisfied itself that suitable steps were being taken at General Manager level and by other senior executive functions to ensure that the Group's main risks were being appropriately identified, measured and controlled.

In the context of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) for 2019, the Audit and Control Committee monitored the risk governance, management and control systems implemented by the Group. In addition, in its review of the Pillar III Disclosures for 2019 and the first half of 2020, the Committee assessed the risk management and control objectives contained in the Group's policies.

The Committee also met with the Bank's senior managers in the Finance, Tax, Compliance and Sustainability Departments, among others, to be informed of business trends and the associated risks.

The Audit and Control Committee also evaluated the conclusions of the reviews carried out by Internal Audit of the Bank's risk control and management system.

In connection with its function of overseeing the internal audit units, the Internal Audit Department reports directly to the Board of Directors' Audit and Control Committee, which reinforces its hierarchical and functional independence from the rest of the Bank's departments.

On the basis of its Policy, which was approved by the Board of Directors, the functions of the Internal Audit

Department include supporting the Audit and Control Committee in supervising the proper design, implementation and effective functioning of the risk management and control systems.

At a meeting on 28 January 2020, after a detailed assessment of the plan for 2020 proposed by the Head of Internal Audit, which was based on an update of the Group's strategic objectives as set out in the 2018-2020 Master Plan, the business risks arising from the current economic context and the systems for analysis, measurement and control adopted by the Group, together with the supervisory and regulatory requirements, the Committee resolved to issue a favourable report to the Board of Directors on the Internal Audit Plan for 2020, and it was approved by the Board on 30 January 2020.

As a result of the economic and health crisis created by COVID-19, at a meeting on 27 April 2020, the Committee evaluated in detail the modifications to the Internal Audit Activity Plan proposed by the Head of Internal Audit in response to the new situation, and approved the update to the Plan, as well as the measures for more flexible implementation of audit recommendations as a result of COVID-19.

During 2020, the Committee received information about the execution of the actions in the Plan; in some cases, it reviewed the control environment and, in particular, evaluated the proper identification of risks in processes, and the sufficiency, design, implementation and effective functioning of existing controls. The Committee evaluated the results of each internal audit and prioritised and monitored corrective actions.

In addition, during 2020, the Committee checked the independence and objectivity of the internal audit function, checking that it has sufficient resources and access to information to fulfil its tasks, in accordance with the professional standards that apply to internal auditors. At a meeting on 28 January 2020, the Committee reviewed and decided to recommend that the Board approve the Internal Audit Department budget for 2020.

On 26 January 2021, the Committee received the Annual Report on Internal Audit Activities, which includes the report of the Internal Audit Quality Assurance and Improvement Programme with the internal evaluations of its function and of the implementation of the action plans that arose from the external assessments performed in 2018, to assess their effectiveness, as well as the performance of the head of that unit.

In 2020, the Committee also received information about the conclusions of the reports issued by the external auditors and the supervisory authorities and assessed whether the action plans to fulfil the requirements had been implemented properly.

c. Overseeing the drafting and presentation of regulated financial information.

During the year, the Audit Committee supervised the Bank's internal control model for the process of preparing and presenting regulated financial and non-financial information and it supervised and analysed the sufficiency, clarity

and integrity of all the financial and related non-financial information, for the Bank itself and for the Group, that the Bank made public, prior to its presentation to the Board of Directors and its dissemination to the market and supervisory bodies. To this end, it received information from the Finance Department, the Internal Audit Department and the external auditors regarding the risks relating to financial and non-financial reporting processes and the adequacy and effectiveness of the controls that mitigate them, as well as aspects that may give rise to changes in the internal control model, including the situation created by COVID-19, regulatory changes, the incorporation of new products or the modification of Banco Sabadell's processes. It also supervised to ensure that the regulated disclosures conformed to the accounting standards and the criteria established by regulators and supervisors, and supervised updates to the Group's accounting policies, procedures and manuals.

d. Proposing to the Board of Directors, for submission to the General Meeting, the appointment of the external auditor, establishing the engagement conditions, the scope of the professional mandate, and revocation or non-renewal, if appropriate; reviewing compliance with the audit contract, striving to ensure that the opinion on the financial statements and the main content of the auditors' report are drafted clearly and accurately.

On 28 March 2019, the General Meeting of Shareholders approved the appointment of KPMG Auditores, S.L. for the years 2020 to 2022, based on a proposal by the Board of Directors, which was based on a reasoned recommendation from the Audit and Control Committee made following a selection process performed in accordance with the provisions of Regulation (EU) 537/2014 of 16 April, on specific requirements regarding statutory audit of public-interest entities.

With regard to the oversight of compliance with the audit contract and the performance of the audit, throughout the year the Committee liaised constantly with the external auditor to ascertain the progress of the handover from the previous auditor, its strategy and work plan, the team of experts and specialists involved in the audit, the criteria for quantifying materiality, the work schedule, its execution, and the main conclusions of the work performed, focusing on the identified audit risks, as well as on the impact of the COVID-19 health crisis on the audit of the Bank and the Group. The Committee also reviewed in depth the contents of the audit report, as well as the Additional Report presented by the auditors to the Audit and Control Committee in connection with the audit of the year ended 31 December 2020, required to comply with the provisions of article 36 of Act 22/2015, of 20 July 2015, on Auditing and with article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities.

e. Advising on the annual, quarterly and half-yearly financial statements and the prospectuses that must be submitted to the regulatory or supervisory bodies, exercising

vigilance to ensure compliance with the requirements of the law and the proper application of generally accepted accounting principles, and advising on proposals to amend those principles.

In the course of the year, the Committee paid particular attention to reviewing the Bank's financial statements and the quarterly and half-yearly trading and financial reports as well as other information disclosed to the market, to ensure that they conform to generally accepted accounting principles and to the criteria established by regulators and supervisors. It reviewed with particular care, and approved in 2020, the judgements, estimates and valuation approaches used in the preparation of the financial statements that were affected by the uncertainty caused by COVID-19 and the current macroeconomic situation, which has had a fundamental impact on the determination of asset impairment losses. In order to carry out these reviews, the Finance Department and the external auditor participated in meetings of the Committee to present matters relating to the financial disclosures.

The Committee oversaw the Annual Corporate Governance Report and the Pillar III Disclosures, all produced and published in line with the Pillar II requirements, the Bank's Policy on Financial and Non-Financial Disclosures, the ICAAP and ILAAP, and the Universal Share Prospectus, covering specific aspects relating to the impact of the COVID-19 pandemic, before they were released to the market.

f. Establishing the appropriate relations with external auditors to receive information about any issues that might jeopardise their independence, to be reviewed by the Committee, and any others related to the process of performing the audit functions and in the audit rules.

In order to comply with the requirements for the engagement of non-audit services from audit firms and their networks, as established in the Banco Sabadell Group Policy to Safeguard Auditor Independence, the Audit and Control Committee reviewed the main non-audit services provided by the firm KPMG during 2020. The objective of these reviews was to ensure that all that work fulfilled the independence requirements established in Act 22/2015, of 20 July, on Auditing and in Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

Additionally, based on information received from the auditors, the Committee vetted the procedures and tools used by the firm to ensure compliance with the auditor independence requirements. Written confirmation of the firm's independence with respect to Banco Sabadell Group was received on 29 July 2020 and 26 January 2021.

Based on the results of these checks, the Committee issued a report to the Board of Directors giving a favourable opinion on fulfilment of the auditor independence requirement before the auditor's report on the accounts was issued.

g. Advising on any issues referred to the Committee by the

Board of Directors that are within its remit.

In the course of its duties as assigned by the law, the Articles of Association and the Board of Directors Regulation and its own terms of reference, the Audit and Control Committee reviewed all the reports under its remit, including the annual assessment of its performance, as well as a report on the issues it dealt with and the activities it performed in discharging its duties.

h. Any other matters for which the Committee is responsible by law or under the Articles of Association or any regulations made in accordance therewith, or under any generally applicable rules on corporate governance.

In pursuit of good governance of the Bank's business, the Committee decided to recommend that the Board of Directors give its approval to a report submitted by the Delegated Committee on the corporate governance structure and practices at Banco Sabadell in the year.

The Committee also examined half-yearly reports from the Group's Corporate Ethics Committee on action taken to ensure compliance with the Banco Sabadell Group Code of Conduct in relation to the securities market, the Group's Code of Conduct, activities in connection with environmental, social and governance (ESG) factors, and other key aspects.

By reviewing these reports, the Committee also received information on the performance of the whistleblower channel, including the number of notifications received, their origin and types, the results of the investigations and the proposals for action.

The Audit and Control Committee also assessed the implications of material corporate transactions performed in 2020.

In connection with related-party transactions, the Committee verified that the related-party transactions performed during the year fulfilled the terms and conditions established in current legislation such as not to require authorisation from the governing bodies, after it had checked that the consideration and other proposed conditions were in line with market parameters. The Committee also reviewed the information on related-party transactions that was disclosed in the financial statements.

Additionally, in conformity with the recommendations contained in a document published by the CNMV on 18 July 2013 entitled "Recommendations by the Comisión Nacional del Mercado de Valores for securities issuers and financial intermediaries acting on their behalf in discretionary transactions with own shares", the Audit and Control Committee received regular briefings from the Director-General Manager and the head of treasury share management on trading in the Bank's own shares and on compliance with the regulator's recommendations.

During 2020, the Audit and Control Committee performed a self-assessment of its performance in 2019 with the support of an independent external consultant; the self-assessment for 2020 is expected to be performed in the first quarter of 2021.

### 4.3. Appointments Committee

Chairman	José Manuel Martínez Martínez	Independent
Members	Anthony Frank Elliot Ball	Independent
	Aurora Catá Sala	Independent



The independent director, Mr. José Manuel Martínez Martínez, was appointed Chairman of the Appointments Committee, of which he was already a member, on 26 March 2020, replacing Ms. Aurora Catá Sala, who continues as a member; Ms. María Teresa García-Milà Lloveras stepped down from the committee as a result of her resignation as a director.

The Appointments Committee is expressly regulated by article 61 of the Articles of Association and article 14 of the Board of Directors Regulation, and it has its own terms of reference approved by the Board of Directors on 24 October 2019 that regulate its organisation and functioning.

In accordance with the Board of Directors Regulation, the Appointments Committee must comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. The Committee will have a Chairman, appointed by the Board of Directors with a two-thirds majority from among the independent directors who are members of the Committee.

The Appointments Committee Regulation establishes that the Board of Directors will also appoint the Committee Secretary and, in the event, a Deputy Secretary, neither of whom need be a member of the Board of Directors; the Committee meets as often as necessary, and at least once every three months, when convened by its Chairman, at his/her own initiative or at the request of any member of the Committee, or whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and, in any event, whenever it is advisable in order to properly discharge its duties. In any case, it must meet once per year to provide advice in advance on the Board's performance evaluation.

Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors, the Board of Directors Regulation or its own terms of reference, the Appointments Committee has the following basic duties:

a. Making proposals to the Board of Directors as to the appointment of independent directors, for co-optation or for referral to the General Meeting, and as to the re-appointment or removal of such directors;

In fulfilment of its functions, it made a proposal to the Board of Directors that it refer the appointment of an independent director to the General Meeting of Shareholders, and it proposed that the Board appoint an

independent director by co-optation, having assessed their fitness and suitability.

b. Advising on proposals to appoint other directors — proprietary, other external and executive — by co-optation or for referral to the General Meeting, and on proposals to re-appoint or remove them;

To this end, it advised the Board of Directors on a proposal for the appointment by co-optation of an executive director, having assessed their fitness and suitability.

c. Ensuring that the qualitative composition of the Board of Directors complies with the provisions of article 53 of the Articles of Association, by assessing the balance of knowledge, capacity, diversity and experience among its members. To this end, it must define the necessary functions and skills to be possessed by candidates for each vacancy, as well as the time that it considers needs to be dedicated to properly discharge the duties;

In all its proposals for the appointment of independent directors, the Committee exercised oversight to ensure compliance with the qualitative composition of the Board, as well as advising on the proposal for an executive director to replace the Chief Executive Officer. It also verified compliance with the Banco Sabadell Director Candidate Selection Policy, in accordance with Recommendation 14 of the Code of Good Governance of Listed Companies, and analysed and advised the Board on the composition of the Board, the categories of directors, and the approval of the Annual Corporate Governance Report.

d. Striving to ensure that selection procedures for filling vacancies or appointing new directors favour a diversity of experience and knowledge, facilitate the selection of female directors and, generally, do not suffer from implicit biases that might result in discrimination of any type;

In the proposals to appoint two female independent directors, it appropriately applied the Selection Policy and relied on the Matrix of Competencies and on external consultants, who provided it with profiles of female candidates for directorships.

e. Evaluating to ensure that the members of the Board of Directors are suitable and have the requisite competency, knowledge and experience, and assessing their ability to

devote the necessary time, with a view to referring their candidacy to the competent authorities;

During 2020, it analysed the powers and diversity of the Board of Directors in order to fill vacancies and it assessed the suitability of the candidates presented for appointment as directors.

f. Advising on proposals for the appointment and removal of senior executives and the Identified Staff, and assessing their fitness and suitability;

The Committee fulfilled its function of advising the Board of Directors on proposals for the appointment of senior executives, having assessed their suitability. It also reviewed the list of the Identified Staff of the Bank, the Group and the subsidiaries, and advised the Board of Directors on proposals to amend the list of the Identified Staff.

g. Advising on the basic contractual conditions for executive directors and, as appropriate, on their specific contracts, which must be approved by the Board of Directors and be attached to its minutes as an annex;

The Appointments Committee issued a favourable report to the Board of Directors on the contractual terms and conditions under which the Chief Executive Officer will perform executive functions.

h. Examining and organising succession plans for the Chairman of the Board of Directors and the Bank's Chief Executive Officer, and, as appropriate, raising proposals to the Board and implementing the provisions of any duly approved and published Succession Plan in the event;

The Succession Plan for the Chairman and Chief Executive Officer of Banco Sabadell was followed to ensure an orderly succession of the Chief Executive Officer. It interviewed the candidate proposed by the Chairman of the Board, issued a report to the effect that the candidate has the knowledge, skills and experience in accordance with the provisions of article 8 of the Plan, obtained expert advice, and issued suitability assessment reports required by Law 10/2014, of 26 June, and by article 529.decies.6 of the Capital Companies Law.

i. Establishing a target for representation of the gender that is less represented on the Board of Directors and drawing up guidelines on how to achieve that target;

The Appointments Committee proposed the appointment of two female independent directors in order to increase gender diversity. It verified compliance with the Director Candidate Selection Policy in the resolutions adopted in 2020 regarding the appointment of directors, which conformed to the diversity parameters and requirements set out in the Policy and in the current regulations governing directorships of credit institutions and, in particular, with a view to achieving the objectives as to the weighting in the

Board of the under-represented gender.

j. Evaluating regularly, and at least once per year, the structure, size and composition of the Board of Directors and its Committees, and advising the Board on the most appropriate configuration, as well as advising on proposals regarding the appointment or removal of their members;

The Committee evaluated the structure, size and composition of the Board and its committees and advised the Board of Directors on the most appropriate configuration, as well as providing advice on proposals for appointment of directors, and on changes in the composition of the Board Committees.

k. Making proposals to the Board of Directors for the assignment of directors to the appropriate category, their continuance in that category in the event of re-appointment, and changes of category where necessary;

The Committee analysed the circumstances of the candidates for appointment as independent directors and submitted its proposals to the Board for the appropriate decisions.

l. Reviewing directors' categories each year and informing the Board of Directors for inclusion in the Annual Corporate Governance Report;

The Committee reviewed the director categories and informed the Board for disclosure in the Annual Corporate Governance Report.

m. Advising the Board of Directors on proposals for the appointment of the Deputy, as applicable;

n. Advising the Board of Directors on proposals regarding the appointment of the Secretary and, as appropriate, the Deputy Secretary of the Board of Directors, neither of whom need be a director.

o. Making proposals to the Board of Directors for the appointment, removal or re-appointment of the Lead Independent Director;

The Appointments Committee did not exercise functions m), n) or o) in 2020 since there were no changes in the persons holding those positions.

p. Producing and regularly updating a matrix of competencies in the Board of Directors, evaluating the knowledge, skills and experience of the members of the Board of Directors and of the Board as a whole, for approval by the Board of Directors;

The Appointments Committee issued a favourable report to the Board of Directors on the revision of the Matrix of competencies, for its approval by the Board of Directors



on 29 January 2021, as a result of the appointments and changes that occurred in the Board in 2020.

q. Periodically reviewing and making proposals to the Board for the amendment of the policies regarding the selection and diversity of the members of the Board of Directors, and verifying compliance with them annually, informing the Board of Directors as to the degree of compliance;

The committee verified compliance with the Director Candidate Selection Policy.

r. Providing advice each year on performance reviews for the Board of Directors and for the Chairman of the Board of Directors and the Chief Executive Officer;

The Appointments Committee provided advice on the annual performance review of the Board of Directors, its Chairman and the Chief Executive Officer. The performance review for 2019 was conducted in 2020 with the assistance of an independent external consultant.

s. Referring to the Board of Directors the assessments of the Board Committees with the results of the assessment and a proposal for an action plan or recommendations to correct any deficiencies detected or improve the functioning of the Board or its Committees;

The Appointments Committee issued a favourable report to the Board on the annual performance review of the Committee itself for 2019, as well the performance reviews for the other Board committees (Delegated Committee, Audit and Control Committee, Appointments Committee, Remuneration Committee and Risk Committee), which included, depending on the outcome, an action plan to correct any deficiencies that had been detected.

t. Designing and organising regular refresher courses for directors;

At a meeting on 30 January 2020, the Appointments Committee issued a favourable report to the Board of Directors on the 2020 Director Training Programme, with special emphasis on updating the skills and knowledge of the Bank's directors in specific issues related to the institution.

u. Reviewing, at least once per year, the execution and quality of the initial training and onboarding and the Director Training Programme, and informing the Board of Directors;

At a meeting on 30 January 2020, the Appointments Committee adopted a favourable assessment of the Director Training Programme conducted in 2019.

During 2020, the Appointments Committee performed a self-assessment of its performance in 2019 with the

support of an independent external consultant; the self-assessment for 2020 is expected to be performed in the first quarter of 2021.

## 4.4. Remuneration Committee

Chairman	Aurora Catá Sala	Independent
Members	Anthony Frank Elliot Ball	Independent
	George Donald Johnston III	Independent
	José Ramón Martínez Sufrategui	Independent



The Remuneration Committee is expressly regulated by article 62 of the Articles of Association and article 14 bis of the Board of Directors Regulation, and it has its own terms of reference approved by the Board of Directors on 24 October 2019 that regulate its organisation and functioning.

In accordance with the Board of Directors Regulation, the Remuneration Committee will comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. The Committee will have a Chairman, appointed by the Board of Directors with a two-thirds majority from among the independent directors who are members of the Committee.

The Remuneration Committee Regulation establishes that the Board of Directors will also appoint the Committee Secretary and, in the event, a Deputy Secretary, neither of whom need be a member of the Board of Directors; the Committee meets as often as necessary, and at least once every three months, when convened by its Chairman, at his/her own initiative or at the request of any member of the Committee, or whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and, in any event, whenever it is advisable in order to properly discharge its duties. In any event, the Committee must meet once per year to prepare the information on directors' remuneration that the Board of Directors must approve and include in its annual public documentation.

Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors, the Board of Directors Regulation or its own terms of reference, the Remuneration Committee has the following basic duties:

a. Making proposals to the Board of Directors in connection with the director remuneration policy;

The Remuneration Policy for the directors of Banco Sabadell for the years 2019, 2020 and 2021 was approved by the General Meeting of Shareholders on 28 March 2019.

b. 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 Chief Executive Officers, and the individual remuneration and other contractual conditions for executive directors, exercising oversight to ensure that they are complied with;

To perform this function, it cross-checked the compensation benchmark for the executive directors and senior management and internal audit with reports from external consultants; it issued a favourable report to the Board of Directors in connection with the degree of fulfilment of the 2019 objectives for executive directors, senior management and internal audit, as well as their fixed and variable remuneration for 2020. It reviewed and issued a favourable report to the Board of Directors on the Remuneration Policy for Senior Management.

c. Advising on remuneration programmes based on shares and/or options;

d. Periodically reviewing the general principles of remuneration and the remuneration programmes for all employees, and considering whether they conform to those principles;

The Remuneration Committee examined the independent assessment of remuneration policy and practices produced by an external consultant, which analysed whether Banco Sabadell's remuneration policy and practices conform to the regulators' requirements and recommendations. It also reviewed the report produced each year by the Human Resources Department in order to provide the Remuneration Committee with the essential information to enable it to perform the functions entrusted to it in relation to reviewing the general principles of Banco Sabadell Group's remuneration policy and exercising oversight of the remuneration of the Bank's Chairman, Chief Executive Officer and executive directors, senior management and the other members of the Group's Identified Staff.

It also reported favourably to the Board of Directors on the fixed remuneration for Group's entire workforce and an increase in the total salary expense for the year 2020.

e. 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;

In 2020, the Remuneration Committee examined the report by an external consulting firm 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.

When advising the Board of Directors on the approval of the individual objectives for the Chief Executive Officer, the executive directors, members of Senior Management and members of the Group's Identified Staff, the Remuneration Committee analysed the report of the Risk Committee on the consistency of those objectives with the level of risk appetite.

f. 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;

The Remuneration Committee analysed the Internal Audit Report on the Remuneration Policy of the Group and Subsidiaries, whose 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).

The Remuneration Committee reviewed and issued a favourable report to the Board of Directors on Banco Sabadell's remuneration policies, comprising the Remuneration Policy for Banco Sabadell Group, the Remuneration Policy for Senior Executives, the Remuneration Policy for the Group's Identified Staff, and the Remuneration Policy for Banco Sabadell Spain.

g. Verifying that the remuneration policy is properly applied and that directors do not receive remuneration outside the policy;

The Remuneration Committee tracked the recommendations set out in the Internal Audit Report on the Remuneration Policy of the Group and Subsidiaries, whose objective was to review the degree to which the institution's remuneration policies conform to the EBA guidelines and applicable legislation, seeking to ensure their proper application.

h. 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;

At a meeting on 29 January 2020, the Remuneration Committee examined the independent report on the evaluation of the remuneration policy and practices prepared by an external consultant, which concluded that the remuneration policy applicable to Banco Sabadell Group's Identified Staff and the Remuneration Policy for Directors that were in force in 2020 are in line with the prevailing prudential regulations on remuneration. With regard to

variable remuneration, the independent report indicated that Banco Sabadell complies with the applicable regulations insofar as the total amount of variable remuneration is based on an evaluation of results within a multi-year framework in which the individual results, assessed in accordance with both financial and non-financial criteria, of the business unit and the overall results are combined, and it contains a general limitation that the total amount of variable remuneration must not limit the Bank's capacity to strengthen its capital base. The independent report also states that Banco Sabadell's Risk Control Department participates in defining the guidelines and objectives of the Identified Staff and submits a report to the Risk Committee on the suitability and coherence of the objectives with the risks assumed.

i. 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;

During the year, the Remuneration Committee analysed the prospect of meeting targets and variable remuneration in 2020, particularly taking into account the impact of COVID-19, with a detailed study and analysis of simulations of possible target achievement. The Remuneration Committee also analysed a report by an external consultant on market practices in variable remuneration in 2020, which includes a survey of practices at Spanish banks in the management of objectives and remuneration components in the context of COVID-19, including the metrics published by the main competitors and market intelligence regarding remuneration components.

j. 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;

The Committee reviewed and, as appropriate, advised on the terms and conditions of the contracts, and amendments to same, of executive directors and senior management, and/or their removal, verifying that they are consistent with the remuneration policy.

k. 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.

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, Chief

Executive Officer, executive directors, members of senior management and the Audit Manager, as well as for the members of the Group's Identified Staff.

l. Proposing the determination of remuneration earned by the directors and senior management;

The Remuneration Committee reported favourably to the Board of Directors on the fixed remuneration and short- and long-term variable remuneration for executive directors and senior management in 2020.

m. Proposing the determination of the bonus for senior management at the Bank and its subsidiaries;

The Remuneration Committee issued a favourable report to the Board of Directors on the 2020 variable remuneration for senior management at the Bank and its subsidiaries;

n. 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;

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.

o. Approving the appointment of external consultants on remuneration that the Board decides to hire to provide advice or support;

It approved the hiring of remuneration advisors for 2021.

p. Ensuring that any conflicts of interests are not detrimental to the independence of external advisors;

q. Ensuring that remuneration is transparent;

The Committee cooperated actively in the Corporate Governance Road Show held at the beginning of February 2020 for proxy advisors and significant shareholders, in which it detailed the most salient aspects of the remuneration policy.

r. Verifying the information on remuneration contained in the various corporate documents, including the Report on Director Remuneration.

The Remuneration Committee determined and reviewed the information on director remuneration that the Board must approve and disclose in the annual public documentation.

s. Preparing the information on directors' remuneration that the Board of Directors must approve and include in its annual public documentation.

The Remuneration Committee determined and reviewed the information on director remuneration that the Board must approve and disclose in the annual public documentation.

t. 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.

The Remuneration Committee ensured the proper dissemination of the information on remuneration through the corporate website, in accordance with the applicable regulations and corporate governance recommendations.

The Remuneration Committee also reported favourably to the Board of Directors on the submission for approval by the General Meeting of Shareholders on 26 March 2020 of the maximum limit on variable remuneration for the Group's Identified Staff in an amount equivalent to 2 years' remuneration, i.e. 200% of the fixed annual remuneration assigned to each one of them.

During 2020, the Remuneration Committee performed a self-assessment of its performance in 2019 with the support of an independent external consultant; the self-assessment for 2020 is expected to be performed in the first quarter of 2021.

## 4.5. Risk Committee

Chairman	George Donald Johnston III	Independent
Members	Aurora Catá Sala Manuel Valls Morató	Independent Independent



Ms. Aurora Catá Sala, an independent director, was appointed as a member of the Risk Committee, and Ms. María Teresa García-Milà Lloveras stepped down as a Member as a result of her resignation as a director on 26 March 2020.

The Risk Committee is expressly regulated by article 63 of the Articles of Association and article 15 of the Board of Directors Regulation, and it has its own terms of reference approved by the Board of Directors on 24 October 2019 that regulate its organisation and functioning.

In accordance with the Board of Directors Regulation, the Risk Committee comprises at most five directors, appointed by the Board of Directors, none of whom may be an executive director; they must have the appropriate knowledge, skill and experience to fully understand and oversee the Bank's risk strategy and risk appetite; at least two of them must be independent directors. The Board of Directors appoints its Chairman from among the members who are independent directors, with the favourable vote of two-thirds of its members.

In the exercise of its functions, the Risk Committee may directly request the information it sees fit from both the Director Chief Risk Officer and from the departments that report to him/her, including notably the Internal Control Department and the Credit Risk Control Department, which was recently created following adoption of the new organisational structure (both were previously part of the Risk Control Department); and in accordance with its Regulations, the Committee meets as often as necessary and at least once every two months, when convened by its Chairman, at his own initiative or at the request of any member of the Committee, or at the request of the Chairman of the Board of Directors.

Its functions are focused on supervising and exercising oversight to ensure that all the risks of the Bank and its consolidated Group are accepted, controlled and managed appropriately, and reporting to the Board on the performance of the functions corresponding to it, in accordance with the law, the Articles of Association, the Board of Directors Regulation and its own terms of reference. The main functions of the Risk Committee are as follows:

- a. Supervising implementation of the Overall Risk Policy;
- b. Reporting each quarter to the full Board about the levels of risk assumed, investments made and their performance, and the potential repercussions on Group

revenues of variations in interest rates, and the degree to which they conform to the VAR levels approved by the Board of Directors;

c. Monitoring and detecting any excess above the approved tolerance thresholds, and overseeing the activation of the contingency plans established for this purpose;

d. Advising the Remuneration Committee as to whether the employee compensation programmes are coherent with the Bank's levels of risk, capital and liquidity.

e. Advising and supporting the Board of Directors in connection with tracking the institution's risk appetite and general risk strategy, taking into account all types of risks, to ensure that they are in line with the institution's business strategy, objectives, corporate culture and values.

f. Assisting the Board of Directors in monitoring the application of the institution's risk strategy and established limits.

g. Monitoring implementation of the capital and liquidity management strategies, as well as all the institution's other material risks, in order to assess their conformity to the approved risk strategy and appetite.

h. Providing recommendations to the Board of Directors on such adjustments to the risk strategy as may be considered necessary as a result of, inter alia, changes in the institution's business model, market performance or recommendations made by the risk control function.

i. Advising on the appointment of external consultants in connection with overseeing the institution's activities.

j. Analysing a series of possible scenarios, including stress scenarios, to assess how the institution's risk profile would react to external and internal events.

k. Monitoring the degree to which the major financial products and services offered to customers conform to the institution's business model and risk strategy. The Risk Commission will assess the risks associated with the offered financial products and services and will take into account how the prices of those products and services relate to the rewards obtained.

l. Assessing internal or external auditors' recommendations and verifying proper implementation of any measures that are adopted.

m. Reporting to the full Board regarding the performance of its functions under this article and other applicable legislation and the provisions of the Articles of Association.

For each of the functions of the Risk Committee listed in the preceding paragraphs, items a) through m), the most salient actions carried out by the Committee during the year were as follows:

In relation to Governance functions, as referred to in items a), e), f), g), h), i), j), l) and m), the Risk Committee analysed and reviewed matters that required it to issue a recommendation for subsequent approval by the Board of Directors, including notably the Global Risk Framework, the Risk Appetite Framework (RAF), Risk Appetite Statement (RAS), as well as the Risk Policies. In this same area, as part of the development of the Global Risk Framework, the Risk Committee also analysed, and subsequently submitted to the Board of Directors for approval, the review and, where appropriate, definition of risk policies relating to credit, concentration and operational risk, IRRBB, CSRBB, and liquidity, market, counterparty, exchange rate, actuarial, model, conduct and compliance risk, which explicitly set out the core principles and procedures governing the management and control of all the Group's material risks, incorporating the requirements established by the regulations.

Additionally, in 2020 the Risk Committee reviewed: the capital adequacy and liquidity adaptation processes (ICAAP and ILAAP reports), which assess the Group's capital and liquidity situation; it participated in the analysis of risks associated with updating the new preliminary projections for 2021-2026 in the current financial situation, and reviewed the Recovery Plan, and the internal crisis management framework.

In connection with its function of assessing the recommendations by internal and external auditors, the Risk Commission is apprised of the results of the various audits and of proper implementation of the recommendations.

Regarding the functions referred to in items b), c) and k) of the list of functions, the Risk Committee regularly monitored the Risk Appetite Statement during the year, including the following actions:

Regularly reviewing a scorecard that reflects trends in the main metrics and variables associated with material risks in accordance with the existing risk taxonomy, and ensuring that they conform to the established risk appetite.

Monographic analyses of market, operational, country, balance sheet and cyber risk and certain portfolio risks, among others.

Reporting and proposing the appropriate action (activating protocols, changing guidelines, etc.) as a result of analysing risk trends.

Tracking risk-adjusted pricing trends and the degree to which prices conform to the related risks.

Monitoring exposure to large groups that are reviewed by the Delegated Committee.

Monitoring quarterly NPA performance.

The Risk Committee also tracked the development of risks associated with COVID-19 from the outset of the crisis. This tracking included an analysis of the deterioration of the economic and industry situation and the potential impact on credit risk. The analysis also included monitoring other risk factors, including notably the potential financial impact and share price performance, as well as the possible reputational impact, together with the appropriate corrective measures.

The Risk Committee also reviewed and, where appropriate, recommended the approval of actions related to the main components of the risk models. In this regard, during 2020 the Risk Committee reviewed the risk management and control model that covers IRB (Internal Rating Based), provisioning models, credit risk management models and models affecting the Interest Rate Risk in the Banking Book (IRRBB), in order to recommend their approval by the Board of Directors.

Regarding the function of advising the Remuneration Committee about the coherence of the employee remuneration programmes with the Bank's risk, capital and liquidity levels, as indicated in item d), the Risk Committee reviewed the analysis carried out on the composition of the Identified Staff and the alignment of its objectives with the Bank's risk, capital and liquidity levels, and issued a favourable report to the Remuneration Committee. The Risk Committee also reviewed the appropriateness of the Group's remuneration policies, verifying that they comply with the regulatory parameters applicable to credit institutions and that they are aligned to the risks.

During 2020, the Risk Committee performed a self-assessment of its performance in 2019 with the support of an independent external consultant; the self-assessment for 2020 is expected to be performed in the first quarter of 2021.

## 5. Related party and intragroup transactions (D.1, D.2, D.3, D.4, D.5, D.6 and D.7)

### 5.1. Procedure for the approval of related-party and Intragroup transactions, and the bodies empowered for this purpose (D.1, D.2, D.3, D.4, D.5 and D.7)

The Audit and Control Committee vets any related-party transaction before it is approved by the Board of Directors, except for cases where the law provides an exemption from Board of Directors approval.

Intragroup transactions are subject to the same approval procedures as customer transactions, requiring at least the approval of the Group Risk Transactions Committee and at most the approval of the Board of Directors.

There were no transactions that were material because of their size or nature between the Bank or any Group undertaking and the Bank's significant shareholders.

There were no material transactions with directors or executives of the Bank. Those that did take place were performed in the normal course of the Bank's business or were performed on an arm's-length basis or in the conditions available to any employee. There is no record of any transactions being performed other than on an arm's-length basis with persons or entities related to directors or senior managers.

The balances of transactions with related parties are disclosed in note 40 to the Group's consolidated financial statements and in note 36 to the separate financial statements.

The Bank is not controlled by any other entity, listed or otherwise, in the meaning of article 42 of the Commercial Code.

### 5.2. Mechanisms established for detecting, determining and resolving possible conflicts of interest between the company and/or its group, and its directors, executive or significant shareholders (D.6)

Banco Sabadell has mechanisms for detecting, determining and resolving possible conflicts of interest between the Bank and/or its Group, and its directors, executives or significant shareholders.

1. The General Policy on Conflicts of Interest of Banco Sabadell Group and of Banco Sabadell are internal regulations approved by the Board of Directors of Banco Sabadell, which were adapted in 2019 to the EBA's Guidelines on Internal Governance, and their purpose is to be effective in identifying, evaluating, managing, mitigating, preventing or, ultimately, disclosing potential or actual conflicts of interest. The Compliance Department is responsible for correctly applying those policies and, when necessary, it will urge the other departments in the Group to which they apply to take the necessary action.
2. The Policy on Conflicts of Interest of Directors and Senior Executives, approved by the Board of Directors on 28 January 2016 and amended by the Board of Directors on 30 July 2020, establishes the necessary measures for managing conflicts of interest of directors and senior executives and their related parties in connection with corporate transactions or non-bank activities and also with ordinary banking business.

The Group's Risk Transactions Committee analyses all credit operations carried out by directors, senior executives and their related parties and makes proposals to the Board of Directors for their approval.

Royal Decree 84/2005, implementing Act 10/2014, of 26 June, on the Regulation, Supervision and Solvency of Credit Institutions, sets out the requirements in connection with disclosure of transactions by directors, senior executives and their related parties to the competent authority and for authorisation by the latter.
3. Banco Sabadell Group's Code of Conduct provides a set of rules for the guidance of all persons employed by the Group and its stakeholders (customers, suppliers, shareholders, authorities and the local community) based on principles which we consider fundamental to carrying on our business.

It expressly contemplates rules applicable to possible conflicts of interest with customers and suppliers and sets out guidelines for such cases.
4. Banco Sabadell Group's Internal Rules of Conduct in connection with the securities markets (IRC), approved by the Board of Directors on 24 May 2018, are applicable to the members of the Bank's Board of Directors, and to all executives and employees whose work is directly or indirectly related to activities and services in the field of the stock markets or who have frequent or habitual access to price-sensitive information related to the Bank itself or Group companies.

Section 4 of the IRC sets out the mechanisms for identifying, preventing and resolving possible conflicts of interest that are detected by persons bound by the code, who are obliged to declare any significant

relations of a financial, family or other nature with customers of the Bank in connection with services related to the securities markets or to companies listed on the Stock Exchange, as well as any other relationships that, in the opinion of an external and neutral observer, might compromise the impartiality of the persons concerned.

5. Banco Sabadell Group's Corporate Ethics Committee is responsible for fostering ethical conduct throughout the organisation and for giving advice to the Board of Directors, via the Audit and Control Committee, and advising the corporate and business units on decisions involving issues that might lead to conflicts of interest.

The Committee is also responsible for overseeing the Group's compliance with its obligations as set out in the Code of Conduct and in the Internal Rules of Conduct in connection with the securities market.

To achieve its objectives, the Corporate Ethics Committee can call upon the resources of the Compliance Department, and has been given extensive powers by the Board to gain access to all the documents and information it requires to perform its supervisory function.

6. Under the Board of Directors Regulation, all Board members are bound by a duty of loyalty and confidentiality and are required to disclose any interest they may have in the company itself or in other companies outside the Group.

Specifically, Article 25 of the Regulation states that a director may not provide professional services to Spanish companies whose corporate purpose coincides wholly or partly with that of the company. An exception is made for offices they hold in companies in the Group. Directors must notify the Appointments Committee before accepting any executive appointment in another company or institution.

Article 27 of the Board of Directors Regulation states that directors must inform the company of any company shares which they own directly or through companies in which they hold a significant stake.

It is also necessary to disclose any shares held, directly or indirectly, by their close relatives. Directors must also inform the company of all positions that they hold and activities that they perform in other companies or entities and, generally, of any fact or situation that may be material in connection with their performance as directors of the company.

7. The Capital Companies Law establishes that directors have a duty to avoid conflicts of interest, and it lists the situations in which a director must abstain from acting and, in any case, establishes the duty to notify the other directors and, where appropriate, the Board of Directors of any situation where their interests, or those of their related parties, may be in conflict, directly or indirectly, with the interests of the company.



## 6. Risk control and management systems (E)

### 6.1. Scope of the Bank's Risk Control and Management System, including that relating to tax risks (E.1)

For risk management and control, Banco Sabadell Group has defined a Global Risk Framework that is formalised in the form of a set of principles, embodied in policies and deployed in procedures, strategies and processes that seek to increase the likelihood of achieving the strategic goals of the Group's various activities by facilitating management in a context of uncertainty.

The Group's Global Risk Framework includes, among other aspects, all those actions associated with identification, decision-making, measurement, evaluation, monitoring and control of the risks to which the Group is exposed, including tax risk. These activities include the functions performed by the overall Group's areas and business units.

The Global Risk Framework comprises the Global Risk Framework Policy, the Risk Appetite Framework (RAF), the Risk Appetite Statement (RAS) and the set of policies for each of the risks, together with the operating and conceptual Procedures and Manuals that make up the regulations of the Group and its subsidiaries.

The Board of Directors of Banco Sabadell has approved the Group's tax strategy. That strategy is governed by the principles of efficiency, prudence, transparency and minimisation of tax risk, it is broadly aligned with Banco Sabadell Group's business strategy, and it is applied in all the companies controlled by the Group, regardless of their geographical location.

### 6.2. Bodies of the Bank responsible for drawing up and executing the Risk Control and Management System, including tax risk (E.2)

The functions of Banco Sabadell's Board of Directors include identifying the Group's main risks and implementing and monitoring the appropriate internal control and information systems, including challenges and tracking and strategic planning of the Group and oversight of management of the material risks and their alignment with the profile defined by the Group. To this end, it participates directly (or through the Bank's Risk Committee) in monitoring the risk strategy, including the definition of risk appetite, RAF, RAS and policies; monitoring the implementation of the risk culture throughout the organisation, and in reviewing the adequacy of the organisational structure to that strategy.

The Board of Directors is the body responsible for establishing the general guidelines on the organisational distribution of the risk management and control functions and for determining the main lines of strategy in this respect, ensuring their consistency with the Group's short- and long-term strategic objectives, as well as with the business plan, capital and liquidity planning, risk capacity and remuneration programs and policies.

The Board of Directors has indelegable responsibility for: (i) determining the tax strategy; (ii) approving investments or operations considered strategic by virtue of their amount or special characteristics, strategic nature or particular tax risks, unless their approval corresponds to the General Meeting; (iii) approving the creation of special-purpose vehicles or entities resident in jurisdictions considered tax havens, or the acquisition of shares in such undertakings; and (iv) the approval of any other transactions or operations of a comparable nature whose complexity might impair the transparency of Banco Sabadell and its Group.

Additionally, the Delegated Committee, the Risk Committee, the Remuneration Committee and the Audit and Control Committee are involved in the Group's Global Risk Framework and, therefore, in risk management and control. Moreover, a number of Committees and Departments have a significant involvement in the risk function.

Specifically, the following committees have been created and have risk control and management functions within the Global Risk Appetite Framework:

- Technical Risk Committee (CTR), which holds meetings on a monthly basis and has the following functions: (i) supporting the Risk Committee in fulfilling its functions (which include determining, proposing, reviewing and tracking the body of regulations relating to risk, the Risk Appetite Framework and the frameworks associated with each portfolio and/or risk; supervising the institution's risk on an overall level; tracking the tolerance thresholds of first- and second-tier metrics in the RAS on the basis of established governance, and any adaptation plans); (ii) tracking, analysing and, as appropriate, approving matters in the Committee's remit (approving the limits of certain RAS metrics according to the established governance, making proposals to the Risk Committee regarding material changes in internal models for referral to the Board for approval, and approving asset allocation); (iii) tracking management of doubtful assets and foreclosed assets that together make up the Non-Performing Assets (NPAs), and reporting on this to the Risk Committee; (iv) analysing ad-hoc issues in specific portfolios or risk classes, for referral and inclusion in risk management.

- Risk Transactions Committee, with the following functions: (i) approval of credit and asset management transactions, including transactions/limits for countries and banks, and of specific criteria in line with the policies under the established delegation of powers; (ii) establishment of autonomies for risk acceptance by lower committees, and referring proposals to the Delegated Committee on the basis of established delegations; and (iii) monthly reporting to the Delegated Committee of the transactions approved and performed in the previous month.

Committee created at the end of 2020 as a result of the new organisational structure of the risk function. Its functions will be fully deployed during 2021.

- Non-Performing Assets Tracking and Management Committee, with the following functions: (i) monitor the performance of the Bank's loan book, on a sub-portfolio basis, with a focus on forecasting, identifying returns by sector/sub-portfolio, and setting limits in sectors/sub-portfolios with higher risk; (ii) establish management priorities to be communicated to the Business Units based on the portfolios/sectors/exposures to be focused on at any given time in order to anticipate potential default and a potential classification as non-performing; (iii) ensure coordination between the Risk Department and the Business units to reduce the potential for default and delinquency; (iv) monitor the portfolio of non-performing assets and the recovery strategy for those assets; and (v) establish frameworks, tools and/or algorithms to facilitate decision-making for both monitoring sub-portfolios and managing non-performing assets.

Committee created at the end of 2020 as a result of the new organisational structure of the risk function. Its functions will be fully deployed during 2021.

- Assets and Liabilities Committee (ALCO): Management body responsible for optimising and monitoring the management of structural risk in the Group's balance sheet that is assumed in the commercial activity, and the market risk; it has the following functions: (i) approving and tracking macroeconomic and financial scenarios generated by the Group Chief Economist. Additionally, it must be informed regularly of economic, financial, political and geopolitical events and, generally, of other external factors capable of influencing the Group's structural risks; (ii) approving and tracking management of the structural risks in the balance sheet by the Balance Sheet Management unit at Banco Sabadell Spain and the Group, including liquidity risk, IRRBB, CSRBB and currency risk; (iii) delegate monitoring of market risk to the Investment and Liquidity Committee (CIL), and receive regular reports on this issue; (iv) optimise the balance sheet structure vis-à-vis those structural risks in accordance with the guidelines, goals and policies defined by the Board of Directors; (v) monitor and define management guidelines in relation to the structural liquidity

position, securities issues, interest rate risk, the ALCO portfolio, transfer prices and the structural currency position; (vi) functions related to corporate (Group) and local structural risks at the level of UGB BS (centralised coordination and supervision of the corporate management function, monitoring of the Group's financial activity and that of UGB BS, with breakdown of margins, business performance, performance of the various products, and monitoring of hedges arranged to manage the IRRBB at the level of UGB BS); (vii) activate and, as appropriate, close down the Liquidity Contingency Plan, with the possibility of delegating management of a liquidity crisis situation to the Investment and Liquidity Committee.

- Internal Control Body (OCI): The management body responsible for implementing the policies and procedures established in the Law on the prevention of money laundering and terrorist finance, with the following functions: (i) deciding whether to notify the Spanish government's anti-money laundering agency (SEPBLAC) of transactions or events likely to be related to money laundering or terrorist financing; (ii) approving files arising from alerts raised by employees which, after analysis by the Money Laundering and Terrorist Finance Prevention Department (DPBCFT), it is decided not to notify to SEPBLAC; (iii) approving or rejecting proposals for responses to requests by SEPBLAC for information about customers and/or transactions; (iv) deciding on whether to maintain or terminate business relationships with customers that are analysed, on the basis of the established procedure; (v) authorising or rejecting proposals for the establishment of commercial relations with financial institutions resident in high-risk countries and/or sanctioned countries and the establishment and/or maintenance of commercial relations with politically exposed persons or their related parties; (vi) approving or rejecting requests to create exceptions for certain customers with respect to sending alerts of unusual transactions, requests from customers that operate with countries where there are certain international restrictions, requests to exempt customers with transactions that require prior authorisation, and proposals for corporate transactions, in accordance with the section of Group manual 4815 on Money Laundering Prevention; (vii) approving the annual training plan on the prevention of money laundering and terrorist financing; (viii) approving updates to the internal regulation manuals on the prevention of money laundering and terrorist financing of the Bank and the domestic Group companies that are subject to the Law; (ix) designating the members of the internal control body (OCI) to perform the functions delegated to them with respect to any decision that cannot wait until the OCI's next scheduled meeting; any actions they take must be reported to the next meeting; (x) approving special analysis files arising from court orders; and (xi) approving reports regarding material information on possible breaches of the law for the prevention

of money laundering and terrorist financing that have been communicated by the Bank's employees, executives or agents, including anonymous reports.

### 6.3. Main risks (E.3)

The Group has established a taxonomy of risks that includes the risks to which it is exposed in the performance of its activities. Specifically, it identifies the following first-tier and second-tier risks:

#### 6.3.1. Strategy risk

Risk of losses (or negative impacts in general) as a result of the adoption or subsequent implementation of strategic decisions. It also includes the inability of the Group's business model to adapt to changes in the environment in which it operates. This risk includes:

- Solvency risk: the risk of not having sufficient capital, in terms of quality or quantity, to achieve the strategic and business objectives, withstand operating losses or fulfil regulatory requirements and/or the expectations of the market where it operates.
- Business risk: the possibility of incurring losses as a result of adverse events with a negative impact on the capacity, strength and recurrence of the income statement, whether its viability (short term) or its sustainability (long term).
- Reputational risk: the risk of losses derived from failures in processes, operations, strategy or corporate governance that produce a negative perception among customers, counterparties, shareholders, investors or regulators that can negatively affect the Group's capacity to maintain its business relationships or establish new ones, and to continue accessing funding sources.
- Environmental risk: the risk associated with either factors in the physical environment related to adverse climate events (such as floods or heat waves) or long-term changes in climate (such as rising sea levels) or environmental transition factors derived from the transition towards a low-emission economy (such as regulatory changes, the emergence of disruptive technologies, etc.).

#### 6.3.2. Credit risk

The possibility that losses may be incurred as a result of borrowers failing to meet their obligations or through losses in value due simply to deterioration in borrower quality. This risk includes:

- Borrower default risk: the risk that borrowers fail to honour their payment obligations in a timely manner; it also includes the risk of fraud in applications for credit.
- Concentration risk: complementary to credit risk, concentration risk refers to exposures that can potentially generate losses large enough to threaten the institution's solvency or the viability of its ordinary business activity.

- Counterparty risk: counterparty risk arises in the event where, in a transaction involving derivatives or repos with deferred settlement or on margin, the counterparty defaults before the final settlement of the transaction cash flows.
- Country risk: the risk arising in the debts of a country, taken as a whole, as a result of reasons inherent to the country's sovereignty and economic and political situation, i.e. for circumstances other than regular credit risk. It manifests itself in a debtor's potential inability to honour their foreign currency payment obligations to external creditors due, among other reasons, to the country preventing access to foreign currency, the inability to transfer it, or the non-enforceability of legal action against borrowers for reasons of sovereignty, war, expropriation or nationalisation. Country risk affects not only debts contracted with a State or entities guaranteed by it but also all private debtors that belong to such State and who, for reasons outside their control and not at their volition, find themselves generally unable to honour debts.
- Non-performing asset (NPA) risk: the risk of incurring higher costs or losses associated with managing doubtful and/or foreclosed assets.
- Equity risk: the risk of incurring losses as a result of adverse changes in the value of an equity instrument. It refers basically to the Group's portfolio of unlisted equity holdings and the portfolio of listed shares.

#### 6.3.3. Finance risk

The possibility of obtaining insufficient returns or having insufficient liquidity such as to prevent compliance with requirements and future expectations. This risk includes:

- Liquidity risk: the possibility of incurring losses as a result of the Bank being unable, albeit temporarily, to honour payment commitments due to a lack of liquid assets, or of it being unable to access the markets to obtain finance at a reasonable price. This risk may be associated with factors of a systemic nature or specific to the institution itself.
- Exchange rate risk: risk arising from changes in exchange rates between currencies and the possibility that these movements may result in losses in the P&L on financial investments and on permanent investments in foreign branches and subsidiaries.
- Interest Rate Risk in the Banking Book (IRRBB): the risk of incurring losses as a result of the impact caused by interest rate fluctuations on the income statement (revenues and expenses) and on an entity's equity structure (current value of assets, liabilities and off-balance sheet positions sensitive to interest rates).
- Market risk: arising from the possibility of loss in the market value of financial asset positions due to variations in risk factors with an impact on their market prices or volatility or the correlation between them. This refers in particular to trading positions.
- Insurance risk: arising from the institution's equity

holdings in insurance companies, basically from actuarial risks as well as other risks (market, counterparty, operational, etc.).

- Credit Spread Risk in the Banking Book (CSRBB): any credit spread risk on credit instruments not attributable to structural interest rate risk or default risk.

#### 6.3.4. Operational risk

Operational risk is defined as the risk of loss resulting from failures or inadequacies in people, processes, and systems or from unforeseen external events. This risk includes:

- Fraud risk: the possibility, present or future, of losses arising from actions, by employees or by third parties, with the intent to defraud, misappropriate, or evade regulations, laws or company policies.
- Conduct risk: the possibility, present or future, of losses derived from inadequate provision of financial services, including cases of malice or negligence.
- Process risk: the possibility of incurring losses due to failures in process management, execution or delivery or to inadequate processes.
- Technology risk (or ICT risk): the risk, present or future, of losses due to inadequacy or failures in the hardware and software of technical infrastructures that may compromise the availability, integrity, accessibility and security of the infrastructures and data.
- Outsourcing risk: the risk, present or future, of losses arising from the use of a third party's resources on a normalised stable, permanent basis to perform processes of the principal, which inherently entails exposure to a series of underlying risks, such as operational risk, including conduct risk, information and communication technology (ICT) risk, legal and compliance risk; reputational risk, concentration risk, step-in risk and country risk.
- Talent/management risk: the risk of incurring losses related to events with an impact on employees, e.g. non-availability of suitable profiles, staff rotation and replacement, dissatisfaction among employees, etc. This category also includes losses arising from actions in breach of legislation or agreements in the area of employment, workplace health and safety, personal injury claims, or diversity/discrimination events.
- Property risk: the risk of incurring material losses on buildings and other tangible assets, including losses arising from incidents in physical security.
- Model risk: the risk, present or future, to an institution as a result of decisions based primarily on the results of internal models, due to errors in the design, application or use of those models.
- Data aggregation risk: the risk associated with the accuracy, preparation, dissemination and, where appropriate, publication of internal and external reporting, including regulatory and financial reporting.
- Compliance risk: the risk, present or future, of losses arising from legal or administrative penalties, significant financial losses or an impairment of reputation due

to a breach of laws, regulations, rules, self-regulation codes or codes of conduct applicable to the banking business.

- Legal risk: the risk of incurring losses or other negative consequences due to being sanctioned, fined, convicted or obliged to pay damages as a result of a breach of rules or regulations, directly or due to derivative liability. This risk also covers crime risk, including that arising from corruption. To this end, for the purposes of identifying and controlling corruption-related risk, Banco Sabadell has a Criminal Liability Prevention Programme with a specific section related to combating corruption, and it also has a specific anti-corruption policy.
- Tax risk: the probability of failing to comply with the objectives set out in the institution's tax strategy from a dual perspective due to either internal or external factors:
  - Firstly, the probability of failing to comply with tax obligations that may result in a failure to pay taxes that are due or the occurrence of any other event that impairs attainment of the institution's goals.
  - Secondly, the probability of paying taxes not actually due under tax obligations, thus impairing the position of shareholders or other stakeholders.

#### 6.4. Levels of risk tolerance, including tax risk (E.4)

The Group has a Risk Appetite Framework (RAF) that establishes the structure and mechanisms associated with the governance, definition, disclosure, management, measurement, monitoring and control of the Group's Risk Appetite. In addition to the Group's RAF, each subsidiary has a Local RAF which, based on the principle of proportionality, is adapted to the local situation but is aligned at all times with the Group RAF.

The Group also has a Risk Appetite Statement, which is a written declaration of the level of risk that the Group is willing to accept, or wishes to avoid, in order to achieve its business objectives. Therefore, depending on the nature of each risk, the RAS includes both qualitative and quantitative metrics. Consequently, the RAF is a key element in setting the risk strategy, since it determines the scope.

In addition to the Group's RAF, each subsidiary has a Local RAF which, based on the principle of proportionality, is adapted to the local situation but is aligned at all times with the Group RAF.

As for tax risk, one of the main principles of the tax strategy referred to in section "6.1 Scope of the Bank's Risk Control and Management System, including that relating to tax risks (E1)" above is to minimise tax risk.

This statement applies to all risks identified in section "6.3 Main risks (E3)" above.

## 6.5. Risks, including tax risks, that materialised during the year (E.5)

The Group provides detailed information of the risks in Note 4 “Risk Management” in the Notes to the Consolidated Financial Statements of Banco Sabadell Group, which are available on the corporate website ([www.grupobancosabadell.com](http://www.grupobancosabadell.com) – Information for shareholders and investors – Financial information – Annual Reports).

The pandemic is having a disruptive impact on the economy, by increasing the risks to financial stability, which have been mitigated by the implementation of economic policy measures. Although it should be noted that no material risks of particular importance materialised in 2020, expectations regarding the duration and intensity of the negative impact on economic activity remain highly uncertain.

## 6.6. Response and supervision plans for the Bank's main risks, including tax risks, as well as the procedures applied by the Bank to ensure that the Board of Directors responds to emerging challenges (E.6)

In accordance with the provisions of the Risk Appetite Framework (RAF), the Group's Risk Appetite Statement (RAS) has a solid governance process which ensures its proper deployment to all participants in the decision-making process. Consequently, the RAS follows a set of guidelines for approval/review, regular monitoring and oversight (including notification of breaches) and deployment to Group subsidiaries.

Specifically, the mechanisms for regular tracking of the RAS ensure a high degree of involvement at all times by the Group's governing bodies, which must have an updated vision of compliance and adaptation to the Risk Appetite defined for the Group, making it possible to make informed decisions. Accordingly, depending on their nature and hierarchy, the metrics in the Group RAS are reported regularly to different echelons (including the Board of Directors and the Risk Committee) and committees, and there is a procedure for giving notice of breaches.

In the event of a breach, the RAF identifies the Governing Bodies and Committees that must receive notice of the breach, as well as the need to define an Adaptation Plan, and defines its main characteristics, such as the parties responsible for approving it, deadlines, and mandatory content.

The main mechanisms implemented by the Group for monitoring and supervising risks are the following:

- Risk governance through the definition of the Risk Appetite in the RAS (through quantitative metrics and qualitative aspects) and the set of risk policies.
- Evaluation of the risk profile through a systematic process that provides a comprehensive view of the risks and risk tracking.
- Regular reporting of risks (including tax risk), mainly via the Risk Committee scorecard, which facilitates risk tracking. Specifically, that reporting covers at least the principal risks, maintaining a balance between qualitative data and comments, and, where possible, it incorporates prospective measures, information on risk appetite limits and emerging risks. It also exercises oversight to ensure a homogeneous vision that provides an integrated perspective at Group level, without prejudice to including the local perspective.
- Forward-looking risk management by using stress scenarios in cases where this is considered to be meaningful, which also makes it possible to identify new risks.

More information regarding the systems for controlling the risks to which the Group is exposed can be found in the Annual Report, specifically Note 4 “Risk Management” of the Notes to the Consolidated Financial Statements of Banco Sabadell Group, available on the corporate website: [www.grupobancosabadell.com](http://www.grupobancosabadell.com) – Shareholder and Investor Information – Financial Information – Annual Reports.

## 7. Internal Control over Financial Reporting (ICFR) (F)

### 7.1. Control environment (F.1)

#### 7.1.1. Governance and governing bodies

The Group's Finance Department contributes to implementing the general framework of the internal control systems that are rolled out across the entire organisation.

Part of that contribution materialises in responsibility for designing and implementing internal control systems for financial information that ensure the accuracy of the financial information that is generated.

Article 5 of the Board of Directors Regulation states that the Board of Directors is an instrument of supervision and control whose responsibility is identifying the company's and the consolidated Group's main risks and implementing and monitoring suitable internal control and reporting systems, as well as setting policies on the reporting and disclosure of information to shareholders, the markets and the general public.

In addition, as provided in Article 13 of its Regulation, the Board of Directors delegates supervision of internal control systems to the Audit and Control Committee.

The functions of the Group's Internal Audit Department include supporting the Audit and Control Committee in supervising the proper design and implementation and effective functioning of the risk management and control systems, which include ICFR.

#### 7.1.2. Positions of responsibility

The design and review of the organisational structure is the responsibility of the Global Organisation and Corporate Projects Department, based on Banco Sabadell Group's Master Plan and current banking regulations. That Department analyses and adapts the functions and organisational structure of each Division to bring it into line with the established objectives and the current regulations. Modifications to the organisational structure of the members of the Management Committee are submitted to the Board of Directors for approval, while modifications to the organisational structure of the reports to the members of the Management Committee are presented to the Management Committee for approval.

At the same time, the details of all the departments/units/offices are sent on a monthly basis to the Human Resources Department showing all the modifications that have been made, so as to equip them with the resources considered necessary to perform their duties.

The organisation chart of Banco Sabadell Group arising from the above process addresses all the departments, areas and divisions into which Banco Sabadell Group is

divided. This organisation chart is complemented by the policies and procedures of each Division, which determine the framework for action and the responsibilities of each unit of the Bank.

#### 7.1.3. Code of conduct

Banco Sabadell Group has a Code of Conduct, approved by the Board of Directors and available via the corporate intranet, whose fundamental principles include a commitment to transparency and, in particular, a commitment to place all the financial and corporate information at shareholders' disposal. The purpose is to comply strictly with Banco Sabadell Group's obligation to offer reliable financial reporting prepared in accordance with the regulations so as to present a true and fair view of the company. It also includes the responsibilities of its employees and executives to ensure this is so, via both proper discharge of their duties and notification to the governing bodies of any circumstance which might affect this commitment.

There is a Corporate Ethics Committee, whose functions include fostering ethical behaviour throughout the organisation, making proposals and advising both the Board of Directors and the various corporate and business units in connection with decisions that refer to issues that may lead to conflicts of values.

Among the tasks carried out by the Corporate Ethics Committee is the analysis of compliance with the Code of Conduct or any other code or self-regulation that exists. In order to perform its functions, it has access to the human and material resources of the Compliance Department. If, as a consequence of exercising its functions, it detects any non-compliance, it must advise the Human Resources Department for the application of corrective actions and sanctions. Additionally, the Corporate Ethics Committee has been designated by the Board of Directors as being in charge of Supervision and Compliance with the Organisation and Crime Risk Management Model.

#### 7.1.4. Whistleblower channel

Banco Sabadell Group has, and encourages the use of, an autonomous independent whistleblower channel to report all types of irregularities or crimes, including breaches of the General Code of Conduct. Any reports received are treated confidentially and, once handled by the Corporate Ethics Committee, are referred to the Audit and Control Committee, if appropriate. This channel is managed internally and may be contacted by email at [CanalDenunciasGBS@bancsabadell.com](mailto:CanalDenunciasGBS@bancsabadell.com).

## 7.1.5. Training

As regards training and refresher programmes and particularly regarding the financial reporting process, Banco Sabadell Group's Finance Department has a training plan that basically addresses areas such as the company's internal accounting/finance procedures, analysis of current regulations and drafts of new domestic and international accounting standards, analysis of the domestic and international economic situation, together with training in the use of software to facilitate management and oversight of the financial reporting process.

These training sessions are programmed based on two criteria:

- Sessions scheduled at the start of the year by selecting the areas considered of greatest interest by the Finance Department.
- Sessions scheduled during the current year when an issue arises that is believed to warrant prompt distribution (drafts of new accounting standards, changes in the economic situation, etc.).

Training is taught chiefly by internal professionals of Banco Sabadell Group and by external experts who are specialists in the subject area.

In addition, the Human Resources Department places at the disposal of Banco Sabadell Group employees a series of financial training courses which they can take online. The most notable courses refer to IFRS (International Financial Reporting Standards), financial mathematics, financial analysis, Spain's General Accounting Plan and general tax matters.

The Internal Audit Department has a training plan in place for all management professionals which includes a University Specialist Programme in Bank Internal Auditing (PSAI) at a prestigious academic institution. The course covers areas such as accounting principles and financial reporting, the basics of auditing, and financial risk monitoring and management. In 2020, nine audit professionals were taking this programme, and 83 members of the Internal Audit Department hold PSAI certificates. Additionally, during 2020, the members of the Internal Audit Department participated in workshops on new regulations on risk management and control and on disclosure, including impacts on accounting and financial reporting, and 28 of them obtained certification in the COSO Integrated Framework for Internal Control; a total of 79 internal auditors are now certified.

## 7.2. Evaluation of financial reporting risks (F.2)

Banco Sabadell Group's process of identifying the risk of error or the probability of fraud in financial reporting is documented in a manual which sets out the frequency,

methods, types of risks and other basic features of the process.

The process covers all the financial reporting objectives (existence and occurrence; integrity; valuation; presentation, itemisation and comparability; and rights and obligations) and focuses on identifying risks of material error based on transaction complexity, quantitative and qualitative materiality, complexity of the calculations and application of judgements and estimations, updated on a quarterly basis. If (i) circumstances not previously identified lead to the possibility of errors in the financial information, or (ii) material changes to the operations of Banco Sabadell Group arise during the year, the Finance Department evaluates the risks to be added to those already identified.

The process is structured such that, on a half-yearly basis, an analysis is conducted to identify where material transactions arise, in terms of the areas or processes and the companies and locations.

Once they have been identified, they are reviewed so as to analyse the potential risks of error for these types of transactions in each financial reporting objective. In the case of one-off transactions (i.e. quite complex non-recurring transactions), a specific analysis is performed on a quarterly basis to assess whether new risks have arisen that need to be mitigated.

The process for delimiting the consolidation scope is detailed in section "7.3. Control activities (F.3, F.6)" of this document.

In addition, the process considers the risk of error in certain processes not linked to specific transaction types but which are especially important in view of their impact on financial reporting, such as the process of reviewing judgements and estimates, significant accounting policies and the closing and consolidation process. In this respect, and with a view to covering the risks of these processes, Banco Sabadell Group has the control activities described in the next section "7.3 Control activities (F.3, F.6)" of this document. It should also be noted that the risk identification process takes into account the possible effects of other types of risks (operational, technology, financial, legal, reputational, environmental, etc.), insofar as these may affect the financial statements.

The aforementioned process is conducted and documented by Banco Sabadell Group's Finance Department and is supervised ultimately by the Audit and Control Committee.

## 7.3. Control activities (F.3, F.6)

### 7.3.1. Procedures for reviewing and authorising financial reporting

The procedure for reviewing and authorising Banco Sabadell Group's financial reporting to the markets commences with a review by the Finance Department. In accordance with the Board of Directors Regulation,

the separate and consolidated financial statements and half-yearly summary consolidated financial statements are reviewed by the Audit and Control Committee prior to being authorised by the Board of Directors. In accordance with its terms of reference, the Audit and Control Committee reads and discusses the information with the heads of the Finance and Internal Audit departments and with the external auditors prior to submission to the Board of Directors.

Once the Audit and Control Committee has vetted the information and either approved it or attached its comments, the CFO, the Chairman and the Chief Executive Officer of Banco Sabadell Group sign the accounts and submit them to the Board of Directors for authorisation. Although it is not obligatory, the mid-year summary consolidated financial statements are audited by the external auditor.

The Audit and Control Committee reviews the quarterly financial disclosures (income statement and trend of the main balance sheet items) before they are submitted to the Board of Directors.

With regard to the activities and controls directly relating to transactions that may have a significant impact on the financial statements, Banco Sabadell Group has descriptions of the controls in place to mitigate the risk of material error (intentional or otherwise) in the information reported to the markets. For the critical areas of Banco Sabadell Group, special emphasis is placed on developing solid descriptions of the flows of activities and controls, which cover, among others:

- Loans and advances
- Fixed-income portfolio and issuance
- Equity securities
- Customer deposits
- Derivatives
- Foreclosed real estate

These descriptions contain information on what form the control activity should take, its purpose (risk to be mitigated), the party responsible for executing it and the frequency. The descriptions cover controls on the proper accounting, measurement, presentation and disclosure of these areas.

Banco Sabadell Group also has procedures for mitigating the risk of error in processes not related to specific transactions. In particular, there are procedures defined for the accounting close which include the consolidation process and specific review procedures for material judgements and estimates, which are escalated to senior management when appropriate.

With regard to the consolidation process within the accounting close, procedures have been implemented to ensure proper identification of the consolidation scope. In particular, for example, Banco Sabadell Group conducts a monthly analysis of the consolidation scope, requesting the necessary information from all subsidiaries; the analysis covers all types of corporate structures.

The review of judgements and estimates is carried out at different levels by members of the Finance Department.

In addition, in its financial statements Banco Sabadell Group describes the most important areas in which judgements and estimates are made, together with the key assumptions in this connection. It also has procedures for reviewing accounting estimates. The main judgements and estimates made relate to the determination of the business models under which financial assets are managed, the determination of a significant increase in the risk of financial assets, impairment losses on certain financial assets, actuarial calculations relating to pension liabilities and commitments, the useful lives of tangible and intangible assets and their impairment losses, measurement of goodwill, provisions and the classification of contingent assets, the fair value of certain unlisted financial assets, the fair value of real estate assets and the recoverability of non-monetisable deferred tax assets and tax credits.

The Banco Sabadell Finance Department has implemented a software application that includes and formalises all the ICFR controls referred to above while, at the same time, ensuring ongoing identification of new risks to be considered and updates to mitigating controls in each accounting close. This application enables the controls to be validated on time and properly with the aim of guaranteeing the reliability of the financial reporting. The software features are designed to take account of the recommendations in the CNMV's guide entitled "Internal Control over Financial Reporting in Listed Companies," based on the principles and good practices contained in the COSO report (Committee of Sponsoring Organisations of the Treadway Commission).

### 7.3.2. Internal control policies and procedures over information systems

Banco Sabadell Group uses information systems to maintain an adequate record and control of its operations and is, consequently, highly dependent on them working properly.

As part of the process to identify risks of error in financial reporting, Banco Sabadell Group identifies which systems and applications are important in each of the areas or processes considered to be material. The identified systems and applications include those used directly in preparing the financial information and those that are important for ensuring that the controls to mitigate the risk of errors are effective.

The design and implementation of the applications define a methodological framework that establishes various points of control to ensure that the solution complies with user requirements and meets the required standards of reliability, efficiency and maintainability.

Any change regarding infrastructures or applications is handled via the change management service, which defines the change approval flow, which may be escalated to the Change Committee, with a definition of the impact and the possibility of roll-back.

The Technological Security Department establishes policies governing measures to protect the information



systems so as to guarantee secure access and combat emerging cyber threats. These measures include role-based access control and periodic recertification of these permissions, two-factor remote access, malware protection systems and a 24x7 cyber incident monitoring and response team. This Department also ensures that there are redundant infrastructures and recovery procedures that are tested periodically to guarantee the continuity of technology services.

### 7.3.3. Internal control policies and procedures for outsourced activities and outsourced appraisals

Banco Sabadell Group regularly examines whether activities carried out by third parties are material to the financial reporting process or might indirectly affect its reliability. To date, Banco Sabadell Group has not outsourced processes with a material impact on financial reporting. However, Banco Sabadell Group regularly uses reports from independent experts for measuring transactions that may materially affect the financial statements.

In 2020, the activities outsourced to third parties (assessments, appraisals and calculations by independent experts) were connected with real estate valuations, valuing equity holdings, checking the accounting treatment of corporate transactions, measuring post-employment benefits for employees, and reviewing goodwill/Cash Generating Units.

The units of Banco Sabadell Group responsible for these operations exercise oversight on the work of the external experts to check their competence, skills, accreditation and independence together with the validity of the data and methods used and the reasonableness of the assumptions applied, as described in the preceding section “7.3.1 Procedures for reviewing and authorising financial reporting”.

## 7.4. Information and reporting (F.4)

### 7.4.1. Function in charge of accounting policies

The Accounting Regulation and Financial Reporting Department (under the Financial Reporting Department) is the unit responsible for identifying and defining the accounting policies that affect Banco Sabadell Group and for responding to accounting queries from the subsidiaries and business units.

The Financial Reporting Department is responsible for informing Senior Management of Banco Sabadell Group regarding new accounting standards, the results of their implementation and their impact on the financial statements of Banco Sabadell Group.

The functions of the Technical Committee on Accounting and Financial Disclosures include reviewing and updating policies related to financial reporting, approving

the general accounting criteria and procedures, approving and reporting on the accounting treatment adopted by the Management Committee and the Audit and Control Committee, and determining the transactions that, in accordance with the established procedures, need to be cross-checked by an independent accounting expert.

Banco Sabadell Group has guides on accounting procedure that conform to the needs, requirements and dimension of Banco Sabadell Group; they set out and explain the rules for preparing financial reporting and describe how to apply the rules to the Bank's specific operations. These documents not only explicitly refer to the standards applied to each type of transaction but also elaborate upon and interpret them so as to adapt exactly to each transaction type.

These documents are updated regularly, and at least once per year. Significant modifications are notified to the dependent companies to which they are applicable.

### 7.4.2. Mechanisms for preparing financial reporting

The main IT systems and applications used in generating financial reporting by Banco Sabadell Group are centralised and interconnected. There are procedures and controls that monitor system development and maintenance, as well as their proper performance, continuity and security.

During consolidation and the preparation of the financial reporting, inputs such as the financial statements issued by Group subsidiaries are used in the established formats, together with the rest of the financial information required both for accounting harmonisation and for meeting the disclosure requirements.

Banco Sabadell Group has a software application for consolidation, including a series of controls to ensure the reliability and proper processing of the information received from subsidiaries, notably checks to ensure consolidation entries were posted correctly, an analysis of variations in all balance sheet and income statement items, variations in the results obtained with respect to proper insertion of Group undertakings' financial statements, the monthly and annual budget, and specific Bank of Spain checks on the financial statements, in which the balance sheet and profit and loss account items are cross-checked.

Banco Sabadell Group also has a computer application for producing full-year and mid-year financial statements and directors' reports. The application makes it possible to add checks to ensure that the information in the accounts is internally coherent and that the arithmetic totals of the financial statements and the tables contained in the notes to financial statements are correct.

## 7.5. Supervision of system operation

(F.5)

### 7.5.1. ICFR supervision

At each financial close, the Financial Department assesses the internal control model, considering its periodicity, the risks in the financial reporting processes, and the adequacy and effectiveness of the controls that mitigate them, and it produces and custodies evidence that each specific control was performed. The Finance Division also continuously evaluates aspects that may lead to changes in the internal control model — including regulatory changes, the introduction of new products and amendments to Banco Sabadell's processes — and identifies the risks associated with them and designs controls to mitigate them; it also reviews the criticality of the controls and the changes in the materiality of processes with an accounting impact.

In accordance with the Board of Directors Regulation, the Audit and Control Committee is entrusted with oversight of Internal Audit. Additionally, the Audit and Control Committee's functions include approving the Internal Audit plan, assessing the outcome of each audit, and prioritising and tracking corrective measures.

The Bank's Internal Audit Department reports directly to the Audit and Control Committee, which grants it hierarchical and functional independence from the rest of Banco Sabadell's departments and positions the function at an appropriate level of the organisation.

On the basis of its policy, which was approved by the Board of Directors, the functions of the Internal Audit Department include supporting the Audit and Control Committee in supervising the proper design, implementation, and effective functioning of the risk management and control systems.

The Overall Audit Plan that the Board of Directors approved at a meeting on 20 January 2020, based on a favourable report by the Audit and Control Committee, set out, inter alia, the actions to be implemented with respect to the areas or processes considered to have the highest residual risk on the basis of a risk assessment exercise. The actions set out in the plan were performed in 2020; in some cases, the control environment was reviewed and, in particular, the proper identification of risks in processes was assessed, along with the sufficiency, design, implementation and effective functioning of existing controls. The general controls on reporting systems indicated in the preceding section, "7.3.2 Internal control policies and procedures over information systems", are reviewed every year.

In addition to the aforementioned supervisory activities carried out by the ICFR Department, the Audit and Control Committee and the Internal Audit Department, in 2019 the external auditor reviewed the information relating to the ICFR, with no adverse findings in the auditor's report on "Information on ICFR" as indicated in section "7.6 External auditors' report (F.7)" in this report.

### 7.5.2. Detecting and managing weaknesses

The Audit and Control Committee meets at least once every three months (prior to the publication of the regulated disclosures) in order to obtain and analyse the necessary information to fulfil the functions entrusted to it by the Board of Directors in connection with supervision of the process of producing and presenting the mandatory financial disclosures.

These meetings carry out an in-depth review of the annual and half-yearly accounts and the interim financial statements of the company together with the rest of the information made available to the market. To carry out this process, the Audit and Control Committee first receives all the documentation and meets with the Director - General Manager, the Internal Audit Department and the external auditor (in the case of the annual and half-yearly accounts) in order to ensure proper application of the current accounting standards and the reliability of the financial reporting. In addition, this discussion process assesses any ICFR weaknesses that were identified, the proposals to correct them and the status of any actions that have been taken.

The Group's auditor has direct access to the Group's senior management and holds regular meetings to obtain the necessary information and to report on control weaknesses detected during the audit. With regard to the latter, each year the external auditor submits a report to the Audit and Control Committee detailing any internal control weaknesses that were detected or certifying that there were none. This report incorporates comments by Group management and any action plans implemented to remedy internal control weaknesses.

## 7.6. External auditors' report (F.7)

Banco Sabadell Group submitted the ICFR information supplied to the markets for 2020 to the external auditor for review. The report by the external auditor (KPMG Auditores, S.L.) will be attached as an annex to this annual report on corporate governance once it is available. The scope of the auditor's review is determined by "Guía de Actuación y Modelo de Informe del Auditor referidos a la Información relativa al Sistema de Control Interno sobre la Información Financiera (SCIIF) de las Entidades Cotizadas", issued by means of Circular E14/2013, dated 19 July 2013, of the Instituto de Censores Jurados de Cuentas de España.

## 8. Degree of compliance with corporate governance recommendations (G)

The degree to which Banco Sabadell complies with the recommendations in the Code of Good Governance for Listed Companies is detailed in section G of the Statistical Annex to the Annual Report on Corporate Governance 2020 attached to this report.

## 9. Other information (H)

Since 2017, Banco Sabadell has adopted the Code of Good Tax Practices approved by the Large Company Forum on 20 July 2010 and applies its recommendations.

Accordingly, Banco Sabadell voluntarily submitted the "Annual Tax Transparency Report" for 2019 to the State Tax Agency.

Additionally, in 2014 Banco Sabadell Group adopted the "Code of Practice on Taxation for Banks" promoted by the UK tax authorities, and is in compliance with its contents.

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This annual corporate governance report was approved by Banco Sabadell's Board of Directors at a meeting on:

29/01/2021

No directors abstained or voted against the adoption of this Report.

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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.





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ISSUER IDENTIFICATION DETAILS

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YEAR END-DATE:

[ 31/12/2020 ]

TAX ID (CIF):

[ A-08000143 ]

Company name:

[ BANCO DE SABADELL, S.A. ]

Registered office:

[ AV. OSCAR ESPLÁ N.37 (ALICANTE) ]

## A. OWNERSHIP STRUCTURE

A.1. Complete the table below with details of the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
16/11/2017	703,370,587.63	5,626,964,701	5,626,964

Indicate whether there are different classes of shares with different associated rights:

Yes

No

A.2. List the company's significant direct and indirect shareholders at year end, excluding director:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BLACKROCK INC.	0.00	2.89	0.00	0.42	3.31
FINTECH EUROPE, S.À.R.L.	3.45	0.00	0.00	0.00	3.45
LEWIS A. SANDERS	0.00	3.47	0.00	0.00	3.47
NORGES BANK	3.06	0.00	0.00	0.00	3.06

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
BLACKROCK INC.	Subsidiaries of BLACKROCK, INC.	2.89	0.42	3.31
LEWIS A. SANDERS	SANDERS CAPITAL, LLC	3.47	0.00	3.47

A.3. Complete the following tables on members of the company's Board of Directors holding voting rights on the company's shares:

Name or company name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
JOSEP OLIU CREUS	0.01	0.11	0.01	0.00	0.13	0.00	0.00
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JAIME GUARDIOLA ROMOJARO	0.04	0.00	0.01	0.00	0.05	0.00	0.00
ANTHONY FRANK ELLIOTT BALL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AURORA CATÁ SALA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PEDRO FONTANA GARCIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MARÍA JOSÉ GARCÍA BEATO	0.00	0.00	0.00	0.00	0.01	0.00	0.00
MIREYA GINÉ TORRENS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GEORGE DONALD JOHNSTON III	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DAVID MARTÍNEZ GUZMÁN	0.00	3.45	0.00	0.00	3.45	0.00	0.00
JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	0.05	0.01	0.00	0.00	0.06	0.00	0.00
ALICIA REYES REVUELTA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

MANUEL VALLS MORATÓ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DAVID VEGARA FIGUERAS	0.01	0.00	0.00	0.00	0.01	0.00	0.00

% total percentage of voting rights held by the Board of Directors	3.7
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Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
DAVID MARTÍNEZ GUZMÁN	FINTECH EUROPE, S.À.R.L.	3.45	0.00	3.45	0.00

- A.7. Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes  
 No

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description::

Yes  
 No

- A.8. Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them::

Yes  
 No

- A.9. Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
48,560,867	-	0.86



(\*) Through:

Name or company name of direct shareholder	Number of direct shares
Total	-

**A.11.** Estimated floating capital:

	%
Estimated floating capital	86.01

**A.14.** Indicate whether the company has issued shares that are not traded on a regulated EU market..

- Yes  
 No

**B. GENERAL SHAREHOLDER'S MEETING**

**B.4.** Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years::

Date of general meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
26/03/2020	0.18	61.38	0.00	0.00	61.56
Of which free float	0.01	61.26	0.00	0.00	61.27
28/03/2019	0.40	58.78	0.00	0.00	59.18
Of which free float	0.25	58.65	0.00	0.00	58.90
19/04/2018	0.78	60.57	0.00	0.00	61.35
Of which free float	0.66	60.38	0.00	0.00	61.04

**B.5.** Indicate whether there has been any item on the agenda at the general meetings held during the year that has not been approved by the shareholders.:

Yes  
 No

**B.6.** Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

Yes  
 No

Number of shares required to attend General Meetings	1,000
Number of shares required for voting remotely	-

**C. STRUCTURE OF COMPANY'S ADMINISTRATION**

**C.1. Board of Directors**

C.1.1 Maximum and minimum number of directors established in the articles of incorporation:

Maximum number of directors	15
Minimum number of directors	11
Number of directors set by the general meeting	15

C.1.2 Complete the following table on Board members:

Name or company name of director	Representative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure
JOSEP OLIU CREUS		EXECUTIVE	CHAIRMAN	29/03/1990	28/03/2019	GENERAL MEETING DECISION
JOSÉ JAVIER ECHENIQUE LANDIRIBAR		INDEPENDENT	DEPUTY CHAIRMAN	18/09/2010	28/03/2019	GENERAL MEETING DECISION
JAIME GUARDIOLA ROMOJARO		EXECUTIVE	CHIEF EXECUTIVE OFFICERS	27/09/2007	19/04/2018	GENERAL MEETING DECISION
ANTHONY FRANK ELLIOTT BALL		INDEPENDENT	LEAD INDEPENDENT DIRECTOR	30/03/2017	30/03/2017	GENERAL MEETING DECISION
AURORA CATÁ SALA		INDEPENDENT	DIRECTOR	29/01/2015	28/03/2019	GENERAL MEETING DECISION
PEDRO FONTANA GARCIA		INDEPENDENT	DIRECTOR	27/07/2017	19/04/2018	GENERAL MEETING DECISION
MARÍA JOSÉ GARCÍA BEATO		EXECUTIVE	DIRECTOR	24/05/2018	28/03/2019	GENERAL MEETING DECISION
MIREYA GINÉ TORRENS		INDEPENDENT	DIRECTOR	26/03/2020	26/03/2020	GENERAL MEETING DECISION

GEORGE DONALD JOHNSTON III		INDEPENDENT	DIRECTOR	25/05/2017	19/04/2018	GENERAL MEETING DECISION
DAVID MARTÍNEZ GUZMÁN		PROPRIETARY	DIRECTOR	27/03/2014	19/04/2018	GENERAL MEETING DECISION
JOSÉ MANUEL MARTÍNEZ MARTÍNEZ		INDEPENDENT	DIRECTOR	26/03/2013	19/04/2018	GENERAL MEETING DECISION
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI		INDEPENDENT	DIRECTOR	18/09/2010	28/03/2019	GENERAL MEETING DECISION
ALICIA REYES REVUELTA		INDEPENDENT	DIRECTOR	24/09/2020	24/09/2020	BOARD OF DIRECTORS DECISION
MANUEL VALLS MORATÓ		INDEPENDENT	DIRECTOR	22/09/2016	30/03/2017	GENERAL MEETING DECISION
DAVID VEGARA FIGUERAS		EXECUTIVE	DIRECTOR	28/05/2015	28/03/2019	GENERAL MEETING DECISION

Total number of directors	15
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Indicate if any directors, whether through resignation or by agreement of the general meeting, have left the Board during the period subject to this report:

Name or company name of director	Category of the director at the time of cessation	Date of last appointment	Date of cessation	Specialised committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
MARIA TERESA GARCIA-MILÀ LLOVERAS	Other external	30/03/2017	26/03/2020	Risk Committee, Audit and Control Committee, and Appointments Committee.	Yes
JOSÉ LUÍS NEGRO RODRÍGUEZ	Executive	30/03/2017	24/09/2020	-	Yes

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisation chart of the company	Profile
JOSEP OLIU CREUS	CHAIRMAN	BANKING / RETAIL & CORPORATE BANKING / FINANCE / INTERNATIONAL ACADEMIC/INTERNATIONAL. He holds a degree in economics from the University of Barcelona and a PhD in Economics from the University of Minnesota. Professor of Economic Theory at the University of Oviedo. Appointed Director-General Manager of Banco Sabadell in 1990. Chairman of Banco Sabadell since 1999. Non-executive Chairman of Exea Empresarial and the latter's representative on the board of Puig, S.L. Member of FEDEA (Fundación de Estudios de Economía Aplicada) and of the Board of Trustees of the Princess of Asturias Foundation and the Princess of Girona Foundation.
JAIME GUARDIOLA ROMOJARO	CHIEF EXECUTIVE OFFICER	BANKING / RETAIL & CORPORATE BANKING / FINANCE/ BUSINESS / INTERNATIONAL He graduated in Law from Barcelona University and holds a degree in Business and an MBA from ESADE. He commenced working at BBVA in 1990, where he reached the position of General Manager for Spain and Portugal (2006-2007). Chief Executive Officer of Sabadell from 2007. Trustee of Fundación ESADE and member of the Board of Círculo de Economía.
MARÍA JOSÉ GARCÍA BEATO	DIRECTOR SECRETARY GENERAL	BANKING / LAW / REGULATORY / GOVERNANCE. Degree in Law and Diploma in Criminology. Spanish State Attorney (1991). Her positions include State Attorney at the Madrid High Court of Justice, Legal Counsel at the Data Protection Agency, State Attorney as consultant to the State Legal Service, Head of the General Secretariat of Communications, and State Attorney at the National Court. Chief of Staff and Under-Secretary at the Ministry of Justice (2000-2004). General Counsel of Banco Sabadell (2005-2008). Company secretary of Banco Sabadell since 2008. Independent director at listed company Red Eléctrica Corporación, S.A., member of the Boards of Trustees of Fundación Banco Sabadell and Fundación de la Asociación Española de Banca.
DAVID VEGARA FIGUERAS	DIRECTOR-GENERAL MANAGER	FINANCIAL / RISKS / ACADEMIC / REGULATORY. A graduate in economics from the Autonomous University of Barcelona, he holds an MA in economics from the London School of Economics. Formerly Secretary of State for the Economy in the Spanish government (2004-2009), and Deputy Managing Director, Banking, in the European Stability Mechanism (2012-2015). Associate professor in the Department of Economics, Finance and Accounting at ESADE (2015-2018). Member of the Supervisory Board of Hellenic Corporation of Assets and Participations, S.A.
Total number of executive directors		4
Percentage of Board		26.67

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
DAVID MARTÍNEZ GUZMÁN	FINTECH EUROPE, S.À.R.L.	BUSINESS / FINANCE / INTERNATIONAL Degree in Electrical & Mechanical Engineering from the National Autonomous University of Mexico, Diploma in Philosophy from Universitas Gregoriana (Italy), and MBA from Harvard Business School. Founder in 1987 of Fintech Advisory, which manages the Fintech Investments Limited fund (New York and London). Director of listed companies Alfa, S.A.B., Vitro, S.A.B. and Cemex, S.A.B.

Total number of proprietary directors	1
Percentage of Board	6.67

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of director	Profile
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	BANKING / RETAIL & CORPORATE BANKING / BUSINESS. Holds a degree in Economics and Actuarial Science from the University of the Basque Country. Director and General Manager of Allianz-Ercos (1982-1990), General Manager of BBVA Group (1992-2001) and Chairman of Banco Guipuzcoano (2009-2012). Formerly a director of many companies in the energy and construction industries and the media. Proprietary director of listed company ACS, Actividades de la Construcción y Servicios, S.A. and of ACS, Servicios, Comunicaciones y Energía, S.L., both belonging to the same group, director (other external) of listed company Ence, Energía y Celulosa, S.A., and Deputy Chair and Lead independent director of listed company Telefónica, S.A., director of Telefónica Móviles México, S.A. de C.V. and Telefónica Audiovisual Digital, S.L.U., all belonging to the same group. He is also a trustee of Fundación Novia Salcedo.
ANTHONY FRANK ELLIOTT BALL	BUSINESS/INTERNATIONAL. Chartered Engineer; MBA from Kingston Business School, Kingston University (London). Honorary Doctorate from the Kingston University Faculty of Business and Law. Formerly Chairman and CEO of Fox Sports International (1995-1996), CEO of Fox Liberty Networks LLC. (1996-1999), CEO of BSKyB Plc. (1999-2004) and Chairman of Kabel Deutschland GmbH (2005-2013), and independent director of BT Group (2009-2018). Chairman of Ambassadors Theatre Group Ltd and of Bité Group, both part-owned by Providence Equity Partners LLC.
AURORA CATÁ SALA	BUSINESS / CONSULTING / FINANCE / HUMAN RESOURCES. Holds a degree in Industrial Engineering (major in Industrial Organisation) from the Polytechnic University of Catalonia and an MBA and PADE from IESE Barcelona. Formerly CFO of Nissan Motor Ibérica, S.A. (1991-1996), Managing Director of Planeta 2010 (1999-2002), Founder of ContentArena (2002-2003), General Manager of Audiovisual Media at Recoletos Grupo de Comunicación (2003-2008) and member of the Governing Board of Institut Català de Finances (2014). Formerly held a number of directorships. Currently a partner of Seeliger y Conde, S.L., independent director of Atresmedia Corporación de Medios de Comunicación, S.A., Chair of Barcelona Global, and member of the Executive Committee of IESE Alumni.

<p>PEDRO FONTANA GARCIA</p>	<p><b>BANKING / RETAIL BANKING / BUSINESS.</b> Degree in Business from Escuela Superior de Administración y Dirección de Empresas (ESADE), Barcelona, and MBA from Harvard Graduate School of Business Administration. General Manager of COOB'92 (1990-1993), General Manager of Turisme de Barcelona (1993-1994), Chairman of Banca Catalana (1994-1999), General Manager of BBVA Catalonia (2000-2009), Executive Chairman of AREAS (Elior Group) (2012-2017), Deputy General Manager of Elior Group, S.A. (2017-2018), and nominee of EMESA Corporación Empresarial, S.L. on the board of listed company Elior Group, S.A (2018-2019). Independent director of Grupo Indukern, S.L. and of Pax Equityco, S.à.R.L., President of Asociación para el Progreso de la Dirección - Catalonia Chapter, Member of the Board of Trustees of Fundació Privada Cercle d'Economia and of Fundació Barcelona Mobile World Capital, and a director of Fira Internacional de Barcelona.</p>
<p>MIREYA GINÉ TORRENS</p>	<p><b>FINANCE / ACADEMIC / GOVERNANCE / DIGITAL &amp; IT (Digital Transformation)</b> Holds a bachelor's degree and an MA (Cum Laude) in economics from Pompeu Fabra University, and a PhD from the University of Barcelona. Director of International Initiatives, Wharton Research Data Services (WRDS) since 2012, and Associated Professor in the Department of Finance at IESE Business School since 2018. Researcher at the European Corporate Governance Institute since 2018, a member of the World Economic Forum's network of experts since 2019, and member of the Center for Economic Policy since 2020. Independent director of Sabadell Asset Management (2018-2020), which is a subsidiary of Banco Sabadell, and Trustee of Fundació Aula Escola Europea.</p>
<p>GEORGE DONALD JOHNSTON III</p>	<p><b>BANKING / CORPORATE BANKING / INTERNATIONAL.</b> BA in Political Science from Middlebury College, Vermont; MA in International Economics and Latin American Studies from Johns Hopkins University School of Advanced International Studies, Washington DC. Executive Director at Salomon Brothers (1979-1990), Director of Bankers Trust International and member of its Global Executive Committee (1992-1999), Group Head of M&amp;A for Europe and Member of the Europe Executive Committee and of the Global Operating Committee within the investment banking division of Deutsche Bank (1999-2005), Chairman of the M&amp;A Group for Europe at Deutsche Bank (2005-2010). Independent director of listed companies Acerinox, S.A. and Merlin Properties, SOCIMI, S.A.</p>
<p>JOSÉ MANUEL MARTÍNEZ MARTÍNEZ</p>	<p><b>BUSINESS / INSURANCE / FINANCE / INTERNATIONAL.</b> A Public Works Engineer, he obtained a degree in Economics and Actuarial Science at the University of Madrid. Formerly Chairman of MAPFRE (2001-2012), President of Fundación MAPFRE (2007-2012) and member of the Board of Directors of Consorcio de Compensación de Seguros and the International Insurance Society. Honorary Chairman of MAPFRE.</p>
<p>JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI</p>	<p><b>BANKING / BUSINESS.</b> An architect specialised in urban development, he holds an Executive MBA from IE Business School. Formerly director of Banco Guipuzcoano (1990-2010). Owner and Chairman of an extensive group of companies, he is currently Chairman of Centro Fuencarral, S.A., Comercial del Campo, S.A., Edificios Cameranos, S.A., Inversiete, S.A., Producción y Desarrollo, S.A., Títulos e Inversiones, S.A., and Villa Rosa, S.A.</p>
<p>ALICIA REYES REVUELTA</p>	<p><b>BANKING / RETAIL &amp; CORPORATE BANKING / FINANCE/ INTERNATIONAL</b> Dual degrees in Law and Business Administration from ICADE, Madrid. PhD in Quantitative Methods and Financial markets from ICADE. Formerly held a number of directorships. Country Manager of Bear Stearns for Iberia (2002-2006), Global Head of Structuring of Financial institutions and Global Head of Insurance Solutions and Strategic Capital Derivatives at Barclays Capital (2010-2014). Partner of Olympto Capital (2014-2015). Independent director (2015-2016), CEO - EMEA (2016-2020) and Acting Chairman (2019) of Wells Fargo Securities International Ltd. Guest lecturer at University College London (UCL) Institute of Finance and Technology, and trustee of NGO Fareshare.</p>

MANUEL VALLS MORATÓ	AUDITOR / FINANCE. Degree in Economics and Business Studies from the University of Barcelona and a post-graduate qualification in Business Administration from IESE/University of Navarra; he is a registered auditor and a member of Spain's official register of auditors since its creation. Partner of PwC (1988-2013), Head of the Audit Division at PwC (2006-2013) and Chairman of PwC Auditores (2006-2011). Independent member of the Governing Board of Institut Català de Finances (2015-2016). Independent director of listed company Renta Corporación Real Estate, S.A. and Chairman of the Audit, Control and Risk Committee at COBEGA.
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Total number of independent directors	10
Percentage of Board	66.67

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship..

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director..

Name or company name of director	Description of the relationship	Reasoned statement
-----		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:			
Name or company name of director	Reasons	Company, manager or shareholder to which or to whom the director is related	Profile
-----			

Total number of other external directors	N.A.
Percentage of Board	N.A.

Indicate any changes that have occurred during the period in each director's category::

Name or company name of director	Date of change	Previous category	Current
-----			



C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of total directors for each category			
	Year 2020	Year 2019	Year 2018	Year 2017	Year 2020	Year 2019	Year 2018	Year 2017
Executive	1	1	1		25.00	20.00	25.00	0.00
Proprietary						0.00	0.00	0.00
Independent	3	1	2	2	30.00	12.50	20.00	20.00
Other External		1				100.00	0.00	0.00
Total:	4	3	3	2	26.67	20.00	20.00	13.33

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name or company name of director	Company name of the listed entity	Position
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS, S.A.	DIRECTOR
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	ENCE ENERGÍA Y CELULOSA, S.A.	DIRECTOR
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	TELEFONICA, S.A.	DEPUTY CHAIRMAN
AURORA CATÁ SALA	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	DIRECTOR
MARÍA JOSÉ GARCÍA BEATO	RED ELÉCTRICA CORPORACIÓN, S.A.	DIRECTOR
GEORGE DONALD JOHNSTON III	ACERINOX, S.A.	DIRECTOR
GEORGE DONALD JOHNSTON III	MERLIN PROPERTIES, SOCIMI, S.A.	DIRECTOR
DAVID MARTÍNEZ GUZMÁN	ALFA, S.A.B. DE C.V.	DIRECTOR
DAVID MARTÍNEZ GUZMÁN	CEMEX, S.A.B. DE C.V.	DIRECTOR
DAVID MARTÍNEZ GUZMÁN	VITRO, S.A.B. DE C.V.	DIRECTOR
MANUEL VALLS MORATÓ	RENTA CORPORACION REAL ESTATE, S.A.	DIRECTOR

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable::

- Yes  
 No

C.1.13 Indicate the amounts of the following items of the overall remuneration for the Board of Directors:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	6,779
Amount of pension rights accumulated by directors currently in office (thousands of euros)	37,084
Amount of pension rights accumulated by former directors (thousands of euros)	

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position(s)
MIQUEL MONTES GÜELL	GENERAL MANAGER
TOMÁS VARELA MUIÑA	GENERAL MANAGER
CARLOS VENTURA SANTAMANS	GENERAL MANAGER
JOSÉ NIETO DE LA CIERVA	GENERAL MANAGER
RAFAEL JOSÉ GARCÍA NAUFFAL	DEPUTY GENERAL MANAGER
JAIME MATAS VALLVERDÚ	DEPUTY GENERAL MANAGER
RAMÓN DE LA RIVA REINA	DEPUTY GENERAL MANAGER
ENRIC ROVIRA MASACHS	DEPUTY GENERAL MANAGER
MANUEL TRESÁNCHEZ MONTANER	DEPUTY GENERAL MANAGER
NURIA LÁZARO RUBIO	ASSISTANT GENERAL MANAGER - HEAD OF INTERNAL AUDIT

Number of women in senior management	1
Percentage of total senior management	7.69

Total remuneration of senior management (thousands of euros)	5,077
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C.1.15 Indicate whether the Board regulations were amended during the year:

Yes  
 No

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors:

Yes  
 No

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

Yes  
 No

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended..

Number of board meetings	19
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	2
--------------------	---

Indicate the number of meetings held by each Board committee during the year:

Number of meetings held by the Delegated Committee	35
Number of meetings held by the Audit and Control Committee	12
Number of meetings held by the Nomination Committee	16
Number of meeting held by the Remuneration Committee	12
Number of meetings held by the Risk Committee	14

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings in which at least 80% of directors were present in person	19
Attendance in person as a % of total votes during the year	98.15
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	18
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	99.63

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance::

- Yes  
 No

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
JOSEP OLIU CREUS	CHAIRMAN
JAIME GUARDIOLA ROMOJARO	CHIEF EXECUTIVE OFFICER
TOMÁS VARELA MUIÑA	GENERAL MANAGER— CHIEF FINANCIAL OFFICER

C.1.29 Is the secretary of the Board also a director?

- Yes  
 No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
MIQUEL ROCA JUNYENT	

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

- Yes  
 No

Outgoing auditor	Incoming auditor
PricewaterhouseCoopers, S.L.	KPMG Auditores, S.L.

If there were any disagreements with the outgoing auditor, explain their content::

- Yes  
 No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

Yes  
 No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousands of euros)	214	5	219
Amount invoiced for non-audit work/Amount for audit work (in %)	10.22	0.09	2.97

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations..

Yes  
 No

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	1	1

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	2.50	2.78

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

Yes

No

Details of the procedure

The Bank has procedures for providing the directors with the necessary information and material to prepare for meetings of the Board of Directors and its committees in a timely manner.

Article 17.1 of the Board of Directors Regulation establishes that the notice of meeting must always include the agenda, which must contain, among other items, information about subsidiaries and Board committees, and proposals and suggestions by the Chairman and other Board members and the bank's General Managers, to be received no less than five days in advance of the Board meeting; such proposals must be accompanied by the appropriate material for distribution to the directors.

Additionally, article 21 provides that:

1. Directors are vested with the broadest powers to be informed about any aspect of the company, to examine its books, records, documents and other background information on the company's transactions and to inspect all of its installations. The right to information extends to subsidiaries, both domestic and foreign.
2. So as not to disturb the ordinary running of the company, requests by directors for information must be channelled through the Chairman or the Board Secretary, who must attend to the director's requests by giving the information directly, providing appropriate access to individuals at the relevant level of the organisation, or providing the means by which the director may carry out the desired examination and inspection on site.

Banco Sabadell has a procedure for providing the directors with the necessary material to prepare for meetings of the Board of Directors and its committees in a confidential and encrypted way, using the Diligent Boards software running on iPads. Information for Board meetings is circulated to the directors one week in advance, and it is elaborated upon or updated in the boardbook as needed, of which they are duly informed.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	40
Type of beneficiary	Description of the agreement
CHAIRMAN, CEO, DIRECTOR SECRETARY GENERAL, DIRECTOR - CHIEF RISK OFFICER, AND 36 EXECUTIVES	<p>The contracts with the Chairman, CEO and Director Secretary General contain a clause providing indemnity in the amount of 2 years' remuneration for cases of unfair dismissal and some limited cases of change of control.</p> <p>The contract with the Director-Chief Risk Officer has a post-contractual non-compete clause for a duration of 2 years from the date of unfair dismissal and some limited cases of change of control, lasting at most until the first date of ordinary retirement, in the amount of two years' fixed remuneration.</p> <p>The contracts with 21 executives have a clause providing indemnity in the amount of 2 years' fixed remuneration for cases of unfair dismissal and some limited cases of change of control. The contracts with 15 executives have a post-contractual non-compete clause for a duration of 2 years from the date of unfair dismissal and some limited cases of change of control, lasting at most until the first date of ordinary retirement, in the amount of two years' fixed remuneration.</p>

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General Shareholder Meeting
Body that authorises the clauses	√	
	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

C.2. Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

DELEGATED COMMITTEE		
Name	Position	Current
JOSEP OLIU CREUS	CHAIRMAN	Executive
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	MEMBER	Independent
JAIME GUARDIOLA ROMOJARO	MEMBER	Executive
PEDRO FONTANA GARCÍA	MEMBER	Independent

% of executive directors	50.00
% of proprietary directors	0.00
% of independent directors	50.00
% of other external directors	0.00

AUDIT AND CONTROL COMMITTEE		
Name	Position	Current
MANUEL VALLS MORATÓ	CHAIRMAN	Independent
PEDRO FONTANA GARCIA	MEMBER	Independent
MIREYA GINÉ TORRENS	MEMBER	Independent
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	MEMBER	Independent

% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Names of directors with experience	MANUEL VALLS MORATÓ/PEDRO FONTANA GARCÍA/MIREYA GINÉ TORRENS/JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI
Date of appointment of the chairperson	30/03/2017



APPOINTMENTS COMMITTEE		
Name	Position	Current
JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	CHAIRMAN	Independent
ANTHONY FRANK ELLIOTT BALL	MEMBER	Independent
AURORA CATÁ SALA	MEMBER	Independent

% of proprietary directors	0.00
% of independent directors	100.0
% of other external directors	0.00

REMUNERATION COMMITTEE		
Name	Position	Current
AURORA CATÁ SALA	CHAIRMAN	Independent
ANTHONY FRANK ELLIOTT BALL	MEMBER	Independent
GEORGE DONALD JOHNSTON III	MEMBER	Independent
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	MEMBER	Independent

% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

RISK COMMITTEE		
Name	Position	Current
GEORGE DONALD JOHNSTON III	CHAIRMAN	Independent
AURORA CATÁ SALA	MEMBER	Independent
MANUEL VALLS MORATÓ	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years::

	Number of female directors							
	Year 2020		Year 2019		Year 2018		Year 2017	
	Number	%	Number	%	Number	%	Number	%
Delegated Committee	0	0.00	0	0.00	0	0.00	0	0.00
Audit and Control Committee	1	25.00	1	25.00	1	25.00	1	20.00
Appointments Committee	1	33.33	2	50.00	2	50.00	2	66.67
Remuneration Committee	1	25.00	1	25.00	2	50.00	2	50.00
Risk Committee	1	33.33	1	33.33	1	25.00	1	25.00

**D. RELATED PARTY AND INTRAGROUP TRANSACTIONS**

- D.2. Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name or company name of significant shareholder	Name or company name of the company or entity within its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
----				N.A.

- D.3. Describe any transactions that are significant, either because of their amount or the subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name or company name of director(s) or manager(s)	Name or company name of the company or entity within its group	Relationship	Nature of the transaction	Amount (thousands of euros)
----				N.A.

- D.4. Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the consolidation process and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Company name of the entity within the group	Brief description of the transaction	Amount (thousands of euros)
----		N.A.

- D.5. Report any material transactions carried out by the company or entities belonging to its group with other related parties that have not been reported in the previous sections:

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)
----		N.A.

## G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Complies [ X ]      Explain [ ]

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies [ ]      Complies partially [ ]      Explain [ ]      Not applicable [ X ]

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.
- b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any..

Complies [ ]      Complies partially [ X ]      Explain [ ]

The 2020 General Meeting of Shareholders was held in exceptional circumstances because of the coronavirus pandemic and since the only recommendations in the Code of Good Governance of listed companies that were partially complied with were numbers 34 and 37, and those issues were considered to be sufficiently addressed in the 2019 Annual Report on Corporate Governance, the Chairman of the Board of Directors concentrated his address to the meeting on the measures adopted to tackle the crisis and the main corporate governance issues.

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it..

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider

appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [ X ]      Complies partially [ ]      Explain [ ]

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies [ X ]      Complies partially [ ]      Explain [ ]

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

- a) Report on the auditor's independence.
- b) Reports on the workings of the audit and nomination and remuneration committees.
- c) Report by the audit committee on related party transactions.

Complies [ X ]      Complies partially [ ]      Explain [ ]

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies [ ]      Complies partially [ X ]      Explain [ ]

Banco Sabadell transmits the entire General Meeting of Shareholders live via webcast on the corporate website.

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and

Complies [ X ]      Complies partially [ ]      Explain [ ]

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [ X ]      Complies partially [ ]      Explain [ ]

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:
- Should immediately distribute such complementary points and new proposals for resolutions.
  - Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
  - Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.
  - That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [ ]      Complies partially [ ]      Explain [ ]      Not applicable [ X ]

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [ X ]      Complies partially [ ]      Explain [ ]

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [ X ]      Explain [ ]

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

- Is concrete and verifiable;
- Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies [ X ]      Complies partially [ ]      Explain [ ]

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies [ X ]      Complies partially [ ]      Explain [ ]

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

- a) In large-cap companies where very few shareholdings are legally considered significant.
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies [ X ]      Explain [ ]

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies [ X ]      Explain [ ]

18. That companies should publish the following information on its directors on their website, and keep it up to date:

- a) Professional profile and biography.
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.
- e) Company shares and share options that they own.

Complies [ X ]      Complies partially [ ]      Explain [ ]

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Complies [ ]      Complies partially [ ]      Explain [ ]      Not applicable [ X ]

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies [ X ]      Explain [ ]

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented

Complies [ X ]      Complies partially [ ]      Explain [ ]

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors..

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies [ ]      Complies partially [ ]      Explain [ ]      Not applicable [ X ]

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.



And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit..

Complies [ X ]      Complies partially [ ]      Explain [ ]

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies [ X ]      Complies partially [ ]      Explain [ ]

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions..

Complies [ X ]      Complies partially [ ]      Explain [ ]

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies [ ]      Complies partially [ ]      Explain [ ]      Not applicable [ X ]

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [ X ]      Complies partially [ ]      Explain [ ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies [ X ]      Explain [ ]      Not applicable [ ]

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies [ X ]      Complies partially [ ]      Explain [ ]

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [ X ]      Complies partially [ ]      Explain [ ]

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the

company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies [ X ]      Complies partially [ ]      Explain [ ]

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies [ ]      Complies partially [ X ]      Explain [ ]      Not applicable [ ]

Article 54 of the Articles of Association and article 8 of the Board of Directors Regulation expressly give the Lead Independent Director the power to convene a meeting of the Board of Directors, add items to the agenda of meetings, coordinate and arrange meetings of the non-executive directors, convey the opinions of the external directors, direct the regular performance review of the Chairman, and chair the Board of Directors in absence of the Chairman and the Deputy Chairman.

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies [ X ]      Explain [ ]

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:
- The quality and efficiency of the Board of Directors' work.
  - The workings and composition of its committees.
  - Diversity in the composition and skills of the Board of Directors.
  - Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
  - Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies [ X ]      Complies partially [ ]      Explain [ ]

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

The Secretary of the Delegated Committee is the Deputy Secretary of the Board of Directors.

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies [  ]      Complies partially [  ]      Explain [  ]

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [  ]      Complies partially [  ]      Explain [  ]

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational, technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.

d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.

b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.

e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies [ X ]      Complies partially [ ]      Explain [ ]

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies [ X ]      Complies partially [ ]      Explain [ ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

45. That the risk management an control policy identify or determine, as a minimum:

a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.

b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.

c) The level of risk that the company considers to be acceptable.

d) Measures in place to mitigate the impact of the risks identified in the event that they should materialise.

e) Internal control and information systems to be used in order to control and manage he aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies [ 6 ]      Complies partially [ ]      Explain [ ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensuring the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.

b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.

c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies [ X ]      Complies partially [ ]      Explain [ ]

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies [ X ]      Complies partially [ ]      Explain [ ]

48. That large-cap companies have separate nomination and remuneration committees.

Complies [ X ]      Explain [ ]      Not applicable [ ]

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies [ X ]      Complies partially [ ]      Explain [ ]

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Proposing the basic conditions of employment for senior management to the Board of Directors.

b) Verifying compliance with the company's remuneration policy.

c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.

d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.

e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies [ X ]      Complies partially [ ]      Explain [ ]

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies [ X ]      Complies partially [ ]      Explain [ ]

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:
- That they be composed exclusively of non-executive directors, with a majority of independent directors.
  - That their chairpersons be independent directors.
  - That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
  - That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
  - That their meetings be recorded and the minutes be made available to all directors.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies [ ]      Complies partially [ X ]      Explain [ ]

In accordance with its terms of reference, the remit of the Audit and Control Committee is to assess the sufficiency and fulfilment of the Regulation of the General Meeting of Shareholders, the Regulation of the Board of Directors, the Company's Code of Conduct and, in particular, the Internal Code of Conduct in connection with the Securities Markets, and to assess the degree of compliance with the company's governance rules and oversee the corporate governance report to be adopted by the Board of Directors.

As part of the Sustainability Policy, the Board of Directors has tasked the Appointments Committee with tracking and overseeing the initiatives and procedures related to the Sustainability Policy and the environment, social and governance rules, in accordance with recommendations 53, 54 and 55 of the CNMV's Code of Good Governance of Listed Companies, as revised in June 2020, except for those functions that correspond to the Audit and Control Committee and the Risk Committee in accordance with the Articles of Association, the Regulation of the Board of Directors, the Regulations of those Committees or a policy approved by the Board of Directors.

54. The minimum functions referred to in the foregoing recommendation are the following:
- Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.
  - Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

- c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.
- d) Supervision of the company's environmental and social practices to ensure they are in alignment with the established strategy and policy.
- e) Supervision and evaluation of the way in which relations with the various stakeholders are handled

Complies [  ]                      Complies partially [  ]                      Explain [  ]

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55. That environmental and social sustainability policies identify and include at least the following:

- a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct
- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [  ]                      Complies partially [  ]                      Explain [  ]

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies [  ]                      Explain [  ]

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies [  ]                      Complies partially [  ]                      Explain [  ]

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
- b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]



63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies  Complies partially  Explain  Not applicable

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies  Complies partially  Explain  Not applicable

Indicate whether any director voted against or abstained from approving this report

Yes  
 No

I declare that the details include in this statistical annex coincide and are consistent with the descriptions and details included in the annual corporate governance report published by the Company.





# Banco de Sabadell, S.A.

Auditor's Report on the "Internal Control over  
Financial Reporting (ICOFR) Information" of Banco  
de Sabadell, S.A. for 2020

*(Translation from the original in Spanish. In the  
event of discrepancy, the Spanish-language  
version prevails.)*



KPMG Auditores, S.L.  
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(Barcelona)

## **Auditor's Report on the "Internal Control over Financial Reporting (ICOFR) Information" of Banco de Sabadell, S.A. for 2020**

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

To the directors of Banco de Sabadell, S.A.,

As requested by the board of directors of Banco de Sabadell, S.A. (the "Company") and in accordance with our proposal letter dated 3 November 2020, we have applied certain procedures to the "ICOFR information" attached hereto in section F of the Annual Corporate Governance Report (ACGR) of Banco de Sabadell, S.A. for 2020, which summarises the Entity's internal control procedures for annual financial reporting.

The Board of Directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the information concerning the ICOFR attached.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Entity in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Entity's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Entity's annual accounts. Consequently, the scope of our evaluation of internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the effectiveness of this internal control over regulated annual financial reporting.

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the Guidelines for preparing the auditor's report on the information on the system of internal control over financial reporting of listed companies, published on the website of the Spanish National Securities Market Commission (CNMV), which define the work to be performed, the minimum scope thereof and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness or design or operational efficiency, with respect to the Entity's annual financial reporting for 2020 described in the attached Information concerning the ICOFR. Consequently, had additional procedures been applied other than those established in the aforementioned Guidelines, or had an audit or a review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

As this special work did not constitute an audit of accounts and is not subject to current legislation regulating the audit of accounts in Spain, we do not express an audit opinion under the terms provided in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the entity regarding ICOFR – disclosures included in the directors' report – and an evaluation of whether this information meets all the minimum reporting requirements, taking into account the minimum content described in section F, on the description of ICOFR, of the ACGR template provided in the Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013 and subsequent amendments, the most recent being CNMV Circular 1/2020 of 6 October 2020 (hereinafter the CNMV Circulars).
2. Inquiries of the personnel responsible for drawing up the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the entity.
3. Review of explanatory documentation supporting the information detailed in point 1 above, and which will mainly include that made directly available to those responsible for preparing the descriptive information on ICOFR. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the Audit Committee.
4. Comparison of the information detailed in point 1 above with the understanding of the Entity's ICOFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.
5. Reading of the minutes of the meetings of the board of directors, Audit and Control Committee and other committees of the entity for the purposes of assessing the consistency of the matters discussed at these meetings in relation to ICOFR with the information detailed in point 1 above.



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*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.

As a result of the procedures applied to the ICOFR information, no inconsistencies or incidents have been detected that could affect it.

This report has been prepared exclusively within the context of the requirements laid down in article 540 of the Revised Spanish Companies Act and in the CNMV Circulars for the purposes of the description of ICOFR in annual corporate governance reports.

KPMG Auditores, S.L.

*(Signed on original in Spanish)*

Francisco Gibert  
Partner  
4 February 2021