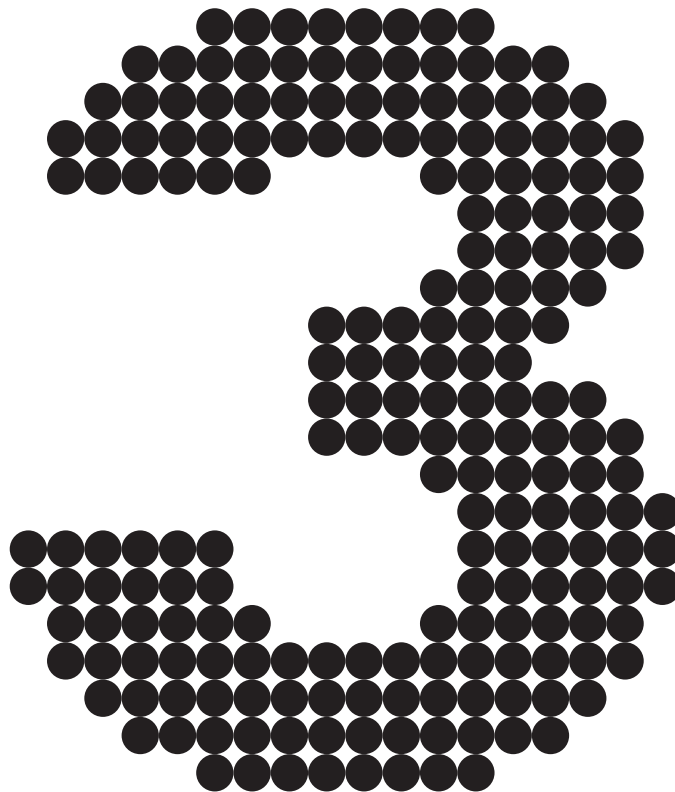


Consolidated directors' report



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Banco de Sabadell, S.A. (hereinafter, also referred to as Banco Sabadell, the Bank or the company), with registered office in Alicante, Avenida Óscar Esplá, 37, engages in banking business and 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 is made up 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 Group was organised into the following businesses in 2021:

- Banking Business Spain, which groups together the Retail, Business and Corporate Banking business units, where Retail and Business Banking are managed under the same Commercial Network:
 - Retail Banking: it offers financial products and services to customers classed as natural persons. These include investment products and medium- and long-term finance, such as consumer loans, mortgages, and leasing or renting services, as well as short-term finance. Funds come mainly from customer deposits and sight deposits, savings insurance, mutual funds, and pension plans. The main services also include payment methods such as cards and insurance linked to consumer loans and mortgages.
 - Business Banking: this offers financial products and services to companies and the self-employed. These include investment and financing products, such as working capital products, revolving loans and medium- and long-term finance. It also offers customised structured finance and capital market solutions, as well as specialised advice for businesses. Funds mainly come from deposits, customer sight deposits, and mutual funds. The main services also include collection/payment methods such as cards and POS terminals, as well as import and export services.
 - Corporate Banking (CIB): this unit is responsible for managing the segment of large corporations which, because of their unique characteristics, require a tailor-made service, supplementing the range of transaction banking products with the services of the specialised units, thus offering a single, all-encompassing solution to their needs, taking into account the features of the economic activity sector and the markets in which they operate. It has units that develop custom products for large corporations and financial institutions. The units responsible for developing customised products are horizontal to the entire Banco Sabadell Group and their capabilities also extend to the Corporate Banking and Institutional Banking segment. Through its international presence in 17 countries, with representative offices and operational branches, it offers financial

and advisory solutions to large Spanish and international corporations and financial institutions. It has operational branches in London, Paris, Lisbon, Casablanca and Miami.

- Banking business UK: the TSB franchise covers business conducted in the United Kingdom, which includes current and savings accounts, loans, credit cards and mortgages.
- Banking business Mexico: offers the full range of banking and financial services via Corporate Banking and Commercial Banking.

Banco Sabadell is the controlling company of a group which, at 31 December 2021, comprised 96 companies, of which, apart from the parent company, 73 were classified as subsidiary institutions and 22 as associated companies (106 at 31 December 2020, of which 85 were subsidiary institutions and 20 were associated companies).

Mission, values and business model

Mission and values

Banco Sabadell helps people and companies bring their projects to life, anticipating their needs and ensuring that they make the best economic decisions. We do this through environmentally and socially responsible management.

This is Banco Sabadell's *raison d'être*: to help its customers make the best economic decisions to enable them to carry out their projects, whether they are personal or business projects. To this end, it offers its customers the opportunities offered by big data, digital capabilities and the expert knowledge of its specialists.

The bank and those who are part of it share the values that help to achieve this mission, no matter how, where or when.

Banco Sabadell fulfils its mission by being true to its values:

- Commitment and Non-Conformism, values that define the way we are.
- Professionalism and efficiency, values that define the way we work.
- Empathy and openness, values that define the way we relate to each other.

Business model, main objectives achieved and actions implemented

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 profitability, 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.

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.

Since the financial crisis in 2008, Spain's banking sector has been engaged in an unprecedented concentration process. Higher levels of capital, more stringent provisioning requirements, the economic recession, and the pressure of capital markets are some of the factors that have forced Spanish banks to merge and thus increase in scale, maximise efficiency, and shore up their balance sheets.

During the last eleven 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 operations in 2013 in appropriate economic conditions within the framework of the financial reorganisation of the banking industry, such as the acquisition of Caixa d'Estalvis del Penedès, Banco Gallego and Lloyds España.

Thanks to these acquisitions and the organic growth seen in recent years, Banco Sabadell has been able 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 loans 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, 4% in securities trading, and 16% in POS turnover.

Banco Sabadell also maintains its quality differential with respect to the rest of the industry and ranks as a leader among its peers in terms of customer experience (Net Promoter Score) in the areas of SMEs and Corporate Banking.

Banco Sabadell has always been a trailblazer on the international front. In 2021 this has continued to be the case and Sabadell has continued to be present in strategic locations and to accompany companies in their international activity. Banco Sabadell has expanded its international presence in recent years, including as notable

milestones the acquisition of UK bank TSB in 2015, and the incorporation of a bank in Mexico in 2016.

The Group has become one of the largest banks in Spain's financial system. It has a geographically diverse business (70% in Spain, 28% 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.

After a 2020 heavily impacted by the COVID-19 crisis, 2021 has been a year of recovery, especially in developed countries. This recovery has been supported by the positive effects of the increased control of the pandemic, the reopening of economies and the high fiscal stimulus introduced. The latest contagion waves had a limited impact on demand. In contrast, zero-COVID policies in Asia – mainly in China – partially paralysed production and transport processes, which affected international production chains.

Meanwhile, the increase in inflation has been one of the most striking surprises of the year. The high levels of inflation eventually led to a shift in monetary policy, first in emerging and then in developed countries.

In this context, in year-on-year terms, Banco Sabadell significantly increased its net income, and found support both in TSB and in Spain. Of note was the year-on-year improvement in banking commission (Margin + Fees), the reduction in risk cost, the good commercial dynamics, and the materialisation of the first cost savings from phase 1 of the efficiency plan launched in 2020.

In addition, Banco Sabadell has launched phase 2 of the efficiency plan in 2021. This second phase will be implemented before the first quarter of 2022 and will enable the bank to achieve expected annual savings of 130 million euros. The costs associated with this restructuring phase amounted to 331 million euros were recorded in the third quarter of 2021, and following the strategy implemented in 2020, were financed by sales of the ALCO portfolio.

Also noteworthy in 2021 was the closing of the sale of the institutional depositary business (with a net profit of 59 million euros), the sale to MoraBanc of Banco Sabadell's entire stake in BancSabadell d'Andorra (51.61%), with a net profit of 2 million euros, and the closing of the sale of Bansabadell Renting, with net profit of 42 million euros.

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 applicable regulations, 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.

2021-2023 Strategic Plan

The Group's strategic priorities include an increased focus on core businesses in Spain and a significant improvement in the profitability of international businesses.

The Strategic Plan 2023 was presented on 28 May 2021. This plan defines the Group's strategic priorities, which include (i) an increased focus on core businesses in Spain, with different levers of action for each business that will strengthen the Bank's competitive position in the domestic market, and (ii) a significant improvement in the profitability of international businesses, both in the UK and in the rest of the countries. The cost base will also be reduced during the plan to bring it in line with competitive realities. These changes will be implemented based on a more efficient allocation of capital, fostering the group's growth in those geographies and businesses that offer a higher capital-adjusted profitability.

In this way, the Strategic Plan sets out a specific strategic approach for each business:

In Retail Banking, the approach is to undertake a major transformation, which will entail a profound change in the offer and the customer relationship model.

On the supply side, transactional servicing will be made available to customers in a simple and agile way through digital channels. As for the commercial offer of products and services, there will be a fundamentally digital and remote offer for those products in which the customer wants autonomy, immediacy, and convenience, such as consumer loans, accounts and cards. On the other hand, for more complex products such as mortgages, insurance and savings/investment products, where customers require support, specialised product managers will be available and multi-channel support will be offered.

The objective in Retail Banking is to better respond to customers' needs and, at the same time, reduce the cost base of the business.

In Business Banking, the bank's notable franchise in this segment will be strengthened and specific levers have been established for profitable growth: launch of sectoral solutions for businesses, support for customers in their internationalisation process, expansion of specialised solutions for SMEs, and a comprehensive support plan for Next Generation EU funds. This will be reinforced by an optimal risk management framework, complementing the vision of risk and business experts with new business intelligence and data analytics tools.

The objective in Business Banking is to drive growth while preserving risk quality and boosting profitability.

The approach in Corporate Banking Spain is to develop plans to improve customer-to-customer profitability and increase the contribution of the specialised product

units to income generation.

The objective in this business is to obtain an adequate profitability for each customer and to satisfy their needs.

TSB is going to focus on what it does best and what the market recognises: the retail mortgage market. TSB has an excellent platform, with a high operational capacity to manage mortgages and a well-established network of financial intermediaries, a key aspect in the UK market where a large proportion of new mortgages are granted through this channel.

TSB's objective is to increase its contribution to the group's profitability by focusing on the retail mortgage business.

In the Group's other international businesses, the priority is to actively manage the capital that the Group allocates to these businesses. In addition, there are specific priorities in each geographic area: in Mexico, the focus is on rigorous cost management; in Miami, the Private Banking business will be strengthened, and in the rest of the offices abroad, priority will be given to accompanying Spanish customers in their international activity.

In just a few months after the launch of the plan, concrete progress has already materialised. For example, in Spain, the first phase of the roll-out of specialist mortgage and savings-investment managers has been completed, the 100% digital application for new cards have been launched and, in consumer affairs, the product offer has been expanded, with the capacity to offer a loan that is more adjusted to the risk profile and which allows price segmentation. Moreover, new vertical offers for specific sectors, a specific accompanying offer for Next Generation EU funds, and new digital services for businesses have been launched.

In terms of cost reduction, the second phase of the expected efficiency plan was implemented in the last quarter of the year, and a workforce adjustment was agreed with the unions with the 100% support of the negotiating table. This agreement, together with other cost-cutting measures implemented, will result in savings of 130 million euros per year, on top of the 140 million euros annual savings from the first phase of the efficiency plan, implemented in the first quarter of 2021. The combination of the two phases involves reducing the workforce by more than 20% and closing around 25% of the branches.

In line with the strategic objectives, TSB significantly increased its contribution to the Group during the year, with significant growth in new mortgages, while deleveraging was recorded in the other international businesses.

By 2023, the main financial targets of the Strategic Plan are the following: a return on tangible equity (ROTE) above 6% in 2023, although this target is expected to be reached already in 2022, and to maintain a CET1 fully-loaded capital ratio above 12% throughout the Plan. Beyond 2023, the transformation undertaken will continue to deliver results and profitability will continue to improve.

On the other hand, the macroeconomic assumptions on which the financial projections of the plan are based have been constructed from a conservative point of view and in a context of pandemic control, accompanied by fiscal and monetary measures by governments and central banks, respectively.

As regards the growth of the system's lending, over the time horizon of the next three years, in Spain and the United Kingdom, positive cumulative growth is expected in

all segments. In this regard, Banco Sabadell aims to grow above the market in the mortgage segment, both in Spain and in the UK, while in consumer loan, the performance differs geographically for strategic reasons: higher growth than other banks in Spain and lower appetite in the UK, which reflects a lower commercial priority in this specific segment. As regards the corporate segment, the strategic focus is to continue to grow in Spain, while in international exposures, the size of the loan book will decrease due to a more efficient allocation of capital by the bank.

Furthermore, with reference to the evolution of the different lines of the income statement, recurrent income is expected to increase throughout the plan: low single digit net interest income and mid-single digit net fee and commission income. In both cases, it will be driven by increased commercial dynamism of Banco Sabadell both in Spain and in the UK franchise, TSB. On the cost side, thanks to the efficiency plans being implemented in the Spanish and UK businesses, the group-wide cost base is expected to be reduced to 2.9 billion euro by 2023. And finally, the cost of credit risk is expected to trend downwards during the plan, supported by better risk management and a favourable macroeconomic situation.

In conclusion, the Strategic Plan was designed on the basis of immediate delivery as early as 2021. In this respect, all the objectives set at the end of the year were met: i) net interest income grew by +0.8% in the year, ii) commission income increased by +8.7%, iii) a cost of credit risk of 49 basis points which is in the range of the 2019-20 cost of credit risk and iv) finally, capital at 12.22% with an MDA buffer of 398 bp.

Banco Sabadell share performance and shareholders

The share capital of Banco Sabadell amounts to 703,370,587.63 euros, represented by 5,626,964,701

shares of a single class with a par value of 0.125 euros. The number of shares in the bank has remained unchanged for more than 4 years as the group has no remuneration policies that could have a dilutive effect on the current share capital and rights to convert preference shares issued as contingently convertible into newly issued ordinary shares of the bank (AT1) have not been exercised.

The good performance of the recurring margin and the expected decline in the cost of risk enabled Banco Sabadell to bring forward the profitability target on tangible capital to above 6% by 2022, while maintaining a level of capital above 12%.

The 2021 financial year has continued to be marked by the evolution of the COVID-19 pandemic. In the first half of the year, the tone in financial markets was more positive thanks to the prospect of progress in vaccination against the coronavirus, although, at the same time, governments continued to impose various measures to contain its spread and extended the duration of the various financial aids to the real economy announced in the previous year. As a result of this improved outlook for the pandemic, macroeconomic indicators performed favourably, pointing to an imminent strong recovery of the global economy, leaving behind the economic and financial instability and uncertainty that the pandemic had generated during 2020.

However, as the year progressed, fears of an increase in inflation expectations were heightened, supported by rising energy and commodity prices. In addition, heightened uncertainty over supply chain disruptions was beginning to erode consumer confidence indicators and, as a result, cast doubt on the rapid economic recovery that macroeconomic indicators had been pointing to months earlier.

As a result of these higher inflation expectations, the banking sector benefited in the stock market from a more plausible interest rate hike scenario and the beginning of the reduction of the various asset purchase programmes.

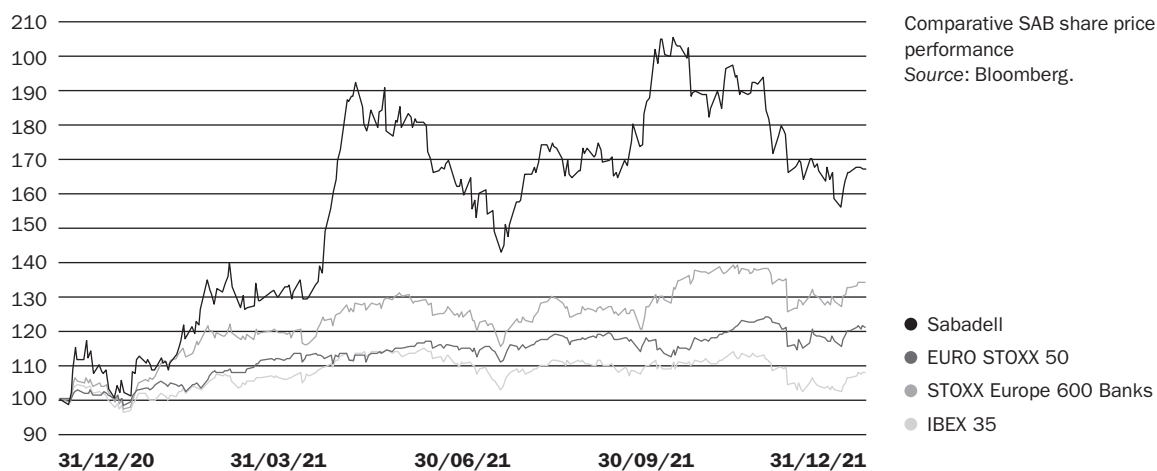
Banco Sabadell's share performance outperformed the rest of the Spanish banks with a revaluation of +67% in the year, +39% above the comparables, making it the best IBEX-35 stock in 2021 among the companies that made up the index since the beginning of the year. The systemic factors mentioned above have had a significant influence on the evolution of the share. Banco Sabadell's idiosyncratic factors include the launch of a new Strategic Plan, a new management team, better than expected results per annum, and a higher contribution of the UK franchise, TSB, to the Group's results. This has been well received by financial analysts and the market in general.

At the end of 2021, 77% of equity analysts covering Banco Sabadell's shares had a Buy or Hold recommendation on the shares.

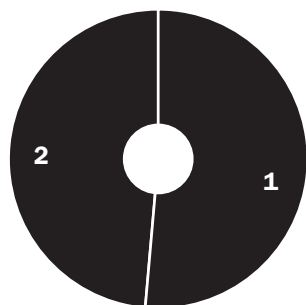
During 2021, institutional shareholders owned 48% of the stock, while retail shareholders owned 52%. Within the Bank's shareholding structure, at year-end 2021, three investor groups reported a holding of more than 3% according to figures reported to the CNMV. The aggregate holding of those three shareholders represents 9.94% of the total share capital; the remaining holdings are free-float capital. The members of the Board of Directors, one of whom is the indirect holder of the voting of one of the investors mentioned earlier, hold 3.67% of the bank's share capital.

Banco Sabadell's market capitalisation stood at 3,306 million euros at year-end, with a price-to-book value ratio (P/BV) of 0.25.

Banco Sabadell's share performance outperformed the rest of the Spanish banks with a revaluation of +67% in the year, making it the best IBEX-35 stock in 2021.

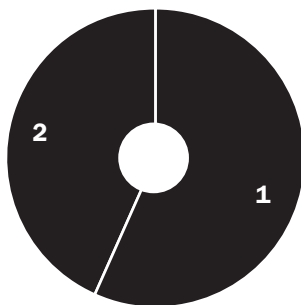


Note: Share price adjusted for the effect of dividends and capital increases.



Distribution of shareholders
31.12.2021 (in %)

1	Retail shareholders	51.6
2	Institutional investors	48.4



Distribution of shareholders
31.12.2020 (in %)

1	Retail shareholders	56.7
2	Institutional investors	43.3

No. of shares	Shareholders	Shares in tranche	% of capital
From 1 to 12,000	179,459	573,130,438	10.19
From 12,001 to 120,000	45,899	1,427,423,280	25.37
From 120,001 to 240,000	1,866	307,959,112	5.47
From 240,001 to 1,200,000	1,039	469,333,426	8.34
From 1,200,001 to 15,000,000	139	433,432,171	7.70
More than 15,000,000	30	2,415,686,274	42.93
TOTAL	228,432	5,626,964,701	100.00

Analysis of shareholdings at 31 December 2021

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
TOTAL	244,225	5,626,964,701	100

Analysis of shareholdings
at 31 December 2020

	Million	Million euro	Euros	Million euro	Euros
	Average number of shares	Profit attributable to the group	Profit attributable to the Group, per share	Own funds	Book value per share
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
2021	5,586	530	0.080	13,357	2.39

Benefit and book value
per share 2018-2021

Share performance

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

	2021	2020	Year-on-year change (%)
Shareholders and trading			
Number of shareholders	228,432	244,225	(6.5)
Average number of shares (million)	5,586	5,582	0.1
Average daily trading (million shares)	33	59	(44.2)
Share price (euro)			
Initial	0.354	1.040	—
High	0.743	1.080	—
Low	0.343	0.250	—
Closing	0.592	0.354	—
Market capitalisation (million euro)	3,306	1,976	—
Market ratios			
Earnings per share (EPS) (euro)	0.08	(0.01)	—
Book value per share (euro)	2.39	2.32	—
Price/Book value	0.25	0.15	—
Price/earnings ratio (P/E)	7.69	(27.75)	—

Share performance

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 of Shareholders.

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.

On 21 July 2021, the European Central Bank issued a note informing that the period of recommendation not to pay or enter into irrevocable commitments to pay dividends would end on 30 September 2021. Afterwards, the Board of Directors, during its meeting that took place on 26 January 2022, proposed to the General Meeting of Shareholders the approval of the distribution of a gross dividend of 0.03 euros per share charged to the income statement of 2021.

It is proposed to distribute a gross dividend of 0.03 euro per share.

Credit rating

In 2021, the four agencies that assessed Banco Sabadell's credit quality were S&P Global Ratings, Moody's Investors Service, Fitch Ratings and DBRS Ratings GmbH.

On 20 May 2021, DBRS Ratings GmbH affirmed the short and long-term credit rating of Banco Sabadell at A (low) and R-1 (low) with a negative outlook, in light of the economic situation brought about by COVID-19. On 30 September 2021, DBRS published its full credit rating (A (low) and R-1(low)) with a negative outlook.

On 24 June 2021, S&P Global Ratings revised Banco Sabadell's long-term rating, placing it at BBB-, with a stable outlook, from BBB, to reflect the challenges of profitability, efficiency, and digitalisation facing the new management team. The short-term rating was changed from A-2 to A-3. In November, S&P again revised Banco Sabadell's rating. On 29 November, it published a new report with an improved sentiment on Banco Sabadell but retaining the rating, outlook, and challenges published in the first half of the year.

On 22 September 2021, Fitch Ratings affirmed Banco Sabadell's long-term rating at 'BBB-', with a stable

outlook, reflecting the Group's sound capitalisation and diversification, and its challenges in terms of profitability and constraining the cost of risk. The short-term rating remained at 'F3'.

On 15 July 2021 and in connection with a change to its methodology for credit rating for banks, Moody's Investors Service affirmed Banco Sabadell's long-term deposit and long-term senior debt ratings at Baa2 and Baa3, respectively, with a stable outlook, and upgraded the rating on long-term junior issues from Ba3 to Ba2. The agency reiterated the improvement in asset quality due to the significant reduction in NPAs and the bank's comfortable liquidity position.

During 2021, Banco Sabadell has maintained continuous interaction with the four agencies. In the virtual meetings with the agencies' analysts, issues such as the 2021-2023 strategic plan, TSB's evolution, results, capital, liquidity, risks and credit quality, and management of NPAs were discussed.

The table below details the current ratings and the last date on which any publication reiterating this rating was made.

Agency	Long-term	Short-term	Outlook	Last updated
DBRS	A (low)	R-1 (low)	Negative	30/09/2021
S&P Global Rating	BBB-	A-3	Stable	29/11/2021
Moody's Investors Service	Baa3	P-2	Stable	15/07/2021
Fitch Ratings	BBB-	F3	Stable	22/09/2021

Credit rating. Ratings and date of last update

Corporate Governance

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 corporate website www.grupobancosabadell.com (See the "Corporate Governance and Remuneration Policy - Internal Governance Framework" section).

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 2021, which, in accordance with article 49 of the Commercial Code, is a part of this Directors' Report of the 2021 consolidated Annual Accounts 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.

Following the 2020 financial year, Banco Sabadell has once again opted to prepare the Annual Corporate Governance Report in free PDF format in order to explain and publicise, with maximum transparency, the main aspects contained therein and, in particular, the substantial changes made during the 2021 financial year to improve and strengthen corporate governance, in line with best practices.

General Meeting of Shareholders 2021

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 social 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 “Shareholders’ General Meeting – General Meetings 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.

The Ordinary General Meeting of Shareholders held on 26 March 2021, at second call, approved all the items on the agenda, including the annual accounts and corporate management for the financial year 2020 and, as regards appointments, the ratification and appointment of Mr César González-Bueno Mayer as Executive Director and Ms Alicia Reyes Revuelta as Independent Director, as well as the re-election as members of the Board of Directors of Mr Anthony Frank Elliott Ball and Mr Manuel Valls Morató as Independent Directors.

In addition, the Board of Directors submitted to the General Meeting of Shareholders a proposal to amend certain provisions of the Articles of Association, which was approved on 26 March 2021, and which essentially entailed the following:

- Chairman with non-executive status, in line with the leading international banks and Corporate Governance best practice.
- A Strategy and Sustainability Committee increasing the focus point on strategic elements, sustainability, and commitment to ESG (Environmental, Social & Governance) aspects.
- The Delegated Committee has been abolished and the Credit Delegated Committee has been set up to monitor and oversee credit risks on a weekly basis.
- The Appointments Committee has taken on all corporate governance functions and is now called the Appointments and Corporate Governance Committee, also focusing on ESG engagement.
- The powers of the Audit and Control Committee have been updated and revised.
- The possibility of holding the General Meeting of Shareholders telematically has been introduced, in line with the main Spanish listed companies.

Information regarding the General Meeting of Shareholders 2021 is published on the corporate website www.grupobancosabadell.com (see the website section

“Shareholders and Investors-Shareholders’ General Meeting”).

Composition of the 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 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 Regulation of the Board of Directors (available on the corporate website under “Corporate Governance and Remuneration Policy-Regulations of the Board”), and it conforms to best practices in the area of corporate governance.

At the Board of Directors meeting held on 18 March 2021, Mr César González-Bueno Mayer accepted the position of Chief Executive Officer, once the corresponding regulatory authorisations had been received, and his appointment as Chief Executive Officer was ratified by the Board of Directors following his ratification and appointment as Director by the General Meeting of Shareholders on 26 March 2021.

Within the framework of the new corporate governance scheme reflected in the amendment to the Articles of Association approved by the General Meeting of Shareholders, the Board of Directors, at its meeting held on 26 March 2021, following the General Meeting of Shareholders, acknowledged the status of the Chairman, Josep Oliu Creus, as “Other External” Director, in accordance with the Capital Companies Act, as well as the status of the Director María José García Beato as “Other External” Director, in accordance with the Capital Companies Act, with effect as of 31 March 2021. The Board of Directors also appointed Gonzalo Baretino Coloma as Deputy Secretary of the Board of Directors.

The Board of Directors, at its meeting of 28 July 2021, appointed Mr Luis Deulofeu Fuguet as Independent Director to replace Mr Javier Echenique Landiribar. In the same meeting, the Board agreed to appoint Mr Pedro Fontana García as Deputy Chairman of the Board, replacing Mr Javier Echenique Landiribar. Following receipt of the corresponding regulatory authorisations, Mr Luis Deulofeu Fuguet accepted the position on 26 October 2021.

The Board of Directors consisted, as of 31 December 2021, of fifteen members: its non-executive Chairman, ten Independent Directors, two Executive Directors, one Other External Director and one Proprietary Director. 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 as well as in a participatory way. It features suitable diversity in terms of competency, professional background, origin and gender, as its members have extensive experience in banking, finance, digital transformation and IT, insurance, risk management and audit, in regulatory, legal and academic matters, as well as in human resources, consulting, and in the business and international arena. The Board's Matrix of Competencies can be consulted on the website under "Internal Governance Framework of Banco Sabadell" (See the corporate website "Corporate governance and Remuneration Policy – Internal Governance Framework" section).

Since 2019, Banco Sabadell has had a competency and diversity matrix in place, which is revised annually by the Board of Directors. The latest review was carried out on 18 November 2021, in view of the changes that took place within the Board of Directors. The Board has increased its diversity, in relation to the category of Directors and the knowledge, skills, and experience, which have been strengthened in the following areas: retail banking and digital transformation.

The Director Candidate Selection Policy, which was approved by the Board of Directors in 2016 and whose last update was performed in the Board meeting on 30 September 2021, 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.

At year-end 2021, there were four female Directors: three female Independent Directors (out of a total of ten Independent Directors) and one female Other External Director.

The CEO, Mr César González-Bueno, brings together the knowledge, skills, and experience 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. Having analysed his experience with regard to the Banco Sabadell Matrix of Competencies, his appointment was found to increase the diversity of the Board of Directors. 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 of Directors 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 External Directors, and direct the regular assessment of the Chairman of the Board of Directors. The Lead Independent Director also coordinates the Succession

Composition of the Board of Directors at 31 December 2021

Chairman

Josep Oliu Creus

Deputy Chairman

Pedro Fontana García

CEO

César González-Bueno Mayer

Lead Independent Director

Anthony Frank Elliott Ball

Female director

Aurora Catá Sala

María José García Beato

Mireya Giné Torrens

Alicia Reyes Revuelta

Director

Luis Deulofeu Fuguet

George Donald Johnston III

David Martínez Guzmán

José Manuel Martínez Martínez

José Ramón Martínez Sufrategui

Manuel Valls Morató

Director-General Manager

David Vegara Figueras

Non-Director Secretary

Miquel Roca i Junyent

Non-Director Deputy Secretary

Gonzalo Baretino Coloma

Plan for the Chairman and CEO that was adopted in 2016 and updated in 2022 and, in practice, chairs any meetings with investors or proxy advisors.

For a better and more diligent performance of its general supervision function, the Board of Directors is obliged to directly exercise the following responsibilities stipulated by Law, amongst others:

- those that derive from good corporate governance rules which are generally applied;
- approval of the general strategy of the company;
- appointing and, as necessary, removing directors of the company's subsidiaries;
- identifying the company's main risks, and implementing and monitoring suitable internal control and reporting systems;
- setting policy on the reporting and disclosure of information to shareholders, the markets and the general public;
- establishing the policy on treasury stock, which the General Meeting of Shareholders determines, where appropriate;
- approving the Annual Corporate Governance Report.
- authorising the company's operations with the Directors and relevant shareholders which might present conflict of interests; and
- generally deciding on business or financial transactions that are of particular importance for the company.

- Strategy and Sustainability Committee.
- Credit Delegated Committee.
- Audit and Control Committee.
- Appointments and Corporate Governance Committee.
- Remuneration Committee.
- Risk Committee.

The organisation and structure of the Board Committees are set out in the Articles of Association and in their respective Regulations, which establish their rules of composition, functioning, and responsibilities (see the section of the corporate website "Corporate Governance and Remuneration Policy-Regulations of the Committees"), and develop and complete the rules of operation and basic functions set out in the Articles of Association and in the Regulation 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.

Committees Board of Director

Following the amendment of the Articles of Association, a Strategy and Sustainability Committee and a Credit Delegated Committee were set up, and the competencies of the Audit and Control Committee were updated, while the Appointments Committee was given additional competencies in the area of Corporate Governance and is now called the Appointments and Corporate Governance Committee.

In addition to the constitution of the new Board Committees, on 26 March 2021, the Board of Directors appointed Ms Mireya Giné Torrens as Chairman of the Audit and Control Committee and as a Member of the Appointments and Corporate Governance Committee, appointed Ms Alicia Reyes Revuelta as a Member of the Risk Committee, and appointed Mr Gonzalo Baretino Coloma, General Secretary and Deputy Secretary of the Board, as Non-Director Secretary of the Credit Delegated Committee, the Remuneration Committee, and the Risk Committee.

On 28 July 2021, the Board of Directors appointed Mr. Pedro Fontana García as Chairman of the Credit Delegated Committee, and Mr. Luis Deulofeu Fuguet as Member of the Credit Delegated Committee and of the Strategy and Sustainability Committee, positions he accepted on 26 October.

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

Composition of the committees

Position	Strategy and Sustainability	Delegated Credit	Audit and Control	Appointments & Corporate Governance	Remuneration	Risk
Chairman	Josep Oliu Creus	Pedro Fontana García	Mireya Giné Torrens	José Manuel Martínez Martínez	Aurora Catá Sala	George Donald Johnston III
Member	Luis Deulofeu Fuguet	Luis Deulofeu Fuguet	Pedro Fontana García	Anthony Frank Elliott Ball	Anthony Frank Elliott Ball	Aurora Catá Sala
Member	Pedro Fontana García	María José García Beato	José Ramón Martínez Sufrategui	Aurora Catá Sala	George Donald Johnston III	Alicia Reyes Revuelta
Member	María José García Beato	César González-Bueno Mayer	Manuel Valls Morató	Mireya Giné Torrens	José Ramón Martínez Sufrategui	Manuel Valls Morató
Member	César González-Bueno Mayer (*)	Alicia Reyes Revuelta	—	—	—	—
Member	José Manuel Martínez Martínez	—	—	—	—	—
Non-member secretary	Miquel Roca i Junyent	Gonzalo Baretino Coloma	Miquel Roca i Junyent	Miquel Roca i Junyent	Gonzalo Baretino Coloma	Gonzalo Baretino Coloma
Number of meetings in 2021	9	21	12	16	12	14

(*) Member for strategy matters only.

The Delegated Committee held 18 meetings in 2021 before it was disbanded.

Strategy and Sustainability Committee

The Strategy and Sustainability Committee, comprising five Directors, two Other External, and three Independent Directors, and is chaired by the Chairman of the Board of Directors. In matters of strategy, the Chief Executive Officer shall participate in the meetings with the right to speak and vote, and, for this purpose, the Board shall be composed of six members.

In the area of strategy, the Committee's main responsibilities are to evaluate and propose to the Board of Directors strategies for growth, development, diversification or transformation of the company's business; to inform and advise the Board of Directors on the company's long-term strategy; identifying new opportunities for value creation and submitting to the Board of Directors corporate strategy proposals in relation to new investment or divestment opportunities, financial operations with a material accounting impact and relevant technological transformations; studying and proposing recommendations or improvements to the strategic plans and their updates which, from time to time, are submitted to the Board of Directors; and issuing and submitting to the Board of Directors, on an annual basis, a report containing the proposals, evaluations, studies and work carried out during the financial year.

In the area of sustainability, the Committee has the following competencies: review the bank's sustainability and environmental policies; inform the Board of Directors of possible modifications and periodic updates of the sustainability strategy; review the definition and modification of diversity and integration, human rights, equal opportunity and reconciliation policies, and periodically assess their degree of fulfilment; review the bank's social action

strategy and its sponsorship and patronage plans; review and report on the bank's Non-Financial Disclosures Report prior to its review and report by the Audit and Compliance Committee and its subsequent formulation by the Board of Directors; and receive information relating to reports, letters, or communications from external supervisory bodies within the scope of this Committee's competencies.

Credit Delegated Committee

The Credit Delegated Committee is made up of five Directors – one Executive, one Other External and three Independent – whose main functions are to analyse and, where appropriate, resolve credit operations in accordance with the assumptions and limits established by express delegation of the Board of Directors, and to prepare reports on those matters within its sphere of action that are required by the Board of Directors. It shall also have all those functions assigned to it by law, the Articles of Association, and the Regulation of the Board of Directors.

Audit and Control Committee

The Audit and Control Committee comprises four Independent Directors and the Chairwoman is 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 accounts, 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 of Directors are duly implemented.

Appointments and Corporate Governance Committee

The Appointments and Corporate Governance Committee, of which four Independent Directors are members, has as its main responsibilities to ensure compliance with the qualitative composition of the Board of Directors, assessing the suitability, skills and experience required of the members of the Board of Directors; submitting proposals as to the appointment of Independent Directors and reporting on proposals as to the appointment of the remaining Directors; to report on proposals as to the appointment and removal of senior executives and the Identified Staff; to report on the basic conditions of the contracts of Executive Directors and senior executives; and to examine and organise the succession of the Chairman of the Board and the chief executive of the Bank and, if appropriate, make proposals to the Board to ensure that such succession takes place in an orderly and planned manner. It also has to establish 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.

As regards Corporate Governance, its main powers are to report to the Board of Directors on the company's internal corporate policies and rules, unless they fall within the competence of other Committees; to supervise compliance with the company's corporate governance rules, excluding those corresponding to areas that fall within the competence of other Committees; to report to the Board of Directors the Annual Corporate Governance Report for its approval and annual publication; supervise, within the scope of its competence, the communications that the company makes with shareholders and investors, proxy advisers, and other stakeholders, and report on these to the Board of Directors; and any other actions that may be necessary to ensure good corporate governance in all the company's actions.

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 Board 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, the Regulation of the Board of Directors and the Committee's own terms of reference.

Bank Chairman

Article 55 of the Articles of Association stipulates that the Chairman shall serve as a non-executive Director. He/she is the Bank's highest representative and has the rights and obligations inherent to such representation. In discharging his duties, the Chairman of the Board of Directors is the person with primary responsibility for the effectiveness of the Board of Directors and, as such, shall represent the Bank in any event, and have the power to sign on behalf of the company; he/she shall convene and chair meetings of the Board of Directors, setting the agenda, directing the debates and deliberations within the Board of Directors, and shall be responsible for ensuring compliance with the decisions adopted by the Board of Directors.

Chief Executive Officer

Under article 56 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 of Directors shall also permanently delegate to the CEO all legally delegable powers it deems appropriate.

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 the Annual Corporate Governance Report which includes detailed information on the bank's corporate governance, the Annual Report on Directors' Remuneration and the Non-Financial Disclosures Report, which are part of this Directors' Report, and can be found on the website of the National Securities Market Commission and on Banco Sabadell's corporate website www.grupobancosabadell.com.

The client

Brand

"At Banco Sabadell we help people and companies make their projects a reality, looking ahead and ensuring that they make the best economic decisions. We do this through responsible stewardship that is committed to the environment and to society. We are non-conformist and committed. We work professionally and efficiently. And we relate to each other with 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 2021, Banco Sabadell showed that, despite the circumstances, its vision remains as valid as ever, and it is true to its values to support its customers and 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.

Supporting our customers

The way customers talk about Banco Sabadell, how the bank has accompanied them over time and the quality of the service they receive, is the result of a business model in which the customer is always the main focus of attention.

The COVID-19 crisis has accelerated changes in customer behaviour, particularly in terms of the adoption of new ways of interacting, and has consolidated an environment in which digitalisation and remote channels are becoming increasingly important. The current context highlights the need for transformation, which is why Banco Sabadell has redefined and accelerated the customer relationship model, responding to their new consumer habits.

With greater control of the pandemic, the macroeconomic context is improving and there is an important stimulus package and measures for economic recovery, and Banco Sabadell wants to continue to support and accompany customers on this path.

Furthermore, society is becoming increasingly socially and environmentally aware and Banco Sabadell has therefore taken the firm decision to accompany our customers in their transition towards a sustainable economy.

Private individuals

In Retail Banking, we are moving towards a relationship model that combines the personal support of specialised managers in branches with access to the digital offer of our products, thus offering a differential value proposition to customers, responding to current demand and accessing a greater number of customers in this segment.

Corporate Customers

The ability of our network to establish fruitful and long-lasting relationships with companies – the average

length of service of our customers is 11 years – is one of the strengths of our Business Banking, which we will further enhance. At Banco Sabadell, we have good knowledge of our customers, which allows us to provide them with specialised solutions and accompany them in the development of their business.

Driving digitalisation

Banco Sabadell continues to develop a digitalisation plan to guarantee the most complete and satisfactory user experience possible. This plan involves expanding new digital features and services, and assisting customers in the transition to digitalisation. Some examples of the improvements implemented are the unification of transfers, the elimination of manual verification of new accounts and the contractual simplification of funds and sight accounts, the ability to consult card liquidations from previous months and to claim incorrect charges through digital channels, and improvements in file management capabilities and usability.

Accompanying customers on this journey is vital to ensure that customers are aware of the bank's remote channel solutions and self-service operations and that they have sufficient information to use them. To support customers in their digitalisation process, Banco Sabadell has implemented a personalised Support Plan, segmented by type and adapted to each customer, with simple, user-oriented communications that help customers to familiarise themselves with the use of remote channels and carry out self-service operations conveniently, quickly and securely.

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 digitalisation.

Some of the lines of communication that have been carried out are:

- Working with customers from the outset, promoting the use of remote channels.
- Communicating with customers based on their degree of digitalisation, and a monthly newsletter to inform them of new digital features and highlight existing ones.
- Specifically communicating with senior customers, informing them how to carry out the most frequent operations through remote channels.
- 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.

Thanks to all the actions carried out at Banco Sabadell, 60% of our customers are now digital, an increase of 5% over the previous year.

Enhancing the customer experience

Continuous improvement

At Banco Sabadell, we work from the perspective of continuous improvement, which is why we have developed a methodology that allows us to listen to the voice of the customer, measure and assess the main reasons for satisfaction and dissatisfaction, and how close or far we are from meeting our customers' expectations. The ultimate goal is to implement lines of approach that will not only improve their experience, but also try to exceed their expectations.

Research has 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.

BS idea: pooling ideas for the Transformation of Banco Sabadell

BS idea is a gamified open innovation programme, inspired by the design thinking methodology, which allows all Banco Sabadell employees to propose ideas for improvement in any area of the organisation. This is a model adapted to Banco Sabadell's strategy in which the talent of the participants helps the management to achieve its objectives.

BS idea is implemented through challenges, which are competitions focused on priority projects for the entity, selected by the BS idea Committee, made up of the entity's directors. In 2021, 12 different challenges have been launched with topics as relevant and diverse as the reduction of non-commercial tasks in offices, new ways of working (SmartWork), European funds, boosting the equity business, the mortgage business of the future, and increasing the use of our digital channels, among others. Participation in these competitions has been a success, demonstrating once again the importance of listening to the voice of employees.

A specific jury for each challenge rewards those ideas that are most aligned with the bank's strategy, with the improvement of customer satisfaction and with the transformation process. It is also an excellent channel for

innovation and communication between teams, enabling them to share opinions and experiences.

As a novelty, this year a new section dedicated to Testing with internal users has been launched.

In an environment of digitalisation and constant change, there is a need for a single space in which to carry out all types of user testing before launching products, services and processes. BS idea offers management and project teams the possibility to improve usability and user experience by testing with bank employees.



1,459
Published Ideas



7,208
Active users

Measuring the customer experience



484
Selected Ideas



538
New users

Measuring the customer experience

Measuring the Banco Sabadell customer satisfaction 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.

Qualitative research

Qualitative measuring is based on different studies and research from diverse methodologies 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 used range from conventional in-depth interviews or focus groups by segments, to more innovative methodologies based on behavioural economics and the detection of consumers' deepest emotions and motivations.

Quantitative research

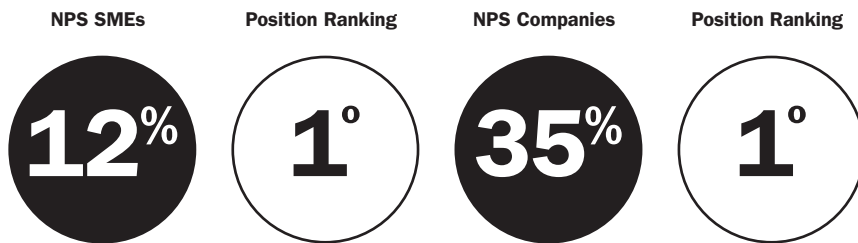
Banco Sabadell Spain also analyses its customers' experience through quantitative surveys. Some are more akin to conventional satisfaction surveys, while others incorporate an emotional component: to make the organisation aware of the importance of considering customers in our decisions, so as to make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

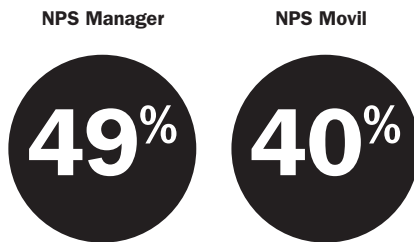
The NPS is measured in the main customer segments, products, and relationship channels. Of note were the results in the segments of companies and SMEs, segments in which Banco Sabadell has historically developed a greater specialisation, making it the bank most recommended by companies.

Banco Sabadell is the bank most recommended by companies.



Source: *Benchmark Accenture* (cumulative data 2021). NPS Gestor and NPS Movil refer to retail banking.

In recent years, as a result of the digital transformation, the measurement of digital channels that complement the traditional service channel (manager) has gained importance:



Position Ranking of the entities that form part of the peer group of Accenture's Bchk NPS study (BBVA, La Caixa, Santander and Banco Sabadell).

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.

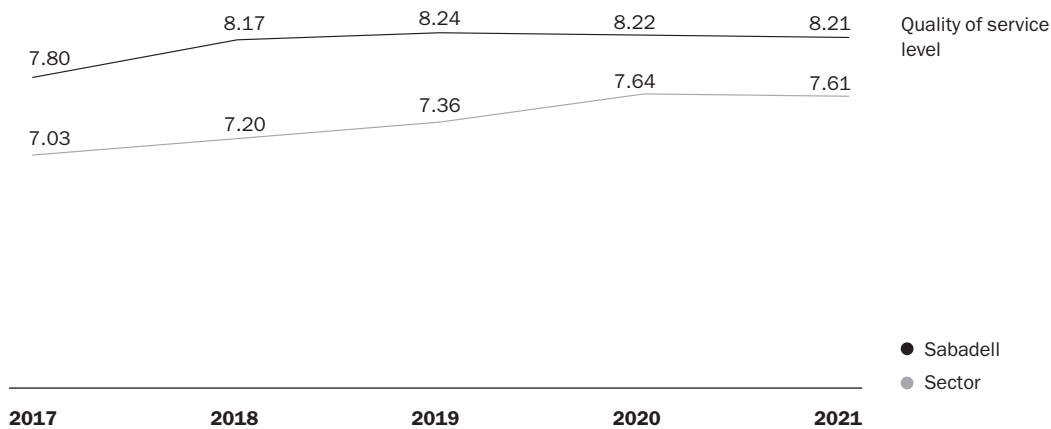
In the current context, marked by the pandemic and digitalisation, surveys in the digital dimension are growing in importance. Banco Sabadell sees the use of digital channels as a Moment of Truth and, consequently, has focused on measuring customer satisfaction and improving the customer satisfaction 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 Shopping, 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 Spanish bank service quality, is conducted using the Mystery Shopping technique.

Banco Sabadell continues to maintain a quality differential with respect to the sector, which has increased in the last year.



Accolades

Banco Sabadell is a benchmark for organisations in Spain, due to its consolidated track record in quality management and its recognised management model.

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. This EFQM score has also enabled it to hold, since its creation, the title of Ambassador of European Excellence with special mention.

But for Banco Sabadell, internal accolade of excellence is also very important. In this regard, almost 20 years ago, it created awards to recognise the excellence of those branches (as a result of customer satisfaction surveys), corporate divisions and projects that are a benchmark for the rest of the entity.

One of the internal awards that the bank created in 2020, as a result of its firm commitment to sustainability, was the accolade of the best sustainability projects implemented in the organisation, with an impact on the bank's contribution to the Sustainable Development Goals and with ESG (Environmental, Social & Governance) criteria. In 2021, there has been an exponential increase in the number of applications submitted, one of which has also received external accolade. This is the Accompaniment Programme for the socio-economic improvement of vulnerable families, winner of the first prize for Good Management Practices, awarded by the Excellence in Management Club, in the category of Large Organisation.

In 2021, despite the context of restrictions due to COVID-19, Banco Sabadell continued to reward and make internal excellence visible, adapting the acknowledgements to virtual or hybrid formats, depending on the

health restrictions at the time. In these adverse situations, accolade becomes even more important, as it is a motivational driver for employees, which is also reflected in the results externally.

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 Regulations for the Protection of Customers and Users of Financial Services. The most recent amendment to those Rules was approved by the Bank of Spain in June 2021.

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. The

Regulations for the protection of customers and users of financial services of Banco Sabadell ensure compliance with the above-mentioned requirements.

In 2021, a total of 49,720 complaints and claims were received, 16.9% more than in 2020, in addition to 1,143 issues that remained unresolved at 31 December 2020. A total of 49,949 cases were processed in 2021.

See Note 42 to the 2021 consolidated annual accounts for further details.

Multi-channel strategy

Banco Sabadell has a set of communication channels with its customers, both physical (national and international branch network and ATM network) and digital (BS Online, Sabadell Movil, Direct Branch and social networks), responding to current customer demand.

The bank continues to seek to combine the best of traditional banking, such as the personal relationship, with the best of the digital world.

The branch is no longer the focal point of operations, but a wide range of touch points, where the customer is the protagonist. This requires simplifying processes as much as possible and changing the distribution model, something to which the bank is devoting a great deal of effort in order to respond to the ubiquity of our customers and offer them the best experiences.

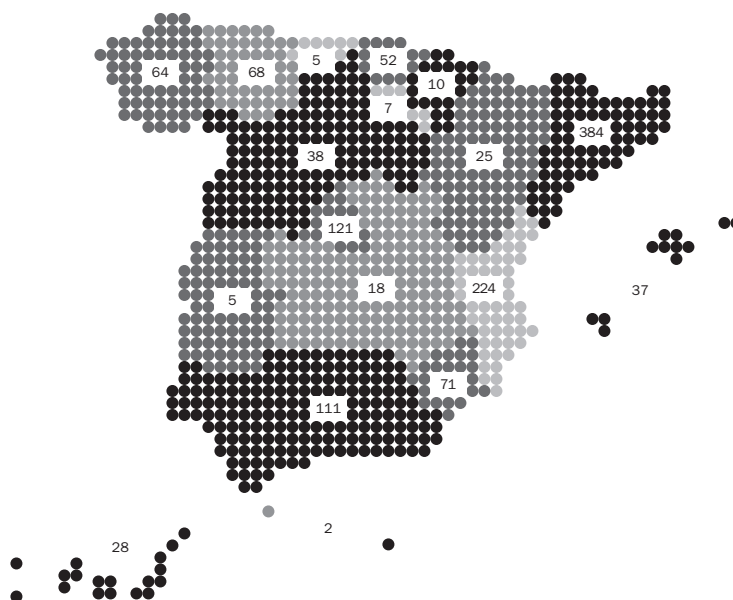
Branch network

Banco Sabadell ended 2021 with a network of 1,593 branches (290 TSB branches), i.e., a net reduction of 490 branches with respect to 31 December 2020 (a reduction of 326 branches excluding TSB).

Of the total Banco Sabadell and Group branch network, 955 branches operate under the Sabadell brand

(including 25 business banking branches and 2 corporate banking branches); 64 as SabadellGallego (including 3 business branches); 85 under the SabadellHerrero brand in Asturias and León (3 business branches); 66 as SabadellGuipuzcoano (5 business banking branches); 11 as SabadellUrquijo; 89 branches under the Solbank brand; and 323 offices that make up the international network, of which 290 are in TSB and 15 in Mexico.

Number of branches by autonomous community





- **Subsidiaries and investees**
 Mexico DF (Mexico)
 London (United Kingdom)
- **Branches**
 Miami (USA)
 Paris (France)
 Casablanca (Morocco)
 Lisbon (Portugal)
 London (UK)
- **Representative offices**
 Alger (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)

ATM network

The number of self-service network devices in Spain as of December 2021 is 2,645 units, comprising 1,922 branch ATMs and 723 mobile ATMs. The decrease in the number of ATMs in branches and the increase in the number of displaced ATMs is due to the closure of branches during the year.

With regard to the operations carried out during the year 2021, a downward trend can be observed; a total of 87,407,601 transactions have been carried out, a decrease of 2% in the total number of operations. In terms of the types of transactions most used, cash dispensing recorded similar volumes to the previous year and cash income continued to rise, with a 21% increase in the number of transactions.

During 2021, we have focused our efforts on continuously improving the overall availability of the self-service devices and enhancing customer satisfaction.

In order to achieve this improvement during the year 2021, a series of initiatives have been implemented, of which we highlight the assistance of ATMs outside office working hours, including weekends and holidays, the improvement of ATM monitoring by creating new indicators and follow-up control panels, the new recycling functionality and modifications in the interaction of customers with the most critical operations used by customers.

Other initiatives during the year included the analysis and monitoring of the ATMs moved to ensure greater profitability, operational efficiency and the design of the ATM footprint, which will have an impact on the organisation and distribution of ATMs.

Sabadell Online and Sabadell Mobile

In 2021, 60% of our customers were classified as digital, achieving a 5% increase in the number of digital customers compared to 2020.

The number of digital customers in the private customer segment grew 5% relative to 2020 and 2% in the business customer segment in the same period.

In addition to this growth in the digital customer base, the frequency of connection per customer, usage and contracting through digital channels has also continued to grow, as will be detailed below.

In 2021, we continued to push for the creation of new digital and remote capabilities to provide customers with better service from digital channels, offering greater convenience without having to travel to the branch network. Both the website and mobile devices have contributed to improving customer satisfaction and, at the same time, meeting the efficiency of the strategic plan.

Sabadell Online ([bancosabadell.com](https://www.bancosabadell.com) website)

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

The number of transactions carried out through Sabadell Online continues to grow both in terms of contracting capacity and servicing operations, which have been reduced by around 62% in branches in favour

of remote channels compared to 2020. Specifically, the number of transfers increased by 4% in Sabadell Online compared to the previous year.

In 2021, the customer satisfaction indicator in Sabadell Online Empresas increased to 7.3 points (+0.15 compared to the previous year) thanks to a series of improvements in this digital channel. Based on customer satisfaction surveys and interviews, the focus was on perfecting daily operations and improving the digital experience of Business Banking customers through four main lines of approach:

- Enhance functionalities that customers use on a daily basis (e.g., simplified transfer operations and easier file management);
- Improve usability to increase the quality of the service (e.g., more functional and intuitive menus and new accesses between Sabadell Online Particulares and Sabadell Online Empresas);
- Facilitate customer-manager interaction to strengthen the relationship (e.g., secure video calls between customers and managers and online appointment management);
- Expand the digital offer to surprise customers (e.g., new interface in Sabadell Online Empresas to access PwC's advisory service for processing European Recovery Fund grants).

Sabadell Mobile, adoption and usage habit growth

Banco Sabadell's user adoption of the distance banking app solution continues to grow, rising from 2.8 million to 2.9 million users, an increase of 7% compared to the previous year.

In addition to this increase in users, the frequency of access increased by 5% in logins per user per month compared with the previous year, to an average of 20 logins per month per customer in the individual customer segment.

The focus this year has therefore been on reducing the barriers to entry and friction in the journeys to access digital channels, enabling new functionalities for obtaining distance banking credentials without having to go to the branch network, as well as optimising their recovery in the event of loss or forgetfulness.

In addition to this effort to facilitate access to our online office, we have worked to improve the depth of information available, enabling the consultation of account movements for up to 10 years. In addition, the logos of the main vendors originating the payments have been added to facilitate the understanding and identification of account movements. Thus, at a glance, the customer can recognise the payment source without having to read or delve into it.

Operational improvements such as the debit/credit card blocking flow or tax payments have also been made to offer customers greater clarity, simplicity and ease in the process, achieving a reduction in the abandonment rate of online operations and, at the same time, a decrease in the number of calls to Direct Branch.

With regard to the use of operations related to financial products, we would highlight the following developments:

Specifically, in relation to investment and savings, the use of digital channels for the purchase and sale of securities increased by 5% compared to 2020, with the increase in remote subscriptions of mutual funds accumulated over the year being 42% higher than in the previous period. Extraordinary contributions to remote Savings Plans have increased by 13% and extraordinary contributions to remote Pension Plans by 4% compared to 2020.

Developments in financing products were as follows:

In pre-approved lending, sales are finally returning to pre-COVID levels. The focus in 2021 has been to make larger concession amounts immediately available to users at the click of a button, increasing the average amount contracted online.

In the area of mortgage financing, efforts have been concentrated on continuing to deploy simulation tools to enable users to make progress in their home purchase and financing decisions. This is the first part of a plan to develop tools to facilitate remote mortgage lending, which will be rolled out throughout the fourth quarter and first half of 2022.

Finally, in the range of means of payment, the option for our customers to contract debit and credit cards digitally has been enabled. This process consists of a digital catalogue, selection and comparison of products, 100% online contracting and online activation of the card.

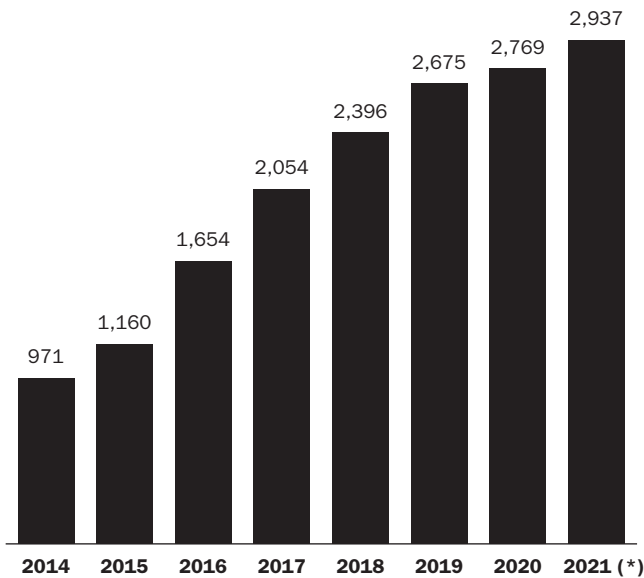
Sabadell Wallet

The trend in the use of Sabadell's mobile payments app continues to show positive growth.

There has been a 58% increase in logins compared to the previous year, with an average of 6 logins per month per customer.

The most frequently used operations include the following:

Bizum sending, which grew by 142% compared to the previous year. The use of Instant Money (a service that enables cash pick-up at ATMs without the need for a card, with just a 6-digit code) grew by 30%. The last operational highlight is the adoption and use of mobile payments, which recorded an 86% increase in the volume of operations compared to the previous year.



Progress of active customers in Sabadell Mobile (thousands clients)

(*) Latest information available as of November 2021.

Direct branch

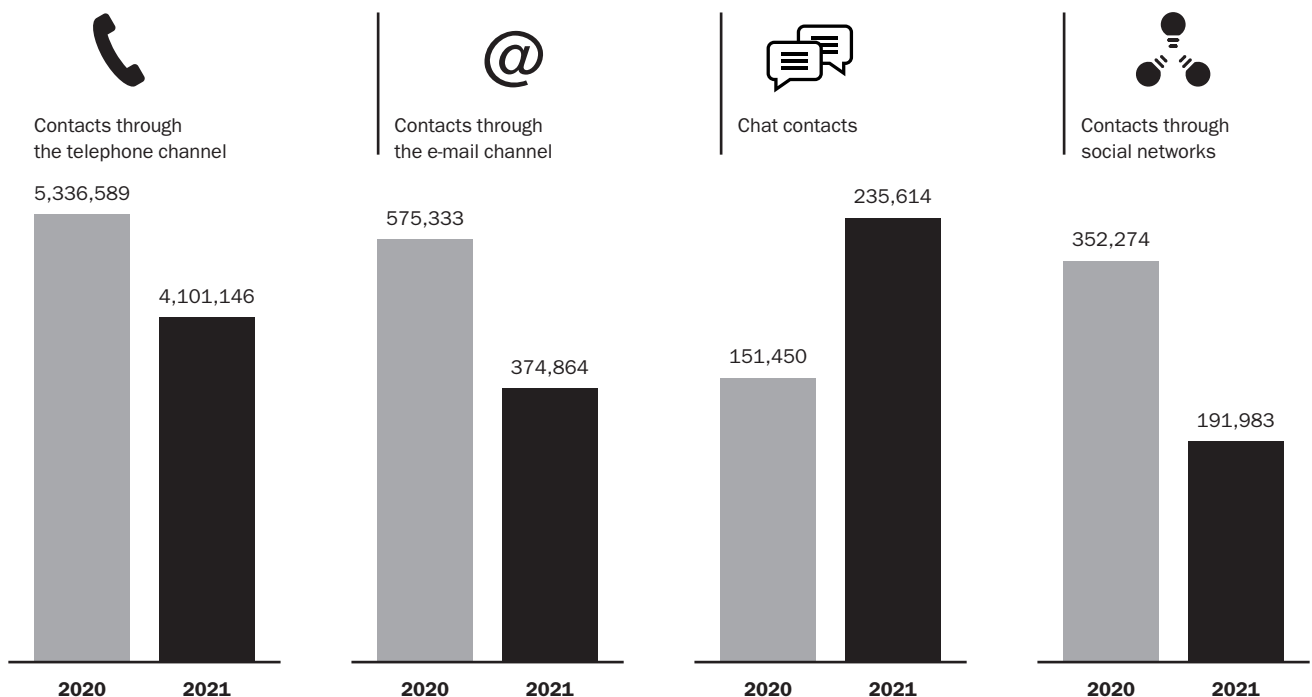
During 2021, contacts with Direct Branch decreased by over 24%, to 4.9 million, compared to 2020.

The service channel that has experienced the greatest growth this year has been chat. Telephone consultations accounted for 84% of the total, followed by e-mail, chat and social media. The following figure shows growth levels, by channel.

As regards service levels, the SLA (Service Level Agreement) ratio for telephone enquiries exceeded 93%, followed by chat (94.9%) and e-mail (91%). Banco Sabadell received 192,000 mentions in social media (SLA: 98%).

The decrease in volumes during 2021 is motivated by the following:

- Reduction of 290,000 calls due to process improvements and efficiency initiatives such as:
 - The activation of self-service locations in the telephone channel, which help our customers to carry out their daily operations.
 - Implementation of the Virtual Assistant.
- Non-critical operating hours restriction (from 19:00 hours to 8:00 hours).



Social media

Banco Sabadell has been active in social media since 2007. The objective: 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 2021.

A key success factor is continuous tracking of interactions with followers and customers. One of the key performance indicators (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 Banco Sabadell plays an active role, and this became particularly important this year. 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, 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 priorities in digital transformation, in line with the new Strategic Plan presented in 2021, include the implementation of new remote sales models for sophisticated products, the evolution of self-service purchasing of procurement products, and continuing to improve and incorporate new operations, also in self-service, to make customers more autonomous in their daily lives. The acceleration required to drive these three levers of transformation has created the opportunity to review organisational, methodological, and technological capabilities to improve productivity and user experience.

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 adds key capabilities for the group:

- 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.
- 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.

Main deliveries in 2021

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.

Some recent examples of retail banking with a high impact on customer user experience are:

- Increasing the depth of the transaction query to 10 years: in March 2021, we will enable the visualisation of transactions older than 24 months and up to 10 years in BS Online (BSO) and BS Movil (BSM), allowing customers to consult the corresponding transactions without the need to use assisted channels.
- Improvements to tax operations: in the first quarter of 2021, tax operations were improved by giving greater visibility on both the internet and mobile devices, and improving the tax form experience.
- Online card purchase: as of July 2021, we allow customers to purchase a card via BSO and BSM. In addition, a catalogue is created to help our customers get a better understanding of the cards offered by the bank and see which ones are best suited to their needs.
- Improvements in card operations: between July and September 2021, we improved the service and experience in card operations with different initiatives, such as allowing customers to claim transactions from digital channels with a digital signature, providing greater detail when a payment is rejected, consulting card settlements or improving the visibility of card information in BSO and BSM.
- Web and mobile integration with Adobe Target: for both informational and transactional content, we enabled the integration with Adobe Target, which will allow the bank a greater degree of personalisation of the offers and promotions that we present to customers, also allowing changes to the information presented without the need for intervention by IT teams.
- SMS reduction: throughout 2021, we have been reducing the total number of SMS messages sent to customers from different BSM operations, replacing SMS messages with push notifications and encouraging customers to migrate to digital signature, which has led to significant cost savings for the bank.
- CDD - KYC BSO: within the framework of the implementation of Continuous Due Diligence, a space is created in BSO where the customer can clearly identify the documentation that is required in order to continue to have an operational account. Similarly, a set of communications has been planned, which will ensure that the customer knows at all times what actions are pending and when they are required to carry them out.
- Virtual Assistant: Banco Sabadell's new Virtual Assistant, supported by the conversational platform and the Virtual Office, ready to incorporate the necessary conversational flows to reduce the volume of calls to the Direct Branch and encourage self-service.
- Improved service and operation of pre-approved loans by increasing the limit that can be contracted through digital channels so that customers can have access to a loan of up to 30,000 euros at any given moment. The contracting flows are improved in both self-service and assisted channels, providing more information to the customer on what is required to formalise the operation and optimising information to the customer service teams to improve the time required to manage requests.
- Improve access to contracting flows, offering a specific space in the global position for contracting products such as insurance and cards, which can also be customised (price, content, etc.) autonomously by marketing.
- Digital mortgage: deployment of new capabilities to start the process of capturing and managing the demand for mortgage products in the digital channel, through the deployment in October of a mortgage simulator that will enable our customers to assess their financing capacity and a first approximation of the resulting instalments, as well as enabling the bank to qualify digital leads according to their maturity in order to allocate commercial resources to manage those with the greatest possibility of conversion, as well as the pilot test in December 2021 of an accompanying portal that will enable and guide the customer to provide online the necessary documentation for the solvency study, while automating the consultation of bureaus and giving the manager better visibility of the status of operations at this phase of the process. This should result in an increase in the demand for mortgage products, better support for our customers, especially in remote channels, and greater conversion of opportunities (reducing the commercial effort and, therefore, improving efficiency).
- CDD - National Identity Card update with Onfido: in December 2021 and within the framework of Continuous Due Diligence, access to available customer information and access to update flows is improved. This year, the possibility of updating the National Identity Card from the website through the provider Onfido is enabled, improving the experience and conversion of the current process with the provider Veridas (the possibility of updating the National Identity Card in BS Movil has been available since January 2022).
- Digital onboarding: opening in December 2021 of the new 100% digital customer registration service, supported by Onfido's identity identification and validation solution, confirmed by digital signature and complying with legal and regulatory requirements, which will enable users to register as new customers of

the bank without the need to visit a branch. In addition, an Expansion Account can also be set up as part of the process. The opportunity has also been taken to simplify the set of contractual documentation for a number of contract products.

- 5 Star Programme: Sabadell Movil's experience improvement initiative has succeeded in moving key KPIs across the stability, performance, and usability levers with continuous delivery of improvements through 2021. Some of the initiatives highlighted include improved display of information and details of account and card transactions, access to 90 days' transactions without additional signature, a new app version for Huawei devices without Google services, improved conversion of the PIN recovery process (from 24% to 54% conversion rate), reduction of app login time and resolution of principal bugs.

Recent examples with a significant impact on the customer satisfaction:

- Improvements in file operations: deployment of new capabilities to provide greater ease of use in one of the most important and recurring operations for business customers and thus improve the satisfaction of BSO Empresas users. In addition, with these initiatives we improve efficiency and increase self-service through improved experience and service. The most relevant initiatives are detailed below:
 - Multiple file signing: more efficient functionality by allowing multiple batches to be signed without the need to go through them one by one. This saves time and effort for our customers.
 - Facilitating the creation of files: enabling customers to retrieve information from previously sent file dispatches and allowing them to be edited, generated and sent, thus reducing management time in a more comfortable way.
 - File import improvements: increase the visibility of the file import initiative to improve onboarding for users who want to carry out this operation.
 - File control centre: creation of a new interface that centralises the most relevant information on file management and has a new space for consultation and monitoring of file status, with direct access to the signature, cancellation, reuse, and details of the file.
- Transactional companies - New navigation menus: redesign of the navigation menus of BS Online Empresas and new organisation of the menus to facilitate the location and use of the operations. With this initiative, we want to improve our customer satisfaction index in order to be more competitive with our peers and reduce the number of customers who say they leave BSO without finding the operation they were looking for.
- European Recovery Fund: creation of a new page on BSO Empresas providing personalised help to customers about the European Economic Recovery Fund. In addition, this page provides our customers with access to PwC's external service that assists with the processing of the call they are interested in.

- Additional validations for international transfers: this project consists of applying a series of improvements to the international transfer screens in order to minimise the number of incidents due to errors in this type of transfer.
- MVP: Manager Area: the strategy in companies is to strengthen customer-manager communication, especially with value customers. With this project, we have created a new digital appointment flow accessible on the Home page and in the new Manager Area. With the proposed solution, it will be possible to request appointments (commercial), checkout (servicing) and appointment management.
- Dual Login: functionality that allows you to switch from private to business account and vice versa in an agile way, without penalising the user to log out to access again. In this way, the customer will have a better digital experience with the aim of increasing the percent of logins in BSO Empresas and positively influencing the improvement of the NPS.

Additionally, InnoCells has executed, from the Collaboration area, both pilots and proofs of concept with third parties (seeking to accelerate the digital transformation of the business through the incorporation of products, services, and differential third-party technologies, with the main focus on the Fintech ecosystem), as well as participation in projects framed within the strategic line of Financing.

We can highlight the following:

- Participation in the Request For Proposal for selection of a third-party platform (companies in the RFP: Cobee, in which the Group has stakes, and Compensa) for the digitalisation of the Group Pension Plan product offered to the Bank's corporate customers through the Joint Venture with Zurich, in which the Group has stakes. The solution developed together with Compensa is now deployed in production and active for contracting by corporate customers.
- Deployment of internal Speech Analysis capabilities: transcription and interpretation system with cognitive capabilities of manager-customer phone call recordings with different use cases (from regulatory to commercial). The pilot was carried out with Predictiva (a company in which the Group has a stake) and the Cognitive and Regulatory Compliance Departments, and offered insights on the comparison of the solution vs. the current solution and other providers (Telefónica Recordia).
- Deployment in the productive environment of Banco digital channels (BSMovil and BS Online, initially to employees and subsequently to end customers) of capabilities for detecting recurrent charges or subscriptions, offering the ability to change and cancel them. The pilot was conducted in collaboration with the startup Minna Technologies and provided insights for decision making in the Daily Banking project.
- Participation in the SmartPayments/SmartMoney pilot, through a collaborative action between different entities within the framework of Iberpay (BBVA,

Caixabank, Banco Santander, Banco Sabadell, and Bankia before the merger) to dynamise the transfer of money within the ECEC through tokenisation.

- Orchestration and active collaboration in two projects driven by the Funding strategic line (ongoing):
 - Digital Reactive Lending: offering identified customers in the individual segment the possibility to apply for a reactive loan in a 100% digital contracting process. Participation in the Request For Proposal for the selection of the third-party platform (selected company Indra-Minsait) and continuity in the project as orchestrator of the initiative.
 - Sabadell Consumer Finance-Instant Credit: definition of the strategy, evolution, and strengthening of digital financing operations at points of sale (both e-commerce and physical).

In addition, the area of Collaboration with third parties maintains continuous interaction with the startup ecosystem (collaboration with BStartup and Sabadell Venture Capital and participation in various events: South-Summit, 4YFN, Webinars, etc.) and has a specific portal (www.partnerships.innocells.io) to centralise and receive value proposals that may be of interest to the Group in an orderly fashion. In 2021, 27 contacts have been managed and some QuickWin initiatives have been executed for validation (e.g., collaboration with startup TaxDown, with a proposal for the creation of optimised tax returns).

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

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.

During the pandemic, Banco Sabadell has stood by its customers and society as a whole by offering financial support measures.

The bank continues to offer the business community measures to mitigate the lack of liquidity due to the pandemic, such as the renewal of policies and the extension of different products already contracted. Likewise, through the ICO Support Plan, applications for loans guaranteed by the State through the Official Credit Institute (Instituto de Crédito Oficial) have been managed.

In addition, the Bank has joined forces with the European Investment Bank to increase its capacity to lend to small and medium-sized enterprises (SMEs) and mid-caps affected by the economic impact of the COVID-19 pandemic.

Banco Sabadell continued to prioritise the protection of employees and customers as the main focus of its actions in the first half of the year. The protocols established in the commercial network have been activated depending on the incidence in each territory, although, thanks to the high level of personal responsibility of our employees and the effectiveness of the measures activated, there have been few occasions when this has been necessary.

As for corporate centres, they have remained largely open and, while teleworking has remained the main focus, they have responded to a growing need for the face-to-face dynamics necessary to realise the full potential of hybrid working. In this regard, the completion of the delivery of portable devices to almost 100% of the workforce in February 2021 has been decisive, which, together with the deployment of the capabilities of the Office 365 platform, is shaping a more secure, agile, flexible, and connected organisation.

In terms of the group's financial metrics, after a year 2020 whose results were marked by the pandemic, this year Banco Sabadell has been able to generate 530 million euros of profit in the year 2021. In addition, it continued to increase its solvency level and strengthen its balance sheet, so that the group has solvency levels above its requirements, ample liquidity, and a healthy balance sheet.

In this respect, the CET1 fully-loaded capital ratio stands at 12.22%. Notably, the ratio increased by 20 basis points year-on-year, demonstrating the group's commitment to a broad solvency position with a ratio above 12%. The Group also enjoys a comfortable capital position with respect to regulatory requirements, 395 basis points above them. The Tier 1 and Tier 2 capital issues in January (Tier 2) and March and November of this year (AT1), for an aggregate amount of 1,750 million euros,

contributed to consolidating this total capital ratio.

The Group has a strong liquidity position, with 57,000 million euros in liquid assets, i.e., over 23% of its balance sheet, and a Liquidity Coverage Ratio (LCR) of 221%. Its balance sheet shows a healthy equilibrium between loans and deposits (loan-to-deposits ratio: 96%).

The Group also has a sound balance sheet. As a result of selling portfolios of NPAs in recent years and the ongoing organic elimination of NPAs, the Group's risk profile has improved significantly, so that net NPAs at year-end 2021 account for 1.4% of total assets, with an NPL ratio of 3.7%.

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.

Spain

In this respect, in Spain, some measures adopted in the context of the pandemic remained in place during 2021 and other new measures were promoted. Some of the most important ones are the following: (i) the legislative or sectoral payment moratoriums – both implemented in 2020 – were reactivated by Royal Decree-Law 3/2021 of 2 February, which extended the period for applying to 30 March 2021, stipulating a maximum duration of 9 months; (ii) the two ICO COVID-19 lines of guarantees launched in 2020 (of 100 billion and 40 billion, respectively, for liquidity and investment), whose period for applying was first extended to 31 December 2021 with the approval of Royal Decree-Law 05/2021 in March, and then extended for a further 6 months, until 30 June 2022, by Royal Decree-Law 27/2021, of 23 November; and (iii) the Code of Best Practices, approved in May 2021, and which mainly envisages 3 possibilities to which debtors, if they met a series of specific conditions (amount of public aid received, etc.), could avail themselves of: maturity extensions – up to 10 years – (which could be requested until 15 October 2021), conversion of debt into equity loans (which could also be requested until 15 October 2021) and debt reduction (whose maximum execution period is until 1 December 2022).

In addition, Royal Decree-Law 5/2021 approved by the Spanish Government envisaged a series of extraordinary measures to support solvency of business in response to the COVID-19 pandemic, approving public investment of up to 11 billion euro through three funds: a fund of 7 billion euro for direct aid to the self-employed and companies, to reduce debt levels subscribed from March 2020; a fund of 1 billion euro for those viable companies that cannot access the fund managed by the State Industrial Ownership Corporation (SEPI for its acronym in Spanish); and, finally, a 3 billion euro fund for the restructuring of COVID-19 financial debt. The latter fund is implemented within the framework of a Code of Good Practice, approved by the Council of Ministers Agreement of 11 May 2021. This framework allows for extending the amortisation term of guaranteed loans, extending

grace periods, converting loans into equity loans while maintaining the public guarantee, and granting direct transfers for the reduction of the outstanding principal of guaranteed loans. Banco Sabadell adhered to the Code of Best Practices on 3 June 2021.

As regards moratoriums in Spain, the legal moratorium consisted of offering a 3-month grace period on mortgages and consumer loans, both in interest and principal payments, to customers who met certain vulnerability criteria. Additionally, the sector 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 sector moratorium. On 3 February 2021, RDL 3/2021 was approved, extending the period for applying for moratoriums until 30 March 2021, the duration of which was for a maximum period of 9 months, including, where applicable, the moratorium period already enjoyed.

Grace periods granted by Banco Sabadell during the year, under the legal and sectoral moratorium, covered loans amounting to 3,500 million euros. As of 31 December 2021, the total outstanding moratorium amounts to around 3 billion euro. It is worth noting that, of the total loans under moratorium, 75% are mortgages. In addition, about 12% of the total moratorium granted is in stage 3.

With the COVID-19 ICO lines of guarantees ascending to 140 billion euro, the ICO grants a state guarantee of between 60% and 80% of the loans, depending on whether the customer is self-employed, an SME, or a large company. Banco Sabadell has granted, until 31 December 2021, 13.7 billion euro in this type of loans (benefiting from 10.5 billion euro in guarantees), of which 8.6 billion euro have been drawn down with an average guarantee of more than 75%.

United Kingdom

In the UK too, a number of measures have been implemented by the government and the regulator with the objectives of helping the economy and protecting customers of institutions that have been affected by COVID-19. In addition to the sectoral measures, TSB has taken a number of actions designed to protect customers affected by COVID-19.

On the part of the UK regulator, the Financial Conduct Authority (FCA), the measures taken are: (i) a statutory mortgage and consumer moratorium, (ii) exemption from interest payments on overdrafts, (iii) a government guarantee scheme for loans to businesses that have been disrupted by COVID-19 and have a turnover of up to £45 million (CBILS), (iv) a government guarantee scheme for loans from larger businesses that have also been disrupted by COVID-19 (CLBILS) and (v) an accelerated funding plan for all businesses (Bounce Back Loan scheme, BBLs), which is not cumulative with other schemes.

In relation to the statutory mortgage moratorium announced by the UK Government in March 2020, with a duration of 3 months for any customer who has experienced financial difficulties due to COVID-19, the FCA published its supervisory expectations specifying that the moratorium exempts customers from principal and interest payments. At the end of the moratorium period, entities and customers should agree how they intend to repay the remaining instalments, generally by increasing the remaining monthly instalments or by extending the term of the loan. On 2 June 2020, the period for applying for this moratorium was extended to 31 October 2020. Subsequently, in November 2020, the FCA announced a further extension of the period for applying until 31 March 2021.

In relation to the statutory credit products moratorium (personal loans and credit cards) announced by the Government in April 2020, with a duration of 3 months for any customer who has experienced financial difficulties due to COVID-19, the FCA published its supervisory expectations specifying that the moratorium exempts customers from principal and interest payments. At the end of the moratorium period, entities and customers should agree how they intend to repay the remaining instalments, generally by increasing the remaining monthly instalments or by extending the term of the loan. Furthermore, on 1 July 2020, the FCA also extended the period for applying for this moratorium to 31 October 2020. Subsequently, in November 2020, the FCA announced a further extension of the period for applying until 31 March 2021.

In this regard, as of 31 December 2021, all of the £4,442 million of moratoriums granted in TSB have matured, both on mortgages and credit products (personal loans and credit cards).

As regards the overdraft interest exemption, the FCA has published guidance specifying that customers with overdrafts of up to £500 for a term of up to 3 months are exempt from interest and commissions. This measure was initially applicable to all customers until 9 July 2020. In addition, the deadline for this aid was extended until 31 October 2020 for those customers who applied for it. Finally, the guidance has been updated in September 2020 so that banks will continue to provide support to those customers who are in distress after 31 October 2021.

The Coronavirus Business Interruption Loans Scheme (CBILS) with turnover per annum of less than £45 million allows institutions to borrow up to £5 million in the form of loans, overdrafts, invoice finance, and asset finance with a maximum term of 6 years. In this scheme, the government provides an 80% guarantee for each loan and covers the first 12 months of interest payments.

The Bounce Back Loan Scheme (BBL) is not cumulative with other schemes and is independent of turnover per annum. This scheme allows you to borrow up to 25% of your turnover up to a limit of £50,000. The government provides a 100% guarantee and pays the interest for the first 12 months. The company starts repaying the loan after one year and the interest rate is 2.5%, determined by the government. In addition, no refunds will be made during the first 12 months.

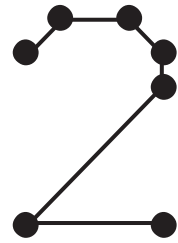
The Winter Economy Plan, announced on 24 September 2020, introduces a number of changes to these guaranteed schemes, most notably the Pay As You Grow option, which allows for payment deferral from 6 to 10 years, interest-only payments for up to 6 months and full payment suspension for up to 6 months (this option can be used once during the life of the loan and only after 6 payments have been made). In addition, in February 2021, the UK Government announced a plan introducing greater flexibility for Pay As You Grow, which now allows the third option to be taken up directly in the first instalment, without the need to make the first 6 payments.

The launch of the Recovery Loan Scheme was announced at the Budget presentation on 3 March 2021, which replaces the BBL and CBIL schemes. This allows, from 6 April 2021, companies of any size to borrow between £25,000 and £10 million with an 80% guarantee until the end of the year.

TSB has granted, until 31 December 2021, a total of £546 million from both the accelerated funding plan for all businesses (BBL) and the business loan guarantee scheme (CBILS).

In addition, TSB supports retail and business customers through the regulatory support measures mentioned above by offering interest-free or interest-refundable overdrafts, as well as through a number of customer service improvements. As an example, TSB employees have contacted the most vulnerable customers to offer assistance and ATM cards have been issued to customers who previously only used a savings book to enable them to better access cash without having to visit a branch. In addition, innovative ways have been put in place for TSB's telephony employees to work remotely to allow them to make large volumes of calls to avoid transactional fraud and bank operational phone calls. Finally, in partnership with IBM, TSB has developed the Smart Agent, which has enhanced the website by providing customer support with a range of services without the customer having to phone or visit a branch.

Economic, business and regulatory environment



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The year 2021 has continued to be marked by the COVID-19, although it has become less central to the economy thanks to vaccination.

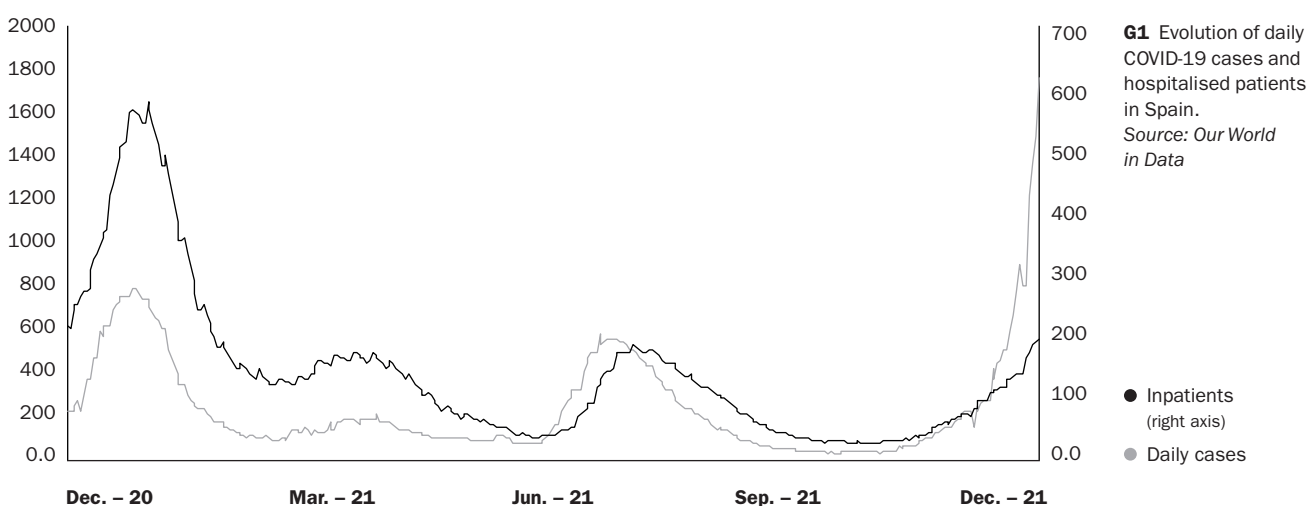
Economic and financial background

The year 2021 has continued to be marked by the COVID-19 pandemic, from the expansion of the alpha variant at the beginning of the year to the omicron in the final part of the year. In any case, COVID-19 has been losing its central role as a determinant of economic activity and financial markets. In terms of activity, developments have been generally favourable thanks to the process of economic reopening, albeit uneven at the global level. For its part, the pick-up in inflation has been one of the most notable surprises of the year and one of the most important market factors. The high levels of inflation eventually led to a shift in monetary policy, first in many emerging countries and later in developed countries. Overall, 2021 has been a positive year for financial markets.

Evolution of COVID-19

The pandemic has remained present throughout 2021. Countries faced successive waves of infections and the emergence of new variants of the virus, adding to uncertainty about the future evolution of the pandemic. Progress in the vaccination process, which gained momentum from the first quarter onwards, did not eradicate the pandemic, but it did have positive effects in reducing the rate of hospitalisations and deaths, making the consequences of the pandemic more manageable. Thus, the containment measures imposed were more limited as new waves occurred, although some measures aimed at the unvaccinated population were more restrictive in the last months of the year, with the aim of increasing the percentage of the population vaccinated.

The effectiveness of vaccines made them the main tool for controlling the pandemic, although their distribution around the world has been very uneven. While third booster doses were already being distributed in developed economies by the end of the year, in many emerging countries satisfactory percentages of the population had not been reached with the initial two-dose vaccination schedule.



This left these countries vulnerable, and they were the origin of variants of the virus that later spread globally, such as Delta (India) or Omicron (South Africa). This last variant was the cause of a new wave of global infections in the final stretch of 2021, which brought the number of

new daily cases detected to the highest levels of the entire pandemic, although the pressure on the health system remained more contained at the end of the year than in previous waves.

Inflation has surprised on the upside and has reached high levels in many countries.

Economic activity and inflation

Global economic developments have been generally favourable in 2021, with developed countries standing out on the positive side. This has been due to the positive effects of the increased control of the pandemic, the reopening of economies and the high fiscal stimulus introduced. The latest contagion waves had a limited impact on demand. In contrast, zero COVID-19 policies in Asia – mainly in China – partially paralysed production and transport processes, affecting international production chains.

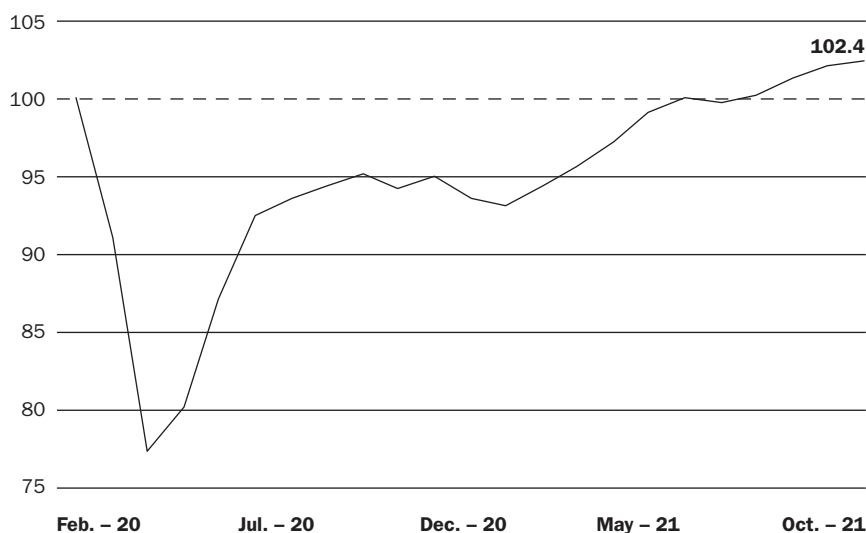
In the Eurozone, GDP will have grown by around 5.0% in 2021, around pre-COVID levels. In addition to the vaccination campaign, activity has been supported by favourable financing conditions and the expansionary fiscal policy stance, which has been helped by the implementation of the Next Generation EU (NGEU) programme. For their part, problems in global production chains and waves of contagion limited economic growth. In the political sphere, the arrival in power in Italy of M. Draghi, former president of the European Central Bank (ECB), and

the formation in Germany of a new coalition government made up of the SPD, the Greens and the Liberals, with a more constructive approach to European integration than the previous government, stood out. In the United Kingdom, the economy also showed strong growth for the year as a whole, with the labour market and the real estate sector performing particularly well. Brexit accentuated the disruptions to supply chains caused by the pandemic. Following the trade agreement reached at the end of 2020 between the UK and the European Union (EU), tensions over the part affecting the Northern Ireland protocol required some relaxation of the terms of the agreement. The issues surrounding this protocol have not been resolved. In the United States, the extraordinary support from fiscal and monetary policy allowed the economy to experience a robust recovery and activity to return to the pre-COVID level in the second quarter. On the fiscal front, a new stimulus package was approved in the first quarter, equivalent to almost 9 % of GDP and including, among other things, direct aid to households and small businesses. Subsequently, the focus was put on promoting investment in infrastructure in order to boost potential growth.

The Spanish economy has shown a favourable evolution, with the number of employed persons above the pre-crisis level.

In Spain, GDP will have grown by around 5% in 2021, after falling by more than 10% in the previous year. In the early part of the year, the economy showed weakness due to the restrictive measures taken to combat the third wave of COVID. The situation subsequently improved with the advancement of the vaccination process and the progressive opening of the economy. In the latter part of the year, rising energy prices, bottlenecks in global value chains and the spread of the Omicron variant of the coronavirus limited activity growth. With regard to the labour market, employment evolved favourably throughout the year and returned to pre-pandemic levels. In the area of economic policy, measures were approved in March to strengthen the solvency of companies to the tune of 11 billion euros (direct aid, aid for

the restructuring of guaranteed financial debt and the creation of an SME recapitalisation fund). In the middle of the year, the European Commission (EC) approved Spain's Recovery Plan associated with the NGEU funds, from which it expects to receive around 70 billion euros in the form of transfers in the coming years. Finally, the new labour reform, which incorporates a new system of permanent Spanish furlough scheme (ERTE) and aims to limit temporary employment, stands out. There was also a reform of the pension system, from which the CPI is again used as the revaluation mechanism and incentives are introduced to delay the retirement age.



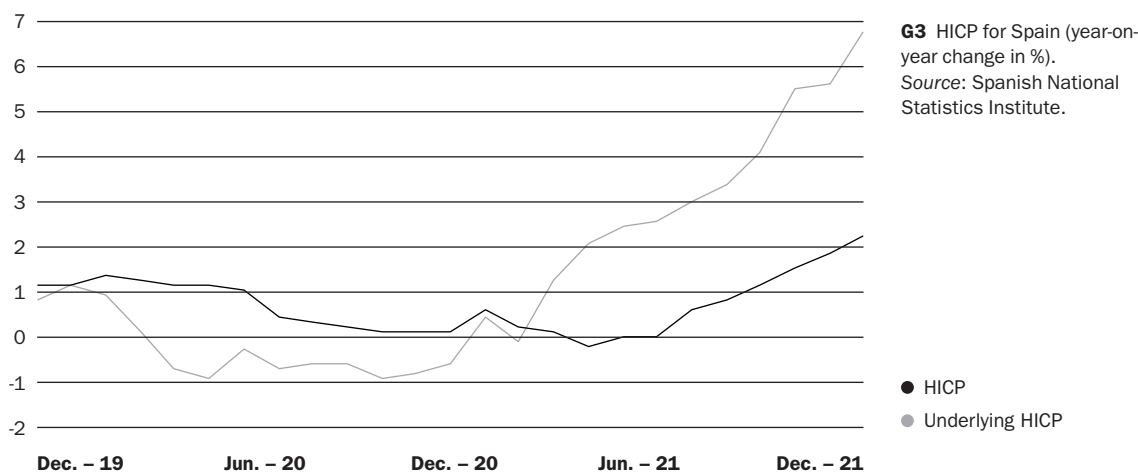
G2 Effective affiliation (without ERTE) to Social Security in Spain. February 2020 = 100. Source: Ministry of Inclusion, Social Security and Migration

In emerging economies, some countries recovered pre-COVID GDP levels – including some Latin American countries – after China did so as early as the end of 2020. If anything, economic developments in many of these countries have been weak. This is because of poorer health conditions, the impact of the pandemic on the global tourism sector, the reduced capacity to perpetuate economic stimulus in these countries, and the impact in terms of poverty and inequality. Moreover, in the case of China, consumption has remained weak due to zero COVID-19 policies, compounded by the negative impact of the adjustment of the real estate sector and the regulatory tightening promoted by the authorities and aimed at reducing economic and financial imbalances. Faced with the threat that these developments could systematically affect the Chinese economy, and given the significant slowdown in the last part of the year, the authorities adopted a laxer discourse with the aim of “stabilising” the economy by 2022. Finally, Mexico has stood out positively for its low fiscal, financial and socio-political vulnerabilities compared to other Latin American countries, as well as for its high linkages with the United States.

Inflation became increasingly important in 2021. It surprised on the upside and reached very high levels in some cases. The price increase was the result of several forces. First, the rapid recovery in demand, channelled to a greater extent towards the purchase of goods, met with a relatively inelastic supply and difficulties to adjust, leading to the emergence of bottlenecks in some sectors (e.g., shipping and semiconductors). On the other hand, supply disruptions caused by production shutdowns in Asia, labour shortages in some areas (e.g., logistics and primary sector) and certain weather events led to supply problems and contributed to price increase. Finally, the contribution of commodities to inflation is noteworthy, having experienced the largest increase in commodity prices in 40 years. In the second part of the year, Europe experienced an energy shock due to high energy demand and geopolitical issues. As a result, the price of natural gas in Europe reached historically unprecedented levels.

Meanwhile, oil stood out with a 50% increase per annum, the strongest gain since 2016, while industrial metals had their best performance since the financial crisis. Agricultural commodities also recorded decade-high gains, boosting global food prices.

In the Eurozone, inflation rose almost constantly throughout 2021 and the Harmonised Index of Consumer Prices (HICP) stood at 5.0% in December, the highest rate since the beginning of the series in 1997. Most of the increase was explained by the energy component, as a result of the sharp rise in the price of natural gas. The reversal of the VAT cut in Germany was also a contributing factor in keeping inflation at elevated levels. The underlying component also increased, albeit to a lesser extent. In Spain, the increase in inflation was also strongly determined by energy and, in particular, by the increase in electricity prices. Electricity accounted for about 40% of the increase in the HICP in 2021 and drove it to the highest rates since 1992 (Dec-21: 6.6% year-on-year). In the United States, inflation in December was at a 40-year high. Inflationary pressures have been very broadly based by item, with some of the most persistent effects such as rents standing out. In addition, significant wage pressures have started to emerge as a result of labour shortages.



Monetary policy

The context of higher inflation has led to a shift in the monetary policy of central banks.

The major central banks have maintained an accommodative monetary policy, although they have started to move forward with their exit strategy from the stimulus measures implemented during the pandemic, especially in the second half of the year in the high inflation environment.

In the Eurozone, the ECB reduced the pace of asset purchases through the PEPP (a programme implemented during the pandemic) and confirmed that it will end in March 2022. Following the end of the PEPP, the ECB will temporarily increase traditional Quantitative Easing (QE). The Bank also signalled that the special conditions applied to TLTRO III (minimum rate of -1.00%) will not be extended beyond June 2022. With regard to inflation, the central bank has maintained that its increase is temporary, although the growing concern was seen among its members. The ECB has thus insisted that it is unlikely to raise interest rates in 2022. Finally, the central bank presented its new monetary policy strategy. The ECB adopted a medium-term inflation target of 2% and acknowledged that it may temporarily allow for moderately higher inflation. It set a symmetrical target, which means that the ECB considers “negative and positive deviations of inflation from 2% to be equally undesirable”. The central bank also indicated that financial stability is a precondition for price stability.

In the United States, the Federal Reserve (Fed), having met its inflation target and given the robust recovery of the labour market, started tapering its asset purchases in November. Moreover, it announced an acceleration of the rate hike at its last meeting of the year and went on to forecast three rate hikes in 2022 and a total of eight by the end of 2024. All this in a context in which the Fed stopped

describing inflation as a “transitory” phenomenon. In the United Kingdom, the Bank of England (BoE) raised its benchmark interest rate in December by 15 basis points to 0.25%, in response to a significant increase in inflation and a tightening labour market. In addition, the BoE completed the implementation of its asset purchase programme in December. Finally, it announced that it will stop reinvesting the maturities of its asset programme when the policy rate reaches 0.50% and that it will start active sales when the policy rate reaches 1.00%.

In emerging countries, rate increases were aggressive and widespread, at rates of more than 100 basis points in some countries. This was a response to the increase in inflation and fears of a de-anchoring of inflation expectations. In the case of Mexico, the central bank raised the official rate by 150 basis points in total, accelerating the pace of hikes in the final part of the year to 5.50%. In some countries (e.g., Chile, Brazil), official rates ended the year clearly above pre-COVID levels. The main exceptions to this policy were China, where the authorities adopted a laxer tone in the face of the economic downturn, and Turkey, where the central bank cut the policy rate, ignoring rising inflation.

Financial markets

Global financial markets have continued to be supported by the economic measures implemented by the various authorities following the outbreak of the COVID-19 crisis, the implementation of the vaccination process and the economic recovery. Against this backdrop of lax financial conditions and increased pandemic control, risk assets generally performed well, and corporate spreads closed the year at levels close to or below those prior to the outbreak of the COVID-19 crisis. On the negative side, some Asian markets stood out in the face of increased regulatory scrutiny of some sectors by the Chinese authorities and problems in the Chinese real estate sector. Moreover, some vulnerabilities of capital markets were highlighted, such as reduced liquidity and depth in some markets at times of heightened uncertainty or excessive risk-taking, as evidenced, for example, by a high use of derivatives by retail investors.

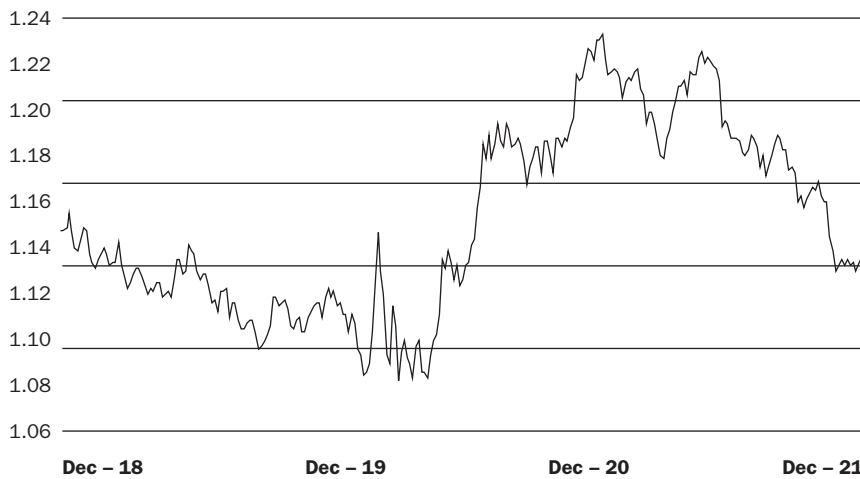
Long-term government bonds in major developed countries experienced significant increases in 2021 (78 basis points in the UK, 60 basis points in the US and 39 basis points in Germany) on the back of the vaccination process, a higher inflation environment, central banks' pivoting and market recalibration of expectations of official interest rate hikes. Uncertainty caused by variants of the delta and omicron viruses and problems in China's real estate sector put a brake on the upward movement in profitability. Interest rates ended the year at levels still low by historical standards (1.51% in the US, -0.18% in Germany and 0.97% in the UK).

Periphery sovereign risk premiums ended 2021 at somewhat higher levels than the previous year, as the market recalibrated on future rate hikes by the ECB and the confirmation that the PEPP will end in March 2022. In any case, they remained at contained levels, supported by the ECB's asset purchases, the launch of the NGEU, the arrival of Mr Draghi in the Italian government and the upgrades to Italy's debt rating.



G4 Spanish 10-year government bonds. In %.
Source: Bloomberg.

With regard to the currencies of developed countries, the dollar was particularly strong, appreciating by almost 7% against the euro. This occurred against a backdrop of uneven and mismatched economic recovery due to vaccine shortages and the reduced capacity of emerging countries to procure vaccines. In addition, the new COVID-19 variants continued to raise fears in the markets about the impact they could have on the economic recovery. Finally, and especially from the summer onwards, the dollar was supported by the Fed's less accommodative tone and the prospect of greater divergence of its monetary policy compared to that of the ECB. The GBP, in its cross against the euro, appreciated by almost 6%. The rapid progress of the British vaccination programme, as well as the attitude and actions of the BoE, contributed to this. Tensions over Brexit and the Northern Ireland protocol possibly prevented further appreciation.



G5 USD/EUR.
Source: Bloomberg.

Equity markets in developed countries performed positively, supported by accommodative central banks and the economic recovery. Most European and US stock market indices ended the year with gains of between 15% and 30%, in many cases reaching new all-time highs. Despite widespread gains in the main indices, sectoral differentiation continued to exist, with those most affected by the pandemic performing even worse in relative terms. The IBEX 35 lagged behind, rising only 8% and still trading at levels below pre-pandemic levels.

In financial markets of emerging countries, sovereign risk premia moved upwards, especially in the last part of the year, in a context in which the relative position of these economies was evidenced by their weaker relative position: (i) the reduced control of the pandemic; (ii) aggressive interest rate hikes, which may threaten the incipient economic recovery; (iii) economic and financial weaknesses in China; and (iv) fiscal and/or financial vulnerabilities in emerging countries such as Brazil or Turkey. In addition, profitability on domestic debt rebounded and, with the exception of the yuan, currencies tended to depreciate, most notably the Turkish lira, which lost more than 40% of its value against the dollar.

Banking sector environment

Banking sector

The global banking sector has proved resilient to the COVID-19 crisis. Banks have remained well capitalised after the pandemic in aggregate terms. In major developed economies, the CET1 capital ratio would, according to the authorities, remain above the regulatory minimums, even in an adverse scenario. The favourable solvency situation and the reduced uncertainty regarding COVID-19 have led the Fed, the ECB and the BoE to allow banks to pay dividends and buy back shares again, after not being allowed to do so after the outbreak of the pandemic. The profitability of the banking sector has recovered to pre-pandemic levels, although it has remained at structurally low levels. In terms of liquidity, the TLTRO III have provided important support and have contributed to supporting lending to the real economy.

In this crisis, NPLs have not behaved as usual in a recessionary cycle, thanks, among other things, to the swift and decisive response of economic policy. The aggregate NPA ratio in the Eurozone declined in the first half of the year to 2.4% and the inflow of loans on special surveillance (stage 2) has been moderate during the year. Despite the resilience of asset quality, the sectors most affected by the pandemic, such as accommodation and catering and leisure, have seen the most significant deterioration. On the other hand, the pace of provisioning has moderated after the effort made in 2020, although the authorities have continued to advise caution. In any case, the release of provisions has been heterogeneous across countries and institutions, with Spanish, Italian and French banks being the most cautious. The impact in terms of non-performing loans with moratoriums or public guarantees has been limited.

Regarding the Spanish banking sector, the Bank of Spain (BdE) has pointed out that the pandemic has confirmed the need to address the sector's structural challenges: (i) the generation of profitable turnover in a

The global banking sector has proved resilient to the COVID-19 crisis and has been recovering gradually in 2021.

low interest rate environment; (ii) increasing competition from technology companies; (iii) increasing cyber risks; and (iv) potential negative effects associated with climate risks.

Financial stability and macro-prudential policy

Over the course of 2021, financial authorities have stated that global financial stability risks have been diminishing thanks to the economic recovery. In any case, they argue that these risks remain elevated and centred on the incomplete recovery of some sectors, the persistence of global bottlenecks, an increase in inflation, high public and private debt levels, tight asset valuations and increased risk-taking by the non-bank financial sector.

The COVID-19 crisis has shown that the significant growth of the non-bank financial sector in recent years and the absence of regulation have led to a build-up of vulnerabilities in this sector. These structural vulnerabilities and the interconnections between the non-bank financial sector and the banking sector pose a risk to financial stability. This has led the main global and European regulatory authorities to focus during 2021 on developing the regulatory and macroprudential framework for the non-bank financial sector, focusing on liquidity, maturity, leverage and risk management duration.

In Europe, the authorities have begun to voice their concern about the dynamism of the real estate market in some countries. In the residential segment, this concern has been focused on countries with pre-pandemic vulnerabilities in that sector (e.g., Germany), and in the commercial segment the focus has been on the lack of recovery of lower quality assets. In this context, the ECB has recommended that national authorities adopt macro-prudential policies in the real estate sector. The Bank of England, meanwhile, has indicated that it will evaluate the possible withdrawal of one of the restrictive measures on mortgage loans in place since 2014.

COVID-19 has been a challenge for macro-prudential policy, which has also complemented fiscal and monetary policies. Once the outlook for economic recovery has turned favourable, several European macroprudential authorities have signalled their intention to start rebuilding the released capital buffers. The Bank of England has confirmed that it will increase the counter-cyclical capital buffer (CCyB) from 0% to 1% by the end of 2022, to provide room for manoeuvre in case downside risks crystallise and the economy needs support from the financial sector. In

France, the financial stability authority has indicated that normalisation of the CCyB could start soon, while in Spain it has remained at 0%, because the BdE considers that cyclical systemic vulnerabilities are not increasing.

Still in Spain, the BdE has developed three new macroprudential tools for credit institutions aimed at mitigating systemic risk, which can be activated as of 2022: (i) sectoral component of the counter-cyclical capital buffer; (ii) sectoral concentration limits; and (iii) lending limits and conditions.

Banking Union and Capital Markets Union

Progress in terms of European integration has been limited in 2021, in a context of an election year in Germany. However, the new German government has been more open to moving forward with the completion of the Banking Union and the Capital Markets Union (CMU).

Access to European primary capital markets continued to expand in the first half of 2021, although the securitisation market has shrunk over the past three years. In parallel, the EC has adopted a legislative package including measures in the context of the CMU action plan presented in 2020. The main objectives are to improve access to finance for SMEs, expand investment opportunities for retail investors and enhance capital market integration.

Regulatory environment and supervision

In the second year of COVID-19, the authorities have been returning to regulatory and supervisory normality. Highlights include: (i) the start of the process, in October, for the transposition of Basel III into European regulation; (ii) the end of restrictions on the distribution of dividends and share buybacks by banks in the main developed economies; and (iii) the return to stress testing of the banking sector.

The authorities and the industry have been engaged throughout 2021 in ensuring that the transition of benchmark indices, following the cessation of publication of much of Libor and Eonia on 31 December, would not cause disruption in financial markets. In addition, it has been confirmed that the Libor benchmark administrator is to publish in 2022 the 1, 3 and 6-month sterling and Japanese yen Libor with synthetic methodology based on

F&O risk-free rates. These six Libor adjustments will only be available for use in some existing (legacy) contracts and not for use in new contracts.

Brexit

On Brexit, limited progress has been made following the signing of the MoU (Memorandum of Understanding) in early 2021. The EU has maintained a position that equivalence in financial regulation will be maintained, while the UK has assumed that there will be no more ambitious deal and has begun to look at the possible review of its regulation, as well as increasing the focus on becoming a green and digital hub.

Challenges for the banking sector

In terms of sustainability, both market and regulatory scrutiny of the banking sector's incorporation of climate risks has continued to increase. At the same time, the development of the sustainable finance regulatory framework has continued, with a focus, for the time being, on disclosure. Thus, the financial sector will have to deal with the implementation of a significant amount of new regulation related to sustainable finance in the coming years. The adoption of the taxonomy of environmentally sustainable activities was an important milestone for the EU in 2021, as will be the completion of the ECB's climate stress test in 2022. With regard to Spain, the approval of the Climate Change and Energy Transition Law has reinforced the country's decarbonisation strategy and increased climate information requirements for the financial sector.

The pandemic has accelerated the processes of digitalisation, giving rise to several focus points. On the one hand, the entry of Bigtech into financial services is leading the banking sector to insist on regulation according to the principle of "same activity, same risk, same regulation". For their part, there is a widespread view that crypto-asset technologies have great disruptive potential and that, although they do not pose a systemic risk for the time being, their rapid growth means that efforts to regulate them need to be accelerated. Finally, authorities and the financial industry have warned that cyber-attacks have increased in both frequency and sophistication as a consequence of increasing digitalisation.

Outlook for 2022

Favourable global economic developments are to be expected in 2022 in a context where COVID-19 should continue to lose its centrality as a determining factor for economic activity and financial markets.

Inflation could remain elevated in the coming months, influenced by aspects such as the remaining disruptions in global production chains and energy prices. Greater control of the pandemic should alleviate some of the inflationary pressures.

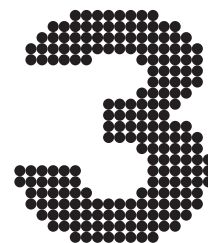
In policy terms, central banks can be expected to move forward with their exit strategy. The Fed is expected to implement several rates hikes this year, while the ECB may wait a little longer.

Regarding financial markets, relatively loose financial conditions are expected to prevail. In any case, there may be occasional bouts of volatility in the face of upside risks to inflation and central banks' pivoting.

In Spain, the economy is also expected to perform well on the back of the progressive control of the pandemic, the use of European NGEU funds and a still low interest rate environment.

Within the financial environment, progress is expected on the global regulatory framework for crypto-asset-related activities.

Financial information



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Key figures in 2021

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

	2021	2020	Year-on-year change (%)
Income statement (million euro)	(A)		
Net interest income	3,425	3,399	0.8
Gross income	5,026	5,302	(5.2)
Pre-provisions income	1,719	1,841	(6.6)
Profit attributable to the Group	530	2	—
Balance sheet (million euro)	(B)		
Total assets	251,947	235,763	6.9
Gross performing loans to customers	154,912	146,878	5.5
Gross loans to customers	160,668	152,265	5.5
On-balance sheet customer funds	162,020	150,778	7.5
Mutual funds	24,593	21,366	15.1
Pension funds and insurance brokerage	13,289	13,401	(0.8)
Funds under management and third-party funds	224,968	209,748	7.3
Off-balance sheet customer funds	41,678	38,064	9.5
Total customer funds	203,698	188,843	7.9
Equity	12,996	12,492	4.0
Shareholders' equity	13,357	12,944	3.2
Ratios (%)	(C)		
ROA	0.22	0.00	
RORWA	0.66	0.00	
ROE	4.05	0.02	
ROTE	5.05	0.02	
Cost-to-income	55.33	55.41	
Risk management	(D)		
Stage 3 exposures (million euro)	6,203	5,808	
Total NPAs exposures (million euro)	7,565	7,182	
NPL ratio (%)	3.65	3.60	
NPL coverage ratio of stage 3 with total provisions (%)	56.3	56.5	
NPA coverage ratio (%)	53.1	52.6	
Capital management	(E)		
Risk-weighted assets (RWA) (million euro)	80,646	78,858	
Common Equity Tier 1 (phase-in) (%)	(1)	12.50	12.57
Tier 1 (phase-in) (%)	(2)	15.47	14.03
Total capital ratio (phase-in)(%)	(3)	17.98	16.14
Leverage ratio (phase-in) (%)		5.90	5.25
Liquidity management	(F)		
Loan-to-deposit ratio (%)		96.3	97.6
Shareholders and shares (as of reporting date)	(G)		
Number of shareholders		228,432	244,225
Average number of shares (million)		5,586	5,582
Share price (euro)		0.592	0.354
Market capitalisation (million euro)		3,306	1,976
Earnings (or loss) per share (EPS) (euros)		0.08	(0.01)
Book value per share (euro)		2.39	2.32
Price/Book value		0.25	0.15
Price/Earnings ratio (P/E)		7.69	(27.75)
Other information			
Branches		1,593	2,083
Employees		20,070	23,458

(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 solvency 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

Banco Sabadell Group generated attributable profit of 530 million euro at the close of the 2021 financial year, of which 118 million euro at TSB, which continues to make a positive contribution to the Group.

Million euro

	2021	2020	Year-on-year change (%)
Interest income	4,148	4,324	(4.1)
Interest expenses	(722)	(925)	(21.9)
Net interest income	3,425	3,399	0.8
Fees and commissions (net)	1,468	1,350	8.7
Core revenues	4,893	4,749	3.0
Net trading income and exchange differences	344	800	(57.0)
Equity-accounted income and dividends	102	37	174.9
Other operating income and expenses	(313)	(284)	10.1
Gross income	5,026	5,302	(5.2)
Operating expenses	(2,781)	(2,938)	(5.4)
Staff expenses	(1,777)	(1,885)	(5.7)
Other general administrative expenses	(1,004)	(1,054)	(4.7)
Depreciation and amortisation	(527)	(523)	0.6
Total costs	(3,307)	(3,461)	(4.4)
<i>Memorandum item:</i>			
Recurrent costs	(2,988)	(3,058)	(2.3)
Non-recurrent costs	(320)	(403)	(20.7)
Pre-provisions income	1,719	1,841	(6.6)
Provisions for loan losses	(950)	(1,832)	(48.1)
Provisions for other financial assets	(97)	(188)	(48.7)
Other provisions and impairments	(178)	(254)	(30.1)
Gains on sale of assets and other results	126	313	(59.7)
Profit/(loss) before tax	620	(121)	—
Corporation tax	(81)	124	—
Profit or loss attributed to minority interests	8	1	(88.9)
Profit attributable to the Group	530	2	(99.7)
<i>Memorandum item:</i>			
Average total assets	245,313	227,639	7.8
Earnings per share (EUR)	0.08	(0.01)	—

The average exchange rate used for TSB's income statement is 0.8594 (0.8888 in 2020).

The core result (net interest income + net fees and commissions - recurring costs) grew 12.6%.

Net interest income

Net interest income in 2021 totalled 3,425 million euros, up 0.8% year-on-year, supported mainly by the growth in volumes, notably the increase in TSB's mortgage portfolio, higher revenues from TLTRO III, higher remuneration charged on corporate deposits, as well as the lower cost of capital markets, which neutralised the lower contribution from the ALCO portfolio following the sales in the previous year and the lower yields.

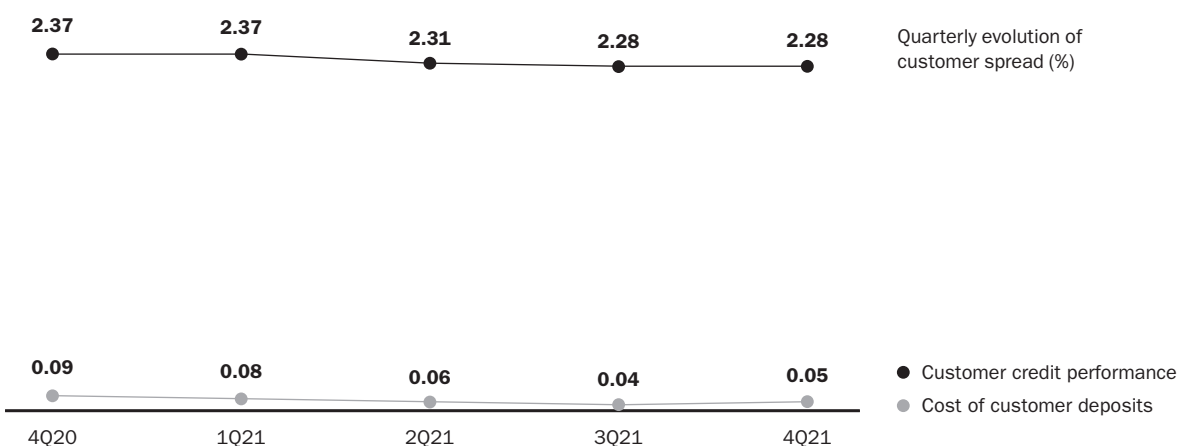
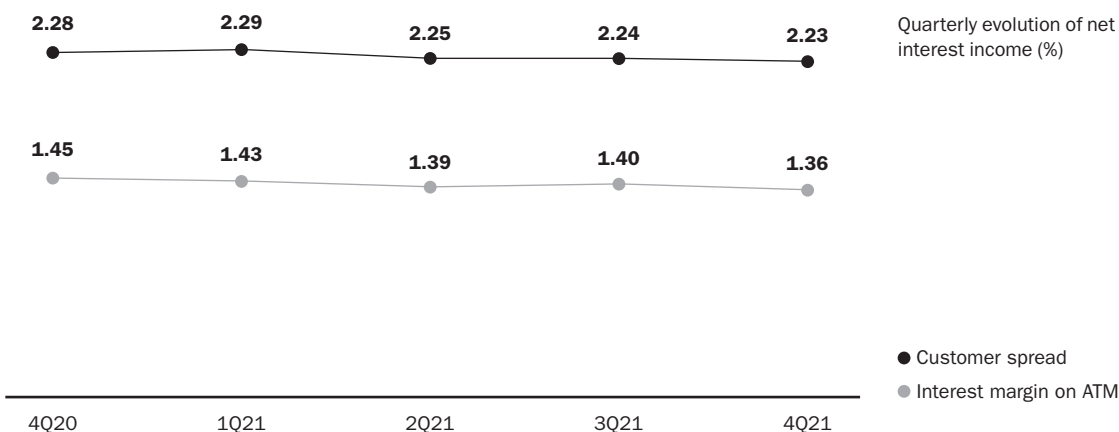
As a result, the return on average total assets was 1.40% in 2021 (1.49% in 2020).

Average total assets

Thousand euro

	2021			2020			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	48,693,390	(124,460)	(0.26)	32,280,072	(3,770)	(0.01)	16,413,318	(120,690)	(90,715)	(29,954)	(21)
Loans and advances to customers	152,176,194	3,513,182	2.31	144,206,662	3,627,861	2.52	7,969,532	(114,679)	(303,945)	195,793	(6,527)
Fixed-income portfolio	24,991,737	154,224	0.62	27,820,630	257,321	0.92	(2,828,893)	(103,097)	(86,973)	(15,360)	(764)
Subtotal	225,861,321	3,542,946	1.57	204,307,364	3,881,412	1.90	21,553,957	(338,466)	(481,633)	150,479	(7,312)
Equity portfolio	1,044,020	—	—	1,009,488	—	—	34,532	—	—	—	—
Property, plant and equipment and intangible assets	5,178,470	—	—	5,406,276	—	—	(227,806)	—	—	—	—
Other assets	13,229,640	39,565	0.30	16,915,746	159,052	0.94	(3,686,106)	(119,487)	—	(119,487)	—
Total capital employed	245,313,451	3,582,511	1.46	227,638,874	4,040,464	1.77	17,674,577	(457,953)	(481,633)	30,992	(7,312)
Central banks and credit institutions	38,104,600	280,623	0.74	28,776,209	116,074	0.40	9,328,391	164,549	88,413	76,335	(199)
Customer deposits	162,748,792	(87,596)	(0.05)	152,494,537	(223,310)	(0.15)	10,254,255	135,714	150,135	(14,976)	555
Capital markets	22,776,801	(265,876)	(1.17)	23,928,673	(310,324)	(1.30)	(1,151,872)	44,448	35,742	7,843	863
Subtotal	223,630,193	(72,849)	(0.03)	205,199,419	(417,560)	(0.20)	18,430,774	344,711	274,290	69,202	1,219
Other liabilities	8,953,529	(84,206)	(0.94)	9,621,529	(223,788)	(2.33)	(668,000)	139,582	—	139,582	—
Own funds	12,729,729	—	—	12,817,926	—	—	(88,197)	—	—	—	—
Total funds	245,313,451	(157,055)	(0.06)	227,638,874	(641,348)	(0.28)	17,674,577	484,293	274,290	208,784	1,219
Average total assets	245,313,451	3,425,456	1.40	227,638,874	3,399,116	1.49	17,674,577	26,340	(207,343)	239,776	(6,093)

Financial revenues or costs deriving from the application of negative interest rates are recognised as a function of the nature of the related asset or liability. The credit institutions line under liabilities refers to negative interest on the balance of liabilities with credit institutions, the most significant item being TLTRO II and TLTRO III revenues.



Gross income

Dividends received and results of companies accounted for using the equity method totalled 102 million euros, compared to 37 million euros in 2020, after recording higher results from renewable energy-related investees, which explains the variation with the previous year.

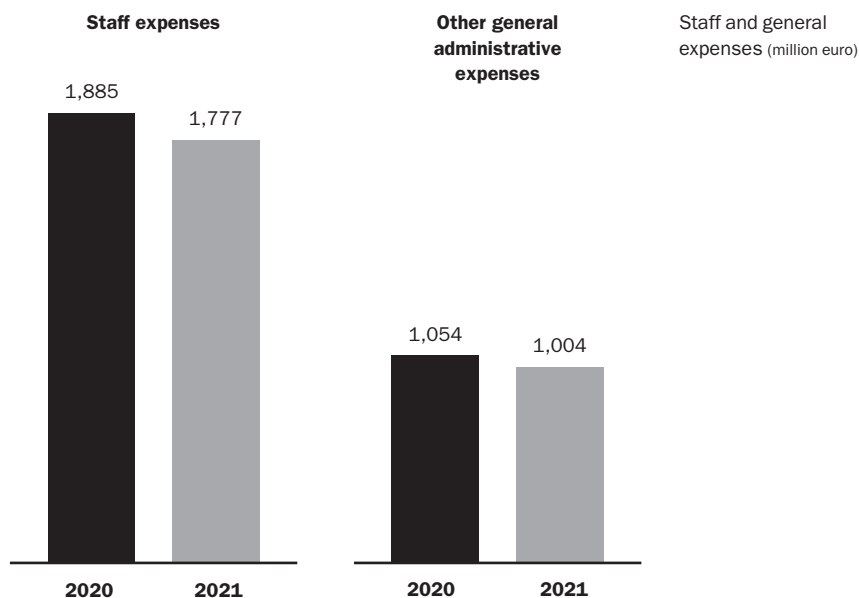
Net fees and commissions reached a figure of 1,468 million euros, representing an 8.7% growth year-on-year, mainly due to the good performance of commissions from services as well as asset management.

Gains on financial operations and exchange differences amounted to 344 million euros and mainly included 324 million euros of capital gains generated in September from the sale of the ALCO portfolio classified in the portfolio at amortised cost to finance the second phase of the efficiency plan in Spain. The year-end 2020 amounted to 800 million euros, as it also included sales of the portfolio at amortised cost to finance efficiency plans and part of the sales of NPAs portfolios in the previous year.

Other operating income and expenses amounted to 313 million euros, compared with 284 million euros in 2020. Of particular note under this heading are the contributions to the Deposit Guarantee Fund of 129 million euros (123 million euros in the previous year), the contribution to the Single Resolution Fund of 88 million euros (78 million euros in the previous year) and the payment of the tax on deposits at credit institutions (IDEC) of 33 million euros (32 million euros in the previous year).

Pre-provisions income

Total costs in 2021 amounted to 3,307 million euros, including 301 million euros of non-recurring costs arising from the second phase of the efficiency plan implemented in Spain in the third quarter of 2021 and 19 million euros from the closure of TSB's branches. Recurring costs represent a reduction of 2.3%, compared with the previous year, due to the improvement in personnel expenses, reflecting the savings from the first phase of the efficiency plan in Spain, as well as the reduction in TSB's general overheads. Total costs in 2020 totalled 3,461 million euros, of which 403 million euros related to non-recurring items, mainly 314 million euros related to the Spanish cost restructuring plan and 89 million euros of restructuring costs at TSB.



The cost-to-income ratio stood in 2021 to 55.3%, from 55.4% in 2020.

At the end of 2021, core profit (net interest income + net fees and commissions - recurring costs) was 1,905 million euros, 12.6% higher year-on-year as a result of the improvement in net interest income and the good performance of commissions, as well as cost savings.

Provisions and impairments totalled 1,225 million euros, compared with 2,275 million euros in 2020. The improvement in the year is mainly due to the fact that the previous year incorporated provisions from the COVID-19 environment which had a direct impact of around 650 million euros and provisions from the sales of NPA portfolios.

Profit from the sale of assets and other results stand at 126 million euros at 2021 year-end, mainly including 83 million euros from the sale of the depository business and 42 million euros from the sale of Bansabadell Renting. The previous year mainly incorporated the valuation gain from the sale of Sabadell Asset Management of 293 million euros.

Profit attributable to the Group

After income tax and the portion of the result corresponding to minority interests, net profit attributable to the Group would be 530 million euros at the end of 2021, a strong year-on-year growth mainly due to the improvement in the core revenues, the reduction in costs and the lower provisions recorded.

Balance sheet

Good performance of outstanding loans in the year supported by positive trends in all segments in Spain and the increase in TSB's mortgage portfolio.

Positive evolution of customer funds, both on and off-balance sheet, supported by growth in demand deposits and mutual funds, respectively.

	2021	2020	Year-on-year change (%)
Cash, cash balances at central banks and other demand deposits	49,213	35,185	39.9
Financial assets held for trading	1,972	2,679	(26.4)
Non-trading financial assets mandatorily at fair value through profit or loss	80	114	(30.3)
Financial assets designated at fair value through profit or loss	—	—	—
Financial assets at fair value through other comprehensive income	6,870	6,677	2.9
Financial assets at amortised cost	178,869	174,488	2.5
Debt securities	15,190	18,091	(16.0)
Loans and advances	163,679	156,397	4.7
Investments in joint ventures and associates	639	780	(18.1)
Tangible assets	2,777	3,200	(13.2)
Intangible assets	2,581	2,596	(0.6)
Other assets	8,946	10,044	(10.9)
Total assets	251,947	235,763	6.9
Financial liabilities held for trading	1,380	2,654	(48.0)
Financial liabilities designated at fair value through profit or loss	—	—	—
Financial liabilities measured at amortised cost	235,179	217,391	8.2
Deposits	209,307	193,234	8.3
Central banks	38,250	31,881	20.0
Credit institutions	8,817	10,083	(12.6)
Customers	162,239	151,270	7.3
Debt securities issued	21,051	20,413	3.1
Other financial liabilities	4,822	3,743	28.8
Provisions	886	984	(9.9)
Other liabilities	1,505	2,244	(32.9)
Total liabilities	238,950	223,272	7.0
Shareholders' equity	13,357	12,944	3.2
Accumulated other comprehensive income	(386)	(524)	(26.4)
Non-controlling interests	25	72	(65.1)
Equity	12,996	12,492	4.0
Total equity and total liabilities	251,947	235,763	6.9
Loan commitments provided	28,403	29,295	(3.0)
Financial guarantees provided	2,034	2,036	(0.1)
Other commitments provided	7,385	7,595	(2.8)
Total memorandum accounts	37,822	38,926	(2.8)

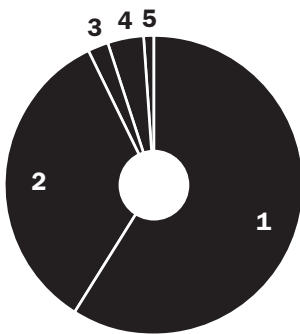
The EUR/GBP exchange rate used for the balance sheet is 0.8403 as of 31 December 2021.

Gross performing loans to customers amounted to 154,912 million euros at 2021 year-end, a 5.5% year-on-year increase. The largest component of gross loans to customers was mortgage loans and credit, which amounted to 90,718 million euros as of 31 December 2021 and accounted for 59% of total gross performing loans to customers.

	2021	2020	Year-on-year change (%)
Mortgage loans & credit	90,718	83,573	8.5
Loans and credit secured with other collateral	3,596	3,698	(2.8)
Commercial loans	6,050	4,991	21.2
Finance leases	2,106	2,231	(5.6)
Overdrafts, etc.	52,443	52,386	0.1
Gross performing loans to customers	154,912	146,878	5.5
Assets classified as stage 3 (customers)	5,698	5,320	7.1
Accruals	58	3	—
Gross loans to customers, excluding repos	160,668	152,201	5.6
Repos	—	63	(100.0)
Gross loans to customers	160,668	152,265	5.5
NPL and country-risk provisions	(3,302)	(3,081)	7.2
Loans and advances to customers	157,366	149,183	5.5

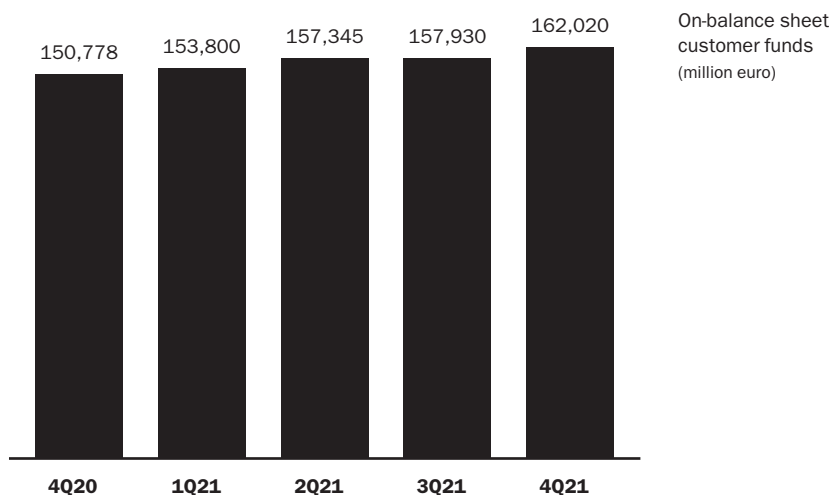
The EUR/GBP exchange rate used for the balance sheet is 0.8403 as of 31 December 2021.

The composition of loans and advances to customers by type of product is shown in the following chart (excluding stage 3 assets and accruals):



Loans and advances to customers by product type
31.12.2021 (in %)

1	Mortgage loans & credit	59
2	Overdrafts, etc.	34
3	Loans and credit secured with other collateral	2
4	Commercial loans	4
5	Finance leases	1

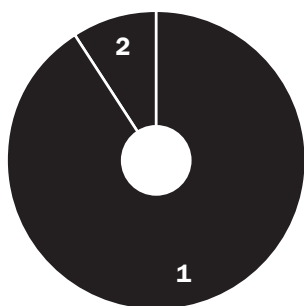


At 2021 year-end, on-balance sheet customer funds amounted to 162,020 million euros, a 7.5% increase on the figure of 150,778 million euros registered at the end of 2020.

The total off-balance sheet customer funds amounted to 41,678 million euros, representing a growth of 9.5% year-on-year due to the increase in mutual funds, mainly supported by the higher volume of inflows. Off-balance sheet customer funds were impacted by the sale of BancSabadell d'Andorra's balances.

The balance of sight deposits amounted to 147,268 million euros, 13.0% higher than the previous year.

The breakdown of customer deposits at 2021 year-end is as follows:



Customer deposits (in %) (*)

1	Sight accounts	91
2	Deposits with agreed maturity	9

(*) Without adjustments for accruals or hedging.

Total funds under management and third-party funds amounted to 224,968 million euros as of 31 December 2021, i.e., 7.3% more than on 31 December 2020 (209,748 million euros), due to the aforementioned increase in off-balance and on-balance sheet customer funds.

Million euro

	2021	2020	Year-on-year change (%)
On-balance sheet customer funds (*)	162,020	150,778	7.5
Customer deposits	162,239	151,270	7.3
Current and savings accounts	147,268	130,295	13.0
Deposits with agreed maturity	14,813	20,805	(28.8)
Repos	60	13	—
Accrual adjustments and hedging derivatives	98	157	(37.8)
Bonds and other marketable securities	16,822	17,510	(3.9)
Subordinated liabilities (**)	4,229	2,903	45.7
On-balance sheet funds	183,290	171,683	6.8
Mutual funds	24,593	21,366	15.1
Managed funds	—	443	(100.0)
Investment companies	1,365	1,295	5.4
UCITS sold but not managed	23,228	19,627	18.3
Asset management	3,795	3,298	15.1
Pension funds	3,525	3,349	5.2
Personal schemes	2,300	2,173	5.8
Workplace schemes	1,219	1,165	4.6
Collective schemes	6	11	(45.0)
Insurance products sold	9,765	10,051	(2.9)
Off-balance sheet customer funds	41,678	38,064	9.5
Funds under management and third-party funds	224,968	209,748	7.3

Customer funds

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

(**) Refers to outstanding subordinated debt securities.

The EUR/GBP exchange rate used for the balance sheet is 0.8403 as of 31 December 2021.

The volume of NPAs increased in 2021. The quarter-on-quarter performance of these assets in 2020 and 2021 is shown below:

Million euro

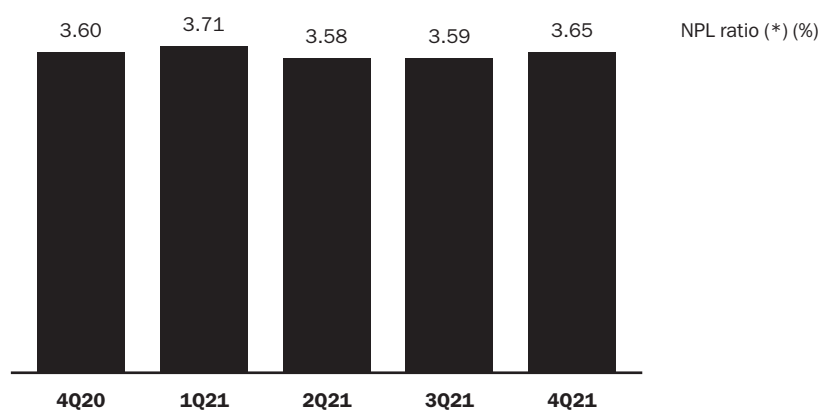
	2021				2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net ordinary increase in balance of stage 3 assets	415	1	139	287	71	361	(27)	(213)
Change in real estate assets	6	(9)	3	(11)	125	150	60	(147)
Ordinary net increase in NPAs + real estate	420	(8)	142	276	196	511	33	(360)
Write-offs	95	133	129	89	100	114	205	106
Ordinary quarter-on-quarter change in balance of stage 3 assets and real estate	325	(142)	13	187	96	397	(172)	(466)

Evolution of NPAs

Because of the increase in stage 3 exposures, the NPL ratio reached 3.65% at 2021 year-end, up from 3.60% a year earlier (a 5-basis point increase). The NPL coverage ratio of stage 3 with total provisions was 56.3% as of 31 December 2021, compared with 56.5% a year earlier, and non-performing real estate coverage ratio stood at 38.2% at 2021 year-end (from 36.6% a year earlier).

At 31 December 2021, the stage 3 exposures of the Banco Sabadell Group amounted to 6,203 million euros (including contingent risks). They have increased by 395 million euros in 2022, including an increase of around 190 million euros in TSB's mortgage portfolio due to changes in the criteria applied to estimate which financial assets are to be classified as stage 3, with

a further increase of approximately 150 million euros in Spain, mainly due to adjustments between the agreement and the refinement of the perimeter of assets included in the sale of portfolios of non-performing assets.



(*) Calculated including contingent exposures.

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

Million euro

	2020				2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Exposures classified as stage 3	6,112	6,359	6,127	5,808	6,127	5,995	6,004	6,203
Total provisions	3,228	3,537	3,460	3,279	3,453	3,378	3,477	3,495
NPL coverage ratio of stage 3 with total provisions (%)	52.8	55.6	56.5	56.5	56.4	56.4	57.9	56.3
Stage 3 provisions	2,359	2,578	2,451	2,272	2,335	2,374	2,513	2,553
NPL coverage ratio of stage 3 (%)	38.6	40.5	40.0	39.1	38.1	39.6	41.9	41.2
Non-performing real estate assets	1,310	1,460	1,520	1,373	1,379	1,370	1,373	1,362
Provisions for non-performing real estate assets	451	514	541	502	510	511	508	520
Non-performing real estate coverage ratio (%)	34.4	35.2	35.6	36.6	37.0	37.3	37.0	38.2
Total non-performing assets	7,422	7,820	7,647	7,182	7,507	7,365	7,377	7,565
Provisions of non-performing assets	3,680	4,051	4,001	3,781	3,963	3,889	3,985	4,014
NPA coverage ratio (%)	49.6	51.8	52.3	52.6	52.8	52.8	54.0	53.1

Includes contingent exposures.

Evolution of the group's coverage ratios

Liquidity management

Strong liquidity position of the group, with a balanced retail funding structure.

During 2021, the commercial GAP shows a positive evolution driven by a higher increase in customer funds than in lending. The volume of funding in capital markets was maintained because of the need to fulfil the regulatory requirements such as 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 at 31 December 2021 was 96.3%.

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 2,556 million euros matured or were repaid early in the year. Banco Sabadell issued mortgage ordinary, non-preferential bonds in capital markets under its Fixed Income Programme for a total of 67 million euros. In addition, under the EMTN Programme, Banco Sabadell made two issues for a total amount of 1,000 million euros. On 15 January 2021, it issued Tier2 subordinated debt for an amount of 500 million euros and a maturity of 10.25 years with an early cancellation option in favour of Banco Sabadell in the fifth year. In addition, on 16 June 2021, it issued an inaugural 7-year green non-preferred senior debt issue with an early redemption option in favour of Banco Sabadell in the sixth year for an amount of 500 million euros.

- As regards securitisation, Banco Sabadell cancelled the mixed TDA 14, FTA fund early, in January, on its clean-up call date. The IM SABADELL PYME 10 fund, TF whose bonds were fully retained by Banco Sabadell, was also cancelled early in February.
- The institution maintained a liquidity buffer in the form of liquid assets to meet any liquidity needs.
- In relation to the LCR ratio, since 1 January 2018 the minimum regulatory requirement is 100%, a level largely exceeded by all the entity's Liquidity Management Units (LMUs), with LMU TSB and Banco Sabadell Spain presenting a level of 194% and 254%, respectively, in December 2021. At Group level, the LCR remained well above 100% on a stable basis at all times and it ended 2021 at 221%. As for the Net Stable Funding Ratio (NSFR), which came into force on 28 June 2021, the entity has also remained stable at levels above the minimum requirement of 100% in all LMUs. At 31 December 2021, the NSFR ratio is 149% for the TSB CGU, 137% for Banco Sabadell Spain and 141% for the Group.

Key figures and basic liquidity ratios at the end of 2021 and 2020 were the following:

Million euro

	2021	2020
Gross loans to customers, excluding repos	160,668	152,201
Impairment allowances	(3,302)	(3,081)
Brokered loans	(1,290)	(1,977)
Net loans and advances excluding ATAs, adjusted for brokered loans	156,076	147,143
On-balance sheet customer funds	162,020	150,778
Loan-to-deposit ratio (%)	96.3	97.6

Liquidity ratios

The EUR/GBP exchange rate used for the balance sheet is 0.8403 as of 31 December 2021 and 0.8990 as at 31 December 2020.

The breakdown of the main sources of funding by instrument and counterparty as of 2021 year-end is as follows (%):



Funding structure (in %) (*)

1 Deposits	71
2 Retail issues	1
3 Repos	2
4 Wholesale market	9
5 ECB	14
6 Bank of England	3

(*) Without adjustments for accruals or hedging.

Institutional emissions detail (in %) (*)

1 Covered bond	46
2 Senior debt	30
3 Subordinate and AT1	20
4 Asset-backed securities	3
5 Commercial paper and Yankee CD	1

(*) Without adjustments for accruals or hedging.

For further details of the Group's liquidity management, liquidity strategy and liquidity performance during the year, see note 4 to the consolidated annual accounts for 2021.

Capital management

Key capital figures and solvency ratios

Thousand euro

	Fully-loaded		Phase-in	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Common Equity Tier 1 (CET1) capital	9,859,600	9,486,723	10,079,533	9,911,107
Tier 1 (T1) capital	12,259,600	10,640,262	12,479,533	11,064,646
Tier 2 (T2) capital	2,021,270	1,910,186	2,021,270	1,664,708
Total Tier (Tier 1 + Tier 2) capital	14,280,869	12,550,449	14,500,802	12,729,354
Risk weighted assets	80,689,118	78,901,364	80,645,593	78,858,201
CET1 (%)	12.22%	12.02%	12.50%	12.57%
Tier 1 (%)	15.19%	13.49%	15.47%	14.03%
Tier 2 (%)	2.51%	2.42%	2.51%	2.11%
Total capital ratio (%)	17.70%	15.91%	17.98%	16.14%
Leverage ratio (%)	5.80%	5.06%	5.90%	5.25%

Capital and Solvency

As of 31 December 2021, 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.

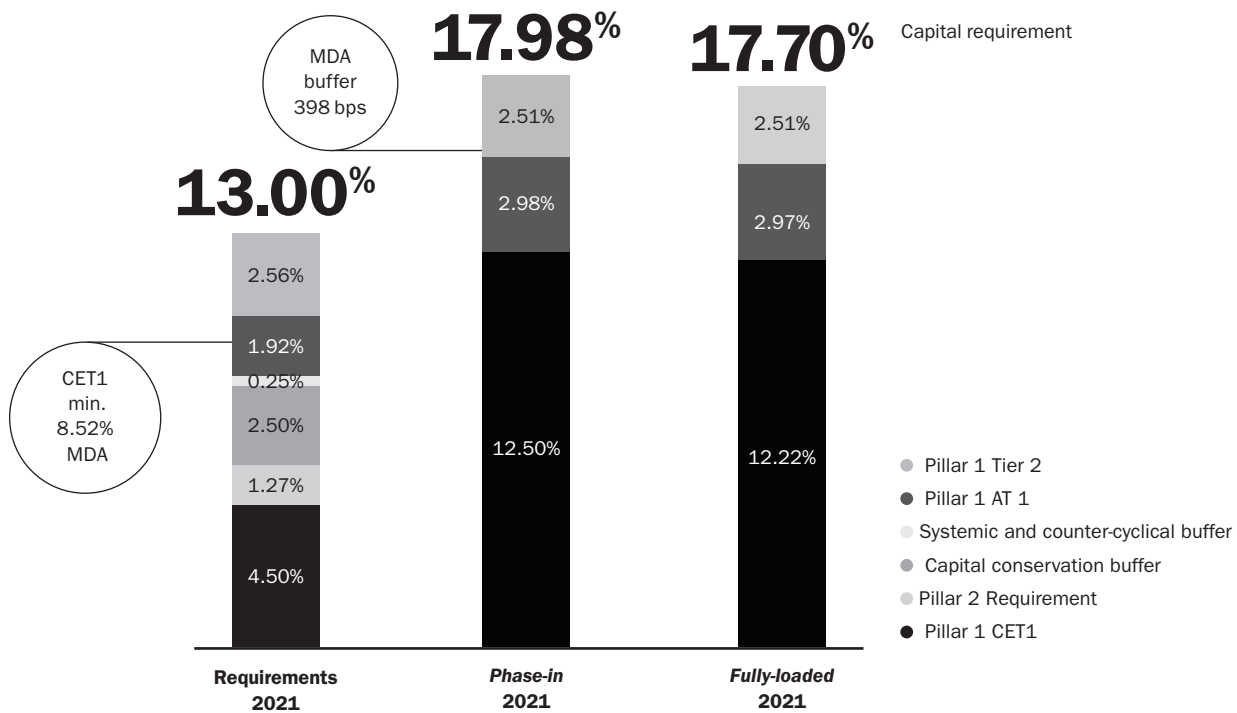
During 2021, the Group increased its total capital by over 1,730 million euros in fully-loaded terms.

In January 2021, the 500 million euros issue of subordinated bonds I/2021, the 500 million euros issue of preference shares I/2021 in March and the amortisation due to the exercise of the early redemption option of TSB's subordinated bond issue in March for 443 million euros were taken into account for the calculation of shareholders' equity in 2021. Finally, the AT1 2/2021 issue of 750 million euros was launched in November.

In terms of risk-weighted assets, a synthetic securitisation was carried out in the period (see note 4.4.2.4 to the consolidated Annual Accounts for 2021). Also noteworthy is the entry into force of the remaining CRR2 regulations on 28 June 2021, whose main changes are the new standardised exposure calculation framework for derivative exposures (SA-CCR) and the changes in the weighting applicable to exposures consisting of units in collective investment institutions.

As a result, the CET1 fully-loaded ratio stood at 12.22% at year-end 2021.

At 31 December 2021, the Group maintains a CET1 phased-in capital ratio of 12.50% —well above the requirements of the Supervisory Review and Evaluation Process (SREP), 8.52% for 2021 and for 2020 alike—and is therefore 398 bps above the minimum requirement.



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:

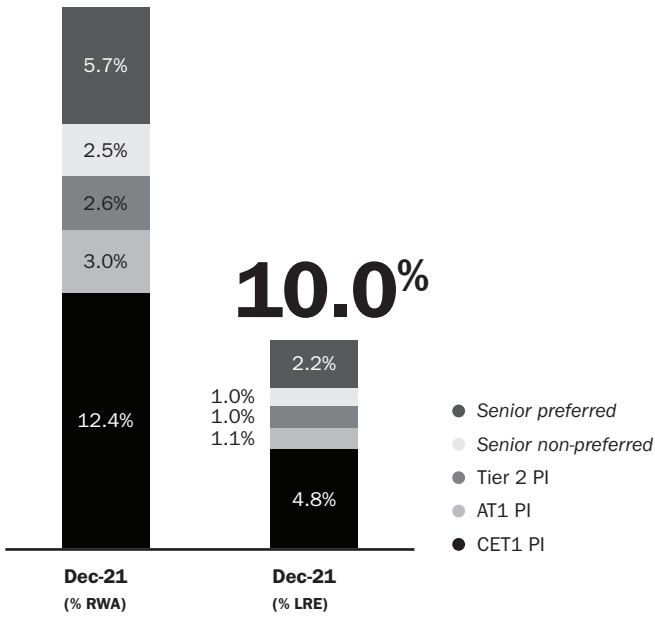
- The MREL requirement is 21.05% of the TREA and 6.22% of the LRE.
- The subordination requirement is 14.45% of the TREA and 6.06% of the LRE.

The own funds that the institution uses to meet the combined buffer requirements (CBR, comprising the capital conservation buffer, the systemic buffer and the counter-cyclical 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.

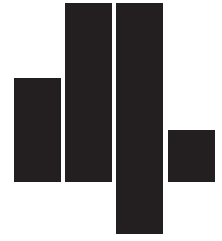
26.2%

MREL of the group



The RWA percentage includes capital used to meet the CBR (2.75% RWA).

Businesses



- 71 Banking Business Spain
- 89 Banking Business UK
- 91 Banking Business Mexico

Below are the key figures associated with the Group's main business unit levels, in accordance with the segment disclosures contained in note 38 to the 2021 consolidated Annual Accounts.

Banking Business Spain

Key figures

At the end of the 2021 financial year, net profit amounted to 412 million euros, 89.0% higher year-on-year, mainly due to the good performance of fees and commissions, cost reductions and the recording of lower provisions in the year.

Net interest income amounted to 2,302 million euros, 4.1% lower than at the end of the 2020 financial year, mainly due to the lower contribution from the ALCO portfolio following the sales and lower yields on loans, offsetting the higher revenues from TLTRO III and the higher remuneration earned on corporate deposits.

Net fees and commissions stood at 1,336 million euros, 7.2% higher year-on-year, due mainly to the good performance of service fees and management fees.

Net trading income and exchange differences stood at 342 million euros and mainly included 324 million euros from sales of the portfolio at amortised cost to finance the second phase of the efficiency plan carried out in Spain in September, while at the end of the 2020 financial year

they amounted to 770 million euros as they also included sales of the portfolio at amortised cost to finance the efficiency plans and part of the sales NPA portfolios carried out in the previous year.

Results under the equity method show strong growth due to higher earnings recorded by investees related to renewable energies in the first quarter.

Operating expenses show a year-on-year reduction of 3.8% reflecting savings in staff expenses from the first phase of the 2020 efficiency plan.

Provisions and impairments amounted to -1,193 million euros, representing a reduction of 40.6%, as the previous year included extraordinary provisions associated with the impact of COVID-19 and sales of problematic assets.

Gains on sale of assets and other results primarily included 83 million euros gross (58 million euros net) from the sale of the depository in the second quarter of 2021, 42 million euros gross (41 million euros net) from the sale of Bansabadell Renting and 12 million euros gross (2 million euros net) from the sale of BancSabadell d'Andorra in the fourth quarter.

Corporation tax is impacted by the treatment of results related to investee companies.

Million euro

	2021	2020	Year-on-year change (%)
Net interest income	2,302	2,400	(4.1)
Fees and commissions (net)	1,336	1,246	7.2
Core revenues	3,638	3,646	(0.2)
Net trading income and exchange differences	342	770	(55.6)
Equity-accounted income and dividends	102	37	174.9
Other operating income and expenses	(269)	(271)	(0.7)
Gross income	3,812	4,182	(8.8)
Operating expenses and depreciation and amortisation	(2,276)	(2,344)	(2.9)
Pre-provisions income	1,536	1,838	(16.4)
Provisions and impairments	(1,193)	(2,007)	(40.6)
Gains on sale of assets and other results	135	317	(57.5)
Profit/(loss) before tax	478	147	224.4
Corporation tax	(58)	71	(181.1)
Profit or loss attributed to minority interests	8	1	740.2
Profit attributable to the Group	412	218	89.0
Cumulative ratios			
ROE (profit / average shareholders' equity)	4.2%	2.0%	—
Cost-to-income (general administrative expenses / gross income)	50.2%	47.6%	—
NPL ratio	4.6%	4.4%	—
NPL coverage ratio of stage 3 with total provisions	57.6%	55.7%	—

Key figures of the banking business Spain

Gross performing loans to customers increased year-on-year by 0.7%, despite the collection by the DGF of 1,691 million euros related to the APS. Growth in investment, isolating just the APS, is at 2.3%, driven by commercial loans to companies, SMEs and the self-employed, as well as by the growth in mortgages to individual customers, loans to the public sector and consumer loans.

On-balance sheet customer funds grew by 5.6% year-on-year, driven by sight deposits, partly as the result of funds shifting away from term deposits due to the low interest rate environment. Off-balance sheet funds increased by 9.5%, impacted by the sale of BancSabadell d'Andorra. Excluding that impact, growth of 11.6% due to higher net inflows to mutual funds.

Million euro

	2021	2020	Year-on-year change (%)
Assets	191,162	183,896	4.0
Gross performing loans to customers	107,089	106,327	0.7
Non-performing real estate assets (net)	842	871	(3.4)
Liabilities	181,389	173,664	4.4
On-balance sheet customer funds	116,788	110,572	5.6
Wholesale funding in the capital markets	18,090	18,332	(1.3)
Allocated capital	9,773	10,204	(4.2)
Off-balance sheet customer funds	41,678	38,064	9.5
Other indicators			
Employees	13,855	16,260	(14.8)
Branches	1,288	1,614	(20.2)

Key figures of the banking business Spain

Within the banking business in Spain, the most relevant businesses, on which information is presented below, should be highlighted:

Retail Banking

Business overview

The Retail Banking business unit level offers financial products and services to natural persons with a particular purpose. These include investment products and medium- and long-term finance, such as consumer loans, mortgages and leasing or rental services, as well as short-term finance. Funds come mainly from customer deposits and sight accounts, savings insurance, mutual funds and pension plans. The main services also include methods of payment such as cards and insurance products in their diverse modalities.

Management milestones in 2021 and priorities for 2022

Efforts in 2021 focused on establishing the new strategic priorities of the Retail Banking business, such as: attracting additional demand in digital channels, fully digital and remote commercial activity for individual loans, accounts as well as cards and means of payment, and, lastly, the intervention of specialist managers in branches, focusing on mortgages, insurance and savings and investment products.

The business unit level focuses on distribution specialisation and the creation of the complete new digital relationship process, as well as deliveries aimed at significantly improving new production, optimising the customer satisfaction and reducing operational support.

Moreover, thanks to the digital evolution, it is possible to focus on the deployment of a new distribution model in terms of sales, servicing and customer support.

This distribution model is based on daily self-service operations, the attraction of digital demand as well as the development of digital sales capabilities in simpler products and specialised sales in products with a greater need for advice, such as mortgages, insurance and savings and investment products.

Lastly, the Retail Banking business is firmly committed to the Group's sustainability objectives, meets the Group's ambition in terms of sustainability and, in turn, contributes to achieving the key objectives of the business.

Main products

The main Retail Banking products are described below:

Mortgages

The performance of the mortgage market in 2021 is characterised by a significant recovery and record figures after the significant fall suffered by the COVID-19 crisis in year 2020. The new production in Banco Sabadell in 2021 has had a 38% increase compared to 2020, leading to an increase in our new production market share from up to 8.12% and in our stock instalment from up to 6.59% data to September 2021.

Progress is being made in the roll-out of the mortgage distribution model established in the Strategic Plan of the business, based on the deployment of specialists both in offices and in the remote management teams. There are already 140 of these specialists, and over the coming months more than 200 additional specialists will continue to be deployed to ensure customer satisfaction in the process of taking out a mortgage with Banco Sabadell.

In addition, the year ended with an important campaign to position the mortgage product in the market, focused on providing guidance to people who want to buy a home through a mortgage, helping them to overcome the lack of knowledge and insecurity caused by taking out this product.

Consumer loans

Consumer loans behaviour in 2021 has been marked by a gradual recovery in production, after the pandemic-induced drop in 2020. The increase occurred mainly from the second quarter onwards once the opening of pre-approved loans was completed and continued throughout the rest of the year.

In line with the Strategic Plan, 2021 was characterised by an increase in the use of digital tools and growth in online contracting, through all channels, but especially through BSMovil. This increase has been associated with an increase in pre-approved loans (up 21% compared to 2020 in number of operations and 42% in volume) and accompanied by improvements in contracting processes and customer satisfaction.

In terms of short-term individual financing solutions, the Expansion Line product has shown very good usage and acceptance among our customers, being a highly valued product due to its 100% online use.

Payment methods

During 2021, the trend towards the digitalisation of payments continued to accelerate. Electronic payments, after a stagnant 2020, have returned to double-digit growth of 19.42%, compared to cash payments. It has also been observed that digital payments continue to grow ahead of in-store payments, where mobile payments are also becoming more widespread, reaching 13.5% of transactions in

December. Pre-pandemic growth has recovered with the exception of international payments, which have not yet recovered due to the lack of international mobility. New payment methods, such as Bizum, are growing strongly, with year-on-year increases of 121%.

In 2021 we have launched a new model of more secure and sustainable cards with a vertical design and full data on the reverse side. Degradable PVC materials have been incorporated to reduce the environmental footprint once they are no longer used. And we have taken a further step towards digitalisation with a new contracting capability in a 100% online process for adding debit and credit cards for pre-approved customers, in addition to the existing capabilities of turning the card on and off, managing limits, managing usage, personalising alerts and the ability to change the payment method via Sabadell Mobile.

Sight accounts

The core retail account offering is the Expansion range, which offers different benefits depending on the commercial and operational needs of customers, resulting in the Expansion Account, Premium Expansion and Expansion Plus. We also offer the Relationship Account for non-linked customers.

At the same time, we market specific accounts to meet the needs of specific customer segments, such as the Experience Account (seniors), First (children) and Key Account (foreigners).

The main milestone of 2021 was the launch of the bank's new Digital Onboarding process connected to the Digital Expansion Account, with no commissions and no linkage conditions. This has enabled us to lay the foundations for a new digital customer relationship model and the design of a new differential current account with high added value that is real and perceived by the customer.

Saving and Investment

In 2021, Savings and Investment activity has been boosted by a double effect:

- The excellent performance of the financial markets enhanced by the new management capabilities introduced by Amundi. The equity of mutual funds in Morningstar's first and second quartile is 53% with only 7% of assets in the fourth quartile at the end of November.
- The confirmation of the economic recovery that started in the second half of 2020, coupled with the ECB's willingness to keep benchmark rates negative, has accentuated the profitability-seeking movement among investors, leading to an increase in first-time mutual fund customers (up to almost 27,000 new mutual fund investors) as well as a movement of experienced investors towards products that can offer somewhat higher profitability.

As a result, we have seen strong growth in off-balance sheet Investment Savings Products (1,690 million euros at December 2021) focused exclusively on Mutual Funds,

whose assets under management grew by 13.11% (equivalent to 1,694 million euros) to 14,612 million euros¹.

In Mutual Funds, the offer has been based on the following pillars:

1. Strengthening and organising the supply of mutual funds for retail individuals by incorporating:
 - Starter product: Sabadell Consolida 94, FI. It is especially designed for investors with no experience in financial markets, as it is a multi-asset fund with a global investment vocation and a low risk profile (2/7) that aims to generate profitability while offering a high level of capital guarantee: each year a guarantee of 94% of the previous year's closing net asset price is available.
 - Throughout 2021, progress has been made towards the strategic objective of having a sustainable supply in line with Articles 8 and 9 SFDR². In 2021 the Sabadell Acumula Sostenible, FI, Sabadell Crece Sostenible, FI, Sabadell Inversión Ética y Solidaria, FI, Sabadell EEUU Bolsa, FI and Sabadell Interés Euro, FI funds have been confirmed in accordance with article 8, which enables compliance with the target set of having 15% of assets under management that meet sustainability criteria and which in 2022 will be accelerated to have 75% of assets in ESG funds.
 - Rationalisation of existing supply. The strategic agreement with Amundi expands the investment capabilities available. The process began in 2021 and will continue over the next year with the merger of funds and the outsourcing of management mandates to the most specialised and capable teams. Along these lines, in 2021 the Sabadell Planificación 70, FI income fund was merged with Sabadell Planificación 50, FI; the funds with a high private fixed income component Sabadell Bonos Alto Interés, FI, Sabadell Financial Capital, FI and Sabadell Rentas, FI with Sabadell Euro Yield, FI; Sabadell Commodities, FI with Sabadell Selección Alternativa, FI and Sabadell Garantía Extra 22, FI and Sabadell Horizonte 2021, FI with Sabadell Interés Euro, FI.
2. Development of support tools for managers by improving product explanatory support documentation or reinforcing training courses, and especially for customers. In this regard, the Support Plan was accelerated throughout 2021 with the preparation of product notes and videos reflecting the performance, the main investment decisions taken by professionals and the outlook for the coming months. More than 249,945 e-mails were sent, covering around 75% of the mutual fund assets, with an average e-mail open rate of 51%.

Within investment savings products, pension plans experienced a moderate increase in assets of 27 million euros at

the end of the year to 3,174 million euros, impacted by the reduction in tax deductible amounts (from 8,000 euros in 2020 to 2,000 euros in 2021, which will be reduced to 1,500 euros in 2022). As a result, pension plan contribution estimates are 35% lower than in 2020, with much of the activity pivoting on external inflow mobilisations. As in the case of mutual funds, the excellent performance of financial markets has also helped the growth of assets where Life-Cycle Pension Plans, products that adapt their composition between defensive and risk assets depending on the age of retirement, have continued their excellent performance compared to the competition.

Finally, the offer of Structured Deposits and Products was maintained throughout the year. In the case of Structured Deposits, 7 illiquid 100% guaranteed products with 6 or 7 years to maturity have been issued, aimed at customers with a more conservative profile. In the case of Structured Products, 10 issues have been carried out with a 95/5 structure in which the capital at risk is a maximum of 5% over 5 years while 95% of the nominal amount matures after 6 months. This type of product is only available to Personal Banking, Private Banking and Corporate customers.

Insurance

The Group's insurance business is based on a comprehensive offering that covers the needs of both personal and property customers. The company's own underwriting is carried out through the insurance companies 50% owned by the agreement with the Zurich Group, Bansabadell Vida and Bansabadell Seguros Generales. The first of these, the largest in terms of business volume, occupies the top places in the ranking of insurers by premiums written.

In 2021, the business grew by 14%, with the main products contributing to the gross income being life, home and health insurance.

Of particular note was the strong growth in health insurance (77%), as a result of the recent agreement with Sanitas, one of the leading health insurers in the Spanish market. Also noteworthy was the positive evolution of Blink insurance (home and car), digital insurance, as well as the boost in the growth of the mortgage market in the sale of combined insurance.

The future strategy for the insurance business in Retail Banking is based on positioning the bank as the best insurance protection option for its customers. To this end, it plans, among other objectives, to advance in the digitalisation of solutions and processes in order to improve the customer satisfaction at every moment when interacting with the company and, at the same time, to adapt the offer to the needs of each customer profile, responding to the rapid changes experienced by the market due, among other factors, to the advance of technology and the appearance of new risks to be covered.

1. Figures expressed in simple average balance at end-December 2021.

2. Regulation (EU) 2019/2088 on sustainability disclosures in the financial services sector (Sustainable Finance Disclosure Regulation). Articles 8 and 9 define

financial products that can be considered as sustainable, with article 8 being a financial product that promotes environmental, social or good governance features, and article 9 being a financial product that pursues sustainable objectives.

Private Banking

Banco Sabadell, through SabadellUrquijo Private Banking, offers comprehensive solutions to high-net-worth customers who require specialised advice and attention. The Division comprises 171 private bankers certified by the European Financial Planning Association, distributed over 31 branches and customer care centres to meet the needs of customers throughout Spain who have assets in excess of 500 thousand euros.

Two milestones marked 2021: on the one hand, the recovery of the impact that COVID-19 had in 2020 both in the markets and in the day-to-day relationship with customers. In this regard, SabadellUrquijo Private Banking continued to strengthen the digital approach of customers to banking services. On the other hand, the growth of investment solutions, mainly aimed at companies, as alternatives to account balances in the current scenario of negative interest rates.

From the point of view of the offer, SabadellUrquijo Private Banking has an open architecture with a robust product selection protocol that allows portfolios to be tailored to customers' objectives. In 2021, there has been a very significant increase in new mutual fund production, with several elements standing out. On the one hand, the strategic agreement signed with Amundi, Europe's leading mutual fund manager, makes all the capabilities and strengths of the Amundi group available to customers. Also noteworthy was the 48% growth in the bespoke discretionary portfolio management service offered by SabadellUrquijo Gestión, SGIIC, to which its excellent performance in terms of profitability undoubtedly contributed. Finally, alternative investments continue to have a high priority, with a rigorous screening protocol. In addition, and in view of the changes in the tax regime SICAV, the focus this year was on advising customers in order to offer them the best solutions.

SabadellUrquijo Private Banking continues to focus on a close relationship of trust between customers and the 171 private bankers, a relationship that is highly valued and which allows us to continue to enhance customer satisfaction and differentiate ourselves from the competition. At the end of the year, the number of customers to whom the Bank offered asset management advice was 27,610, with total business of 31,725 million euros, of which 28,612 million euros were in funds, 42% in mutual funds and SICAVs and 2,434 million euros under discretionary management contracts.

The challenges for 2022 in Private Banking remain focused on offering the best investment solutions and advice to our customers, enhancing digital capabilities and growing the business by taking advantage of market opportunities.

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.

Activity in 2021 saw a year-on-year recovery in lending of 9.22%, slowed by the lack of components in the automotive sector, which means a lack of supply in the market.

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 NPA ratio was 5.64%. Additionally, NPL coverage ratio of stage 3 with total provisions is 99.16%.

The company has successfully completed the acquisition of Instant Credit, which will enable it to increase its digital commercial offering by providing an efficient response to both prescribers and end customers.

For the coming year, following the principles of our own and the group's agreements, e-commerce actions will be strengthened, increasing the link with current prescribers, as well as expanding the plan for financing energy efficiency, mobility in buildings and improving works in communities, developing actions in their systems and processes focused on the digitalisation of the business, both for internal efficiency and in customer and commercial experience.

Overall, the company performed 196,935 new operations through more than eleven thousand points of sale distributed throughout Spanish territory, resulting in 979.9 million euros of new loan production in 2021, bringing the company's total outstanding exposure to above 1,792 million euros.

These improvements helped the company to keep its cost-to-income ratio to 33.26%.

Business Banking

Business overview

The Business Banking business unit level offers financial products and services to legal persons and natural persons with a business purpose, serving all types of companies with a turnover of up to 200 million euros as well as the institutional sector. The products and services offered to companies are based on short and long-term financing solutions, cash surplus treasury solutions, products and services to guarantee the daily operations of collections and payments through any channel and geographic area, as well as risk hedging and insurance banking products.

Banco Sabadell has a clearly defined relationship model for each business segment, innovative and differentiating it from the competition, which allows us to be very close to our customers, acquiring a broad knowledge of them and also a strong commitment.

Large companies (turnover > 10 million euros) are basically managed in specialised offices. The rest of the companies (SMEs, Businesses and Self-Employed) are managed from the offices. Both have managers specialised in the segment, as well as expert advice from product and/or sector specialists.

All this allows Banco Sabadell to be a benchmark for all companies and a leader in customer satisfaction.

Management milestones in 2021 and priorities for 2022

Management efforts in 2021 focused on the design and implementation of the priorities for action in the Business Banking business, within the framework of the new strategic plan, with all initiatives already scheduled and underway, in coordination with the rest of the bank and enhancing the value of the network.

All actions have been designed taking into account the opportunities offered by each segment. In this sense, the lines of work aimed at increasing revenues have been based on a much greater segmentation of our value proposition, in order to respond to the specific needs of each segment. In parallel, the design of a commercial productivity programme is being finalised for implementation as early as 2022. Cost optimisation efforts have also been more specific to each segment. Of note was the reduction and reorganisation of servicing operations in branches, various initiatives to improve the cost of risk thanks to data analytics models, and the development of tools and guidelines to optimise the consumption of capital by segment.

Management in Business Banking is very focused on the growth of the global business of companies, with a strong focus on profitability, in order to contribute decisively to the ROE objectives of the strategic plan.

Finally, the Business Banking business is committed to the Group's ambition in terms of sustainability and, in turn, contributes to the achievement of the key objectives of the business.

The various segments, specialists and commercial products within Business Banking are described below.

Customer segments

Large Companies

Banco Sabadell has been at the side of large companies, providing global management of its customers through specialised managers to help them make the best economic decisions and with a pool of specialists who, depending on the customers' business needs, have accompanied them.

In an economic context marked by the complicated health situation, this global customer management has made it possible to accompany companies according to the impact of the pandemic on their business. Thus, for those customers with liquidity needs, Banco Sabadell has made available both basic financing solutions and operations with ICO guarantees. And for those customers in a situation of growth, Banco Sabadell has been by their side with specialised financing operations, typical of Middle Market, either acting alone or in pool with other credit institutions.

With regard to sustainability, Banco Sabadell has participated in the market as a key agent in the drive towards a more sustainable economy, providing financing for projects developed by its customers for purposes directly

or indirectly linked to environmental, social or governance improvements.

For 2022, the challenge in the segment is to continue strengthening specialisation, adding value to customers and accompanying them in their projects by acting as an essential player for them.

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. This year was once again atypical because of the health context and the impact it had on the global economy, on the commercial activity of companies and of Banco Sabadell itself. The needs of companies have largely been translated into two main blocks: on the one hand, the need for liquidity, and on the other hand, new investment projects to relaunch activity.

To provide liquidity, Banco Sabadell has made available to its customers the range of financing solutions in its catalogue, as well as operations with ICO guarantees. In addition, for those companies with current ICO COVID Liquidez operations, it has facilitated the possibility of increasing the grace periods and/or final maturities of these operations, in accordance with the provisions of Royal Decree 34/2020 on urgent measures to support the solvency of business. This commercial accompaniment by Banco Sabadell's network of managers has enabled more than 33,000 customers to take advantage of the measures envisaged in the aforementioned Royal Decree, with a volume of operations in excess of 3,910 million euros. In addition, for all those customers who did not have operations under the ICO COVID Liquidez lines, and who might have difficulties in meeting their payment obligations, Banco Sabadell has studied specific measures that would allow companies to maintain their commercial activity.

On the other hand, this year it was important to support customers who, having passed the most critical phase of their business, needed financing to adapt their production processes and commercial capacities to the new environment. To this end, Banco Sabadell has carried out specific commercial actions through its managers to offer financing to customers who were at this phase of the recovery process.

In both areas of commercial activity – the provision of liquidity and financing to relaunch economic activity – Banco Sabadell has demonstrated the attributes of anticipation, advice and support that define its relationship model.

Within the framework of the Next Generation EU Funds and the Spanish Government's Recovery, Transformation and Resilience Plan, Banco Sabadell has held numerous informative meetings for customers and has drawn up a training plan for its network of managers, which will make it possible during the year 2022 and beyond to provide information in a simple and agile manner on the aid for which a company may be eligible, in accordance with the calls for applications published by the different administrations. It has also reached a collaboration agreement

with PwC so that customers can apply for the most appropriate aid through a specific application platform.

With regard to sustainability, Banco Sabadell has assumed its role as a key agent in promoting the transition to a more sustainable economy, developing specific products for its customers, with a specific focus on the purpose of self-consumption derived from the increase in energy costs. As in the previous year, the ESG vision was maintained this year in the commercial dialogue with customers to measure the sensitivity of SMEs and large companies to these aspects, with a specific focus on those customers in sectors with the greatest progress in a sustainable environment.

For 2022, the challenge in the segment is to continue to scale the Relationship Model, reinforcing our differentiation and specialisation, where the personal manager is the central element in the customer's relationship with the bank.

Business

Banco Sabadell continued to support self-employed customers, retailers and businesses in a year marked by the start of the post-COVID-19 de-escalation, which behaved unevenly depending on the customer's sector of activity. This has been done by adapting to the specific needs of each customer, both by providing information and processing direct aid for the most difficult customers, and by supporting the reactivation of activity and new projects for the most favoured sectors, through specific financing solutions.

On the other hand, and with the focus on the evolution of the customer value proposition, Banco Sabadell has made a firm commitment in 2021 to strengthen its positioning as a specialist for customers in this segment, based on the implementation of an offer designed specifically for each sector of activity, built on active listening to customers and network managers, professional groups and associations representing the sector. The aim is to be able to offer each customer the most suitable solutions based on an even better understanding of the specifics of their daily lives. Currently, the catalogue of specific solutions includes up to 32 sectors of activity, which have been prioritised according to the current economic context.

In line with the context of sector specialisation and in order to make this approach to customers and the market tangible, the campaign "From specialist to specialist" ("You are a specialist in your business. We accompany and advise you to offer you the solutions you need at every vital moment of your business") was launched in the second quarter of the year, with a continuous presence in the media and with its own space on the web where both customers and non-customers can access the proposed solutions for their sector.

In addition, during the past financial year 2021, the network figures specialised in the management of the self-employed, retailers and businesses increased by more than 20%, as a further vector for approaching a customer segment that particularly values proximity and the personalised treatment of an expert manager who understands their business, reinforcing capacities in territories with

greater growth potential. These managers have also been provided with new support and training elements that allow them to know in detail the keys to each sector.

Finally, and in line with the evolution of our customers' new financial services consumption habits, Banco Sabadell continued to promote the digitalisation of customers in 2021, both in response to their needs for self-service operations and remote contracting and management.

For 2022, the challenges in the segment focus on further strengthening specialisation by incorporating new sectors and improving manager training, being key in channelling European Recovery Funds to customers, and strengthening digital capabilities, for example by enabling 100% bank digital onboarding for customers in this segment.

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.

2021 has been a special year for the activation of economic policies aimed at overcoming the damage caused by the pandemic. The result has been an increase in the credit needs of 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.

Public Institutions

The economic activity of Public Institutions during 2021 has been marked by the importance of the Administrations in the economic recovery after a complicated year 2020 that has been punished by the COVID-19 crisis. Administrations are essential for promoting and channelling the arrival of European Funds and implementing economic policies at each of the local, regional and national levels.

The result is an increase in assets, stemming from the needs to implement the investments to address the economic recovery, and an increase in liabilities, stemming from the additional funds related to the Recovery and Resilience Mechanism.

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

Banco Sabadell's market shares in lending and deposits were 10.59% and 7.49%, respectively (figures at end of October 2021). Investment reflects a year-on-year decline

of 105 basis points, growing below the system. Deposits were up 40 basis points, a sharper increase than in the system as a whole.

Financial Institutions and Insurers

In 2021, 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 financial markets, deposit gathering continued to decline sharply, giving way to a wider range of value products in 2021, including both Amundi Asset Management's expanded range of mutual funds and the launch of Banco de Sabadell's first senior debt fund.

Customised franchise management has been carried out on a customer-by-customer basis with the aim of building customer loyalty and linking customers to value-added products. In this franchise management, the volume of franchises has been reduced to one third of the amount in 2020.

Religious Institutions

The Religious Institutions and Third Sector Division offers customers a range of products and services adapted to the singularity of these groups. They cover everything from transactions to specialised advice on financial assets.

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.

Secure donation collection facilities have been increased by 26% using the DONE donation collection lectern system. Banco Sabadell currently has 867 devices in the Done ecosystem, including donation lecterns, digital collection boxes and candle holders.

Segment specialists

Tourist Hotel Business

Banco Sabadell is the first financial institution to receive "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.

Within the value proposition, especially aimed at providing a specific solution for each customer, and taking into account the situation of absolute inactivity that the sector has gone through due to the health crisis caused by

COVID-19, which forced the closure of all establishments by decree, a large part of the activity has been focused on the Support Plan, reviewing the entire hotel portfolio, identifying the specific situation of each customer and offering a specific solution for each need, providing a complete range of solutions, from the most basic ones such as grace periods and moratoriums, debt injection, ICO and ICO Investment Lines, to others of greater depth such as divestment in establishments, replacement of operators and sale of production units.

The Tourism Business Division also received institutional accolade 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.

As it does every year, Banco Sabadell was present at the main international tourism fair, FITUR, with its own stand. The fair welcomed 255,000 visitors and 11,040 companies.

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 segment

In 2021, Banco Sabadell's Agriculture segment, which includes the agricultural, livestock, fishing and forestry sub-sectors, and which has more than 325 specialised branches, has been recognised by Editorial Eumedia (Agribusiness) as the best Agro Financial Institution in Spain 2021.

The customer base has increased, as has the portfolio of specific financial products and services with features tailored to the requirements of customers in the sector.

Banco Sabadell's firm commitment to this sector, in particular through its personalised support for customers, led to a 7% increase in business volume compared to 2020. We continue to earn the trust of our customers, whose numbers increased by 5% compared to the previous year.

During the 2021 financial year, we reactivated the organisation of events and the usual sector trade fairs, such as Fruit Attraction, where Banco Sabadell was once again present.

Banco Sabadell Agro Segment has the clear objective of accompanying customers in the sector in digitalisation and sustainability, taking advantage of the efficient lever that will be the contribution of the European Union's Next Generation funds.

Employer Providential Schemes

By means of its Providential Schemes Division, Banco Sabadell Group 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.

During 2021, innovative, flexible and simple solutions were also implemented for small and medium-sized

companies, such as the life-cycle joint promotion plans – with an investment profile adapted to age – and Sabadell Flex Empresa, a fully digital flexible remuneration platform that allows companies to optimise their remuneration model at a very low cost. Of particular note is the Flexible Remuneration Retirement Plan, a savings solution that allows executives or employees to maximise their savings and taxation.

Strong demand for such solutions is expected by 2022, as the bank is in a position to offer the most innovative solution on the market. In addition, a boost to company pension schemes is expected, along with the upcoming legislative amendments being considered by the government.

Real Estate Business

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.

The year 2021 has been marked by the situation arising from COVID-19 (travel restrictions, delays in licensing periods and, therefore, delays in the signing of contracts); however, the Investment Property Division has formalised around 1,805 million euros (an increase of 21.14% compared to the previous year) with a margin of over 50.5 million euros (similar to the previous year, with this year being a record year for the delivery of financed housing).

The Investment Property 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. This year 2021 we have participated in different Virtual Cafés with the AEF, we have maintained our presence in the Fairs that have been carried out on FranquiShop and different Virtual Fairs, being awarded as the first Financial Entity collaborator in the sector of the franchise by the Online

Franchise Fair where we have actively participated, as well as sponsoring topics such as Women in Franchising, the Franchise Jurisprudence Observatory, interventions in specialised radio programmes, articles in the press and magazines, collaboration with different expert franchise consultancies and an endless number of actions that we have published on social networks that reinforce our notoriety and leadership in this business model.

The franchise market is a growing sector and is better able to withstand the impact of the health crisis due to the support of large franchisor brands, as demonstrated by maintaining default rates below 0.7%. Franchisee customers have a higher value (x2 in margin, x3 in linkage) and is a key segment in the growth strategy of the enterprise business. We have more than 1,000 brands with referral agreements and more than 7,700 franchise customers who contribute more than 20 million euros to the annual margin.

In 2021, the capacity to digitally sign collaboration agreements with franchisor brands has been included and the team has been reinforced with the incorporation of 2 new franchise managers and 4 risk analysts specialising in franchising.

BStartup

Banco Sabadell's BStartup is the pioneering and benchmark financial service in Spanish banking for startups and scaleups, providing specialised banking and equity investment.

Banking specialisation is based on exclusive managers for startups and scaleups in the Region with the highest concentration of this type of companies, as well as on a specific risk circuit and specific products.

As of December 2021, BStartup reached a record 3,978 startup customers, 14.7% more than the previous year. The average margin generated by BStartup customers remains higher than the average for global corporate customers, as well as their internationalisation operations and linkage. The accelerated growth of many of these companies reaffirms the thesis related to the launch of the service in 2013, i.e., that the great companies of the future would emerge from among these companies. The volume of business managed increased by 23.4% to 984 million euros (272 million euros of assets and 712 million euros of liabilities) and the business margin increased by 19.8%.

In 2021, BStartup's specialisation has been given a definite boost. While in 2020 the figure of the BStartup SME Director was created, a manager with extensive experience and knowledge of the sector and exclusively dedicated to managing technology companies, startups and scaleups, in 2021 a further step was taken towards specialisation in the Catalonia DT, concentrating the management of all Commercial Banking startup customers in the main office in Barcelona, in a hub that now concentrates 6 managers, a proxy and a risk analyst who work exclusively for startups and scaleups. In addition, the scaleups that are already in Business Banking have been concentrated in two Business Banking managers in

order to be able to continue offering a specialised service in their specificities when these companies grow. By 2022, a new BStartup DPyme has been authorised in DT Centro (the fourth) and in DT Este (the second). In the remaining territories we maintain 25 BStartup offices that have continued to receive specialised training.

Equity investment targets early-stage digital and technology companies with strong growth potential and innovative, scalable business models. This year BStartup10 has launched the first BStartup Green call to invest in startups that, from technology or digitalisation, are able to facilitate the transition to a more sustainable world (from the perspective of energy transition, industry 4.0, smart cities and the circular economy). A total of 136 companies applied for this first call, from which 3 were selected for investment. On the other hand, the BStartup Health call has already established itself as a benchmark for investment in health startups in the early phase of transferring science to the market: the fourth call was launched in 2021, to which 121 projects were submitted. In addition to these sectoral calls for proposals, the work with the more digital ecosystem continues and, in total, BStartup10 closes 2021 with 7 new investments made. BStartup's portfolio totals 58 investees with a positive valuation and during 2021 there have been two partial divestments during the year, one of which has led to a multiplier of more than 10 times the money invested. Between them, they have more than 1,664 employees and have raised more than 178 million euros following BStartup's investment.

During the year, the Bank was very present at the main events of the entrepreneurial ecosystem. 115 entrepreneurship events have been organised or actively participated in. This, together with all the previous activity, continues to reinforce Banco Sabadell's reputation and positioning as a benchmark bank for scaleups and startups. As an indicator, BStartup has had 1,826 mentions in different media (offline and online press), has reached 13,589 followers on Twitter, and BStartup has been one of the main topics of discussion about the bank on social networks most months, and always with a positive sentiment.

Companies Hub

Companies Hub is Banco Sabadell's business connection centre, a hybrid model that combines:

- A digital space where companies can connect with everything that matters to them through workshops and webinars led by the Bank's experts and leading external figures; inspiring and participative meetings in which professional experiences, current content and the latest business trends are shared.
- A physical space in the centre of Valencia as a reference for companies, where they can meet and connect with other companies, receive knowledge and business advice from experts in areas such as digital transformation or sectorial economy, as well as other specialities such as financing, internationalisation or startups.

For all these reasons, Companies Hub is a service that

contributes to the bank's positioning in the business segment (with a special focus on SMEs) as the bank that best understands their challenges and the one that can best accompany them along the way.

If 2020 was a year of great changes and challenges for Companies Hub because the pandemic forced the leap to virtuality, which allowed a leap of scale reaching companies all over Spain, 2021 has been a year of development of the new scope of the project: we have worked on the new definition and image and also launched a new website that reflects the reality and the current scope of the project, which prioritises giving visibility to the business content generated by Companies Hub, with a better design and user navigation experience to find content that is of interest to them.

Companies Hub is a tool that serves the purpose of establishing communication between the entity and SMEs, businesses and freelancers, under a single brand based on valuable business content, which is mainly materialised in webinars, but also generates content in other types of media such as articles, news or videos that entrepreneurs can view in the press and social networks. The contents generated around Companies Hub are an instrument for the dissemination of the knowledge and expertise of the entity with a conversation in networks with a 100% positive sentiment.

The main themes are: recovering from the crisis, transforming oneself to face the future, sector specialisation, as well as leadership, professional skills and trends. During the first half of the year, the Editorial Committee reformulated the editorial line of Companies Hub, adapting it to the Bank's current strategic plan. Meetings on international business, meetings related to some sectoral offers, and a specific cycle on the Next Generation EU funds aimed at helping companies to prepare strategically, among many others, would stand out in this regard.

During 2021, the project has continued to grow and increase both the number of webinars and the participation and impact generated by Companies Hub, because the change from face-to-face to online has meant a leap in scale that has allowed it to reach many more freelancers and companies throughout the country. In total, 111 webinars were held (76% increase compared to 2020) in which 49,026 companies and freelancers participated (180% increase compared to 2020), with an average participation of 442 attendees per meeting (12% increase compared to 2020). The evaluations of the sessions continue to reflect the great reception and acceptance of the contents by Spanish companies, with an overall rating of 8.86 out of 10, with 42% of the participants giving them a score of 10.

In addition, 75 videos summarising the sessions were made for dissemination on the bank's social networks, and more than 75 articles and news items were published in different branded content spaces in print and online media about Companies Hub and its support for companies, as well as the topics covered in the webinars.

All this has generated 1,624 mentions in social networks and offline and online media, reaching a total audience of 197,627,051 users, which represents an increase of 68,004,081 vs. 2020 (52.46%).

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.

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 3,541 collaboration agreements with active professional associations, enabling us to reach 3,300,000 professional association members, of whom 611,800 are customers of the Bank and benefit from our customised services. This channel accounts for more than 12% of the business segments.

Official Agreements and Guarantees

From the Official Agreements and Guarantees Department, we have managed new agreements with different bodies, both territorial and national and supranational, to help companies manage their financing and guarantee needs, with the clear purpose of adhering to our pacts to fight climate change and strengthen the digitalisation of companies.

To this end, new lines have been signed with the Official Credit Institute (ICO), such as the ICO Red.es, which aims to help both companies and study or research centres in digitalisation, the creation of new technologies and the application of Artificial Intelligence.

New European Investment Bank (EIB) lines have also been signed up, providing us with ECO Friendly lines, such as EIB Investment and Climate Change.

The current post-pandemic situation has not been neglected and that is why we are implementing lines such as EIB DRS and EIB LRS that serve to boost productivity and competitiveness.

In 2021, the main activity of the management team was to manage the ICO State COVID guarantee lines (ICO Liquidez and ICO Inversión), which provided aid to alleviate the impact of the COVID-19 crisis on the economy of the self-employed, SMEs and companies. In many cases, this has been so thanks to the additional guarantee provided by the Mutual Guarantee Societies.

In the third quarter of the year, the Code of Good Practice has been implemented for those companies that have needed additional aid, Banco Sabadell adhering to the extension for 2022.

Management's objective for 2022 is to increase the market share in the marketing of Official Agreements (ICO and EIB) and Guarantees (SGR) in order to contribute positively to the bank's profitability and investment ratio.

To this end, the main partners will be the Mutual

Guarantee Societies (MGS), which will help to reduce endowments and lower capital consumption, as well as the different organisations that will help to obtain better conditions to help our customers.

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:

- Spread (Million euro): 243 (8.40% of the total).
- Mortgages (new contracts): 10,347 (29.48% of the total).
- Customer acquisition: 39,929 (11.50% of the total).
- AutoRenting vehicle lease (new contracts): 604 (10.53% of the total).
- Mutual funds (average balance in Million euro): 1,615 (6.66% of the total).

Five new branches were set up this year for top mortgage partners (a total of 5 offices), 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 line.

Commercial Products

Financial services

Digitalisation continues to be one of the major challenges that we have kept addressing in 2021 in order to provide the best service to our customers in their collection and payment management.

In order to adapt to the needs of business customers, the new maximum amount of 100,000 euros that European regulations allow for immediate payments has been incorporated. Banco Sabadell was also one of the first European banks to offer its companies the possibility of making transfers from their accounts in other banks, through the account aggregator service of our internet banking.

Payment Methods

The POS business has continued to be impacted by the crisis situation due to COVID-19. With the gradual improvement in consumption and domestic tourism, Banco Sabadell has achieved cumulative growth of 17.5% and made available to its customers more than 400,000 physical and e-commerce terminals. The bank has maintained its policy of offering an advanced and personalised service to its retail customers and, to this end, has reinforced its network of POS and e-commerce specialists. In addition, it has increased the platform's services through an integration agreement with American Express.

Through the subsidiary PAYCOMET, which specialises in digital payments, the launch of innovative products continued to be promoted, in particular a solution adapted to

the collection of online hotel bookings, call centre payment management, etc.

Banco Sabadell was also the first Spanish financial institution to integrate the Click to Pay standard, demonstrating its leadership in the world of payment methods.

The use of corporate cards has intensified, with 25% more cards processed than in the previous year.

In order to adapt products to customers' needs, an analysis of the portfolio of services associated with corporate cards has been carried out in order to offer differentiated products that add value to our customers.

Cash Management Service

During the year, work continued on the optimisation and digitalisation of cash, to help shops, businesses and administrations in the management of both coins and banknotes.

In 2021, 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.

Funding Solutions

Working capital financing has been recovering throughout 2021 as business activity has picked up, especially from the second quarter onwards. This type of funding was particularly affected in 2020 by the COVID-19 crisis. The economic recovery has boosted the use of working capital lines and companies have continued to make active use of short-term financing products such as factoring and reverse factoring, and other more traditional products such as trade discounting and credit facilities.

The recovery in 2021 has led to a 7% increase in factoring activity. Reverse factoring performed better increasing by 19%.

Also noteworthy in 2021 was the significant use of solutions linked to the ICO guarantee lines through the offer of credit and confirming policies.

It is also worth highlighting the central role of financing solutions to help companies and the self-employed to face the economic effects of COVID-19, with an offer mainly linked to ICO lines and with special relevance during the first half of the year.

The volume of production in loans to companies, SMEs and the self-employed has been high during the first half of the year, still linked to the effects of the COVID-19 pandemic, while during the second half of the year there has been a lower demand for new loan production as a result of the start of the recovery of economic activity. However, overall, in 2021 loan demand has returned to pre-pandemic levels.

Financing for sustainable projects is one of our priorities and this year we have continued to formalise operations with ECO products and, in addition, we have incorporated a better offer for these operations, which will

enable us to achieve our objectives of strengthening our commitment and will to accompany our customers in the transition to a more sustainable economy.

Renting and leasing

The year was marked by the effects of the pandemic and mobility restrictions, which led to a decrease in product activity. In addition to these factors, the semiconductor crisis has had a decisive impact on the lack of vehicle stocks, which further exacerbated recruitment difficulties despite the timid recovery in demand.

On the positive side, the focus since 2020 on the supply of sustainable vehicles has led to a considerable increase, with the result that currently 12% of all new hires are sustainable.

At the same time, the digital product range was reinforced in order to increase the uptake of online leads and sales through this channel.

At the corporate level, 2021 was closed with the sale of the renting subsidiary to ALD Automotive, Europe's number one operator, which will entail a leap in quality both in terms of supply and competitiveness, separating the industrial part of the product and focusing on the commercial activity of Banco Sabadell's network.

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 2021, Banco Sabadell increased its range of sustainable leasing products, including Eco Leasing Inmobiliario for financing properties with energy certificate A or B, Leasing Autoconsumo for financing photovoltaic installations and Eco Leasing Vehículos for vehicles with an ECO or Zero energy label.

In terms of leasing production in 2021, there was an increase in activity compared to December 2020 of 49% in volume and 46% in the number of contracts, with a notable increase in operations under official agreements and, specifically, the ICO state guarantee line.

Company Insurance

During the year 2021, we have worked on building a differential value proposition that will enable Banco Sabadell to be a benchmark for our customers in the world of business insurance. Improvements to the product and commercial proposition have begun to be defined and will start to materialise over the coming year.

The objective is to adapt the insurance offer to each segment of SME, retail, business and self-employed customers, seeking to offer a comprehensive product offering, with a competitive product accompanied by a quality service.

In order to meet the proposed challenges, the figure of the company insurance specialist will be strengthened to provide him/her with the tools and autonomy necessary to offer a quality service to customers.

International solutions

There has been a focus on implementing new solutions or services aimed at meeting the needs of International in a new scenario for post-COVID companies, reinforced by active support from the International Business Managers.

In terms of financing, the ICO Comex Lines have been launched to support companies with foreign trade business to help them with an active commercial distribution aimed at facilitating the growth of companies abroad.

At the same time, an agreement has been reached with Opportunity Network, a fully digital service, to jointly market the service to Spanish companies, so that they can include their products and services on this platform, seeking a commercial counterpart anywhere in the world.

Another differentiating element is the implementation of eUCPs at the guarantees level. The ICC published new guidance on the use of UCPs. As an entity, we have provided this information and training to interested companies, and we have also provided them with the published

documentation. The specialist Managers of International Business have incorporated it into their discussions with customers and helped them to incorporate the new rules into the normal dynamics of the companies.

In terms of training, we continued with the 4th cycle of the Sabadell International Business Program for companies, dedicated to training companies in important aspects of foreign trade in order to be able to carry out an International Business Plan in the most professional and efficient way. In addition, the environment is conducive to completing this six-month training course with a university degree in a completely digital way.

The specialised monthly foreign trade newsletters continue, incorporating topics aimed at companies, talking about markets, international administrative procedures, specialisation by sector of activity, etc.

The specialised InCompany Training courses on international business have also been reactivated, coinciding with the needs of companies with new incorporations in the foreign trade departments, which make it necessary to be able to explain first-hand the technical tools to ensure maximum security for foreign operations.

In terms of shares of documentary operations, the most significant at the level of companies are the Export Letters of Credits (32%), increasing the positioning and validating the reference that one out of every three operations in Spain goes through Banco Sabadell, showing that the bank is an entity actively focused on Companies serving foreign trade.

Corporate & Investment Banking

Corporate Banking coordinates specialised teams to offer an innovative, global service tailored to customer needs.

Business overview

CIB (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.

This year, following the succession of the Group's governing bodies, a new structure of the Bank's business was established, with CIB becoming one of the three essential units of the Bank, together with Retail Banking and Business Banking, a division structured by differentiating the needs of customers and the capacities of each of the three different banks to provide the best service to them.

CIB structures its activity around two axes: the customer axis, whose objective is to provide service to

its natural customers across the entire spectrum of their financial needs, delimited by their nature and which includes the large Corporate Banking corporations; financial institutions, Private Banking in the USA, and the venture capital business developed through BS Capital and, secondly, the Specialised Businesses area, which groups together the activities of Structured Finance, Treasury, Capital Markets and Contracting and Custody, whose objective is to provide advice, the aim is to advise, design and execute tailor-made operations that anticipate the specific financial needs of its customers, whether companies or individuals, extending its scope from large corporations to smaller companies and customers, insofar as its solutions are the best response to increasingly complex financial needs.

Management milestones in 2021 and priorities for 2022

During 2021, CIB has maintained its objective of prioritising the delivery of value to customers and thereby contributing to their future growth and performance. In this endeavour, it has continued to innovate and boost its specialist capabilities, especially in the areas of Capital Markets and Structured Finance, which are now able to meet 100% of its customers' financial needs. Our teams are also constantly expanding their international coverage, always focusing on those markets in which our customers invest or have commercial interests.

2021 has been characterised by the active accompaniment of customers in the recovery and normalisation of their business volumes and activity, as the health crisis triggered by the COVID-19 pandemic has been controlled and normalised, focusing on the search for optimal solutions to restore stability to their financial profiles, adapting them to the needs, demands and requirements arising as a result of the changes in the economy and mode of operation that the pandemic situation has brought with it.

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 different countries where we operate, have not only the specialisation of the large corporate segment but also the knowledge and penetration differentiated by sectors of activity in order to be able to better understand and serve customers according to their own and sector's singularities.
- 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 and transmitting value to our customers.
- Specialisation. CIB has units that develop tailor-made products for large corporations and financial institutions (Corporate Finance, Project Finance, Project Bonds, Operation Syndication, Commercial Paper Programmes, Debt Issuance, M&A, Asset Finance, Derivatives, Risk Hedging, etc.). The units responsible for developing these customised products have a transversal vocation across the entire Banco Sabadell Group, also extending their capacities to the Corporate 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 specialised financing and large corporates. In this sense, we create the necessary spaces and mechanisms for our teams to dedicate part of their time to innovation, understood in its broadest sense: innovation in products, in operations and also in the way we collaborate and interact.

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

Customer Axis

Corporate Banking Europe

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 transaction 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 economic activity and the markets in which they operate.

This unit also includes a series of branches and offices abroad, notably in London, Paris and Lisbon, from where the international activity of our domestic customers is supported and serviced, and the international business of Corporate Banking is developed.

In addition, this customer unit integrates the activity carried out by BS Capital, which carries out the Group's Venture Capital and Private Equity activities, managing the industrial (non-real estate) investees. Its activity is instrumented through the taking of temporary holdings in companies, with the aim of maximising the return on its investments.

2021 has been characterised by the active accompaniment of our customers in the recovery and normalisation of their business volumes and activity, as the health crisis triggered by the COVID-19 pandemic has been controlled and normalised, focusing on the search for optimal solutions to restore stability to their financial profiles, adapting them to the needs, demands and requirements arising as a result of the changes in the economy and the way of operating that the pandemic situation has brought with it and helping them to strengthen their financial situation.

This year, therefore, has been characterised by financial stability, in which large companies have benefited from comfortable levels of liquidity, a legacy of the previous year, which has materialised in a slight decrease of 4.95% in the lending levels over the course of the year, reaching 11,336 million euros, of which 34.29% correspond to credit positions outside Spain (the decrease in credit positions in the international sphere is 13.91%). In the international arena, the evolution of business was also marked by the focus on optimising the Group's capital consumption, combined with improved profitability. The volume of deposits grew by 25.44% in 2021, with a particular concentration in Eurozone geographies.

Earnings, in absolute terms and expressed as spread, declined by 7.94% over the year, mainly as a result of

the aforementioned moderation in lending volumes. As regards profitability in RAROC terms, specifically in the EMEA region where its performance is closely monitored, was 12.92% at year-end, a very positive level, although it was influenced by an increase in marginal cost of customer deposits and a certain rise in the cost of credit risk, both of which were partly offset by the larger contribution from commissions and, in particular, those associated with value products (M&A, DCM, ECM, Structured Fin., Derivatives, etc.).

For its part, 2021 was an exceptional year for BS Capital, in which it divested several of its most significant investees, achieving a record result in its history. Thus, during the year, BS Capital has been very active in portfolio management, especially in the companies most affected by the impact of COVID-19. Among the year's milestones were the formalisation of the sale of the majority stake in Aurica Capital Desarrollo to its management team; the start of the fundraising process for Aurica IV, whose investors include Grupo Banco Sabadell as anchor investor, and the granting of the first industrial mezzanine loans.

Exceptional year for BS Capital, with remarkable operations in the renewable energy sector.

Equally noteworthy is the signing of an agreement with the European Investment Fund (EIF) for a Pan-European Guarantee Fund guarantee programme (EGF) for venture debt and renewable loans; the EIB's approval of a co-financing agreement with Sabadell Venture Capital for granting venture debt loans to technology companies and the closing of the contractual structure of the Senior Debt Fund (Crisae) for financing Spanish mid-market companies, of which a first closing has already taken place, with the participation of Grupo Banco Sabadell and external investors, and the investment period has begun.

Lastly, milestones for 2021 include the approval of a new framework for renewable energy activities for 2021-2026 with a focus on Spain, for which the first investments have already been made, and the sale of the stakes in Termosolar Borges and Villoldo Solar.

The year 2022 presents a series of challenges, including finally leaving behind the effects of the pandemic that began in 2020 and fully recovering the economic and business levels of pre-pandemic activity, which Corporate Banking faces by reinforcing its strategy of focusing and improving the contribution of value to the segment of large corporations in the various markets in which they operate, with a range of services covering 100% of their financing needs, in both the short and long term, in the domestic market and supporting the international activity of its customers through its international network, being a financial provider of reference in all specialised areas. The contribution of value to customers in the large corporations segment and the improvement in profitability for our shareholders are the two fundamental pillars of the management of this unit, which will also focus next year on optimising capital consumption, with the aim of increasing the return on capital consumed.

In the BS Capital area, priority will be given to equity and debt investments, with the support of international organisations such as the EIB and the EIF, while continuing to manage the current portfolio with the same standards as in previous years and with the clear objective of creating long-term value. As regards renewables,

financing opportunities will continue to be sought, consistent with the new investment framework, and potential sales of assets in Spain and Latin America will be analysed. The venture debt activity and the rotation of the venture capital portfolio will be supported by seeking divestments with capital gains and Crisae will continue with the origination and execution of operations (mobilisation of funds raised) and a new external fundraising process will be carried out to increase the investment capacity of the vehicle.

Corporate and Private Banking USA

Banco Sabadell has been operating in the United States for more than 25 years through an International Full Branch managed from Miami and Sabadell Securities USA, set up in 2008 and operational since then. These business units together manage the international corporate banking and private banking business in the United States and Latin America.

Banco Sabadell Miami Branch is the largest International Branch in Florida. It is one of the few financial institutions in the area with the capacity and experience to provide all types of banking and financial services, from the most complex and specialised services for large corporations to international private banking products, including those products and services that may be required by 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, for its part, is a stockbroker and investment advisor in the securities market that complements and strengthens the business strategy aimed at Private Banking customers residing in the United States, responding to their needs by providing investment advice in the capital markets.

The 2021 financial year was characterised by the Branch's alignment with the priorities set out in the 2021-23 strategic plan. To this end, strategies were defined,

and processes designed to improve the return on capital, develop the Private Banking business, reduce costs and control NPLs. Thus, different initiatives aimed at achieving each of these objectives have been carried out.

In the area of improving return on capital, it is worth mentioning the implementation of processes to improve the flow of data required for regulatory capital calculations, as well as the evolution and optimisation of profitability tools per customer, with the consequent review of operations to analyse and calibrate their return on capital consumption. The favourable market conditions also allowed the sale of certain proprietary portfolio positions whose capital consumption exceeded the optimum, generating significant capital gains in addition to the capital release resulting from the sale.

The Private Banking business continued to be boosted by upgrading the technological platform (Phase II of the Aspire Project) to improve customers' capabilities; the use of the products available was expanded, deepening the diversification of income sources, with particular emphasis on commissions generated from transactions; the profitability offered to customers was improved by rebalancing between traditional banking products and investment banking, which also boosted the generation of commissions for the unit and progress was made in coordinating the Private Banking infrastructure, enabling synergies to be exploited and offering a wider range of investment products to corporate customers.

In the area of costs, the efficiency plan initiated in 2020 continued, with particular emphasis on investments to improve the efficiency of processes and services to customers and, in the area of NPL control, the processes for detecting and monitoring credit operations affected by the negative consequences of the pandemic were further developed.

As mentioned above, during the year 2021, the upgrade of the technological platform (Aspire Project) continued to improve the capabilities available to customers and the business and support units, phase II of which is being completed and phase III is pending commencement, which is expected to be completed in 2023, and the project to migrate interest rates from LIBOR to RFR (Risk Free Rates) was launched. These two initiatives are part of the operational improvement plan to adapt the technological infrastructure to the new financial environment.

Turning to the financial figures, it is worth noting that during the 2021 financial year, the volume of business managed exceeded 14,500 million US dollars, an increase of 3.5%. Both the balance of loans and the volume of deposits remained stable, with the former at around 5,800 million US dollars and the latter at around 3,900 million US dollars. Off-balance sheet customer assets under management increased by 6.7% to close at almost 4,900 million US dollars.

Net interest income was 122 million US dollars, down 5.9% year-on-year, mainly due to lower official interest rates. Net fee income was 53 million US dollars, an increase of 16% compared to 2020. Gross income remained

stable at around 175 million US dollars for the year, while administrative and amortisation expenses were up 2.4%, reflecting investments in the technology platform. Net profit for the year was 75 million US dollars, in line with the previous year's profit.

Specialised businesses

Structured finance

The Structured Finance Division 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.

The Structured Finance activity focuses on the study, design, origination and syndication of corporate finance products and operations, acquisitions, project & asset finance, global trade finance and commercial real estate, with the capacity to underwrite and syndicate operations at national and international level, as well as being active in the primary and secondary markets for syndicated loans.

Activity of the Structured Finance Division

Line 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 manages the commercial and operational relationship with the international banks with which Banco Sabadell has collaboration and correspondent agreements (some 3,000 correspondent banks around the world), thus guaranteeing maximum coverage for the Banco Sabadell Group's customers in their international transactions. Thus, it ensures optimal support of customers in their internationalisation processes, in coordination with the Group's international network of branches, subsidiaries and investees.

In 2021, Banco Sabadell, thanks to its policy of accompanying customers and adapting to their needs, to seek the best responses to their credit requirements within the possibilities offered by the credit markets in the specific macroeconomic environment, maintained its benchmark position in the Business Banking segment in Spain, good work that is being exported to other geographies. In this context, Financiación Estructurada ranked 4th in the MLA rankings for syndicated loans and 2nd in Project Finance in the Spanish market.

2nd place in the Project finance MLA – Spanish market 2021.

Million euro

Ranking	Mandated Lead Arranger	Deal Value	Number of operations
1	Santander	8,265	162
2	BBVA	5,230	123
3	CaixaBank	6,671	120
4	Banco de Sabadell	3,267	90
5	BNP Paribas	5,424	41
6	SG Corporate & Investment Banking	1,935	34
7	Credit Agricole CIB	1,964	29
8	ING	2,108	24
9	Deutsche Bank	1,528	23
10	Bankinter	665	22

Syndicated loan MLAs
— Spanish market
2021

Million euro

Ranking	Mandated Lead Arranger	Deal Value	Number of operations
1	Santander	985	20
2	Banco de Sabadell	397	11
3	BBVA	334	6
4	BNP Paribas	323	5
5	ING	309	5
6	Abanca Corporación Bancaria, S.A.	131	4
7	Bankinter	154	4
8	CaixaBank	202	4
9	SG Corporate & Investment Banking	245	4
10	Credit Agricole CIB	187	3

Project finance MLA
— Spanish market
2021

The 2021 financial year was characterised by the good performance of Specialised Financing (Project Finance, Acquisition Financing, Commercial Real Estate, etc.), which offset the lower demand for corporate financing following the liquidity injections received by the system in 2020, confirming the adaptation of the teams to remote work, combined with face-to-face work where possible. This adaptation has been successful in all geographies, without affecting the agility of the processes, thanks to the technology available and the quality and involvement of the human team.

At the end of the 2021 financial year, and looking ahead to 2022, which will still be marked by the effect of the pandemic that began in 2020, our top priority remains to support the customers by designing long-term financing structures for new projects, acquisitions, internationalisation, etc., as well as syndicated operations that guarantee a stable and complete debt for post-COVID-19 debt management, assessing the positive potential of possible solutions combined with capital market products.

Treasury and Markets

Treasury and Markets is responsible, on the one hand, for marketing Treasury products to the Group's customers, through the Group's units assigned for this purpose, both from commercial networks and through specialists and, on the other, for managing the Bank's current liquidity, as well as managing and complying with its regulatory coefficients and ratios. In the same way, it manages the risk of the portfolio activity itself, interest rate risk, and different types of exchange rates, mainly due to in and out flow operations with customers both internally and externally, coming from the activity of the distribution units itself.

In 2021, the Treasury and Markets Division further developed the digitalisation of its customer operations by improving the Sabadell Forex currency application, expanding its product catalogue and enhancing customer satisfaction. In particular, the range of products and solutions offered by management was increased to adapt to the changing market situation which has generated new customer needs, and the trading capacity to assume and control various risk factors such as currency, fixed income and interest rates was improved.

Looking ahead to the new financial year 2022, it is expected that the activity related to currency products will continue to be a central pillar of the strategy and, in this regard, projects related to the Sabadell Forex platform will be promoted to provide differential services of value to customers. As regards the institutional customer segment, work will continue to expand the international investor base for capital market products. 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.

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 (Mergers & Acquisitions) areas, it provides advice on company acquisitions and sales, mergers and the incorporation of new shareholders.

2021 has been the year of consolidation of the MMCC franchise for companies in Banco Sabadell, as well as the start of the commercialisation of several of the projects launched.

The team is once again one of the most active in the origination of public issues, having participated in more than 60 public issuances, most notably those of corporates and financial issuers. 2021 was another record year in terms of the Capital Markets Division's participation in commercial paper programmes, maintaining a market share of over 15%.

One of the basic pillars of activity is the closing of niche operations, such as Project Bonds, securitisations or Direct Lending, with a view to becoming a benchmark in the green world. Of particular note among the operations this year were the structuring of the financing of future credit rights through a securitisation fund and the design of derivatives for operation and maintenance contracts for power generation plants. The purchase of the credit rights has been financed with a long-term bond issue that has been listed on the MARF with an investment grade and green rating.

In renewable energy project bonds, a total of six operations were closed for an aggregate amount of 722 million euros, including two operations secured by a monoline with an S&P rating of AA, as well as three operations at Holdco level.

MMCC continues to focus on offering tailor-made financing solutions, in bond or loan format, in various sectors, from Real Estate to Infrastructure, especially in the domestic middle market segment.

The Equity Capital Markets team has strengthened its position with a number of operations, including being Bookrunner of the Cellnex capital increase and the IPO of Ecoener, as well as co-leads in the IPO of Acciona Renovables.

In Mergers and Acquisitions (M&A), the Bank advised

the shareholders of the Castellón-based tile manufacturer Equipe on its merger with Italy's Italcerc, as well as the Valencian pre-prepared convenience food company Foodiverse on the purchase of the healthy food wholesaler Comfresh; advised Alicante-based Chocolates Valor on the purchase of Portuguese chocolate and confectionery company Imperial; the shareholders of the hybrid plant Termosolar de Borges on its sale to Q Energy and the shareholders of a 14MW wind farm to Italy's PLT Energía. It has also advised the Gipuzkoan seafood products company Angulas de Aguinaga in the purchase of the Italian fish ready meals company Deligusti and the Navarre-based photovoltaic capital goods company STI Norland in its sale to the US company Array.

MMCC's strategy in 2022 is to consolidate, maintain and improve the quality standards in the activity, mainly in the process of channelling institutional financing to our SME customers, as well as to conclude the commercialisation of two large projects such as the Senior Debt Fund and the institutional factoring initiative.

Trading, Custody and Research

CCA is the unit responsible, as product manager, for the group's equities, performing the functions of execution in equities, through the trading desk, both in domestic markets, where it acts as a member, and in international markets, as a mere intermediary.

It has an Analysis Department whose objective is to guide and recommend investments in equity and loan markets for customers. To this end, they produce podcasts, webinars, videos, daily reports, sectoral reports, company reports, etc.

In the first half of 2021, the transfer of the bank's institutional depositary business to BNP Paribas Securities Services S.C.A., branch in Spain, was completed, closing the agreement reached between both parties on 28 March 2020.

Developments were also made to the online platforms throughout 2021, in line with the new strategic objectives of the Banco Sabadell Group, based on the pillars of sustainability, digitalisation and customer focus. These developments, which will continue over the next few years, will considerably increase the level of service offered to the customer, with better solutions in transaction processing and greater support in decision-making.

The renewal of the online platform, with a major qualitative leap in information service and market access compared to the previous one, has provided customers with quality solutions based on self-service, enabling them to make investment decisions with maximum efficiency.

Currently, 95% of orders are channelled directly by customers, using the tools that Banco Sabadell makes available to them, with the mobile application being the preferred channel for these operations.

For the 2022 financial year, the main objective is to increase brokerage volumes in the Spanish and international equity markets, based on three main lines of action: the continuous improvement of the customer satisfaction,

adding value with the recommendations and investment ideas of our analysis service; the creation of new ways of investing in the stock market, with new products that meet the needs and expectations of the most advanced investors

in the financial markets and, thirdly, the determined promotion of our international agent banking service for Spanish listed companies that seek financing in international regulated markets, both equities and fixed income.

Product innovation in the areas of Capital Markets and Structured Finance.

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 model, including fully digital (internet and mobile), telephone and national branch banking service.

We believe that TSB's multi-channel offer creates an opportunity for TSB to serve customers better. Customers want a bank that gives them access to both skilled people and simple digital tools to meet their banking needs and this, in turn, improves their confidence in managing their money. TSB continues to invest in the development of digital products and services that meet current and future customer needs. Combined with the way that TSB serves its customers over the phone or in its network of branches across the whole of the country, TSB lives up to its purpose of "Money Confidence. For Everyone. Every day."

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 team priorities in 2021

While 2020 was defined by the response to the pandemic, 2021 was about getting back to growth and delivering the Money Confidence purpose. The three-year strategy, launched in 2019, is based on three pillars: customer focus, simplification and efficiency, and operational excellence. This strategy will be finalised next year when the Board and Executive Committee will incorporate our strategic developments and prepare the bank for even greater success in the future as we develop the next phase of the TSB story.

Executing Strategy

TSB's customer service is improving and customers have more ways of engaging with the bank than ever before. TSB is a simpler, more efficient and more resilient bank and has become more streamlined in how customers are supported with both modern digital services and

reassuring personal support in branch or over the phone when life events demand it.

In 2021 TSB recorded:

- outstanding growth in mortgages, breaking all previous records for TSB, including helping more than 16,000 first-time buyers to get their foot on the first rung of the property ladder;
- the new Spend & Save Plus current account – with additional features to help customers manage their money;
- partnerships that increase customers' financial security, such as with Wealthify and Freedom Finance; and
- 135 branch upgrades, and over 40 new 'pop-up' services to enhance our service to customers.

The new Technology Hub in Edinburgh and cloud-based architecture has provided a robust and stable digital platform that offers customers more convenient services quickly and cost-effectively. The enthusiasm of TSB's colleagues to adopt a digital-first approach has meant that better services can be provided more flexibly, including new video consultations for mortgage customers and chatbot TSB Smart Agent in the mobile app. Together, these have contributed to improved Net Promoter Scores (NPS) by customers for banking on mobile in the second half of the year.

TSB workers have taken ownership of the bank's purpose: "Money confidence. For Everyone. Every day" and find new ways to support customers, particularly through the continuing challenge of the COVID-19 pandemic.

Customers increasingly expect more from companies and want the brands they deal with to share their values. TSB's responsible business strategy – the Do What Matters Plan – ensures that the bank continues to grow sustainably and do the right thing by customers, colleagues and the communities that TSB serves. For TSB, this means setting the gold standard for consumer protection through its industry-leading Fraud Refund Guarantee, paying suppliers promptly, ensuring there are more women in senior roles, working towards stretching diversity goals, and getting on with the vital work to achieve operational net zero by 2030.

Key figures

Net profit stood at 118 million euros as of the end of the 2021 financial year, representing an improvement on last year's figure of -220 million euros, due to higher core revenues, lower costs and fewer provisions.

Net interest income amounted to a total of 1,011 million euros, 14.3% higher than in the previous year due to the strong growth of mortgage volumes.

Net fees and commissions increased by 24.9% year-on-year, mainly due to higher service fees, particularly card fees.

Operating expenses stood at -785 million euros and decreased by 10.3% year-on-year, due to the improvement

of both staff expenses and general expenses. In 2021, -19 million euros of non-recurring costs are recorded as a result of office closures.

In 2021 the expense for provisions and impairments has been offset by the release of provisions for COVID-19 due to updated macroeconomic scenarios with minor unemployment and a higher house price index. The previous year incorporated extraordinary provisions associated with the impact of COVID-19.

Tax relief of 23 million euros is recorded under corporation tax in 2021 related to the UK parliament's enactment of a corporation tax increase from 19% to 25% to take effect as from April 2023.

Million euro

	2021	2020	Year-on-year change (%)
Net interest income	1,011	885	14.3
Fees and commissions (net)	121	96	24.9
Core revenues	1,132	981	15.3
Net trading income and exchange differences	2	25	(90.3)
Equity-accounted income and dividends	—	—	—
Other operating income and expenses	(33)	2	(2,096.3)
Gross income	1,101	1,008	9.2
Operating expenses and depreciation and amortisation	(942)	(1,035)	(9.0)
Pre-provisions income	159	(27)	(685.4)
Provisions and impairments	—	(240)	(100.0)
Gains on sale of assets and other results	(9)	(4)	120.6
Profit/(loss) before tax	150	(271)	(155.4)
Corporation tax	(32)	51	(162.6)
Profit or loss attributed to minority interests	—	—	—
Profit attributable to the Group	118	(220)	(153.7)
ROE (profit / average shareholders' equity)	4.5%	—	—
Cost-to-income (general administrative expenses / gross income)	71.3%	86.8%	—
NPL ratio	1.4%	1.3%	—
NPL coverage ratio of stage 3 with total provisions	38.1%	57.4%	—

Key figures of the banking business UK

In TSB, gross performing loans to customers has grown by 19.1% year-on-year, supported by the appreciation of sterling. At a constant exchange rate, this item increased by 11.3% year-on-year due to the growth of the mortgage portfolio.

On-balance sheet customer funds increased by 11.9%. At a constant exchange rate, there has been a growth of 4.6% year-on-year due to the increase in current accounts reflecting higher levels of consumer saving.

	2021	2020	Year-on-year change (%)
Assets	55,657	47,284	17.7
Gross performing loans to customers	44,050	36,977	19.1
Liabilities	53,012	45,566	16.3
On-balance sheet customer funds	42,779	38,213	11.9
Wholesale funding in the capital markets	2,975	2,319	28.3
Allocated capital	2,645	1,736	52.3
Off-balance sheet customer funds	—	—	—
Other indicators			
Employees	5,762	6,709	(14.1)
Branches	290	454	(36.1)

Key figures of the banking business UK

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 (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 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, 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 loans. By the end of 2021, the closure of the digital businesses began as a strategy to give greater impetus to traditional banking, which will be completed by the beginning of 2022.

Management priorities in 2021

During the year, the global COVID-19 pandemic continued to wreak havoc, affecting various sectors of the economy in Mexico and other countries, leading to the closure of businesses and hence a slowdown in lending and higher non-performing loans (NPLs). In this context, the Mexican subsidiaries (Banco Sabadell, IBM) performed well, since the numbers are above the budget for the year.

During 2021, 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 Fiduciary Division and the transaction of Derivative Financial Instruments were strengthened, enabling a more comprehensive service to be offered to the structured finance segment, which strengthens the link with customers.
- In Business Banking, we continued to enhance our transactional capabilities, an initiative that will continue in 2022. 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.
- In the Retail Banking segment, the decision was taken at the end of the year to start closing the digital businesses in order to focus on those businesses where there are greater competitive advantages that will improve the Bank's profitability.

Other horizontal initiatives implemented in the year include: 1) a delinquency prevention plan with restructuring support, 2) strengthening IT architecture, and 3) 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 2021 in line with that of Banco Sabadell Group to determine the main lines of strategic approach 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 income 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 customer onboarding platform.

On 6 July, HR Ratings ratified the long-term and short-term credit ratings in Mexican national scale, maintaining HR AA+ (long-term) with Stable Outlook and also maintaining HR1 (short-term) which is based on the financial and operational support from Banco Sabadell, and which continues to show low delinquency levels, in addition to solvency levels and the diversification of the loan portfolio per geographic area.

Key figures

Net profit at the end of the 2021 financial year amounted to 1 million euros, representing a decline in year-on-year terms, mainly due to reduced net interest income and increased costs and provisions.

Net interest income amounted to 113 million euros having fallen by 1.4%, affected by reduced volumes.

Net fees and commissions amounted to 11 million euros, 41.6% higher than the previous year due to one-off transactions and increased activity.

Operating expenses stood at -81 million euros having increased year-on-year, mainly due to higher staff and IT costs.

Provisions and impairment losses amounted to -32 million euros, higher than in the previous year mainly due to impairment and credit risk calculation models update.

Million euro

	2021	2020	Year-on-year change (%)
Net interest income	113	114	(1.4)
Fees and commissions (net)	11	7	41.6
Core revenues	123	122	1.2
Net trading income and exchange differences	—	4	(98.1)
Equity-accounted income and dividends	—	—	—
Other operating income and expenses	(10)	(14)	—
Gross income	114	112	1.3
Operating expenses and depreciation and amortisation	(89)	(82)	9.4
Pre-provisions income	24	30	(20.5)
Provisions and impairments	(32)	(28)	17.4
Gains on sale of assets and other results	(0.011)	—	—
Profit/(loss) before tax	(8)	3	(382.0)
Corporation tax	9	1	557.9
Profit or loss attributed to minority interests	—	—	—
Profit attributable to the Group	1	4	(88.1)
Cumulative ratios			
ROE (profit / average shareholders' equity)	0.1%	0.8%	—
Cost-to-income (general administrative expenses / gross income)	71.1%	64.3%	—
NPL ratio	1.0%	0.5%	—
NPL coverage ratio of stage 3 with total provisions	265.7%	231.6%	—

Key figures of the banking business Mexico

Gross performing loans to customers grew by 5.6% year-on-year, supported by the appreciation of the Mexican peso. At a constant exchange rate, this item fell by 1.3% due to a conservative policy for granting new loans.

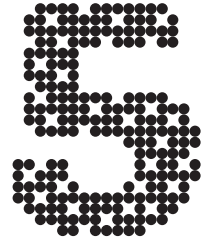
On-balance sheet customer funds increased by 23.0% year-on-year, supported by the evolution of the Mexican peso exchange rate. At a constant exchange rate, this item increased by 16.2%.

Million euro

	2021	2020	Year-on-year change (%)
Assets	5,128	4,584	11.9
Gross performing loans to customers	3,773	3,574	5.6
Real estate exposure (net)	—	—	—
Liabilities	4,550	4,041	12.6
On-balance sheet customer funds	2,453	1,993	23.1
Allocated capital	578	551	4.9
Off-balance sheet customer funds	—	—	—
Other indicators			
Employees	453	489	(7.4)
Branches	15	15	—

Key figures of the banking business Mexico

Risks



- 95 Strategic risk management and control processes
- 95 Main 2021 milestones in risk management and control
 - Strategic risk
 - Credit risk
 - Financial risk
 - Operational risk
 - Compliance risk

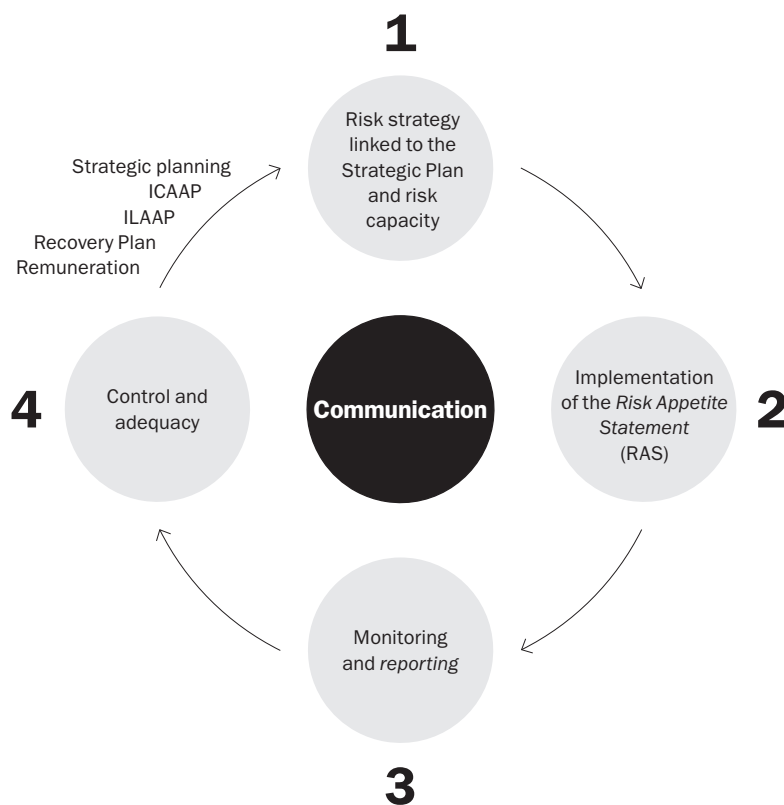
In 2021, Banco Sabadell Group continued to strengthen its Global Risk Framework by making improvements in line with best practices in the financial sector.

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 2021 milestones in risk management and control

Below are the most noteworthy aspects in terms of their management and actions of the first-tier risks identified in Banco Sabadell Group's risk taxonomy in 2021:

Strategic risk

Definition:

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 to adapt the Group's business model to the evolution of the environment in which it operates.

Main milestones in 2021:

(i) Strategy and reputation

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

(ii) TSB

- Throughout 2021, TSB has been completing the actions of its Master Plan to improve profitability and efficiency.

(iii) Improvement of the capital position

- The CET1 ratio improved to 12.22% in fully-loaded terms at 2021 year-end, driven significantly by organic capital creation. Generalised capital compliance with regulatory requirements.
- Total Capital also improved, ending 2021 at 17.65%, and the Leverage ratio increased from 5.04% to 5.81% year-on-year (in fully-loaded terms).

(iv) Profitability

- Group net profit amounted to 530 million euros in 2021. The Group's banking revenues remain strong and are close to pre-crisis levels.
- During 2021, a series of efficiency initiatives have been launched in Spain, which will help reduce recurrent costs and which include further digitalisation of customer services and process re-engineering.

Credit risk

Definition:

Credit risk refers to the risk of incurring losses as a result of borrowers' failure to comply with payment obligations, as well as experiencing a loss of value due to the impairment of borrowers' creditworthiness.

Main milestones in 2021:

(i) Non-performing assets

- Slight increase in the NPL ratio from 3.6% to 3.7%, mainly due to higher inflows from the regulatory changes in TSB and the repurchase of non-performing Spain portfolios.

(ii) Concentration

- From a sectoral point of view, diversified loan book with limited exposure to sectors with higher sensitivity to COVID-19 and with a downward trend.
- Also, in terms of individual concentration, the downward trend in the concentration risk metrics of large exposures continues, due to both a lower exposure (numerator) and an increase in capital (denominator). The credit rating of the largest exposures is affected, albeit not significantly, by a deterioration of balance sheets, resulting from the health crisis.
- In geographical terms, the portfolio is positioned in the most dynamic regions, both nationally and internationally. International lending continues to account for around a third of the loan book

(iii) Lending performance

- Gross performing loans continued to grow year-on-year in all geographies with growth of +2.3% in Spain, +19.1% at TSB and +5.6% in Mexico per annum.
- In Spain, year-on-year growth was mainly supported by commercial loan to companies, SMEs and the self-employed as well as by the increase in individual mortgages. The project finance portfolio was also dynamic, with particular traction in sustainable projects.

(iv) TSB loan performance

- At TSB, all loan categories showed solid growth, especially in mortgages. Growth in mortgages benefited from increased mortgage market activity, as well as TSB's operational resilience to absorb the increase in demand. Consumer loans and personal loans increased once the lockdown was lifted.

Financial risk

Definition:

Possibility of obtaining insufficient profitability or having insufficient liquidity such as to prevent compliance with requirements and future expectations.

Main milestones in 2021:

(i) Robust liquidity position

- Solid liquidity position, where the LCR (Liquidity Coverage Ratio) stands at 221% at the end of 2021 at Group level (194% at MLU TSB and 254% at Banco Sabadell Spain) and the NSFR (Net Stable Funding Ratio) at 141% at Group level (149% at MLU TSB and 137% at Banco Sabadell Spain) both at the end of 2021, after having optimised funding sources with access to new long-term financing from the ECB (TLTRO III) for a total amount of 32,000 million euros and with the Bank of England (TFSME) for an amount of 6,545 million euros, as well as maintaining a growing generation of commercial gap in 2021.
- The loan to deposits ratio at the closure of September 2021 is 96.3% with a balanced retail funding structure.
- Moreover, as regards capital markets, in 2021, Banco Sabadell fulfilled its issuance plan, and its strong investor appetite enabled it to optimise the associated costs.

(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 portfolio 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 whole-sale 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 has 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 2021:

(i) Digital transformation

- Sustained increase in the use of digital/assisted channels both in terms of volume and type of transactions, mainly due to the effects of the COVID-19 pandemic and the change in the business model, mainly at the retail level. 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.
- The implementation and adoption of telework, also derived from COVID-19, also caused a change in the risk profile associated with the execution of internal processes and it was necessary to implement specific controls aimed at protecting employees and information, incorporating the massive adoption of secure corporate laptops which have proven to be effective, as no events or incidents related to this new situation and way of working have been detected.

(ii) Business model transformation

- As a result of the changes and adaptations made on the occasion of COVID-19 and within the new Strategic Plan, the process of change and transformation towards a digital business model has been accelerated, in which customer relations have evolved towards greater use of non-face-to-face channels and, consequently, a reduction in the branch network.
- This process of change has driven the adaptation of the entity's systems, processes and activities, ensuring the robustness of the existing control environment, minimising exposure to risks and developing and implementing new opportunities arising from the transformation associated with the new business model.

Compliance risk

Definition:

Compliance risk, which is part of operational risk, is defined as the possibility of incurring legal or administrative sanctions, significant financial losses or reputational losses due to non-compliance with laws, regulations, internal rules and codes of conduct applicable to the banking business, minimising the possibility of non-compliance and ensuring that any non-compliance that may occur is identified, reported and dealt with diligently.

Main milestones in 2021:

(i) Promoting a culture of ethics and compliance among employees

- Designing and approving the new Code of Conduct.
- Strengthening of the Regulatory School to cover the training needs of employees in a user-friendly way in each of its classrooms: Regulators and Supervisors Classroom, Ethics and Conduct Classroom, Sale and Contracting of Products and Services Classroom, Prevention of Money Laundering and Counter-Terrorist Financing Classroom, Data Protection Classroom and Customer Service Space.

(ii) Planning and monitoring

- The Compliance establishes, applying the principle of proportionality in accordance with the nature, volume and complexity of its activities, a Compliance Programme which includes a detailed planning of its activities. This programme covers all services provided and activities carried out by the entity and defines its priorities based on the assessment of compliance risk and in coordination with the Risk Control function.
- In order to guarantee the effectiveness of the Programme, two half-yearly Monitoring Plans have been drawn up, which include two types of information: those that illustrate the activities developed from a quantitative perspective, with KPIs linked to the operational execution of the programme, and those that deal with qualitative variables.
- The action plan required to implement in the Bank the new obligations of Royal Decree-Law 7/21, which transposes the 5th EU directive on the prevention of money laundering and terrorist financing, has been carried out.

(iii) Relationship with supervisors

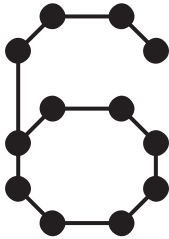
- Management maintains constant interaction with the main authorities supervising the Bank's activities.
- All requests received from the different supervisors have been dealt with within the established deadlines.

(iv) Incorporation of the Customer Service Department into the Compliance Division

- In May 2021, as a result of the new structure designed and aligned with the new Bank of Spain Banking Guidelines published in July 2021, the Customer Service Department will be incorporated into the Compliance Division, initiating a process of adaptation to its organisation and functioning.

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 Accounts for 2021.

Other material information



- 100 R&D and innovation
- 101 Acquisition and sale of treasury shares
- 101 Average period of payment to suppliers
- 101 Material post-closing events

R&D and innovation

The Group's technological activities have responded to the particular needs of each geographic area, particularly in Spain, where digitalisation, the strengthening of the new technological platform and the implementation of new working methods for employees stood out, while maintaining the search for efficiency and productivity. At TSB, efforts were focused on improving business capabilities and new channels of communication with customers.

In the domestic market

During 2021, a key focus has been the search for increased operational efficiency, leveraging on digitalisation and data management. In addition, the resilience and innovation of the technology platform has been strengthened by adopting the latest market trends.

Within the Retail and Business Banking area, of note were the digitalisation initiatives such as a new online support channel with a virtual assistant based on conversational capabilities and machine learning that enables customers to obtain immediate answers, a new 100% digital on-boarding system that makes it easier to attract new customers without the need to visit one of our branches, the promotion of new card-related functionalities, such as online contracting with direct download to the mobile wallet, and the enhancement of the user experience by improving our mobile application, which stands out as one of the leaders in app shop ratings.

At the branch level, with the aim of enhancing customer self-service capabilities and seeking greater efficiency in employees' tasks, new state-of-the-art ATMs and recyclers have been added, as well as improvements in communications systems.

Additionally, in 2021, the evolution of the new architecture PROTEO4 has continued, which enables the deployment of container-based applications both on-premises and in the public cloud in a transparent manner. The use of the public cloud allows us to shorten the time to market and improve the resilience and scalability of our digital services to customers. In the same framework, the Discovery programme has consolidated the use of new data centres and made progress in the decommissioning of old data centres, improving application performance and simplifying infrastructure management.

Another notable area was the management, governance and use of data, including the Data1, Horus and DoD – Definition of Default – programmes, consolidating the initiatives already started in 2020, which aim to automate data processing, create self-service models and strengthen and increase agility in the preparation of financial and regulatory reporting.

Finally, in the first quarter of 2021, the Next Generation Workplace programme will be completed, with the aim of enabling new work models for employees, providing them with new equipment and capabilities to develop their day-to-day work in a more flexible and efficient way.

In the international context

At TSB, much of the focus has been on providing new digital products, as well as improving the user experience in digital channels. These include conversational banking programmes and PCA (Personal Current Account) enhancement. Initiatives have also been implemented to improve efficiency, notably the Automation Factory programme and to improve card operations by boosting self-service.

Acquisition and sale of treasury shares

See note 23 to the consolidated Annual Accounts.

Average period of payment to suppliers

The average period of payment to suppliers by consolidated undertakings based in Spain was 27.30 days (11.35 days in the case of the Bank).

Material post-closing events

No material events meriting disclosure have occurred since 31 December 2021.

Non-Financial
Disclosures Report
for the year ending



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- SDG alignment

Banco Sabadell through its Sustainable Commitment reinforces its ESG roadmap.¹

<p>The Entity keeps commitments and alliances with main reference bodies in the ESG area:</p>	<p>In 2021 commitments were established to reduce the Group's carbon footprint:</p>
<p>Confirmation of the Collective Commitment to Climate Action</p> 	

In 2021 the Bank aligned the governance framework to the new sustainability context: the creation of the Strategy and Sustainability Committee which answers to the Chief Executive Officer's Sustainability Division.

Main milestones

<p>Sustainable finance</p> <ul style="list-style-type: none"> >3,500 M€ in Sustainable Finance >3,400 M€ in Social Finance Issue of the third green bond for €500M (total of €1,120M in two years) 	<p>Gender diversity</p> <p>♂ 44.3% ♀ 55.7%</p> <ul style="list-style-type: none"> 4th consecutive year reducing gender wage gap Increase of +3.5 points of percentage of women in senior management positions
<p>Commitment to society</p> <ul style="list-style-type: none"> Sogesivo manages >2,400 social and affordable rentals >1,200 volunteers in social causes promoted by the Bank² 	<p>Commitment to the environment</p> <ul style="list-style-type: none"> Commitment to reduce own emissions by 36%³ in 2025 Neutrality objective in emissions financed in 2050

¹ ESG, Environmental, Social and Governance.

² In Spain.

³ With respect to 2019 in Spain.

1. Introduction

The Non-Financial Disclosures Report¹ for Banco de Sabadell, S.A. (hereinafter, “Banco Sabadell”, “the Bank” or “the Institution”), which includes information on a consolidated and individual basis of Banco Sabadell Group (hereinafter, “the Group”), is set out below.

Banco Sabadell Group’s banking business operates under the following brands:

- Banco Sabadell is the Group’s main brand. This is the leading brand in the Spanish market providing services to individuals and corporates.
- TSB is the Group’s leading brand in the United Kingdom. It became part of the Group in 2015 to provide greater competitiveness and serve an increasing number of customer needs, thus improving the banking experience in this country.
- Banco Sabadell Mexico is the brand under which the Bank operates in Mexico, where the Group opened its first representative office in 1991.

Furthermore, Banco Sabadell Group carries out part of its social action through Sogeviso, a subsidiary dedicated to managing some of the complexities of social housing, and the Banco Sabadell Private Foundation, whose mission is to promote outreach, training and research activities in the educational, scientific and cultural fields, and to foster and support young talent.

Information on the company, its business model, organisation, markets, objectives and strategies, as well as the main factors and trends which may impact on the Group’s business performance, is described in the Consolidated Directors’ Report.

The scope of the Non-Financial Disclosures Report is the entire Banco Sabadell Group. When the scope of the reported information does not cover the entire scope, this is specifically indicated.

This report has been developed complying with the general provisions published in Law 11/2018, of 28 December, and information relating to taxonomically eligible exposures in compliance with the Taxonomy Regulation (EU Regulation 2020/852), which came into effect in January 2022. In addition, the non-binding guidelines published by the European Commission on its Guidelines on Non-Financial Reporting (2017/C 215/01) are considered, as well as its supplementary document on climate change related information (2019/C 209/01) and the Global Reporting Initiative (GRI) reference framework². This report has been prepared in accordance with the core option of the GRI Standards.

The main updates include:

- The preliminary material topics identified in 2019 have been updated, in accordance with the GRI methodology, and a double-materiality approach of the most significant aspects is provided.

- A section on the commitment to sustainability has been added to describe how the vision communicated in previous years is being realised in specific commitments.
- A new approach on climate and environmental commitment is detailed, in which the corresponding strategy is laid down.

Furthermore, this report seeks to specify the actions carried out and the progress made in accordance with the disclosure standards established by:

- Principles for Responsible Banking
- Task Force on Climate-Related Financial Disclosures (TCFD)

This report may refer to or include full or partial data or information contained in other Group reports.

1. Part of the Consolidated Directors’ Report for 2021.

2. These requirements are listed in Annex 2 - Table of contents Law 11/2018.

2. Governance

Both the governance system and the organisation of the Bank's different decision-making levels are in a continuous process of improvement and adaptation to the needs that are being created in the new sustainability environment.

The Board of Directors submitted to the Annual General Meeting a proposal to modify certain aspects of the Articles of Association which was approved on 26 March 2021, and which entailed, among other things, the creation of a Strategy and Sustainability Committee that enables the Board to enhance the monitoring of the Strategic Plan, as well as prioritise and promote sustainability and the commitment to ESG (environmental, social and governance) aspects.

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, delegating the management of the Institution's regular businesses to the executive bodies and the management team. To ensure better and more diligent performance of its general supervisory duties, the Board is directly responsible for approval of the Institution's general strategies. It also approves the Bank's policies, and is therefore responsible for establishing principles, commitments and objectives

Board committees

After the aforementioned amendment to the Articles of Association, the Board of Directors resolved to create the Strategy and Sustainability Committee.

After the aforementioned amendment to the Articles of Association, the Board of Directors resolved to create the Strategy and Sustainability Committee within the Board of Directors comprising of five Directors: two Other External Directors and three Independent Directors. The Chairman of the Board is the Chair of the Committee. Since its creation, this Committee has met nine times during 2021.

in the area of sustainability, as well as their integration into the Institution's strategy.

Sustainability gained relevance during 2021 within the mission and strategy of Banco Sabadell's business. When defining the general strategy, the objectives of the business and the Institution's risk management framework, the Board of Directors takes into account environmental and climate risks, and monitors these risks effectively.

In July 2021, the Board of Directors updated the Sustainability Policy, which aims to provide a framework for all of the Institution's activities and organisation within ESG parameters, which incorporate environmental, social and 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. The Sustainability Policy sets out the core principles on which Banco Sabadell Group bases its approach to tackle the challenges posed by sustainability, defines the management parameters, as well as the organisation and governance structure necessary for its optimal implementation.

In the area of strategy, the Chief Executive Officer participates in meetings with full voting rights. For these purposes, it is understood to be comprised of six members.

In the area of sustainability, the Committee has the following areas of responsibility:

- Reviewing the Institution's sustainability and environmental policies.
- Reporting to the Board of Directors potential regular

- changes and updates to the sustainability strategy.
- Reviewing the definition and changes to policies on diversity and inclusion, human rights, equal opportunities and work/life balance and regularly assessing their degree of compliance.
- Reviewing the Bank's social action strategy and its sponsorship and patronage plans.
- Reviewing and updating the Institution's Non-Financial Disclosures Report prior to the Audit and Control Committee's review and update and its subsequent approval by the Board of Directors.
- Collecting information relating to reports, letters or communications from external supervisory bodies in this Committee's area of responsibility.

Furthermore, owing to the amendment of the Articles of Association, additional powers have been conferred to the Appointments Committee in relation to Corporate Governance, resulting in it being renamed the Appointments and Corporate Governance Committee, which will now take on powers relating to the report on corporate policies and internal rules, the supervision of rules on corporate governance, as well as relations with shareholders, investors, proxy advisors and other stakeholders.

Organisation

The organisational structure based on the three lines of defence has been adapted to include the new areas of responsibility in ESG matters, strengthening the business, macroeconomic, financial, risk and control areas, among others.

The Sustainability Division, specifically created in 2021, is the area responsible for the definition and management of Banco Sabadell Group's responsible banking strategy, including the cross-cutting deployment of ESG criteria to all the Bank's business units and its subsidiaries abroad. The Head of the Sustainability Division is Deputy Director-General, is part of the Institution's Management

Internal committees

The Management Committee regularly monitors the Sustainable Finance Plan and updates to the regulatory framework, as well as being in charge of overseeing the plan and resolution of potential critical situations.

In addition, the Sustainability Committee, created in 2020 and chaired since 2021 by the Deputy General Manager and Director of Sustainability, is the body responsible for establishing the Bank's Sustainable Finance Plan and for monitoring its execution, the definition and dissemination of the general action principles in the area of sustainability and the promotion of projects and initiatives, as well as the management of alerts that may arise in the scope of ongoing initiatives or updates to the regulatory, supervisory environment, etc. It is made up of 14 members (ensuring the representation of, among other areas, Sustainability, Risks, Finance, Businesses, Technology and Operations, Communication, Analysis Service) and it meets once a month. This composition of the Committee covers all the functional areas, which enables the cross-cutting implementation of the Sustainable Finance Plan and, therefore, the execution of the Institution's ESG strategy. The Sustainability Committee met ten times in 2021.

Committee and reports directly to the Chief Executive Officer.

Moreover, the Sustainability Rating and Outreach Division was created to ensure an enhanced reporting and communication on sustainability matters to stakeholders³.

³. Those groups that can influence the achievement of the organisation's objectives or that may be impacted by its activities (e.g., employees, customers, suppliers, investors, governments or society).

3. Sabadell's Commitment to Sustainability

Through its Sustainability Policy, Banco Sabadell gears and frames the Group's activity and organisation within ESG parameters.

In addition, Banco Sabadell, TSB and Banco Sabadell Mexico have incorporated these parameters into their own commitments.

3.1 From vision to Commitment to Sustainability: transforming and promoting

In 2020, the Group defined its vision on Sustainability and determined the parameters of the governance framework on this topic through the approval of the corresponding Policy. Now, in 2021, this vision has materialised in the form of a Commitment to Sustainability.

Banco Sabadell continues to steer its activity, organisation and procedures in order to make a solid contribution to sustainability and the fight against climate change. Therefore, it aligns its sustainability strategy and business model with frameworks of reference, such as the Sustainable Development Goals (SDGs), and it revisits them periodically so as to bring itself closer in line with, and expedite its achievement of, the Paris Agreement and the 2030 Agenda.

The Bank sees sustainability as an element of transformation, increasing competitiveness across companies and generating positive social and environmental impact for people and the planet. In its role as a key agent to promote

the transition towards a more sustainable economy, the Bank has included sustainability in the contents of the 360⁴ Visit and the conversation between customers and relationship managers. Furthermore, understanding that sustainability in addition to being a challenge, it also presents a series of opportunities for the customers the Bank aims to support, a specific webinar on how companies can be more sustainable has been released through the Companies Hub platform, obtaining a score of 8.92 out of 10 among participants.

Moreover, during the past year, the Sustainable Finance Plan has become part of a new ESG roadmap, which reinforces material aspects whilst also including actions and broadening the aspirations of the alliances and commitments by signing new initiatives such as the Net-Zero Banking Alliance⁵ (NZBA) that strengthen the climate risk strategy (more details in section 4. Climate and environmental commitment).

The roadmap for Banco Sabadell's Commitment to Sustainability becomes the sustainability framework for delivering the Group's transformation and generating momentum. The achievement of its objectives will be published in a separate report in 2022.

The Sustainable Finance Plan has become part of a new ESG roadmap by signing new initiatives such as the Net-Zero Banking Alliance (NZBA) that strengthen the climate risk strategy.

4. The 360 Visit is the instrument used to foster relationships with companies, to support them and ascertain their current and future needs, so that the Bank may become their main financial partner.

5. Convened by the United Nations Environment Programme Finance Initiative (UNEPI).

A synthetic sustainability indicator was established in 2020 and includes KPIs for ESG matters and is linked to the variable remuneration of employees.

Remuneration linked to Sustainability

In relation to the achievement of objectives, a synthetic sustainability indicator (SSI) was established in 2020 and 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%. This indicator is regularly monitored by the Sustainability Committee. The metrics that comprise this indicator include:

- **Environment:** sustainable financing (aligned with the EU Taxonomy), the target for the business network of identifying customers and green activities in the portfolio, the degree of implementation of the Eligibility Guide on processes and systems, and the reduction of the Bank's CO₂ emissions.
- **Social:** increase the number of people in talent programmes and social financing.
- **Diversity:** increase the number of women in various management positions and reduce the pay gap.

It is also worth noting that TSB and Banco Sabadell Mexico have developed their own sustainability commitments in line with those of Banco Sabadell:

TSB's Do What Matters Plan

TSB has always been committed to its wider role in society to help communities thrive. In July 2020, the Bank took this commitment further with the launch of its first responsible business strategy - the Do What Matters Plan. A long-term programme that aligns to TSB's purpose of 'Money confidence. "For everyone. Every day." This programme focuses on doing what matters for customers, businesses, employees, communities and the environment. Each pillar of this programme is sponsored by a member of the TSB's Executive Committee, and its key goals are as follows:

- "Doing what matters for customers":**
Help people have money confidence;
- "Doing what matters for businesses":**
Treat businesses fairly and helping them grow;
- "Doing what matters for colleagues":**
Create a truly inclusive workplace;
- "Doing what matters for communities":**
Work locally with communities to help them thrive; and
- "Doing what matters for the environment":**
Reduce the impact on the environment while helping customers and employees do the same.



Now in its second year, the programme is firmly established in its delivery phase.

TSB started from a relatively strong position and has continued to take leading actions on tackling fraud, paying small suppliers promptly, hiring and promoting women into senior roles and protecting victims of domestic abuse. In 2021, more initiatives have been launched to help vulnerable customers, support SMEs (Small and mid-size enterprises), promote diversity and inclusion in our workforce, support communities and reduce the impact on the environment.

Banco Sabadell México

As part of Banco Sabadell Group, Banco Sabadell Mexico has developed its business ethically and responsibly, gearing its commitment to the environment and society so that its activities positively impact on people and avoid negatively affecting the natural environment. Therefore, since 2021, there is a Social and Environmental Policy in place, a Sustainability Committee and a Sustainability Division. As signatory of the Sustainability Protocol of the Association of Mexican Banks (ABM, for its acronym in Spanish), Banco Sabadell Mexico has signed a voluntary agreement in which it commits itself to fulfil various principles in terms of sustainable development in Mexico.

3.2 Initiatives and Alliances

Cross-cuttingly and in line with its Commitment to Sustainability, Banco Sabadell continues to forge alliances with other sectors and is part of the most relevant international initiatives to combat climate change and promote social development, such as:



Since 2005, with the signature of the adherence to the corporate responsibility initiative of the **United Nations Global Compact** and the ten principles in the areas of human rights, labour, environment and anti-corruption.



The signature of the **Equator Principles**, since 2011, which incorporate social and environmental criteria in the funding of large-scale projects and corporate loans.



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, thus reinforcing the Bank's alignment with the SDGs in relation to the Paris Agreement.

Ratification of the Collective Commitment to Climate Action

Ratification of the **Collective Commitment to Climate Action**, which aims to reduce the carbon footprint of balance sheets.



Adherence to the **Task Force on Climate-related Financial Disclosure (TCFD)** for disclosure of risks and opportunities related to climate change.



Signatory of the Carbon Disclosure Project (CDP) for action against climate change



Adherence in October 2021 to the **Net-Zero Banking Alliance**, an international alliance promoted by the United Nations Environment Programme Finance Initiative (UNEPFI), through which the Bank commits to making all its loan portfolios greenhouse gas neutral by 2050, in line with the objectives of the Paris Agreement.

These commitments and the set of actions developed by the Group are aligned with the SDGs and are our response to them. During this financial year, they have been ratified in order to expedite actions in terms of the green transition and the fight against climate change, thus reinforcing the priority matters arising from the materiality described in its own section of this report.

Although the goal of this Institution also involves the contribution to all the SDGs⁶ due to their systemic inter-relationships, type of activity and impact capacity, the following SDGs have been prioritised:



Affordable and clean energy



Decent work and economic growth



Industry, innovation and infrastructure



Climate action



Peace, justice and strong institutions

6. More details on the contribution to all the SDGs in section Annex 5 – SDG alignment.

3.3 Materiality

In 2021, a materiality analysis was carried out, with the aim of listening to stakeholders and adapting to the increasingly demanding regulatory and market environment in this regard.

In 2021, a materiality analysis was carried out, updating the list of material issues for the Group as set out in the 2020 Non-Financial Disclosures Report, with the aim of listening to stakeholders and adapting to the increasingly demanding regulatory and market environment in this regard.

The objective of this analysis is to identify and prioritise ESG aspects⁷ of relevance to the Group and its stakeholders, with three aims:

- Recognise the ESG priorities on which Banco Sabadell Group should focus its attention, taking into consideration risks, opportunities, impacts and trends.
- Strengthen the relationship with the different stakeholders and outline the impacts and expectations with regard to ESG.
- Address the reporting needs arising from legal requirements and from analysts and indexes, as well as the demands of shareholders, investors and other stakeholders, with a common and simple language.

Methodology

Banco Sabadell has prepared its materiality analysis, in accordance with the GRI disclosure standards and with the regulators' current recommendations, incorporating the double materiality perspective:

- Non-financial Reporting Directive (NFRD) and its transposition to Spanish law (Law 11/2018 on Non-Financial Information and Diversity).
- The requirements of the EU's Corporate Sustainability Reporting Directive (CSRD) have also been taken into account.
- Report on CNMV oversight of the annual financial statements for 2019 and main areas for review in the financial statements for the following year of the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores* or CNMV).
- Considerations of materiality in financial reporting of the European Securities and Markets Authority (ESMA).

This analysis has been developed for that purpose, beginning with the identification of stakeholders and the main

sources of information. The aim at this stage is to specify and validate the list of priority stakeholders, whose demands and requirements must be incorporated in the materiality analysis, in accordance with best practice in the sector and the recommendations of the aforementioned bodies. 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, and 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 conferences, 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 surveys, interacting on social networks and through an active relationship with economic agents such as Professional and Industry Associations, Chambers of Commerce and Statutory Professional Associations.
- **Employees:** through the InSabadell and Sabadell Life platforms, the ongoing relationship with the Employee Assistance Office (EAO), holding internal forums for employee innovation (BS 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

7. Relevant aspects: those that can reasonably be considered important when it comes to reflecting organisations' economic, environmental, and social impacts, or

influencing the decisions of stakeholders. (GRI Standards).

conferences), via Sabadell Life (a platform for health and solidarity initiatives), participation in social networks (with 20 profiles nationwide) and through an active and direct relationship with think-tanks, foundations and NGOs.

- **Suppliers:** through analysis of the commitments undertaken by Banco Sabadell in its corporate policies in relation to suppliers, as well as the specific requirements that suppliers must meet for ESG-approval in the procurement process and through the Code of Conduct for Suppliers.

Following this interaction with different stakeholders, the relevance of all matters related to ESG has been analysed, from the perspective either of stakeholders or of the Group; as a result of that analysis, the most relevant issues have been prioritised.

A Materiality Matrix was produced as a result of this analysis (set out below), as well as the double materiality breakdown presented further on in this section. As a result of this exercise, three priority levels have been established, with level 1 being that of greatest relevance to the Group. Level 1 encompasses (i) Ethics and Integrity, (ii) Value Creation and Solvency, (iii) Climate Change and Environmental Risks, (iv) Customer Satisfaction and Digitisation, (v) Risk Management and Cybersecurity.

Note: material issues obtained in compliance with the Non-Financial Information Law can be consulted in Annex 2 - Table of Non-Financial Information Law.

3.3.1 Definition of Material Aspects

The relevant aspects are defined below:

Material Aspects	Definition
Governance	
Corporate governance	Compliance with best practice in Good Corporate Governance and ESG Governance. Among other aspects, including: structure and diversity of governing bodies, their evaluation and remuneration, functions in terms of ESG (setting non-financial targets, oversight, establishing commitments, etc.).
Transparency and data management	Mechanisms to ensure effective and transparent communication with stakeholders to enable expectations to be managed and to identify and address their requirements through established dialogue mechanisms, as well as reporting of financial and non-financial information.
Risk management and cybersecurity	Identification, evaluation and management of the operational risks to which the Group is exposed. Includes financial risks (credit, market, liquidity and structural) and non-financial risks (cybersecurity, reputation, health and safety, among others)
Customer satisfaction and digitisation	Operations implemented to achieve the highest possible quality and attain excellence in the provision of services (meeting customer expectations) and improvement of the customer experience (digitisation, special and adapted advisory measures, etc.), based on responsible and transparent marketing.
Corporate culture	Corporate principles and actions aimed at improving the Group's image and business trajectory, which is reflected in employees' pride in belonging to the Group, and in the corporate reputation as perceived by stakeholders.
Ethics and integrity	Compliance with national and international legislation in force in all countries in which the Group operates, as well as the specific commitments undertaken by the organisation in its corporate policies and in its Code of Conduct.
Responsible supply chain	Extension to the supply chain of the Group's own commitment to socially responsible practices and the undertaking to uphold workers' rights, freedom of association and environmental rights.

Value creation and solvency	Maintaining good economic performance to ensure profitability and value creation for shareholders and investors.
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Environmental

Sustainable finance and investment	Identification and development of a range of financial products and services that consider ESG aspects in their design, management and marketing.
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Climate and environment: risks	Identification and management of risks associated with climate change and the environment, in compliance with best practice, the regulations in force and supervisory expectations.
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Internal environmental footprint	Impact on the environment stemming from the Group's activity, and eco-efficiency initiatives and own emissions management that the company has implemented to reduce it.
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Commitments and partnerships in environmental matters	Initiatives, certifications and commitments subscribed with the aim of improving environmental management. Includes awareness activities and training in environmental topics carried out by the Bank.
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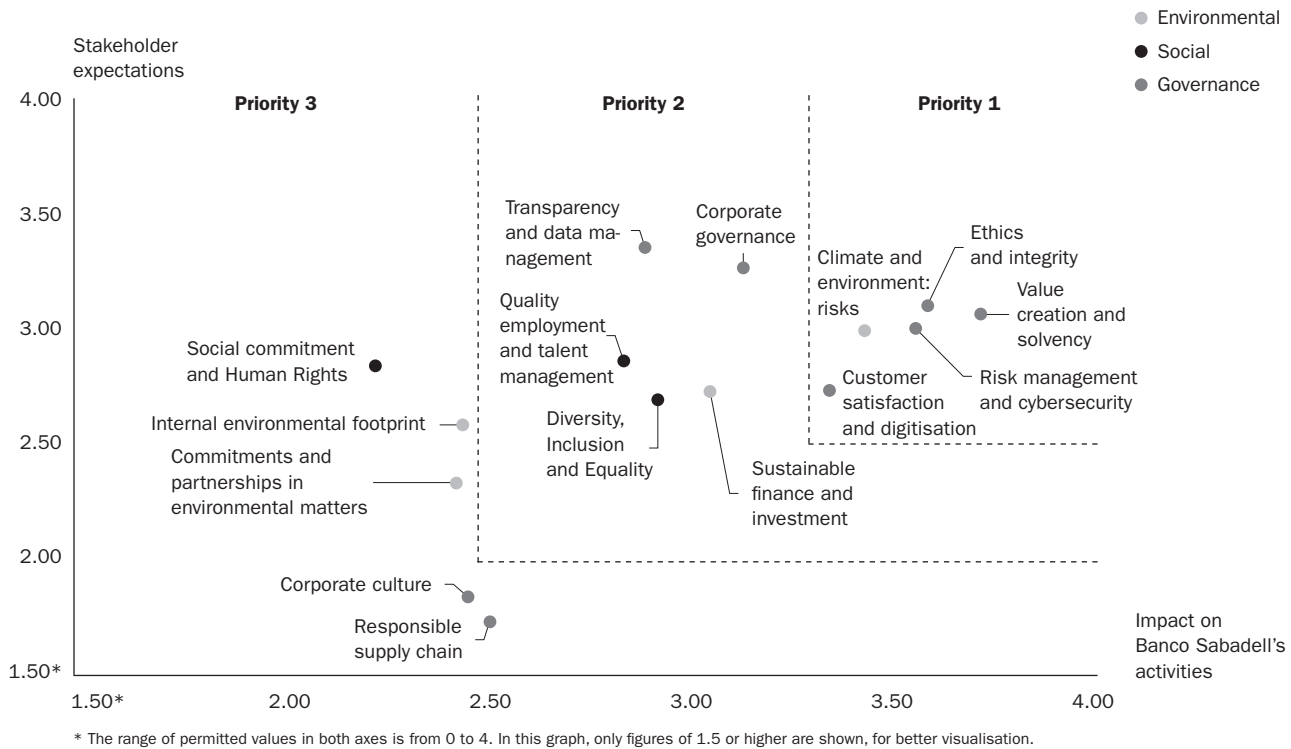
Social

Diversity, Inclusion and Equality	Actions and initiatives proposed to eliminate discrimination in the workplace on the basis of gender, race, age, ethnicity, religion, disability or for any other reason. These include: reducing the gender pay gap, producing plans and protocols to foster diversity and equality (work-life balance, flexibility of working hours, working from home and the right to disconnect), and the inclusion of vulnerable groups, among other things.
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Quality employment and talent management	Promotion of quality employment, fostering professional development and attraction and retention of talent. This aspect includes: training plans, promotion of wellbeing, employees' health and safety and all initiatives geared towards these aims (performance appraisal, pay and promotion, internal mobility, etc.).
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Social commitment and Human Rights	Commitment to develop local communities through corporate volunteering activities, collaboration with voluntary sector projects and/or direct donations. This aspect includes Banco Sabadell Group commitments and actions related to protecting Human Rights.
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3.3.2 Materiality Matrix



3.3.3 Double Materiality

To ensure that the materiality analysis is comprehensive, it was proposed that the main impacts be identified from the dual perspective of the impact of the environment on

the Group and that of the Group on its stakeholders, for the Level 1 aspects, in line with the guidelines of the main bodies that regulate in this regard (refer to EU, CNMV and ESMA).

	Social and environmental impact on Banco Sabadell	Impact of Banco Sabadell on its stakeholders
Climate and environment: Risks	<p>The correct management of this aspect allows the Group to reduce its exposure to climate and environment-related risks in the future, improving Banco Sabadell Group's reputation and its relationship with its stakeholders, and allowing it to maintain its alignment with the regulatory requirements in this regard.</p> <p>The management of this aspect requires continuous investment by Banco Sabadell Group to continue to develop a high level of market monitoring, constant improvements in information systems, specialised training plans for employees and the hiring of qualified profiles.</p>	<p>This aspect involves incentivising investment in sectors and products that are aligned with ecological transition, introducing new sustainable products for customers and generating greater confidence among investors and in society.</p> <p>The management of Climate Change and environmental risks may involve greater control and tougher funding conditions for those activities that carry a higher risk.</p>

Risk management and cybersecurity	<p>The management of risks and cybersecurity enable compliance with the Group's business objectives, maintaining its position in terms of solvency, liquidity, profitability and asset quality.</p> <p>Furthermore, management of these aspects generates confidence among regulators, investors, customers and society.</p> <p>Conversely, if any risk event not considered or managed materialise it may have a direct impact on the Group's financial performance. Therefore, continuous investment in employee training is required to help prevent such risks.</p>	<p>A proper risk and cybersecurity management has a direct impact on stakeholders confidence and security (capital protection).</p> <p>Data protection is an important aspect for customers, suppliers and other stakeholders, as it may have a financial impact on them or impinge on their rights of privacy.</p>
Value creation and solvency	<p>The attainment of solvency objectives has an impact on the Group's market positioning, allowing it to attract and retain capital and generate greater confidence among stakeholders, reducing its vulnerability to risks that could affect the Group's ability to achieve its objectives.</p>	<p>Proper management of this aspect has a positive impact on all stakeholders, generating wealth and social value, as well as security and confidence in capital protection, for both investors and customers.</p>
Customer satisfaction and digitisation	<p>Maintaining a high level of customer satisfaction builds customer loyalty and attracts new customers, whilst promoting long-standing and trusting relationships and increasing the Group's profitability. The digitisation process is also intended to enable the Group to be more efficient and reduce the environmental impact of its activities.</p> <p>To meet customers' expectations, these aspects require continuous investment in innovation, the development of new solutions underpinned by employee training, new technologies and the digitisation of services.</p>	<p>The management of this aspect has a direct impact on customers, who see their demands for financial products and services met with an accessible and specialised service. Digital solutions also offer them tailored and personalised services, with greater availability. That being said, certain groups that are not familiar with the digital environment may find it hard to access.</p> <p>Among other stakeholder groups, the positive impact for investors stands out, where customer satisfaction and digitisation translate into a higher return on their investments.</p> <p>Keeping up a good performance in this respect impacts on employees and suppliers, who are held to exacting standards and a high level of specialisation.</p>
Ethics and integrity	<p>Ensuring ethical conduct and compliance with regulations has an impact on the Group's reputation and on its stakeholder relationships, underpinned by an ethical and fair approach to business that is also respectful of legal considerations.</p>	<p>Ethical conduct on the part of Banco Sabadell and compliance with the regulations in force generates a sense of pride in belonging among employees and customers. Moreover, ethical conduct enhances the reputation of Banco Sabadell Group and builds trust among regulators, investors and society.</p>

4. Climate and environmental commitment



One of the biggest challenges facing the financial sector today is successfully implementing the transition towards a more sustainable model and a low carbon emission economy.

To deal with this situation, Banco Sabadell Group has placed the fight against climate change as one of the core pillars of its corporate strategy.

4.1 Climate and environmental strategy

The Group tackles climate and environmental matters from a double standpoint (internal and external), taking into account:

1. The potential impacts of climate related and environmental risk on financial activity. The strategy is based on:

a. Identifying and managing climate related and environmental risk.

In 2021, the Climate Risk Policy was approved to establish the general guidelines for the management and control of climate risk, specifying principles and applicable critical parameters and addressing the significant components for the management and control of associated risks (physical or transition risks).

The impact of these climate risks is supplementary and cross-cutting to the risks already identified and managed by the Institution (credit, operational, market, etc.). Therefore, where appropriate, the current climate risk acts as a driver for other risks. These include:

- **Physical risks** - related to adverse weather events (such as floods or heat waves) or chronic events (long-term changes in the weather such as rising sea levels). Section 4.2.1 Climate risks offers a more comprehensive view on this matter.
- **Transition risks** - arising from the transition processes towards a low-emission economy (such as regulatory changes, the emergence of disruptive

technologies, market trends, etc.). Section 4.2.1 Climate risks offers a more comprehensive view on this matter.

In line with these two risks, in 2021, a first assessment of the Group's exposure to climate change-related risks has been carried out in accordance with the scenarios of the Network for Greening the Financial System (NFGS) and the analysis published by the Bank of England and the European Central Bank.

b. Identifying and taking advantage of the opportunities arising from the transition towards a sustainable economy thanks to:

— **Advising** customers in their transition to more sustainable models that enable to meet, at portfolios level, the international decarbonisation and circular economy targets.

The Institution is aware that the environmental situation is very different depending on the sector. Hence, certain companies will require greater efforts to adapt to this new paradigm in the timeframe established.

— **Increasing** exposure to green financial assets – one of the key factors to meet the decarbonisation targets.

Section 5. Commitment to sustainable financing offers a more comprehensive view on this matter.

This approach is necessary to reach net carbon neutral emissions. In 2021, Banco Sabadell joined the Net Zero Banking Alliance (NZBA) initiative to strengthen the

strategy against climate change; therefore, the Bank commits⁸ to making all its loan and investment portfolios neutral in their net greenhouse gas emissions by 2050, in line with the more ambitious targets of the Paris Agreement.

These commitments involve setting targets for 2030 (or before) and for 2050, with intermediate targets every five years for the most GHG intensive sectors, leveraged in the analysis of customers' carbon footprints and sector decarbonisation paths based on scientific criteria from internationally recognised bodies.

This new initiative reinforces the changes that were made in previous sectoral frameworks such as the Collective Commitment to Climate Action of the AEB (Spanish Banking Association), CECA (Spanish Confederation of Savings Banks) and the ICO (Spanish Official Credit Institute) ratified in 2019 during COP25, whose objective is to reduce the carbon footprint of balance sheets.

2. The impacts the Group directly causes through its facilities and the use of resources on the environment in which it operates. The strategy is based on:

- a. Reducing emissions** of greenhouse gas (GHG) and other ways of polluting;
- b. Offsetting** its own emissions.

The Bank approved the offsetting of emissions through the investment in forestry projects in Spain, certified by MITECO (Ministry for Ecological Transition), which will be materialised in 1Q22.

In addition, one of the offsetting initiatives in 2021 was joining MasterCard's global project, Priceless Planet Coalition, the main goal of which is to plant 100,000 trees by 2025.

Meanwhile, TSB offset its Scope 1 and 2 emissions through reforestation projects in Bolivia and will invest in forests in the United Kingdom to offset its future emissions.

Section 4.3 Environmental management of this document offers a more comprehensive view on this matter.

4.2 Climate risk management

Throughout 2021, the Bank has continued to develop further its climate risk identification processes and the assessment of its potential impact.

Furthermore, an internal classification of eligible activities was developed in line with the European Union's taxonomy, and the set of sectoral standards was broadened to limit financing to customers or projects that, from the Institution's perspective, are deemed to go against the transition towards a sustainable economy or are not aligned with international regulations or best practices of the sector. Finally, progress has been made in the integration into management procedures and initiatives to improve reporting.

4.2.1 Climate risks

The climate risks that can be associated with two types of factors: "physical environmental factors" and "environmental transition factors" are set out below.

Physical risks

Physical risks could generate, inter alia, the destruction or rendering unusable of physical assets, as well as business disruption. This entails a risk of borrowers failing to meet their payment obligations. It is worth taking into account the destruction of commercial or residential buildings that are collateral for loans or the rendering unusable of assets or disruption to manufacture and supply activities of companies that generate income with which to meet payment obligations on unsecured loans. In parallel, it should be considered the emergence of potentially significant effects of climate change on various socio-economic variables, including mortality, migrations, job offers or productivity (and therefore on GDP). Therefore, physical environmental factors or physical risks identify the following types of risks (non-comprehensive list):

⁸ To guarantee the individual and collective responsibility of each bank, progress in the implementation of this agreement is reported on a regular basis.

- Acute (extreme weather events such as storms, hurricanes, floods, etc.).
- Chronic (gradual weather trends such as desertification, rising sea levels, water shortage, heat waves, etc.).

In both cases, different weather events are identified depending on whether they are related to water masses, temperature variations, wind flows or related to solid masses.

Following this definition, during 2021, Banco Sabadell Group conducted a preliminary estimation of the impacts arising from these events on its loan portfolio taking into account:

- the probability of occurrence of physical risks (in which, through event risk maps, a degree of probability was assigned);
- the severity of the risks if they were to materialise (understood as the impact if the physical risk materialises. It is estimated at sector level for the business risk portfolio and at the collateral location level for the mortgage portfolio).

Thus and in keeping with the foregoing, for physical risks, the Group differentiated events between acute and chronic and assessed those that could significantly impact its portfolio, depending on customers' location and activities. Using this data, the Group identified a total of 16 events (8 acute and 8 chronic) that could affect the loan portfolio – a preliminary impact assessment of 11 of them was carried out on the Spanish portfolio: **Floods, Fires, Rising sea levels, Droughts, Hot spots, Landslides, Maximum temperatures, Minimum temperatures, Rainfall and thaws, Fog and dust, Storms, winds and gales.** The most relevant, for the time being, are forest fires, floods resulting from severe storms, as well as coastal floods and rising sea levels in Spain and the United Kingdom, while hurricanes are added to the list in Mexico's case.

In relation to TSB, taking into account that the loan portfolio is comprised mainly of mortgage assets, the main physical risks (in the medium- and long-term) are floods, subsidence and coastal erosion.

Transition risks

Transition risks are those arising from the financial impact on companies of activity decarbonisation processes, which can be materialised in:

- **Regulatory environment:** due to the effect of announced or approved climate regulations and policies that cause breaches of borrowers' payment obligations. This could happen, by way of illustration, in the case of borrowers with non-performing assets or assets belonging to sectors especially exposed to transition risks, such as the primary sector, fossil fuels, intensive industry, energy generation, construction, automotive

or transport, etc. It could also affect households if regulations or policies clearly distinguish the type of residential asset depending on its energy efficiency or consumption.

- **Technology:** when companies are left behind by the lack of innovation or the adoption of technologies that promote the green transition compared to competitors who, by incorporating these improvements, reduce the obsolescence of their assets and gain market share, as well as improve their capacity to meet their payment obligations.
- **Market:** changes in consumers' preferences or tastes in relation to the transition towards a more sustainable economy that could have an impact on market share, turnover or product appeal and to companies whose transition speed does not match the speed of these changes.

Following this definition, Banco Sabadell Group has internally developed subsector-level heat maps, aligned with the three scenarios of orderly transition, disorderly transition and hot house world and the UNEPFI's recommendations. These scenarios were adapted to a 30-year time horizon. The scenarios used are detailed below:

- **Orderly transition:** Under the orderly transition scenario (RCP scenario⁹ 2.6), an early and decisive action is taken to reach carbon neutrality by 2070, so that the average planet temperature does not increase more than 2°C in 2100 compared to the pre-industrial period. To this end, the climate scenario "Immediate 2 degrees" of the NGFS (Network for Greening the Financial System) is considered for transition risks, forecasted under Remind and Magpie models.
- **Disorderly transition:** Under the narrative of the disorderly transition scenario (RCP scenario 4.5), the action to combat climate change is delayed by 10 years. This involves a more severe shock between 2030 and 2050 to reach carbon neutrality by 2070. To this end, the climate scenario "Delayed 2 degrees" of the NGFS is considered for transition risks, forecasted under the Remind and Magpie models.
- **Hot House World:** In the Hot House World (RCP scenario 6.0) scenario, no action policies in addition to the ones in place are established to combat climate change. Emissions continue to increase according to the current pace and the target $\leq 2^\circ\text{C}$ by 2100 is not met. The impact due to transition risk is zero (current Policies of the NGFS).

Based on these, all the activities of the loan portfolio have been classified according to their sensitivity to transition risk taking into account the impacts forecasted for each scenario and in terms of income, expenses and low-carbon capex. Impacts are classified as "positive" for those activities where the transition may indeed positively affect some parameter, "No risk", "Low", "Moderately low",

9. Representative Concentration Pathways

“Moderate”, “Moderately high” or “High” which includes, for instance, the activities most affected by transition risk such as coking plants. The portfolios most affected at the NACE (National Classification of Economic Activities) level include the following subsectors: aviation, maritime transport, land transport, automotive, steelmaking, cement, coal mining, non-renewable energies and utilities (especially oil). This has enabled the Institution to make progress on a first bottom-up quantitative estimation with a 30-year time horizon through a structural model

that allows the expected loss impairment in the portfolio to be quantitative calculated.

This exercise also highlighted the limited weight of sectors with higher transition risk (aviation, marine, mining, automotive, oil and extractive industries), which play a secondary role in terms of exposure within the Institution’s portfolio, and the high percentage of exposure classified as green in the electricity sector, which demonstrates the efforts made by the Institution to be a leader in the renewable energy sector.

High percentage of exposure classified as green in the electricity sector, which demonstrates the efforts made by the Institution to be a leader in the renewable energy sector.

The identification of these risks will entail the integration of climate risks into frameworks, governance arrangements and processes.

As regards TSB, the main transition risks stem from

the low energy performance of the properties on which the mortgage loans are secured and the cost of improving the energy rating of the properties (in the short-, medium- and long-term).

4.2.2 Taxonomy

Banco Sabadell Group developed in 2020 its own Eligibility Guide in accordance with the EU Taxonomy.

The European Union took a further step as promoter of the energy transformation and the decarbonisation of the economy. In line with the objectives of the fight against climate change, it established the so-called Taxonomy Regulation, EU Regulation 2020/852, which was the first step towards the obligation of enterprises to disclose the manner and extent to which their activities are associated with ESG-related matters.

This regulation, which establishes requirements for the classification and reporting of sustainable activities, represents a key aspect for the integration of ESG aspects into the Group’s ordinary activity. This is why Banco Sabadell Group developed in 2020 its own Eligibility Guide in accordance with the EU Taxonomy of green activities and based on the Social Bond Principles in relation to social matters pending the EU’s social taxonomy.

The first implementation phase of the taxonomy is an internal eligibility guide developed in 2020, which allows

the identification of activities potentially eligible based on this guide, as well as those activities and financing transactions deemed taxonomy compliant. On the back of this, the Group has already incorporated into its systems a marking for those priority green products that allows tracing the entire product management cycle and ensure their alignment with the taxonomy’s requirements. It is a strategic aspect for the Group that is regularly monitored by the Technical Risk Committee and the Sustainability Committee.

The second implementation phase consists of updating the Eligibility Guide according to the latest delegated taxonomy act of July 2021. In addition, the Bank has started to work on aligning the guide on eligible activities with the first draft of the social taxonomy.

In June 2021, the feature to mark a sustainable transaction on corporate systems was deployed¹⁰, not only so that it can be identified, but also it is duly justified in

10. In addition to sustainability training, which is detailed on the relevant section, the Bank has launched a specific training course focused on promoting the identification and documentation of transactions that meet the criteria of Banco Sabadell’s Eligibility Guide.

To reinforce training activities, several communications have been sent to the branch network explaining the benefits of sustainable financing and the sustainable financing solutions available for customers through the corporate intranet.

accordance with the Bank's Eligibility Guide and, therefore, aligned with EU Taxonomy criteria.

Thanks to this work, the following information is shown below, in accordance with the disclosure requirements established by the Delegated Regulation (EU) 2021/2178 of the European Commission, of 6 July 2021, as at 2021 year-end:

Among the obligations of Article 10.2 is to report, within the Non-Financial Disclosures Report of financial institutions, the proportion in terms of total assets of exposures to those activities eligible and non-eligible according to the EU Taxonomy.

Based on the current EU Taxonomy, Banco Sabadell Group has an eligible portfolio of 41,1% of total assets at year-end 2021.

Eligible portfolio

41.1%

In order to identify and segment exposures deemed "eligible" within the Group's exposures, the following eligibility criteria for its performing loans is applied to the corporate and retail portfolio:

— **Business risk:** Exposures to companies with (NACE) activities included in the Sabadell Eligibility Guide

(activities for which there are technical criteria defined in the EU Taxonomy to determine if they can be considered sustainable) are deemed eligible. There are two criteria whereby a NACE code is included in the Sabadell Eligibility Guide, the main one being the inclusion of the same in the NACE list proposed by the European Commission in its EU Taxonomy Compass document - Annex 1: List of activities and NACE codes assigned. In addition, there is an additional criteria which is an activity that is not listed by the EC, but it is included in Annex 1 of the Delegated Taxonomy Act.

— **Retail mortgage risk:** All exposures to individuals with first or second property collateral are deemed eligible, as the purpose for these loans is included within the EU Taxonomy. Therefore, exposure to individuals with other types of assets (garages, cellars, etc.) as mortgage collateral is not included.

— **Vehicle financing risk:** All exposures to vehicle financing is deemed eligible, as this purpose is included within the EU Taxonomy.

Compliance with any of the three criteria described above results in the classification of the exposure as "eligible". Complementarily, the remaining exposures that do not meet any of the above criteria are considered "ineligible".

In addition, the remaining information to be disclosed are included in Annex 4.

4.2.3 Sectoral standards

Banco Sabadell Group has sectoral standards that aim to limit financing to customers or projects that, from the Institution's perspective, are deemed to go against the transition towards a sustainable economy or are not aligned with international regulations or best practices of the sector.

Sectoral standards are developed in stages in order to adapt them or broaden them out according to the trends of the various sectors, the regulatory and economic environment and the Group's performance. Currently, the Bank has a first set of standards approved and implemented and has approved a second set of standards that will be implemented in 2022.

The first set of the Group's sectoral standards

particularly affected the energy and mining sectors. They were validated by the Sustainability Committee in 2020 and approved by the Group's Risk Operations Committee and implemented in the Institution's systems during 2021. The scope of these standards included the funding of new credit granting transactions to companies with a 50 million euro or more turnover for the following types of projects¹¹:

11. The Group, in addition to the activities impacting the environmental transition, abstains from establishing trade relations related to the so-called "controversial weapons" or with "countries subject to arms embargoes" that avoid the potential use of

these weapons for the commission of crimes or serious Human Rights violations. This is described in Section 9. Commitment to Human Rights.

- a. Coal mining (new and expansion)
- b. Asbestos mining, processing and marketing
- c. New coal-fired power plants
- d. New nuclear power plants
- e. Arctic oil, gas exploration and production
- f. Oil sands exploration and production

The second set of standards was approved in December 2021, involving an extension to the standards that will affect new loan granting transactions for Groups or Enterprises with a turnover of over 200 million euros. More than 40 new standards have been introduced, distinguishing between general exclusions at customer level and sectoral exclusions at either customer or project level.

- The standards that apply at general level, cross-cuttingly impacting all sectors, and that were included in the second set follow international standards such as the Global Compact or the principles of the International Labour Organisation (ILO), among others.
- Sectoral exclusions (with standards at customer and project level), on one hand, include additional standards for sectors already considered in the first set (i.e. mining and energy) and, on the other hand, introduce standards for new sectors such as defence, infrastructure and agriculture.

The effective implementation of the standards is based on the inclusion of the analysis of the standards in regular customer onboarding processes, acceptance of transactions and approval of new products. The Group is working on embedding these standards into its operational processes.

In the specific case of Banco Sabadell Mexico, as part of the Environmental and Social Policy, the Institution developed the Environmental and Social Risk Management System (ESRMS), which acts as a guide to promote sustainable economic growth through the identification, assessment and management of environmental and social risks arising from the activities and projects financed by the Bank. This system is fully aligned with the operational and credit processes of Banco Sabadell Group, national laws and international standards.

The ESRMS process is mandatory for infrastructure projects of the various sectors financed by Banco Sabadell Mexico with traditional loans, syndicated loans and financial intermediaries amounting to 5 million US dollars or more.

4.2.4 Carbon footprint of the financed portfolio

Financed emissions entail a considerable portion of the Group's Scope 3 emissions. Therefore, during 2021, Banco Sabadell Group worked on obtaining a first approximation of the calculation of the carbon footprint of its financed portfolio using the Platform Carbon Accounting Financials (PCAF) methodology. PCAF is a global alliance of financial institutions that work together to develop and implement a consistent global approach to measure and report emissions associated with their loans and investments.

As part of this alliance, 16 institutions established the design of the Global GHG Accounting and Reporting Standard for the Financial Industry, which aims to harmonise the accounting of greenhouse gas emissions. The measurement of financed emissions using this standard is a key step for financial institutions to assess the transition risks associated with climate change, set objectives aligned with the Paris Agreement and develop effective strategies to decarbonise the economy. It is worth pointing out that in pursuing this objective, Banco Sabadell Group joined the NZBA¹² during 2021.

As regards the PCAF methodology, Banco Sabadell Group has applied the standard methodology described above, which has been devised mainly for financial institutions that want to measure and share their GHG emissions financed through their loans and investments, and which allows measuring the following asset classes:

- Listed equities and corporate bonds
- Corporate loans and unlisted equities
- Project Finance
- Commercial real estate
- Mortgages
- Consumer loans for car purchase

Additionally, the Bank has estimated the emissions of sovereign wealth funds.

Taking all this into account and on an aggregate basis, the Group was able to calculate a first approximation of its carbon footprint of c.85% of its financed portfolio. The remaining percentage or without an assigned figure are portfolios for which there are still no calculation or estimation methodologies or standards such as finance granted to the public sector, consumer loans for purposes other than car purchase, etc. Most emissions are concentrated in the corporate finance portfolio.

¹² Section 3.2. Initiatives and Alliances gives more details on the adherence to the NZBA.

4.2.5 Integration into management procedures

Questionnaire - ESG indicator

In line with the goal of advising customers in their transition towards more sustainable models and of increasing exposure to green financial assets, the Bank devised a questionnaire that is used during the onboarding process of corporate customers.

Using the results of the questionnaire as a basis, an indicator was developed that allows identifying the degree of sensitivity of customers to sustainability as the indicator enables the classification of companies according to

ESG criteria. As at year-end, 97.2% of the customers of the business network already have this indicator in place.

Customers of the business network

97.2%

Credit rating models

Currently, the credit rating model for large enterprises and groups¹³ already includes an environmental risk factor. The Project Finance credit rating model also collects information on environmental risk.

4.2.6 Initiatives to improve the quality of information (energy certification/emissions)

Access to the best ESG data is essential for the identification, management, classification and monitoring of risks associated with climate change.

Given the limited level of reporting and disclosure by companies on ESG information as well as the lack of historical data and standardisation between the information reported and the monitoring metrics for these risks, access to the best ESG data is essential for the identification, management, classification and monitoring of risks associated with climate change.

Therefore, Banco Sabadell Group has launched various actions to increase the quantity and quality of customers' ESG data. These include:

- a.** Real estate: Of particular relevance is the energy performance certificate information, for which the Group has carried out, with the help of an external supplier, a process of mass uploading of the energy label information corresponding to the residential properties in its portfolio. Finally, it should be noted that from the second quarter of 2020, the Group is already capturing this information when approving new mortgages.
- b.** Business risk: The Group has launched an environmental data collection process for its customers (ESG KYC - Know Your Customer). A first pilot of this questionnaire was developed in the fourth quarter of 2021 for the CO₂ emission-intensive portfolio that includes, e.g., the reporting of actual emissions (Scope

1, 2 and 3) for the risk groups that report this data, as well as additional data including energy consumption, percentage of renewable energy consumption, avoided emissions (if applicable), external ESG ratings, environmental targets or sectoral KRIs (Key Risk Indicators) of emissions intensity.

4.2.7 Equator Principles

Since 2011, the Group has adopted the Equator Principles, an international voluntary policy, standard and guide 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 project finance of 10 million US dollars or more and corporate loans related to projects of more than 50 million US dollars. Through the Equator Principles standards, a social and environmental assessment of the potential impacts of the project is carried out by an independent expert.

¹³ Enterprises whose individual balance sheet shows sales of more than 200 million and consolidating groups with sales of more than 200 million and loans granted by Sabadell of more than 25 million.

During 2021, a total of 31 structured finance projects incorporating the Equator Principles were signed, 97% of which are renewable energy projects.

Sector	Number of projects	Category ¹⁴	Country	Region	Designated country	Independent review
Renewable energies	1	B	Mexico*	Americas	No	Yes
	4	B	USA	Americas	Yes	Yes
	1	A	Panama	Americas	No	Yes
	1	B	Portugal	Europe	Yes	Yes
	22	B	Spain	Europe	Yes	Yes
Infrastructure	1	B	Spain	Europe	Yes	Yes

*The company that owns the transaction is the subsidiary of Banco de Sabadell in Mexico (SABCAPITAL S.A. DE C.V., SOFOM, E.R.), Banco de Sabadell, S.A. being the signatory of the Equator Principles.

A review of one transaction is underway to see if it is eligible for inclusion.

Note: The information included in the 2020 Statement of Financial Information relating to the Equator Principles was amended during the first quarter of 2021 in the 2020 Banco Sabadell Group Equator Principles Report, which shall prevail for reporting purposes.

4.3. Environmental management

Banco Sabadell Group, through the Sustainability Policy approved by the Board of Directors, lays down, inter alia, its commitment to the environment and the fight against climate change.

In addition, the management model (targeting its activity, organisation and processes) based on the transition towards a sustainable economy and the achievement of sustainable development, taking the 2015 Paris Agreement and the United Nations Sustainable Development Goals as a basis, has been modified.

In addition to incorporating sustainability in a cross-functional way into its business model and strategy, the Group ensures the minimisation of its impact on the environment through 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 and with which six corporate headquarters have been certified in Spain.

Corporate headquarters in Spain ISO 14001 certified

6

As at 2021 year-end, 18.70% of the workforce in Spain worked in one of these certified buildings (16.93% in 2019). In parallel, the Environmental Management System is being progressively rolled out to other work centres.

Workforce in Spain working in corporate headquarters

18.70%

14. The social and environmental categorisation system of the Equator Principles (EP) reflects the magnitude of the impacts of projects.

The EP categories are C, B or A, with Category C being for projects with minimal or no social or environmental impact, Category B for projects with potential

limited adverse social or environmental impacts that are few in number, generally location-specific, largely reversible and easily managed through mitigation measures, and Category A for projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.

In accordance with the commitments acquired relating to the environment (more details on section 3.2 Initiatives and Alliances), specific ESG and EMS training has been developed, which is detailed in section 6.4 Training.

In addition, Banco Sabadell's Annual General Meeting held on 26 March 2021 has been certified by the company Esferia 54, S.L. (Neozink) as sustainable, considering that it meets sustainability criteria throughout the entire life cycle of the Annual General Meeting (this certificate was also obtained in 2020).

4.3.1 Carbon footprint

The Group's CO₂ emissions¹⁵ in Spain and the UK amounted to 7,260 tonnes, compared to 8,906 tonnes in 2020 and 20,124 tonnes in 2019 – a reduction of 18% and 64%, respectively.

CO₂ Reduction

▼ **64%**

CO₂ emissions in tonnes (t.CO₂)

	2021	2020	2019
Scope 1: Direct activities	4,973	5,464	6,123
Scope 2: Indirect activities	10	26	5,292
Scope 3: Other indirect activities	2,276	3,416	8,708
Total emissions generated by the Group (Spain & UK)	7,260	8,906	20,124
Total emissions generated per employee	0.38	0.40	0.86

Data for 2020 and 2021 includes the effects of COVID-19. In 2020, corporate buildings and branches were closed for three months, with employees working from home. For the remaining part of 2020 and 2021, corporate buildings were occupied alternating shifts with 50% capacity and periods of voluntary presence with an average occupancy reduction of 80%. This has resulted in reduced consumption and waste production.

As a new feature in this report, CO₂ emissions for 2019 and 2020 have been recalculated unifying conversion factors. For more information on emissions, see section 4.3.3. Details of emissions and sustainable use of resources.

CO ₂ emission reduction targets 2019-2025	Alcance 1+2	Alcance 3	Total emisiones
Spain	-14.2%	-48.3%	-36.1%

CO₂ emissions in tonnes (t.CO₂)

In its commitment against climate change, Banco Sabadell has set a new target for 2025 of reduction in Scope 1 and 2 emissions of 14.2%, taking 2019 as the base year¹⁶, and of 36.1% of total emissions.

15. Information about Banco Sabadell Mexico is currently not included in this section, as criteria for its disclosure are currently being aligned.

16. 2019 is considered the base year because it is the last year without COVID-19 restrictions.

4.3.2 Offsetting

In their commitment to the environment, Banco Sabadell and TSB have pledged to be carbon neutral in their operations by joining the Net Zero Banking Alliance.

In this regard, Banco Sabadell has approved the offsetting of 3,632 t.CO₂ corresponding to its Scope 1 and 2 emissions, as well as that of business trips corresponding to 2021 through the investment in forestry projects in Spain, certified by MITECO, which will be materialised in 1Q22.

tCO₂ Offsetting

3,632

In addition, in 2021 the Institution joined MasterCard's global project, Priceless Planet Coalition, whose goal is to plant 100,000 trees by 2025, becoming the first Spanish bank in joining this undertaking launched in 2020 and which has the backing of expert organisations on forest management and climate change, such as Conservation International (CI) and the World Resources Institute (WRI). This initiative brings together companies, financial institutions, local authorities and consumers from around the world with the common goal of helping to plant 100 million trees by 2025 and implement actions that contribute to safeguarding the planet and combat climate change.

Meanwhile, TSB has offset its 2020 and 2021 Scope 1 and 2 emissions through reforestation projects in Bolivia and will invest in forests in the United Kingdom to offset its future emissions.

Trees until 2025

100,000

4.3.3 Details of emissions and sustainable use of resources

Further details on CO₂ emissions for each region are included below, as well as the resource management carried out:

	2021	2020	2019
Scope 1 emissions:	2,802	2,703	3,113
Consumption of gases ¹⁷	787	630	872
Leaks of refrigerated gases ¹⁸	1,984	2,031	2,091
Fleet of company vehicles ¹⁹	31	42	150
Scope 2 emissions:	10	26	18
Electricity – market-based ²⁰	10	26	18
Scope 1 and 2	2,812	2,729	3,132
Scope 3 emissions:	1,537	1,940	5,607
Water ²¹	156	125	157
Paper ²²	473	482	818
Plastic ²³	14	40	221
Waste ²⁴	75	67	81
Business travel ²⁵	820	1,227	4,330
Travel by airplane	245	410	2,150
Travel by train	14	38	249
Travel by car	561	779	1,931
Total emissions (Scope 1, 2 & 3)	4,349	4,669	8,739

Report on Banco Sabadell Spain's greenhouse gases (t.CO₂)

Data for 2020 and 2021 includes the effects of COVID-19. In 2020, corporate buildings and branches were closed for three months, with employees working from home. For the remaining part of 2020 and 2021, corporate buildings were occupied alternating shifts with 50% capacity and periods of voluntary presence with an average occupancy reduction of 80%. This has resulted in reduced consumption and waste production.

17. Conversion factors: Diesel, Propane Gas and Natural Gas based on GHG Inventories Report 1990-2019, and GHG 1990-2018 Spain. Version according to year.

18. Conversion factors: Leaks of fluorinated gases based on the practical guide for the calculation of greenhouse gas (GHG) emissions of the Catalan Office for Climate Change. Version according to year.

19. Data refer to business trips and do not include travel from home to the workplace.

Conversion factors: Fleet of vehicles based on DEFRA (Government GHG Conversion Factors for Company Reporting). Version according to year.

20. An estimate is made for December based on actual data from the previous year.

Conversion factors: 99.94% electricity based on certificates with a 100% renewable origin guarantee. 0.06% electricity based on the Spanish National Energy Commission, Electricity Labelling and Guarantees Report, "Guarantee of Origin and Electricity Labelling System". Version according to year.

21. Conversion factors: Water consumption based on the practical guide for the calculation of greenhouse gas (GHG) emissions of the Catalan Office for Climate Change. Version according to year.

22. Conversion factors: Paper consumption based on DEFRA. Version according to year.

23. Conversion factors: Plastic consumption based on DEFRA. Version according to year.

24. Conversion factors: Waste based on DEFRA. With the exception of paper and cardboard, glass and organic waste, which have been calculated based on the Calculation of GHG Emissions from Municipal Waste Management (OECC). Version according to year.

25. Data refer to business trips and do not include travel from home to the workplace.

Conversion factors: Travel by airplane, train and car based on DEFRA. Version according to year.

	2021	2020	2019
Scope 1 emissions:	2,171	2,761	3,010
Gases	2,025	2,662	2,699
Leaks of refrigerated gases	140	66	147
Fleet of company vehicles	6	33	164
Scope 2 emissions:	0	0	5,274
Electricity – market-based ²⁷	0	0	5,274
Scope 1 and 2	2,171	2,761	8,284
Scope 3 emissions:	739	1,476	3,101
Water	20	71	91
Paper	536	905	1,318
Waste	27	39	24
Business travel	156	461	1,668
Travel by airplane	87	207	818
Travel by train	21	33	203
Travel by car ²⁸	48	221	647
Total emissions (Scope 1, 2 & 3)	2,910	4,237	11,385

In 2021, TSB has detailed the information related to Scope 3 water, paper and waste consumption. Scope 2 emissions (for SECR) include only direct commercial electricity supplies and are location-based. A small amount of domestic or cross charged consumption from landlords is not included, but TSB is working on improvements for the next reporting period.

Scope 1 - Direct activities:

This scope includes emissions generated by facilities through the use of fuel such as diesel (including that used by mobile branches in Spain), propane gas, natural gas, as well as leaks of fluorinated greenhouse gases and the fleet of company vehicles (excluding travel between home and the work centre).

Gases

Data relating to gases correspond to the use of fuel such as propane gas, natural gas and diesel (including that used by mobile branches in Spain).

In 2021, propane gas consumption in Spain amounted to 682 m³, compared to 693 m³ in 2020 and 486 m³ in 2019 – a 1.6% reduction compared to 2020 and a 40.2% increase compared to 2019. Propane gas is only used to bolster heating at branches. The increase when compared to 2019 is due to the fact that in that year, due to weather conditions, the heating bolster system was not used significantly, thus reducing the consumption of propane gas.

Meanwhile, natural gas consumption in Spain amounted to 233,467 m³, compared to 189,423 m³ in 2020 and 257,920 m³ in 2019 – a 23.3% increase compared to 2020 and a 9.5% reduction compared to 2019. While in the UK, consumption of natural gas amounted to 11,004 MWh in 2021 compared to 14,145 MWh in 2020 and 14,386 MWh in 2019 – a reduction of 22.2% and 23.5%, respectively.

Natural gas reduction in Spain

▼ **9.5%**

Natural gas reduction in UK

▼ **23.5%**

During 2021, a decarbonisation and energy efficiency programme was implemented in the United Kingdom in order to achieve carbon neutrality for Scopes 1 and 2 by 2030.

Finally, consumption of diesel in Spain amounted to 13,016 l, compared to 7,625 l in 2020 and 14,246 l in 2019 – a 70.7% increase compared to 2020 and an 8.6% reduction compared to 2019. While in the UK, consumption of diesel amounted to 37 MWh in 2021 compared to 237 MWh in 2020 and 211 MWh in 2019 – a reduction of 84.4% and 82.5%, respectively.

Diesel reduction in Spain

▼ **8.6%**

Diesel reduction in UK

▼ **82.5%**

During 2021, diesel consumption has been reduced in Spain by 8.6% compared to 2019, due to less journeys by the mobile branches.

By 2025, the solutions available on the market will be analysed to thus assess the replacement of the fuel used by mobile branches with clean alternative energy sources. A 58% reduction in emissions is estimated for 2025, compared to 2019.

26. The conversion factors have been calculated based on DEFRA. Version according to year.

27. Market-based emissions are those associated with renewable energy supplies which carry a zero-rated emission.

28. Emissions from rental cars and employee-owned vehicles where TSB is responsible for purchasing the fuel.

In the UK, consumption of diesel is mainly used in generators of corporate buildings, as well as in heating systems in some remote island locations. Greener alternatives are being considered.

Fluorinated gases

The figures relating to fluorinated greenhouse gases correspond to leaks of F-gases due to breakdowns of HVAC systems in corporate buildings and branches. In 2021, leaks of F-gases in Spain amounted to 934 kg, compared to 1,083 kg in 2020 and 1,144 kg in 2019 –a 13.8% and 18.3% reduction respectively. While in the UK, leaks of fluorinated gases amounted to 68 kg in 2021 compared to 31 kg in 2020 and 71 kg in 2019 –an increase of 119.4% in 2020 and a reduction of 4.2% in 2019.

To reduce these leaks, every year the Bank renovates its air conditioning systems, introducing more efficient equipment (thus also reducing Scope 2 emissions) that uses gas with a lower environmental impact. Each year, approximately 8% of the equipment is replaced.

New equipment

8%

In 2022, the Bank will continue to identify the machines with more breakdowns to include them in the replacement project. This analysis also enables the detection of those models with more faults to influence the purchase of new equipment.

During 2022–2025, the regular inspection of facilities in terms of both equipment and other fixtures (pipes, connections, stopcocks) will be enhanced to detect possible deficiencies. An annual 2% reduction in emissions is estimated by 2025.

Company vehicles

In Spain, total thousands of km of business journeys in 2021 amounted to 178 compared to 241 in 2020 and 832 in 2019 –a 26% and 78% reduction, respectively.

Journeys km reduction

▼78%

In the UK, TSB launched in March 2021 an electric company car programme for management employees. As at 2021 year-end, the fleet of electric cars stood at 67% of the total fleet, compared to 6% the previous year. The roll out to more professional categories will be assessed during 2022.

TSB's fleet of electric cars

67%

Scope 2 - Indirect activities:

This scope includes emissions generated by the consumption of electricity.

Electricity consumption

The consumption of electricity in Spain in 2021 amounted to 66,213 MWh, compared to 67,993 MWh in 2020 and 78,533 MWh in 2019 –reduction of 2.61% and 15.68%, respectively. 99.93% of the energy used in 2021 is of 100% renewable origin. While in the UK, electricity consumption amounted to 20,094 MWh in 2021 compared to 23,851 MWh in 2020 and 27,930 MWh in 2019 –a reduction of 16% and 28%, respectively.

Electricity reduction in Spain

▼15.68%

Electricity used in 2021
of 100% renewable origin
guarantee in Spain

99.93%

Electricity reduction in UK

▼28%

In Spain, 99.14% of the electricity used has been supplied by Cepsa, with a certificate of 100% renewable origin guarantee, while 0.79% corresponds to energy generated for self-consumption.

As a new initiative in 2021, the installation of photovoltaic panels began in one of the main corporate buildings (CBS Sant Cugat with 50,000 m²), 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, allows, on the one hand, the reduction of the CO₂ footprint by decreasing emissions by 364 tonnes per year, which is equivalent to the CO₂ 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, in order to reduce its energy consumption, Banco Sabadell continues its ongoing consumption assessment programme at its branches and corporate buildings to detect changes and actions that help improve consumption efficiency:

- As indicated in Scope 1, every year the Bank replaces 8% of its HVAC equipment with more energy-efficient models.
- The project to replace the lighting at branches with LED (Light Emitting Diode) technology continues at pace to ensure that all branches are equipped with

LEDs and thus reduce consumption (corporate buildings are already 100% equipped with LED lighting).

- 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.
- 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.

In the UK, the supply of electricity with 100% renewable origin has been an important milestone in the strategy towards carbon neutrality by not generating Scope 2 emissions.

Furthermore, TSB continues to develop efficiency measures to reduce electricity consumption such as the installation of a LED lighting system.

	2021	2020	2019	Total electricity consumption (in Spain and UK)
Total electricity consumption (MWh) in Spain and UK	94,143	96,844	98,627	
Self-consumption (% of total electricity) in Spain	0.79%	0.00%	0.00%	
Consumption of electricity provided by Cepsa and Nexus Renovables, 100% REGO (% supplied out of total electricity in Spain)	99.14%	99.92%	99.96%	

The Bank is assessing the installation of a photovoltaic self-generation plant at its logistics hub in Polinya before the end of 2025. An annual 1% reduction in consumption is estimated by 2025.

Scope 3 - Other indirect activities:

This scope includes other indirect activities in which emissions from the consumption of water, paper, plastic and waste management are quantified, as well as travel by airplane, train and car (except company vehicles).

Water

Water consumption includes water for sanitary use, irrigation and catering at corporate centres. In 2021, water consumption in Spain amounted to 395,036 m³, compared to 315,656 m³ in 2020 and 396,260 m³ in 2019 –a 25% increase and a 0.3% decrease, respectively. While in the UK, water consumption amounted to 47,238 m³ in 2021, compared to 67,409 m³ in 2020 and 86,469 m³ in 2019 –a reduction of 30% and 45%, respectively.

Water reduction in Spain

▼0.3%

Water reduction in UK

▼45%

The reduction in consumption in Spain is not significant, since special cleaning programmes have been implemented to avoid the spread of COVID-19.

100% of the water used 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 needs.

By 2022, a 1% reduction in consumption is forecasted thanks to the branch consolidation process and the use of rainwater to water trees at the Sant Cugat headquarters.

For the period 2022-2025, a gradual replacement of

the WC discharge system with dual flush toilets will be carried out to reduce the consumption of water for sanitary use. An annual 1% reduction in emissions is estimated by 2025.

Paper

The Bank's daily activities require the regular use of paper. Paper consumption in Spain in 2021 amounted to 640 tonnes, compared to 652 tonnes in 2020 and 1,030 tonnes in 2019 –a reduction of 1% and 37%, respectively. While in the UK, paper consumption amounted to 583 tonnes in 2021 compared to 984 tonnes in 2020 and 1,439 tonnes in 2019 –a reduction of 41% and 59%, respectively.

Paper reduction in Spain

▼37%

Paper reduction in UK

▼59%

In order to reduce paper consumption, a series of measures were implemented, such as (i) the set-up of a 24-hour service for customers through remote channels and digital platforms; (ii) 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 (iii) the change of printing settings in the Bank's printers so that the default option is for double-sided printing. In 2019, the exclusive use of recycled paper was implemented across the Group and in 2020, a project was rolled out 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 42% compared to 2019.

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.

In the UK, TSB had set the target of reducing paper consumption by 25% by 2022 year-end compared to 2019. Therefore, several initiatives have been launched to digitise processes and brochures, reduce snail mail

to customers and printouts. A 60% reduction in paper consumption has been achieved as at 2021 year-end compared to 2019.

	2021	2020	2019	Paper consumption (in Spain and UK)
Volume of paper (DIN A4 format) used during the year (tonnes)	1,223	1,636	2,469	
Recycled paper used in branches and corporate buildings in relation to total paper consumption (white and recycled) in Spain (%)	100%	100%	99.98%	
Recycled paper used in corporate buildings in Spain with a postal service (courier) in relation to total paper consumption (white and recycled) (%)	100%	100%	99.98%	

During 2022, the zero paper project will continue to be promoted across the organisation. This project seeks to digitise all of the Bank's processes to reduce paper consumption to zero. An annual 2% reduction in emissions is estimated by 2025.

Plastic

Plastic consumption is due to materials purchased for various uses. Plastic consumption in Spain in 2021 amounted to 4.47 tonnes, compared to 12.77 tonnes in 2020 and 71.06 tonnes in 2019 – a reduction of 65% and 94%, respectively.

Plastics reduction in Spain

▼ 94%

In order to reduce plastic consumption, a series of measures were implemented to eliminate plastic in the products the Bank purchases for various uses. During 2020 and 2021, various plastic elimination or reduction programmes were carried out.

- Elimination of plastic in certain desk or common use materials
- Elimination of coin blister packs
- Elimination of blue bag for documents requiring urgent digitisation
- Elimination of bankbooks covers
- Replacement of the plastic film in event blue bags with brown kraft paper
- Replacement of plastic coffee spoons with wooden spoons
- Replacement of the plastic window in envelopes with a transparent paper window
- Manufacture of cash transfer bags with a mixture of recycled (80%) and virgin (20%) plastic
- Manufacture of shrink film from 56% sugar cane (bio-based material)
- Replacement of corporate pens (100% plastic) with an alternative manufactured with kraft paper and wheatpaste

During the 2022-2025 period, a gradual analysis of the various materials used by the Bank that contain plastic will be carried out to replace with sustainable materials. An annual 2% reduction in emissions is estimated.

Waste management

Waste can be classified as non-hazardous waste and hazardous waste. Non-hazardous waste includes: scrap metal, inert plastic, bulky general waste, incandescent light bulbs, paper and cardboard, glass, organic waste, grease trap and wood. Hazardous waste includes: chemical containers, absorbents (filters), lead batteries, oils, fluorescent lamps, electronic equipment, batteries and aerosols.

Section 4.3.4 Circular economy and waste management includes more details on waste management and emissions.

Business travel

Business travel includes journeys by airplane, train and car.

In Spain, total thousands of km of business journeys in 2021 amounted to 6,058 compared to 9,266 in 2020 and 34,586 in 2019 – a 35% and 82% reduction, respectively.

Km reduction in Spain

▼ 82%

At the start of 2020, before the declaration of the State of Emergency in Spain, the Bank reviewed its business travel policy, including new guidelines to limit travel only to those strictly necessary trips as a result of business needs and to prevent travel for internal meetings, encouraging the use of the remote solutions available.

In this regard and considering the gradual ease of restrictions, a decrease in business trips is expected to reduce emissions by 40% in 2022 compared to 2019 (2020 and 2021 cannot be used as reference as they were atypical years affected by the pandemic).

As regards whilst commuting journeys, a sustainable mobility model will continue to be promoted with the creation of new parking spaces at corporate buildings for private electric vehicles, bikes, scooters, etc.

In the United Kingdom, TSB set during 2020 a 2021 target to reduce 50% of business trips compared to 2019.

The COVID-19 pandemic has largely contributed to the reduction of 92% of emissions compared to 2019. In addition, TSB committed itself to promoting new alternative transport methods, such as the inclusion in company benefits of an additional grant for the purchase of electric bikes and for new ways of working to keep reducing emissions.

For the 2022-2025 period, an annual 5% reduction in emissions is expected in Spain by 2025 with the implementation of new measures every year that enable the Bank to establish and achieve ongoing emission reduction targets.

Other actions

In Spain, the Bank is expected to certify during 2022 its Hub Barcelona branch with the Spanish Green Building Council seal.

Moreover, to mitigate the environmental impact of its suppliers, it will encourage the use of electric vehicles for the various logistics services and the use of ecological ink among the printing companies that collaborate with the Bank.

In the UK, TSB has been identifying the potential reduction in CO₂ emissions for third-party products and services.

Furthermore, in 2021, TSB modified its procurement processes to include new sustainability requirements.

4.3.4 Circular economy and waste management

Waste management in Spain in 2021 amounted to 1,192 tonnes, compared to 1,171 tonnes in 2020 and 1,353 tonnes in 2019 –an increase of 2% and a reduction of 12%, respectively.

Waste management reduction in Spain

▼12%

In the UK, waste management amounted to 1,200 tonnes in 2021 compared to 1,452 tonnes in 2020 and 1,036 tonnes in 2019 –a reduction of 17% and an increase of 16%, respectively. The increase in 2020 was due to the increase in the volume of waste managed.

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.

Among the actions taken by the Bank to reduce the waste it generates, the programmes to reduce paper consumption and associated waste (the largest volume of waste) stand out.

	2021		2020		2019	
	Waste t.	Emissions t.CO ₂	Waste t.	Emissions t.CO ₂	Waste t.	Emissions t.CO ₂
Total non-hazardous waste ³⁰	2,377	101	1,170	67	1,351	81
Total hazardous waste ³¹	15.3	0.2	1.2	0.0	1.8	0.0
Total waste	2,392	102	2,623	106	2,389	105

Breakdown of waste (W) in Spain and UK²⁹

In the UK, a breakdown of hazardous and non-hazardous waste for 2019 and 2020 is not available and thus data only includes total waste.

For 2022-2025, the Bank will continue to reduce paper waste based on reduced usage.

In addition, by 2025, the creation of a new centralised waste room is planned to reduce waste generation, as well as the installation of an organic matter composting plant

at the main Sant Cugat headquarters to reduce all organic waste. A 9% reduction is estimated for 2025, compared to 2019.

29. Conversion factors used for waste based on DEFRA 2021 (Waste Disposal), with the exception of paper, glass and organic waste in Spain, which are based on the Calculation of GHG Emissions from Municipal Waste Management (OECC).

30. In Spain 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 2021 were paper and cardboard with waste of 1,009 t (56.94 t.CO₂), bulky general waste with waste of 51.13 t (0.45 t.CO₂)

and organic waste with waste of 44.02 t (15.58 t.CO₂).

31. In Spain hazardous waste includes: chemical containers, absorbents (filters), lead batteries, oils, fluorescent lamps, electronic equipment, batteries and aerosols. The two biggest waste products were electronic equipment with waste of 3.48 t and emissions of 0.03 t.CO₂ and absorbent filters with waste of 1.47 t and emissions of 0.01 t.CO₂.

5. Commitment to sustainable financing



Banco Sabadell Group's strategy consists of successfully carrying through the transition towards a more sustainable model and a low-carbon economy, offering customers and investors the best possible solutions.

Through:

- Issuance of sustainability bonds
- Investment in renewable energies and the sustainability business through the subsidiary Sinia Renovables
- Project Finance
- Financing solutions in the different businesses, through:
 - **Green or Social Loans** (“GSL”), in which the use of the funds is the main criterion for determining the green, social or sustainable nature
 - **Sustainability-Linked Loans** (“SLL”), relating to the type of financing that incentivises the achievement of sustainability targets
- Solutions for sustainable savings and responsible investment

5.1 Issuance of sustainability bonds

Since 2020, Banco Sabadell has adopted a framework for the issuance of bonds linked to the Sustainable Development Goals (SDGs), which considers three types of bonds: green bonds, social bonds and sustainability bonds.

- **Green bonds** – these finance eligible green project categories, focusing on projects with environmental benefits, such as reduction of greenhouse gas emissions, pollution prevention and climate change adaptation.
- **Social bonds** – these finance eligible social project categories, focusing on the generation of social benefits by providing access to essential services, facilitating social inclusion and promoting the generation and maintenance of employment.
- **Sustainability bonds** – these finance a combination of green and social projects.

All of the proceeds obtained by issuing these types of bonds will be used to fully or partially finance or re-finance new, existing or future loans or projects that meet the eligibility criteria established in the Framework, which is based on the European Union Taxonomy and the Green Bond Principles issued by ICMA (International Capital Market Association).

In 2021, Banco Sabadell has returned to the green bonds market with one issuance, in June, of 500 million euros with a legal maturity of 7 years and an option to call early in the 6th year, as well as a coupon rate of 0.875%. On this occasion, it was an inaugural green issuance of Senior Non-Preferred debt. This third issuance brings the Bank's green issuance volume over the past two years to 1,120 million euros.

Million euros in green issuance

1,120

In relation to green bonds issued in 2020, and as envisaged in the Framework for the issuance of bonds linked to Sustainable Development Goals (SDGs), a report has been drawn up, reviewed by an independent expert, on the allocation of the proceeds obtained from the aforesaid bonds, called the “Green Bonds Report 2021”, which is available on the corporate website and which also shows the environmental impact generated by the bonds.

Furthermore, in September 2021, Banco Sabadell Mexico has prepared the *Marco de Financiamiento Sostenible* (Sustainable Financing Framework), which is aligned with the 2021 Sustainability Bond Guidelines, the 2021 Green Bond Principles, the 2021 Social Bond Principles and the 2021 Green Loan Principles. Sabadell Mexico seeks to ensure that, in the near future, funds are used to place green bonds in eligible categories such as Green buildings, Renewable energy, Energy efficiency, Clean transportation, Efficient and climate-resilient water

management, Environmentally sustainable agriculture, SMEs, Social infrastructure and Social housing.

5.2 Sinia Renovables

As at year-end 2021, Sinia Renovables, Banco Sabadell's division for investment in renewable energies and sustainability, has investments in operation, construction and development projects with an overall installed capacity of 1,031.9 MW, of which the portion attributable to Sinia through its direct shareholding is 303 MW, equivalent to the generation of 716.6 GWh of sustainable electricity every year. This generation, if all projects had been in operation, would be enough to satisfy the average annual consumption of approximately 219,000 households.

Renewable electricity attributable to Sinia, based on the entirety of its portfolio in which it holds a direct equity interest, is 163.7 GWh/year. This renewable energy prevents the emission of around 22,922 tonnes of CO₂ equivalent per year, equivalent to the average annual consumption of approximately 50,039 households.

Renewable electricity GWh/year

163.7

Emissions prevented (t.CO₂)

22,922

Emissions prevented (households)

50,039

These figures position the Group as one of the financial sector's top investors in renewable energy projects.

In addition, the main actions taken during the year are set out below:

- Sinia currently holds investments in wind energy projects in Mexico equivalent to 247.3 MW installed capacity in operation in the Tamaulipas and Baja California regions. In Peru, it holds investments in the northeast of the country in two wind farms with total installed capacity of 36.8 MW. In Chile, it continues to hold its investment in a 103.5 MWp photovoltaic plant in the north of the country.
- With regard to assets in operation in the Spanish market, Sinia has maintained its investment made in 2020 in two wind farms in Navarre, with total installed capacity of 93.6 MW, and it has added to this by investing in a 3.0 MW wind farm in Tarragona in 2021. In 2021, it also made another investment in an 18 MW wind farm

under construction in Castilla y Leon.

- With regard to assets under development as at year-end 2021, Sinia holds investments in assets with total installed capacity of 509.1 MW located throughout Catalonia, Galicia and Castilla y Leon, including both photovoltaic plants and wind farms.
- In October 2021, it acquired 25% of the first franchiser of engineering firms engaging in photovoltaic self-consumption and electric vehicle charging points in Spain, called Doctor Energy, in order to help the company accelerate its growth.
- In December 2021, it made its first investment in the industrial self-consumption sector, through the provision of finance and the acquisition of a 25% stake in 18 installations with an overall volume of 20.46 MW.

5.3 Project Finance

Banco Sabadell has positioned itself once more as a leading bank in renewable financing in the form of Project Finance GWh/year.

Continuing with the trend of recent years, this year Banco Sabadell has positioned itself once more as a leading bank in renewable financing in the form of Project Finance. This has also taken place against a backdrop of more ambitious targets in Europe in relation to fighting climate change and improving energy efficiency. As a result of the approval of the European Commission's package of measures known as "Fit for 55", the targets for increasing renewable installed capacity across the EU have approximately doubled compared to what they were initially. Banco Sabadell is recognised as a fundamental driver of the change required to achieve not only these targets, but also those established at the domestic level by the Plan Nacional Integrado de Energía y Clima (National Integrated Energy and Climate Plan). For this reason, in 2021, it has mobilised 1,107.6 million euros through a total of 48 transactions. In terms of renewable projects executed in the geographical regions in which the Institution operates, throughout 2021, there have been four in the United States (173.9 million euros), one in Mexico (15.9 million euros), one in Portugal (23 million euros) and 42 in Spain (894 million euros).

Project Finance total amount

1,107.6^{MM}€

Project Finance number of operations

48

Data in millions of euros.

Country	Amount	%
Spain	894.8	80.8%
Mexico	15.9	1.4%
Portugal	23.0	2.1%
USA	173.9	15.7%
TOTAL	1,107.6	

With regard to the technology financed, the number of photovoltaic and wind energy projects is particularly noteworthy.

The amount of financing provided for photovoltaic projects amounted to a total of 531.4 million euros (48% of the projects). The amount of financing provided for wind

energy projects amounted to a total of 496.4 million euros (45% of the total), while the amount provided for solar thermal power plants amounted to 79.8 million euros.

Data in millions of euros.

Technology	Amount	%
Wind	496.4	44.8%
Photovoltaic	531.4	48.0%
Solar thermal	79.8	7.2%
TOTAL	1,107.6	

Lastly, in relation to transactions in Spain and Portugal, this year Banco Sabadell has once again positioned itself as a leader in the sector and it has set the benchmark in terms of the execution of Project Finance transactions. In 2021, the Institution has been particularly active in financing new construction projects (known as 'greenfield projects'), which accounted for 61% of total financing. In terms of their breakdown, financing has been provided for three projects through auctions in 2020 (3% of the total), for 12 projects whose income structure includes Power Purchase Agreements or PPAs (38% of the total), as well as 11 projects whose income is obtained exclusively through the wholesale market (20% of the total). Overall, it has contributed by financing 1,250 MW of attributable renewable installed capacity in the system, which will produce sufficient electricity to satisfy the demand

of approximately 841,559 households in Spain and will prevent emissions equivalent to 385,501 tonnes of CO₂ during each of their years in operation. Lastly, in 2021, the Institution has restructured 16 brownfield projects with total attributable capacity of 173 MW and 354.7 million euros.

Data in millions of euros

Type	Amount	%
FIT Peninsula	354.7	38.6%
PPA Spanish Government	31.2	3.4%
Merchant with PPA	346.4	37.7%
Merchant without PPA	185.5	20.2%
TOTAL	917.8	

5.4 Financing solutions for the CIB business, Companies and Individuals

To bring processes for loan approval, portfolio management and reporting tasks in line with international standards on sustainable financing (“Green Loan Principles” and “Sustainability-Linked Loan Principles” issued by the Loan Market Association and the “Green Bond Principles” and “Sustainability-Linked Bond Principles” issued by ICMA), in 2020 the following types of financing were defined, according to the intended use of the funds:

— **Green and Social Loans** (“GSL”), in which the use of the funds is the main criterion for determining the green, social or sustainable nature. In general, this type of financing is preferable as it generates a positive direct impact on the environment and/or society. This type of financing is closely related to Banco Sabadell’s Eligibility Guide, whose main reference is the EU Taxonomy, and to the green bonds issued by the Bank in recent years under the SDG Bond Framework. This category includes all Project Finance transactions related to renewable energy, given their inherent nature, as well as all bond issuances and private placements intended to fund a specific green and/or social project (further details provided in the corresponding sections).

To promote GSL transactions, the Bank has approved discounts that allow it to offer better prices to customers.

— **Sustainability-Linked Loans** (“SLL”), relating to the type of financing that incentivises the achievement of

sustainability targets, linking the transaction price to the development of one or more KPIs. This category does not require the funds to be used for any specific purpose. It is considered essential for the selected indicators to be relevant and central for customers, as this enables their sustainability strategy to gain more traction.

The volume of GSL is expected to steadily increase as regulatory developments on this topic are incorporated. The rollout of the Next Generation EU Recovery Fund will significantly boost this type of financing (section 5.4.3 Next Generation EU provides more details on the actions that the Bank is taking in relation to the aforesaid funds).

5.4.1 Financing solutions for the Corporate & Investment Banking business

As at year-end 2021, 26 sustainable financing transactions were executed, enabling the mobilisation of more than 10 billion euros in the area of Corporate & Investment Banking (CIB) (which includes corporate business transactions and the placement of bonds), increasing the sustainable financing portfolio by over 1,595 million euros³². A significant part of this work has continued to be carried out in Spain, complemented by work carried out in other geographical regions where the Institution is present: United Kingdom, France, Portugal, United States and Mexico.

CIB number of operations

26

CIB total amount

12,200MM€

	No. of Transactions	Total Volume	Bank Participation
Corporate Banking	21	8,575	1,695
Capital Markets	5	3,625 ³³	n.a.
Total CIB³⁴	26	12,200	1,695

The information shown in the table is explained here below:

Corporate Banking

Within the corporate banking business, 21 transactions were signed, mainly SLL transactions, amounting to over 1,695 million euros, double the financing volume of 2020. Around 20% of this amount corresponds to guarantee lines. Some of the most noteworthy transactions include:

— **Puig Beauty & Fashion:** The Catalan fashion and fragrance group signed its first sustainable loan, amounting to 200 million euros. The bilateral transaction links the margin to the group’s progress with two environmental indicators, in this case, the volume of its direct emissions and the volume of its indirect emissions generated by the electricity consumed and purchased. These indicators have been defined in accordance with the “GHG Protocol” and the measurement methodology is compliant with the criteria of the SBTi (“Science-Based Target initiative”).

32. This amount does not include refinancing.

33. The amount corresponds to total green bonds and sustainability bonds, not including securitisation funds or commercial papers.

34. Not including amount corresponding to Project Finance, as that is given in section 5.3 Project Finance.

— **Roca Grup:** A 350 million euro syndicated loan in which Banco Sabadell has acted as sustainability co-coordinator. The margin was linked to two environmental targets: reduction of emission intensity (t.CO₂eq / sales) and reduction of water use intensity (m³ water / sales). It is worth noting that margin adjustments, both positive with the corresponding savings, and negative with an equivalent premium, will go to the “We Are Water” Foundation, which supports projects that provide access to water for those living in

areas where water is scarce, mainly in Africa.
— It is also important to highlight the execution of the first sustainable loan in Portugal. The transaction was structured by linking the margin to an environmental aspect, as the reduction of Scope 1 and 2 emissions, and a social aspect, the promotion of women’s access to positions of leadership in the company.

Sustainable financing is being prioritised as a way of supporting customers.

Custom proposals are being formulated according to customers’ needs, their sustainability strategy and factors specific to their industry.

Over the year, a large proportion of the commercial teams within CIB have received specific training on sustainable financing, thus improving interactions with customers on these topics.

At the same time, sectoral specialists have joined the sustainable financing task force in Corporate Banking in order to improve the content and reach of the proposals.

Capital Markets

In 2021, Banco Sabadell acted as underwriter of green bonds and sustainability bonds in capital markets, participating with a total of 3,625 million euros.

The main actions taken during the year are set out below:

- It acted as Joint Lead Manager in the public issuance of the Madrid Autonomous Community (1 billion euro sustainability bond maturing after 10 years with a 0.42% coupon) and as passive bookrunner in the issuance of Via Celere (300 million euro green bond issuance maturing after 5 years with a 5.25% coupon), both of which took place in March 2021.
- It acted as Co-manager in an issuance by Aedas Homes in May 2021 (325 million euro green bond issuance maturing after 5 years with a 4% coupon).
- In November 2021, Banco Sabadell acted as Joint Lead Manager in the issuance by Telefónica of 750 million euros of sustainability bonds with a 2.88% coupon, and as Co-manager in the issuance by Faurecia of 1,250 million euros of sustainability-linked bonds with a 2.75% coupon.

In addition to public bond issuances, Banco Sabadell has also arranged green securitisation funds and a green commercial paper programme.

- The first securitisation fund for the securitisation of future-flow receivables (Elecnor Eficiencia Energética

2020, FT), arranged by Banco Sabadell, whose purpose is to purchase receivables arising from long-term contracts awarded to Elecnor for energy services and the maintenance of street lighting fixtures at government facilities (mainly town halls). The purchase of receivables has been financed with an issuance of 50 million euros of long-term bonds maturing after 7 years with a 2.00% coupon, which was listed on the Spanish Alternative Fixed-Income Market (*Mercado Alternativo de Renta Fija*, MARF). **The issuance has been given an A+ rating by Axesor and is rated as a “green bond” in the Second Opinion by G Advisory.**

- Banco Sabadell has also arranged a securitisation fund (Sacyr Green Energy Management, FT) for Sacyr Industrial Operación y Mantenimiento (SIOM), for the purchase of receivables arising from long-term contracts in which SIOM provides operational and maintenance services in nine plants (five cogeneration plants, two biomass power plants and two olive pomace oil extraction plants), all located in Andalusia. The purchase of receivables has been financed with an issuance of 104 million euros of long-term bonds maturing after 10 years with a 3.25% coupon, which was listed on the

Spanish Alternative Fixed-Income Market (Mercado Alternativo de Renta Fija, MARF). **The issuance has been given an A- rating by Axesor and is rated as a “green bond” in the Second Opinion by G Advisory.**

— In September 2021, Greenergy registered a commercial paper programme with MARF with a limit of 100 million euros under which to issue green commercial paper. This is the first commercial paper programme of its kind in MARF and it was rated in a Second Opinion by Sustainalytics.

5.4.2 Financing solutions for companies and individuals

In the case of individuals and SMEs, Banco Sabadell puts a series of solutions at the disposal of its customers, which are geared towards energy saving, offering solutions for home purchases and home renovations, sustainable mobility and the installation of renewable energy systems.

Information is provided hereafter about:

- a. The main green products offered
- b. All other green products
- c. Sustainable mobility solutions through Sabadell Renting
- d. Social financing

Sustainable financing is one of the main tools used to promote a clean and circular economic model, which allows CO₂ emissions to be reduced and which contributes to environmental protection.

Main green products offered

Green Mortgage

Since October 2020, with the creation of the fixed-rate Green Mortgage, a discounted price has been offered for the purchase of homes with an energy performance certificate (EPC) rating of B or higher. As at year-end 2021, the cumulative volume of mortgages certified as sustainable (mortgages for homes with an EPC rating of A or B) amounted to over 700 million euros.

Green mortgage

+ 700MM€

Sustainable rental

10,9MM€

Sustainable rental of capital goods

Banco Sabadell upholds the sustainable approach of the activity involving the rental of capital goods, with an offering that includes sustainable products, such as:

- photovoltaic panels,
- electric vehicle charging stations,
- LED lighting, etc.

It also adapts its offering to social sustainability, with products such as Learning Renting (to help modernise educational centres) and SaniRenting (to rent out technology and equipment to hospitals, clinics, care homes and sports centres). Similarly, partnerships are interweaved and synergies are created with some of the Bank’s segments, such as Professional Groups, the Agricultural Sector, Franchises and the Tourism Industry, applying specific products and offers for the customers of each sector.

In 2021, 111 sustainable rental transactions have been carried out (boilers, photovoltaic systems, low consumption lighting, etc.), amounting to a total of 10.9 million euros.

Sustainable leasing

In 2021, Banco Sabadell has increased its offering of sustainable leasing products, including 'Eco Leasing Inmobiliario' (real estate), to provide finance for properties with an EPC rating of A or B, 'Leasing Autoconsumo' (self-consumption) leases to provide finance for photovoltaic installations, and 'Eco Leasing Vehículos' (vehicles), for vehicles with ECO or zero emissions labels.

In terms of the volume of finance provided through sustainable leasing in 2021, 93 transactions have taken place, amounting to 35.9 million euros, representing 5.4% of the total volume of new leases (657 million euros).

Operations 2021

Sustainable leasing

93

35,9MM€

All other green products

Furthermore, other products have been created in line with emerging needs and the opportunities arising from the fiscal stimulus measures put in place by the Government:

'Préstamo Expansión ECO-Reformas' (home ECO-improvements loan)

The aim of this product is to incentivise upgrades and/or acquisitions that improve sustainability and energy saving in primary residences or second homes. The Bank offers financing, with attractive conditions, for improvements of openings (windows and doors), upgrades of heating or cooling systems to make them more efficient, and purchases of household appliances with energy efficiency ratings of A or higher.

'Préstamo de Amortización Constante (PAC) ECO' (ECO constant amortisation loan)

In the case of companies, we continue to offer the ECO constant amortisation loan, known by its Spanish acronym 'PAC', which is also aimed at incentivising the renovation of premises, offices, warehouses, etc. in order to reduce energy consumption and CO₂ emissions by replacing or retrofitting buildings' power systems, heating systems or recycling systems with more efficient and sustainable ones, and by replacing fleets of commercial or industrial vehicles.

'Préstamo Comunidades de Propietarios' (homeowners' association loan)

There is currently a need to promote energy efficiency in the construction and building sector, due to its high volume of emissions and energy consumption. The Next Generation EU Fund will no doubt pay particular

attention to this aspect (more details in section 5.4.3 Next Generation EU). For this reason, the conditions of the homeowners' association loan, to provide financing for energy efficiency and renewable energy, have been improved.

'Préstamo Eco Agro' (ECO agro loan)

In the realm of solutions for agricultural activities, Banco Sabadell offers its customers the 'Préstamo Eco Agro' (ECO agro loan), intended for agricultural and livestock farmers who wish to transform their production methods to adapt them to current EC regulations on organic farming.

'Préstamo Coche ECO' (ECO car loan)

The Bank offers the 'Préstamo Coche ECO' (ECO car loan), aimed at retail customers, which enables the purchase of 'zero emissions' or 'ECO' labelled vehicles, under very attractive conditions, thereby encouraging consumer uptake of vehicles that are less polluting and suited to the new low-emissions zones in larger cities.

It is also worth noting that TSB and Banco Sabadell Mexico have developed an offering of sustainable products, including:

Green Additional Borrowing

In June 2021, TSB launched the Green Additional Borrowing product to support customers looking to retrofit their homes, for example with solar panels or insulation, to make them more energy efficient, reducing environmental impact and utilities costs for the homeowner.

In November 2021, TSB piloted a mortgage for new build homes, which are more energy efficient. TSB is now looking at how it can roll this out in the second half of 2022.

Sustainable loans in Mexico

Banco Sabadell Mexico has accumulated approximately 650 million dollars of sustainable loans in 2021, and aims to increase that volume of green loans in 2022. At the end of 2021, the Renewable Energy and Real Estate sectors accounted for approximately 80% of green loans. Furthermore, there has been an increase in working capital loans used for the acquisition of sustainable technology, such as photovoltaic cells that will be used in the agricultural industry.

In 2021, the Bank, through its vehicle rental subsidiary Sabadell Renting, has once again expanded its fleet of ECO vehicles (those with an ECO or “0” emissions label) by 14% compared to 2020.

In 2021, the Bank, through its vehicle rental subsidiary Sabadell Renting, has once again expanded its fleet of ECO vehicles (those with an ECO or “0” emissions label) by 14% compared to 2020. These vehicles already represent 18.43% of its total fleet. This is due to the competitive offers and campaigns launched in relation to this type of vehicle, the continued prominence of these mobility options in rental brochures (ECO vehicles consistently account for over 25% of the overall offering), as well as the awareness-raising actions taken with employees and customers.

ECO vehicles

18.43%

In terms of vehicles with lower emissions of CO₂ per kilometre, the number of vehicles with a ‘zero emissions’ label (plug-in hybrids and 100% electric vehicles) has jumped, entailing 5.3 million euros of sustainable investment in 2021 (49% more than in the previous year), with 2.5 times the number of units of this type of vehicle brought to market.

In 2022, through a new strategic partner, the goal is to continue expanding the available range of ECO vehicles to make them more accessible to different customer segments, through more competitive offers in the market and through new mobility solutions that are more flexible, sustainable and customised.

Social financing

Financing granted to micro-entities for the purpose of promoting and maintaining employment.

In the area of social financing, it is worth highlighting the financing granted to micro-entities for the purpose of promoting and maintaining employment. In 2021, 3,417 million euros of financing has been granted to micro-entities for this purpose.

Micro-entities funding

3,417MM€

In another area of social financing, due to the economic impact caused by the volcano eruption on the island of La Palma, Banco Sabadell has granted payment holidays on revolving and instalment loans to both natural persons (41) and legal entities (30), in order to help minimise the economic damage of this phenomenon.

Banco Sabadell has also granted 27,080 financing transactions through ICO lines in 2021, amounting to 2,072 million euros.

5.4.3 Next Generation EU

In line with the EU’s climate Action Plan, the volume of investment required to achieve the targeted reduction of emissions by 2030 amply exceeds the public sector’s investment capacity, making it necessary to contribute private funds to the economic activities defined therein.

Taking up this baton, financial institutions have the responsibility to complement the funds made available by European institutions in order to repair the damage caused by the pandemic as much as possible and achieve the greatest possible progress towards a more sustainable economy. In addition to this, it is essential to provide the maximum possible capillarity to the programme of European funds in order to ensure that it is rolled out to the entire business world, including SMEs.

These funds seek to promote the following aspects of the economic transition:

- **Digitisation:** To promote the digitisation of SMEs and self-employed professionals, approximately 4,066 million euros will be used to carry out actions in relation to digital marketing, e-commerce, companies' digital management and cybersecurity, among other things.
- **Sustainable mobility:** 13,203 million euros will be invested in sustainable, safe and connected mobility. Part of these funds will go towards helping companies and self-employed professionals renew their commercial and transportation vehicles, and towards setting up charging points for electric vehicles.
- **Energy efficiency and renewable energy:** In order to reduce the demand for energy consumption, over 6.8 billion euros will go towards the renovation of Spanish homes, while more than 3.1 billion will be put towards renewable energies. Companies and self-employed professionals will be able to benefit from this financial assistance for the installation of photovoltaic panels, the acquisition of efficient household appliances, LED and low-consumption lighting, thermal insulation and windows.

To this end, the various specific products are made available to companies so that they can receive an advance on subsidies, complement subsidies where these do not cover the full amount of the investment, or provide any guarantees required by the government.

Banco Sabadell aims to be by the side of companies as they make this journey.

Solid market penetration in the companies segment.

Es and companies will receive a significant proportion of the Next Generation EU funds. The Bank has a solid market share and market penetration in these segments, which will enable it to play a key role in providing additional funds to carry out the projects related to the Funds.

Extensive presence among professional groups.

The Institution has signed over 3,000 agreements with professional groups, business and professional associations and chambers of commerce, allowing us to better serve the sectors most impacted by the subsidies.

Specialised team. Aware of the increasing importance of sustainability, a team of specialists in European Funds and Sustainability has been trained and deployed to offer support to the branch network in the development of sustainable operations. These specialists are present in all geographical regions and they also work together with specialists in other areas, such as the tourism industry, the agricultural industry and the public sector.

Value proposition. Banco Sabadell supports its existing and potential customers throughout the entire process, offering a comprehensive solution. To this end, a series of initiatives have been launched:

- **Identification of subsidies:** through business intelligence algorithms provided by TuFinanzacion, a consultancy firm with over 15 years' experience in public subsidies (both European and domestic).
- **Most suitable subsidies in the *Visita 360* (360 Visit) relationship model and through digital channels, where each customer will receive the subsidies considered to be most appropriate on the basis of**

their sector, location, activity and other commercial criteria.

- **Financing solutions:** these relate to three types of business solutions (advances, co-financing and guarantees), as well as turnkey agreements.
- **Subsidies management platform,** provided by PwC, with a specialist team of more than 50 advisers and consultants, designed exclusively for Banco Sabadell customers with competitive prices.

5.5 Sustainable savings and responsible investment solutions

In the area of investment, both pension fund manager BanSabadell Pensiones EGFP S.A. 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. Pension funds individually subscribed to the PRIs by BanSabadell Pensiones EGFP S.A. include BanSabadell Pentapensión Empresa FP, the Banco Sabadell Employees' Pension Fund MF2000, the Banco Sabadell Employees' Pension Fund GM, BanSabadell 18 FP, and the Pension Fund of Compañía de Servicios de Bebidas Refrescantes, a soft drinks company in Spain.

In relation to investment funds, throughout 2021, four Sabadell Asset Management funds were recognised as being sustainable according to Article 8³⁵ of the European

SFDR (Sustainable Finance Disclosure Regulation) by the Spanish regulator: Sabadell Inversión Ética y Solidaria, FI (€112.8m), Sabadell Acumula Sostenible, FI (€117.5m), Sabadell Crece Sostenible, FI (€172.4m), Sabadell EEUU Bolsa, FI (€210.4m) and Sabadell Interés Euro, FI (€644.8m). This, together with the Amundi funds distributed by Banco Sabadell among its customers and recognised as sustainable according to Article 8 (€2,626.6m), have brought the volume of assets under management qualifying as sustainable according to Articles 8 and 9 to a total of 3,884.6 million euros (22.5%) as at year-end 2021.

Sustainable funds

3,884.6MM€

With regard to the United Nations criteria in relation to the Principles for Responsible Investment, it is worth mentioning that the Bank's strategic partner, Amundi, has been a signatory of these Principles since they were created in 2006. In this regard, Banco Sabadell customers have 18 billion euros' worth of investment funds managed by the different management companies of the Amundi group under the UN Principles for Responsible Investment.

Assets under PRI principles

18,000MM€

In 2022, the offering of savings/investment products that meet sustainability criteria will continue to be expanded. The main actions taken will centre around investment funds, as these are the products most held and most frequently acquired by customers, driven by the strong commitment to sustainability undertaken by Amundi, Europe's leading management company in terms of asset volume. Based on the 15% target set for this year, the aim is for the volume of assets under management that meet ESG criteria to reach 75%, which would entail increasing the number of Sabadell Asset Management funds meeting the criteria of Article 8 or 9 from 4 to 29.

Banco Sabadell recognises the importance of the industry of investment products and services in financing a more sustainable economy. Within this commitment, and in order to foster best practices in relation to investment in 2021, specific training sessions on ESG investment have been held for all those in customer-facing roles who may engage in the provision of advice. In the same vein, there are plans to enhance this training content in 2022, with a course aimed at those in more specialist roles in

relation to Savings/Investment, in order to further explore ESG investment, with topics such as the integration of ESG criteria, financial profitability and regulation.

In 2021, the Banco Sabadell Policy on Integrating ESG Risks in Savings/Investment Products has been completed. This policy is enshrined within 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. The process consists of four stages. The first stage corresponds to the analysis of evidence submitted by the companies or partners to which the Institution has delegated tasks related to the management of products of which the Institution is a Financial Market Participant, or to the selection of products that it offers in its capacity as Financial Advisor. The second stage involves reviewing the offering defined for the different segments, including sustainability risks within the decision-making variables, to be submitted to the Working Group of the Advisory Offering. The third stage entails the ratification of the decisions taken by the Technical Product Committee. Lastly, the fourth stage involves monitoring the information to be disclosed in accordance with Regulation 2019/2088.

With regard to BanSabadell Pensiones, in recent years various actions have been carried out to foster the development of socially responsible investment among its pension plans, and it was one of the first institutions 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, together with Banco Sabadell and Comisiones Obreras (CCOO), signed an agreement in relation to the socially responsible investment (SRI) clause, to include it in the statements of investment policy principles of occupational pension funds. BanSabadell Pensiones currently manages nine pension funds that explicitly incorporate a socially responsible investment (SRI) mandate in their investment policy, with assets of 1,068 million euros as at year-end.

In terms of the integration of ESG sustainability risks in investment-related decisions at Sabadell Seguros, the asset management process integrates quantitative and qualitative ESG criteria. To this end, ESG ratings issued by specialised ESG rating agencies are used. These allow the risks and opportunities associated with short- and long-term investments to be identified. Certain tools are also used in the process that detect reputational alerts related to the companies and assets that form part of its investments. It is also worth noting that exclusion policies are applied, which dictate that no investments should be made in controversial sectors (weapons, thermal coal, etc.). To analyse sustainability risk controls in investment portfolios, the ESG Footprint Committee was created,

35. Articles 8 and 9 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 (known as SFDR), which govern transparency of the

promotion of environmental or social characteristics in pre contractual disclosures and transparency of sustainable investments in pre contractual disclosures, respectively.

which is responsible for supervising sustainability risks and checking the correct implementation of the sustainability risk policy by each investment manager.

Similarly, Sabadell Seguros has been a participant of the Q-impact fund since July, in order to contribute to the global challenge of energy transition and create professional opportunities for vulnerable groups.

Q-Impact invests in companies in growth and expansion stages that mitigate problems of both social inclusion and ecological transition in Spain. In the social sphere, the fund primarily focuses on companies which promote the employability of young people and reduce youth unemployment, which work towards the inclusion of those

with different abilities and vulnerable groups, and which improve the lives of people with different abilities and the elderly through adapted products and remote assistance services.

With regard to ecological transition, the fund focuses on catalysing investment in underserved markets, as well as on organic agriculture, sustainable technology and related sectors: renewable generation on islands and financing of self-consumption and energy efficiency.

In terms of protection insurance, the aim of companies is to promote the development of products and services that create social value and foster environmental protection.

The Bank wants to offer insurance products that help it honour its commitment and fulfil its responsibility to the environment. To this end, a number of its products include services and benefits that promote the fight against climate change.

Travel has become less frequent, consequently reducing greenhouse gas emissions, thanks to video valuations in Auto Protection and Home Protection insurance and 24-hour video consultations in Health Protection provided by Sanitas.

Home Insurance also takes into account the needs of customers concerned about climate change, offering coverage for accidental breakages of the sheets of glass of any solar panels that they have installed and which are fixed to the fabric of the building of their homes and for their exclusive use. Any charging points for electric vehicles installed and fixed in their (owned) garage are also considered part of the fabric of the building.

On the other hand, Auto Insurance offers special coverage for electric vehicles, such as roadside assistance in the event of a breakdown, accident or low battery; coverage for the theft of the charging cable or plug; as well as coverage for damages to third parties caused by faults when charging the vehicle (with the Civil Liability coverage).

5.6 Lines of credit with multilateral development banks in Mexico

International Finance Corporation (IFC), a member of the World Bank Group, to promote the development of sustainable tourism and construction in Mexico. These funds are granted to customers seeking to promote the

development of sustainable projects.

This partnership with the IFC has boosted sustainable financing, with loans being granted to the hotel industry to promote sustainable tourism in the country. These projects meet over 90% of the environmental requirements of the Rainforest Alliance, which bases its certification criteria on energy efficiency, reduced water consumption and control of greenhouse gas emissions.

Sabadell Mexico also has an 8-year line of credit of 50 million dollars with the German Development Finance Institution (DEG), which aims to promote sustainable projects aimed at environmental protection, including investments in energy efficiency, measures to reduce greenhouse gas emissions, and devices for facilities and equipment for the rational management of water and waste, among others.

Since July 2021, all infrastructure projects that have received 5 million US dollars or more in funds from the IFC and the DEG are evaluated by Banco Sabadell Mexico's SARAS system, which identifies the environmental and social impacts and risks associated with customers' activities. At the end of these evaluations, an Action Plan is drawn up designed to help mitigate the identified impacts and risks, which the customer undertakes to carry out.

6. Commitment to people



6.1 Workforce information

Banco Sabadell has a committed and professional workforce geared towards helping people and companies make the best economic decisions.

Banco Sabadell has policies and procedures in place aimed at developing talent, fostering the commitment of its workforce and encouraging diversity and inclusion.

As at year-end 2021, Banco Sabadell Group has 20,070 employees distributed across the various regions

in which it operates, practically all of whom have permanent contracts. This workforce is diverse in terms of both its geographical distribution (32.9% are in international locations) and gender (55.7% are women).



Banco Sabadell Group employees: Breakdown by professional category, age and country

	2021			2020		
	Men	Women	Total	Men	Women	Total
Senior management						
Middle management	515	214	729	516	180	696
Specialist staff	1,988	1,281	3,269	2,422	1,324	3,746
Administrative staff	5,663	7,766	13,429	6,855	8,970	15,825
Administrativos/as	724	1,919	2,643	738	2,453	3,191
Total	8,890	11,180	20,070	10,531	12,927	23,458

Group data as at 31/12/2021. '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 Banks.

Age range	2021			2020		
	Men	Women	Total	Men	Women	Total
Under 31	1,113	1,245	2,358	991	1,258	2,249
Between 31 and 49	5,093	7,012	12,105	5,486	7,636	13,122
Over 49	2,684	2,923	5,607	4,054	4,033	8,087
Total	8,890	11,180	20,070	10,531	12,927	23,458

Group data as at 31/12/2021.

Country	2021			2020		
	Men	Women	Total	Men	Women	Total
Spain	6,157	7,310	13,467	7,571	8,141	15,712
United Kingdom	2,291	3,507	5,798	2,408	4,343	6,751
Mexico	278	185	463	306	192	498
Other regions	164	178	342	246	251	497
Total	8,890	11,180	20,070	10,531	12,927	23,458

Group data as at 31/12/2021. Workforce in United Kingdom includes employees at TSB and at Banco Sabadell's foreign branch.

In 2021, the Group's workforce has been reduced by 14.4%, going from 23,458 to the current 20,070 employees. This reduction includes some of the departures envisaged in the Restructuring Plan 2021, incorporated in the commitment to efficiency of the strategic plan and embodied in the collective dismissal agreement reached between the Bank and 100% of workers' legal representatives. The goal is to adapt the Bank to the transformation of the environment (customer digitisation, new ways of working, disruptive technology, etc.) and to build the best possible future for the workforce, customers and other stakeholders.

The Restructuring Plan 2021 envisages the phased departure of 1,605 Banco Sabadell employees until 31 March

2022. In accordance with legal requirements, but with conditions far superior to those provided in law, all of these employees have been offered the option to be enrolled in the different schemes included in a Social Plan, which has a dual commitment: to find a new job for all those affected and who wish to find alternative employment, and to provide effective guidance and emotional support to those who need it during this personal and professional transition.

Types of contracts in the Group³⁶

Practically all Group employment contracts (99.0%) are permanent contracts, and only 192 are temporary (of which 18 are in Spain).

Type of contract and gender	2021			2020		
	Men	Women	Total	Men	Women	Total
Permanent	8,817	11,061	19,878	10,474	12,875	23,349
Temporary	73	119	192	57	52	109
Total	8,890	11,180	20,070	10,531	12,927	23,458

Number of contracts, by type:

Group data as at 31/12/2021.

Type of contract and professional category	2021			2020		
	Permanent	Temporary	Total	Permanent	Temporary	Total
Senior management	727	2	729	693	3	696
Middle management	3,258	11	3,269	3,739	7	3,746
Specialist staff	13,337	92	13,429	15,746	79	15,825
Administrative staff	2,556	87	2,643	3,171	20	3,191
Total	19,878	192	20,070	23,349	109	23,458

Number of contracts, by type:

Group data as at 31/12/2021.

Type of contract and age range	2021			2020		
	Permanent	Temporary	Total	Permanent	Temporary	Total
Under 31	2,306	52	2,358	2,197	52	2,249
Between 31 and 49	12,009	96	12,105	13,076	46	13,122
Over 49	5,563	44	5,607	8,076	11	8,087
Total	19,878	192	20,070	23,349	109	23,458

Number of contracts, by type:

Group data as at 31/12/2021.

36. No breakdown of part-time contracts is provided as the total of these contracts in Spain as at December 2021 was 14 (0.1% of domestic contracts) and this type of contract does not feature in the subsidiaries in the UK (TSB) or

Mexico. Nor is there any breakdown of the annual average contracts as there is no obvious seasonality. Therefore, the gap between annual average data and final data, as at 31 December 2021, is less than 3%.

Breakdown of staff departures from the Group due to dismissal

The Group's Voluntary Turnover Rate (VTR) in 2021 was 5%, returning to a similar figure to the one recorded in 2019 (5.7%). In Spain, voluntary turnover was 1.1%, remaining stable with respect to previous years.

There have been 1,648 departures due to dismissal in 2021, 157.1% more than in 2020. These figures include departures taking place in December 2021 in connection with the Restructuring Plan 2021, which are scheduled to continue until March 2022.

Professional category	2021			2020		
	Men	Women	Total	Men	Women	Total
Senior management	16	5	21	16	9	25
Middle management	70	24	94	27	19	46
Specialist staff	398	520	918	76	129	205
Administrative staff	66	549	615	35	330	365
Total	550	1,098	1,648	154	487	641

Group data as at 31/12/2021.

Age range	2021			2020		
	Men	Women	Total	Men	Women	Total
Under 31	28	40	68	21	19	40
Between 31 and 49	108	259	367	76	126	202
Over 49	414	799	1,213	57	342	399
Total	550	1,098	1,648	154	487	641

Group data as at 31/12/2021.

6.2 SmartWork: moving towards a more agile organisation

Banco Sabadell has always been a bank that works through people for people. It is committed to being a bank that connects its teams more effectively, with professionals who are more closely coordinated and better informed; to having a work pattern that balances personal life with professional development.

Banco Sabadell has always been a bank that works through people for people. It is committed to being a bank that connects its teams more effectively, with professionals who are more closely coordinated and better informed; to having a work pattern that balances personal life with professional development; to offering flexible working hours and office space, adapted to the pace of change; to using technology as a way of being closer and more united than ever; and to prioritising the health and safety of every individual at Banco Sabadell.

After introducing the arrangements made necessary by the contingency situation caused by the health emergency in 2020, the idea of SmartWork has been further developed in 2021 to successfully promote a more agile organisation that continues to have employees at its core, endeavouring to ensure their wellbeing and creating more cohesive and focused teams, whilst also supporting the inexorable process of digitisation.

The SmartWork project takes the form of different pillars that define it in order to attain an agile organisation:

- **Communication** that goes both ways, that is constant, transparent, and segmented for different internal groups.
- **Workplace organisation:** establish criteria and support the teams so that they may define how they want to work and how they wish to be organised internally. This new workplace organisation is based on trust, individual accountability, joint planning and collaboration between the team and the manager.
- **Technology and tools** that make it increasingly possible to collaborate more closely (both synchronously and asynchronously) and to work more efficiently.
- Offering flexibility to employees, where possible, and improving their work-life balance.
- Establishing a system of more dynamic physical **office spaces** to enable improved interactions among different units.
- Fortnightly communication with managers (*Eres Manager*) to set criteria, promote cohesion and support them in team management.
- SmartSite portal: containing all the latest news about SmartWork and other useful resources:
 - Guides and infographic materials.
 - SmartWork manifesto.
 - Information and latest news about SmartWork.
 - Specific content on health and safety, work-life balance and flexibility, as well as technology to help employees organise their work more efficiently.
- News on corporate Intranet (IN Sabadell) and Employee Portal.
- Communication campaign about efficient work meetings, promoting shorter and less frequent meetings with fewer participants.

The following sections summarise the various initiatives put in place in 2021:

6.2.1 Organisational measures

Branch network:

- Flexible staff management based on objective indicators of further outbreaks of the virus (ranging from closure to full occupancy).
- Implementation of new technological tools in the branch network, and assistance with their use.

Corporate centres:

- Implementation of new technological tools and assistance with their use.
- During lockdown easing in 2021: implementation of hybrid system of shift work with a maximum 50% of capacity at the centres.
- Implementation of definitive hybrid telecommuting model at Sabis and InnoCells (technology subsidiaries of Sabadell Group); design underway for a model for the rest of the Group.

In 2021, TSB has designed new ways of working to leverage and assure new approaches to work that support employee productivity and engagement. Furthermore, TSB is a participant of an external report, “Hybrid Work: The Inclusion Question”, which makes it possible to proactively design the transition towards new ways of working.

6.2.2 Support measures

1. Intensive, clear and close communication: :
 - Weekly newsletter (FlashIN) sent to all employees in Spain and regular communications sent to employees abroad, with information about all the Bank’s initiatives and a strong message of unity and commitment.

2. Support plan with open sessions and webinars (SmartBreaks) with informative, training and inspirational content for the entire workforce, focusing on collaboration between teams, efficiency, and on providing context and a variety of skills in relation to work.
3. Measurement of staff satisfaction and wellbeing, and of the progress achieved in terms of efficiency and productivity in the workforce through regular surveys.

6.2.3 Work-life balance and flexibility measures

Within this framework and given the ongoing health situation, the Bank continues to offer and promote access to different measures designed to improve employees’ work-life balance. Some of these already existed previously while others were developed in 2020 and have remained in place throughout 2021:

- Faster and more straightforward processing of leaves of absence requested by staff.
- Option for reduced working hours.
- Enrolment in the MeCuida Plan promoted by the Spanish government, as one of the extraordinary urgent measures designed to address the economic and social impact of COVID-19, which recognises the right to flexible and/or reduced working hours for employees who provide proof that they are carers so that they may care for their loved ones in certain exceptional circumstances, in order to take the actions necessary to prevent the spread of COVID-19.
- Flexibility to adapt working hours (start and finish times) and digital disconnection (from 6pm to 8am).

All of these measures have been introduced under the supervision and guidance of the SmartWork Working Group, which coordinates all parties involved in the project.

Furthermore, coordination and dialogue has been maintained at all times with employees’ legal representatives.

6.3 Commitment to talent

Banco Sabadell Group aspires to provide its employees with an ideal place for career development. Qualities that make this possible include a solid talent management

model, a framework of professional opportunities within the Group (internal mobility, promotions and training) and the ability to attract the best external talent. To these must be added the professional development and skills of the management team.

6.3.1 Talent management model

Banco Sabadell's talent management model seeks to manage and retain talent.

These are key elements of the strategy of Human Resources, based on the principles of meritocracy, development of internal potential, and diversity. To prioritise the development of internal talent, the focus is placed on developing the potential of each person, and employees are offered the possibility of new career opportunities and professional advancement in Banco Sabadell Group.

In 2021, the main processes used to identify and develop talent have been consolidated and other processes have been introduced, which serve to strengthen the talent management model:

- **Annual appraisal of performance and potential:** structured process to identify internal talent and measure potential. This year, the measures introduced in 2020 have been enhanced. These measures include giving feedback, bringing forward the annual chat with line managers, measuring performance and promoting objectivity (basing appraisals on completion of all mandatory training, participation in volunteer schemes, good assessment of managers by their teams, etc.). Based on the results of the annual appraisal, actions are defined for employees with the best performance and greatest potential, providing them with professional opportunities, access to special training and events for their personal development throughout the year.
- **Employee Appraisal Committees:** a new model of Employee Appraisal Committees has been defined, adjusted to the new organisational structure, in order to identify needs related to the management of staff working in both central/corporate services and in the branch network, to consensually agree on promotions and specific actions (filling/appointing substitutes to

roles, reviewing composition of Senior Management group, diversity, etc.), and to deal with the 'key roles' of the Key Function Holder Substitute Map and its substitute pool.

- **Key Function Holder Substitute Map:** the 'key roles' identified to date have been reviewed in light of the new organisational structure, and the substitute pool has been updated.
- **Annual appraisal of low-level managers:** new process that includes a self-assessment of targets and a manager evaluation which, in addition to assessing the achievement of targets, also appraises sustained performance over time and potential. An overall picture of this group will be obtained using a talent map and specific actions will be defined accordingly.
- **Senior manager appraisal and development process:** in 2021, a total of 109 senior managers have taken part in this process, carried out in collaboration with a specialist outside consultancy firm. The final stage of this process involves sending the conclusions to each General Division, in confidence, and informing senior managers of the results by giving them individual feedback, highlighting their strengths and areas for improvement.

The talent management processes listed above also apply to the subsidiary in Mexico, which carries out an annual appraisal of performance and potential and where the Employee Appraisal Committee meeting takes place every year, as does the review of the Key Function Holder Substitute Map, to align it with the Group's talent management model.

Promotions

Meritocracy is key to developing talent in a sustainable way in the long term.

The talent model prioritises the promotion of employees who achieve the expected results whilst putting the Bank's values into practice on a daily basis. Promotions to roles with greater responsibilities are approved by internal bodies, with the support of the Human Resources Division. In 2021, 1,074 members of staff were promoted to positions with increased responsibility in Spain.

Qualis Awards

These awards recognise merits and excellence on the basis of the work carried out by units and teams at Banco Sabadell and by the members of staff within those units and teams every year.

The 19th edition of the Qualis Awards (2021) considered several categories:

- Awards for Branch Network Excellence
- Banco Sabadell Idea Award
- Awards for Corporate Centre Excellence

In 2021, in the UK, TSB has continued to actively identify and develop talent, creating solid channels for talent management. It is worth noting the maintenance of the system of coaching for senior roles, as well as the proposal of schemes for all other employees relating to the development of specific skills designed to increase internal mobility. In the second quarter of 2021, a new mentoring programme was launched, which allows employees to build relationships, both internal and external, in the banking industry.

6.3.2 Attracting external talent

Talent incubators

Young talent programmes are a key vehicle to achieve business goals and to ensure the transformation of the Institution.

Young talent programmes are a key vehicle to incorporate the skills and knowledge necessary to achieve business goals and to ensure the transformation of the Institution. This year, two new programmes have been launched: Graduate Data Science and the Banking Sales Programme, with 24 and 210 new enrolments, respectively.

On one hand, enrolments in the Graduate Data Science programme include specialists in advanced data analytics, the use of modelling technology and cognitive systems, while on the other hand, enrolments in the Banking Sales Programme include business specialists focusing on commercial management and on the business segment. Both programmes have specific proposals and pathways for training and development, and they also aim to create a sense of belonging in the Institution.

Similarly, the Institution has promoted activities that centre on informal learning and the creation of interpersonal networks between participants, such as: Data Fridays, Meeting Points and support roles, such as mentors.

These talent programmes contribute to increasing gender diversity and they strengthen the Institution's commitment to young employees as they develop their talent and professional careers. They also help to convey an image of a winning bank with a clear course of action going forward.

Employer brand

Banco Sabadell has a staff selection process that ensures the application of objective criteria, assessing the professionalism of staff and the extent to which they are suited to their roles, as well as their potential for development in the company. Keeping a close relationship with universities continues to be a key factor in attracting talent and building a strong employer brand. This year, this has been achieved by participating in a variety of events at top universities. It is also worth mentioning the company page on LinkedIn, which has attracted more than 143,104 followers this year, a year-on-year increase of 15%. Banco Sabadell still ranks among the top 25 employers according to MercoTalent, a prestigious brand reputation monitor, moving up one spot in the ranking compared to the previous year (from no.25 to no.24).

LinkedIn followers

143,104

^15%

6.3.3 Leadership programmes

Managers are the backbone of the Group's development. The long-term future of the Group depends on their ability to take care of the people in their teams, create an efficient work environment, empower their teams and foster collaboration.

Corporate Management Programme

The Corporate Management Programme, for people promoted to the role of director or unit head with direct reports, continues to offer a training pathway for managers focusing on skills, collaboration and values. A total of 86 managers appointed in 2020 completed this pathway in early 2021 and a further 91 managers began it in September 2021 and are scheduled to complete it in early 2022. This new edition focuses on a different project and it has been aligned with the **Eres Manager** project, improving the networking sessions with HR.

Senior Manager Development Programme (SMDP)

Programmes for senior managers have continued in 2021, including the Senior Manager Development Programme, for those who attain the role of Top Manager or Corporate Director, in order to support them as they transition to their new role and to prepare them for the changing business environment, focusing particularly on the specific challenges of their new position.

The programme follows a 'learning by doing' approach and aims to build networks within senior management, offering networking opportunities and visibility.

It includes a 360° appraisal process and two group coaching sessions, with groups of 5/6 people, to complement the training sessions.

In 2021, the new edition of the programme took place virtually, in which 115 senior managers took part and rated the programme very highly.

Eres Manager (You are the Manager)

To ensure that managers are aligned with the corporate purpose of the Institution and embody its values, a performance and development programme called '**Eres Manager**' has been rolled out to recognise managers, supporting them as they enhance their capabilities, gearing these towards promoting a more agile, exciting and connected bank.

This is a cross-cutting programme that encompasses all divisions within the Bank, with a target number of

3,400 managers ranging from Unit Heads (>10 people in the team) to General Managers.

The programme is based on training and facilitation sessions, working with teams of managers from each division. The focus is on the role of manager and on how to reach systemic agreements to ensure that all divisions and managers are committed to seeing them through.

More than 400 training sessions have been held throughout 2021 for managers in both the branch network in Spain and in the corporate headquarters (sessions are pending for 14% of divisions at corporate headquarters). The programme is very well regarded, with 94% of those who attended the training sessions saying they would recommend them to others and with management indicators improving by 7 points.

Furthermore, periodically (every 2-3 weeks), all team leaders are sent a newsletter to give them key information, remind them of specific actions they should take with their teams, reinforce their role and support them with thought-leading content (news capsules, articles, podcasts, etc.) so that they may behave as team leaders should.

Leadership development at TSB

In 2021, the focus has been on working with hybrid teams and supporting the wellbeing of employees through specific resources. All team leaders have been given access to Leadership Essentials, an online leadership development tool and training plan. New leaders have accessed the content as a 'roadmap' to get a clear picture of all the key elements and guidelines of leadership. More experienced leaders have been given access to insights and comments from staff specialising in the world of business or sport.

The leadership programmes already in place have been expanded in 2021 to include specific programmes:

- TSB Manager – a programme developed in 2020 that trains team managers in the fundamentals of management. In 2021, a new learning module has been included, based on a virtual skills workshop.
- Online Talking Performance training – a programme, developed in 2020, that focuses on performance and has continued to take place in 2021.

- Leader as Coach – a programme developed in 2020 in online format that further deepens coaching skills. In 2021, the programme has been launched in full through blended learning and includes skills practice and mentoring by International Coaching Federation-certified professionals. In addition, a group of former students has been created to maintain and integrate learning in 2022.

Furthermore, in the Leadership Expectations programme, in order to accelerate the execution of TSB's strategic plan, guidelines have been defined that will be integrated in the leadership development proposal for 2022, which will in turn be aligned with recruitment and talent processes.

Moreover, all team leaders at TSB continue to receive Leadership Insights, a monthly newsletter that communicates current and future research-based concepts aligned with the strategic priorities of the Institution and the business.

Leadership development in Mexico

Banco Sabadell Mexico seeks to align the culture and skills of leaders on a global scale. To this end, it has partnered up with IPADE, Latin America's top business school. As part of its In-Company Business Management programme, it has developed a senior management training programme that aims to enhance and accelerate the development of skills to enable adequate decision-making. In this programme, training sessions are imparted that focus on Global perspective, leadership vision, functional vision performance, cross-cutting vision, and Common ethical dilemmas of the director.

In 2021, a training programme had been implemented for new leaders and partners who have switched to a role with direct reports. It aims to provide them with key information about their role and to help them master the Bank's internal operational processes. The course is imparted by experts in each subject matter, such as: entitlements and benefits, social welfare and regulations, recruitment, talent attraction process, performance appraisal (targets and competencies), technological processes and documentary methodology.

There is also an annual mentoring scheme provided by experts from Great Place to Work, in which top-performing leaders are selected to mentor upcoming leaders. The aim of this scheme is to build on existing strengths, identify opportunities and put forward suggestions on how to improve the work environment. It also considers commitments and actions that will help them become leaders who exert a positive influence within the organisational culture.

6.4 Formación

The training model of Banco Sabadell Group is built on the following pillars:

- **Offer training aligned with the business and the needs of staff members of Banco Sabadell Group.**
- **Improve the development of employees, as the drivers of change and transformation.**
- **Streamline the Institution's training budget so that more employees can receive training and to achieve greater transformation.**
- **Set an example within the financial sector in terms of innovation in staff training.**
- **Be leaders in terms of adjusting training schemes to the digital transformation of business lines.**

The goal is to train employees for the world of today and tomorrow, anticipating training needs using HR's strategic plan and business objectives, and developing a training model with customised, innovative and efficient solutions.

In addition, at TSB, training policies and activities, which are mandatory for all employees, provide information and guidance to employees in relation to the risks that should be taken into account in all stages of the business relationship with customers.

Key training-related data of the Group in 2021

The health-related restrictions resulting from the pandemic have continued to have an impact on training in 2021. To adapt to this situation, the business has continued to be supported to overcome challenges and achieve its targets, offering new training resources specifically designed for the strategic projects and priority projects of Banco Sabadell Group. The catalogue of online and virtual training sessions has been further strengthened, to the detriment of face-to-face sessions, which have continued to be imparted in live virtual format.

In relation to this support of the business, in Spain, it is worth highlighting programmes for new relationship managers within the **Cantera** project and the **Banking Sales Program**, two training schemes designed to support two separate groups of people.

The Cantera project aims to boost the attraction of talent, integrate new hires in the Institution's culture, facilitate the acquisition of knowledge, skills and regulatory certification to carry out business activities and generate specialist teams. The goal of the Banking Sales Programme is to establish initial training with basic content for relationship managers and to provide vital training for the attainment of regulatory certifications.

Also worthy of note are the various training actions for specialists: the programme for Personal Banking Directors, training sessions for SME Directors, the launch of pathways for Business Directors, as well as the spaces that have been created for teams of the Direct Branch and SARA (new assistance service to help branches and other

colleagues resolve queries about products, procedures or specific issues).

In addition, training sessions have been imparted for specialists in European funds, as this is a technical field that requires much expertise, and training in relation to Next Generation EU and sustainability has also been provided for all employees.

Regulatory training in Spain has been very intensive in 2021, accounting for 76% of total training hours recorded up to year-end. This percentage of hours includes training on mandatory subject matters, such as the new Code of Conduct, Anti-Money Laundering, Safety and Security, Workplace Hazard Prevention, etc., in addition to ongoing training in relation to the three certifications required to sell banking products (MiFID, IDD and LCCI (Spanish real estate credit law)). The time dedicated to

accumulating training hours required for certification renewal represented more than 87% of the total regulatory training.

In 2021, the subsidiary TSB has developed Money Confidence, a training programme accredited by the Chartered Banker Institute for all customer-facing employees consisting of two key elements: understanding what is expected of them, and what makes a highly engaging customer conversation.

Practically all employees (98%) have received training in 2021, with 781,899 total hours of training completed at the Group level (equivalent to an average of 40 hours per employee), which has improved both the professional skills of our staff and their future employability within the organisation. In Spain, 24% of the training received was voluntary and 85% took place online.

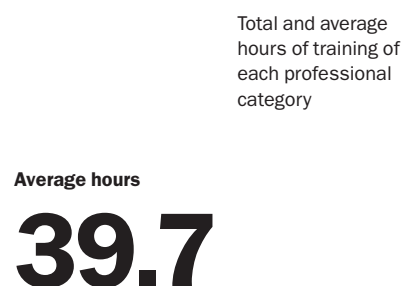
	2021	2020
Employees who have received training (%)	98.2%	98.0%

Serving employees as at 31/12/2021. Training data refers to the entire Group.



	2021		2020	
	Hours of training	Average hours	Hours of training	Average hours
Senior management	28,969	40.9	25,862	39.7
Middle management	149,818	46.6	197,194	53.6
Specialist staff	549,691	41.8	727,833	47.0
Administrative staff	53,420	20.3	74,713	23.6
Total	781,899	39.7	1,025,602	44.6

Serving employees as at 31/12/2021 who have received training.



In-house trainers

In-house trainers has been recognised by the Bank's Qualis Awards as having the best Corporate Headquarters project, based on the transformation of the training model to prioritise the role of trainers, bringing it in line with the needs of the Institution and the business reality.

In Spain, it is worth highlighting the ongoing contribution of in-house trainers, who are a key piece in the transmission of the knowledge and culture of Banco Sabadell, which in 2021 has been recognised by the Bank's Qualis Awards as having the best Corporate Headquarters project, based on the transformation of the training model to prioritise the role of trainers, bringing it in line with the needs of the Institution and the business reality. The project's implementation has resulted in higher quality of training, promoting a true culture of in-house expertise, contributing to an improved working environment and to the transformation of the Bank's values, and streamlining investment in training.

A total of 681 members of staff have shared their expertise with colleagues, contributing 26% of the training hours recorded.

The activities of in-house trainers notably include giving continuity to the WhatsNext project, where they have supported colleagues, helping them to adopt the new digital tools of the Microsoft Office365 suite. In 2021, 'buddies' (in-house trainers acting as tutors) have clocked more than 5,900 hours dedicated to helping colleagues make efficient use of the new tools that make it easier to work in a blended environment.

The team of in-house trainers has a specific training space within Sabadell Campus.

Sabadell Campus

Sabadell Campus is the training platform used by the Bank in Spain and it is so much more than a mere training environment. The schools, as the spaces designed to enable training and development in relation to a particular topic, are the mainstay of the Campus. They provide the Bank's employees with access to certification pathways, participatory forums, self-guided training content and content to use as reference.

There are currently six separate schools:

- **Business School**
- **Regulatory School**
- **Management School**
- **Digital School**
- **Financial School**
- **Language School**

All of these development spaces and their content are intended to provide guidance and support for commercial and business activities, provide information that is quick and easy to 'digest' and help employees make use of this information in their day-to-day activities.

The most noteworthy training projects at the Campus in 2021 are:

- **Ongoing training at the Business School.** This is a space that organises and provides specific training resources that employees can use to update their knowledge of the three regulatory certifications that affect the possibility to sell financial products: MiFID, IDD and LCCI (Spanish real estate credit law).

New audiovisual content is posted every month, so that employees can stay up to date with the latest developments whilst at the same time accumulating the hours needed to renew their certification. This is the most frequently visited space of the Campus, with more than 101,000 visits in the past 12 months.

Visits

101,000

- **Training for specialists at the Business School.** Collaborative groups have been designed for the various specialist functions within Business Banking. In this case, in relation to 2021, particular note should be taken of the space for Personal Banking Directors, which contains different training pathways depending on the stage of their career, as well as a News section and a Community where in-house trainers act as facilitators to share good practices.

On the other hand, the space for the Direct Branch has recorded around 35,000 visits (cumulative over the past 12 months) and provides all of the training available for this specialised profile. Spaces for specialists in SMEs and Businesses are also under development.

Recorded visits

35,000

- **Training at the Regulatory School.** Employees can find all regulatory courses, along with a wide range of other content, in innovative formats provided by Norma, an assistant that helps branch employees apply what they have learned in training to their day-to-day activities.

Furthermore, the Regulatory School aims to support members of staff at the Bank, generating a culture of compliance with an in-house blog written in a way that makes it relatable and laid-back, as well as comic strips and infographics.

- **Smartsite.** This space provides information about all the different projects related to SmartWork, as well as the new ways of working that are being promoted by the Bank, in a single place. It also includes recommended training and access to periodic audiovisual content. So far, it has received more than 47,500 visits (cumulative over the past 12 months).

Visits

47,500

- **Legal Classroom.** This is a private group on Campus that can only be accessed by members of the Legal Advice Division. It is designed to be a learning space

for exclusive use by legal professionals, which contains all the specialist training in the field of legal advice and law, and where news of regulatory developments can be

shared with all of the intended recipients. It currently has 125 members.

Sustainability training

The area of sustainability also has its own specific space on Campus with training, which is mandatory for all employees.

The area of sustainability also has its own specific space on Campus. Here it is worth highlighting the introductory infographic and the **Introduction to Sustainability** course, developed together with EADA Business School, which takes one hour and is provided in audiovisual format. With this training, which is mandatory for all employees, staff can get acquainted with the new sustainable paradigm, have a conceptual framework about this topic, explain the triple bottom line, the ESG framework, the Sustainable Development Goals (SDGs) and what is meant by the circular economy, and they can also become familiar with the Bank's Sustainability Plan.

As at year-end 2021, 93.4% of employees had completed this course.

Introduction to Sustainability course completed

93.4%

6.5 Diversity

The Group views diversity as a valuable source of corporate wealth and promotes actions to cultivate it.

To this end, Banco Sabadell is 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.

A further two courses have been developed in relation to this same topic:

- **Sustainability** is a one-hour training course designed to allow employees to become familiar with the key aspects of sustainability and to prepare for the Visita 360 (360 Visit) so that they may also support customers in this regard.
- **Environmental Management System** is a two-hour training course intended to ensure that employees understand the importance of implementing an environmental management system at the Bank and are able to collaborate in the implementation of the system based on Standard ISO 14001.

Lastly, work is now starting to get underway to allow all of the Bank's employees to attain a sustainability certification. This will be implemented in the first quarter of next year.

6.5.1 Gender

The Bank's workforce is diverse in terms of gender, with women making up 55.7% of its total staff.

In the senior management group, women represent 29.4%, with an increase of 3.5 points in 2021, continuing with the steady trend of improvement of recent years. Nevertheless, the commitment to continue increasing diversity at the management levels remains in place. It is therefore vital to drive forward the diversity agenda in middle management roles, over 39% of which were held by women in 2021.

In Spain, the proportion of women in management positions has increased from 25.6% to 29.1% (+3.5 points) of senior managers and from 34.7% to 38.8% (+4.1 points) of middle managers, in line with the trend observed in previous years. The ratio of promotions given to women remains steady (55.3% in 2021 compared to 55.6% in 2020), which demonstrates the commitment to improving gender diversity and the results obtained with the measures that have been put in place.

By gender	2021	2020
Men	8,890	10,531
Women	11,180	12,927
Total	20,070	23,458

By professional category (%)	2021	2020
Senior management	29.4%	25.9%
Middle management	39.2%	35.3%
Specialist staff	57.8%	56.7%
Administrative staff	72.6%	76.9%
Women promoted out of total number of promotions during the year	55.3%	55.6%

Breakdown of Group employees

Group data as at 31/12/2021, with the exception of promotion figures, which relate to Spain only.

Senior management
2021

29.4%

2020

25.9%

Middle management
2021

39.2%

2020

35.3%

Women promoted
2021

55.3%

The positive performance of the indicators in Spain is the result of the launch of various measures, including:

— **Talent management:**

- Participation in professional development and leadership programmes. It is worth noting the increased participation of women in High Potential programmes, designed to foster the development of the talent pool for upcoming senior managers (55% of participants in the first edition were women).
- Monitoring of promotions given to women and of gender diversity in the workforce, carried out by Employee Appraisal Committees and Managerial

Performance Evaluation Committees (with particular emphasis on senior managers and upcoming senior managers), with specific actions designed to promote each area.

- Monitoring and tracking of results of the workplace environment survey “*El Banco que queremos ser*” (The Bank we aim to be), together with the corresponding follow-up actions.
- **Internal regulations and labour relations:**
 - Group Code of Conduct 2021, which promotes equal opportunities in terms of accessing work and career promotions, ensuring the absence of discrimination.

- Plan for Effective Equality between Women and Men.
- 24th Collective Bargaining Agreement for Banks, which promotes equal opportunities.
- **Recruitment and Selection:**
 - Presence of women in all three-person lists of candidates for senior management positions.
 - Monitoring and analysis of new hires, by gender and Division. Inclusion of individual KPIs relating to gender in internal audits of the Recruitment and Selection process.
 - Use of inclusive language in internal and external job postings, including a final non-discrimination clause.
 - Use of inclusive and diverse images in talent attraction campaigns.
 - Incentive for external partners to be inclusive in their selection processes.
- **Training:**
 - Gender equality course (mandatory for all employees with direct reports). It has been completed by more than 4,000 employees.
 - New courses in training catalogue on diversity and inclusion. Launched at the end of 2021.
- **Remuneration:**
 - One of the key indicators of diversity within the corporate sustainability objectives is the reduction of the pay gap.

In 2021, Banco Sabadell has remained committed to the internal communication and dissemination of all the measures taken by the Bank in terms of diversity.

SWING (Sabadell Women Inspiration Group), an initiative promoted by female senior managers at the Bank which seeks to empower women in Banco Sabadell and emphasise the value of diversity and its benefits, has continued its activities throughout 2021, with monthly meetings.

In addition, the wider network called *SWING&Co*, which is open to anyone interested in diversity issues and which has 300 member employees, has also continued to take action and send internal communications.

Diversity Week took place in the first week of March 2021. A number of communication actions were taken, which included sending messages internally to employees and externally on social media.

That week, *SWING* held a major event open to the entire workforce as part of its series “Conversations about Diversity”, whose participants included Miguel Montes (General Manager, Organisation and Resources Director and Retail Banking Director) and Carlos Ventura (General Manager and Business Banking Director). The main aim of the event was to convey the message that diversity concerns every single person who forms part of the Bank.

Furthermore, to celebrate the International Day of Women and Girls in Science, the team of the internal initiative Data Pills prepared an infographic, to be distributed internally, on the role of women in science, with testimonies of female employees of the Bank who work in STEM (Science, Technology, Engineering and Mathematics). At an external level, Banco Sabadell is part of the group

behind the project Women in Banking, an initiative to share best practices among banks in Spain and promote a network of women within the banking industry. In July 2021, this initiative was formally endorsed by the Spanish Banking Association (Asociación Española de Banca, AEB) and backed by Banco Sabadell.

In 2021, women’s participation in different forums and external events has been particularly fostered. It is worth highlighting the Bank’s participation as partner and speaker at the Women Economic Forum in January.

It has also received the Equality Employer (*Empresa Igualitaria*) award from Asturia’s Federation of Female Entrepreneurs and Managers (Federación de Empresarias y Directivas de Asturias, FEDA), for its policies developed in support of equal professional opportunities for men and women.

As an external action, Banco Sabadell sponsors gender equality initiatives in different media. In 2021, the Bank sponsored a section of the *Liderazgos* (Leadership) radio programme on Onda Cero, where female management staff of the Group speak about finance and discuss a different topic every month. It also sponsored a feature in the *Diario Sport* newspaper called *50 mujeres, 50 causas* (50 women, 50 causes), dedicated to increasing visibility and empowering women in sport.

This has long been a commitment of Banco Sabadell, which in 2018 received the Spanish Government’s Equality in the Workplace (*Igualdad en la Empresa*) Seal of Distinction and, in March 2021, it presented the Seal of Distinction Annual Report, thus reaffirming its commitment. Furthermore, Banco Sabadell’s Chief Executive Officer, César González-Bueno, signed an initiative launched by the Adecco Foundation and the Spanish Confederation of Employers’ Organisations (Confederación Española de Organizaciones Empresariales, CEOE) called “CEOs supporting diversity” (*CEO por la diversidad*).

Diversity is also a key pillar at TSB, which in 2021 has made good progress, increasing female representation by 1 point to 41%, above the industry average of 34%, while the representation of people of colour, Asian people and ethnic minorities also increased by 2 points to 9%; the target is for this to rise to at least 10% by 2025.

TSB’s business plan includes a strategic component in the form of its Do What Matters Plan, which aims to achieve an inclusive culture by:

- Creating a TSB for all through behaviour and ways of working.
- Building a diverse and balanced workforce that mirrors customers in the United Kingdom.
- Making accessibility a key part of inclusion, generating trust to discuss mental health both internally and with customers.
- Supporting social mobility in local communities.

Diversity in the Board of Directors

The Board of Directors and the Appointments and Corporate Governance 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 most recently amended on 30 September 2021, endeavour to ensure a suitably balanced and diverse selection of candidates to sit on the Board which, as a whole, enriches decision-making and contributes diverse points of view to discussions about the matters within its remit. In particular, they ensure that the procedures facilitate the selection of female Board members and that they are generally free from implicit bias that could result in discrimination.

Since 2019, Banco Sabadell has had a competency and diversity matrix in place, which is reviewed annually by the Board of Directors and which was last reviewed on 18 November 2021, as a result of the changes that took place within the Board of Directors.

Furthermore, the Bank has adopted policies and established measures to increase the number of female Board members over the last few years. The Appointments and Corporate Governance Committee has prioritised gender diversity, promoting the selection of independent directors of the under-represented gender in order to increase equality on the Board.

At the end of 2021, four of the fifteen members on Banco Sabadell's Board of Directors were women; three of these were Independent Directors and one was an Other External Director. Of the six Board Committees, the Audit and Control Committee and the Remuneration Committee are chaired by women (Independent Directors). Women are also present in all Board Committees, accounting for 50% of the members of the Board Risk Committee and of the Appointments and Corporate Governance Committee.

The composition of the Board of Directors is diverse and efficient.

It is of the appropriate size to perform its duties 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. Its members are suitably diverse in terms of competencies, professional background, origin

and gender, and they have extensive experience in banking, finance, insurance, risk and auditing, in regulatory affairs and the law, as well as in academia, human resources and consulting, digital technology and IT (digital transformation), and in international business.

	2021	2020
Men	11	11
Women	4	4
Total	15	15

Diversity in the Board of Directors

Data as at 31/12/2021. In 2021, the proportion of women on the Board of Directors has remained steady at 27%.

6.5.2 Functional diversity

The Group establishes measures for the adjustment of workstations where required by those with different abilities, in line with the occupational health and safety service's procedures relating to particularly sensitive individuals. The Institution also assists employees with paperwork and formalities at the municipality, autonomous

community and State level that help to improve these employees' wellbeing beyond a strictly professional sense. Pursuant to the General Disability Law (*Ley General de Discapacidad*), it implements alternative supported employment measures by hiring services and supplies from special employment centres.

As at December 2021, 344 of the Group's employees had some form of disability.

Professional category	2021			2020		
	Men	Women	Total	Men	Women	Total
Senior management	7	4	11	8	3	11
Middle management	16	14	30	26	11	37
Specialist staff	100	114	214	144	148	292
Administrative staff	20	69	89	27	115	142
Total	143	201	344	205	277	482

Group data as at 31/12/2021.

In 2021, the Bank has supported and collaborated with the Eurofirms Foundation in its campaign “#IgualeDiferentes #IgualeProfesionales” (meaning ‘just as different, just as professional’) to mark the International Day of Persons with Disabilities (3 December), posting on the Institution’s internal and external channels in order to generate a more inclusive culture and break the habit of bias and prejudice. In addition, that same week, it held an informative session on technological accessibility together with Microsoft, which was open to all employees, to explain the technological features available to employees to enable them to work in a way that is inclusive and accessible to all.

6.6 Remuneration policy

Banco Sabadell Group’s remuneration policies are consistent with the goals of the risk and business strategy, the corporate culture, the protection of shareholders, investors and customers, the values and long-term interests of the Group, as well as with customer satisfaction and the measures taken to prevent conflicts of interest without providing incentives for excessive risk-taking.

Banco Sabadell Group’s Remuneration Policy is based on the following principles:

— **Promote medium- and long-term business and social sustainability, as well as an alignment with Group values. This entails:**

- 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.

— **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, comprehensible, and that it can be easily communicated to all staff.

— **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 male and female employees with equal remuneration for the same work or for work of equal value.
- Is aligned with market standards and flexible, so that it may be adapted to changes in the environment and in the sector’s requirements.

In addition to the above principles, the following aspects are also taken into account:

- The Remuneration Policy and remuneration practices are in keeping with the Institution’s credit risk management approach, as well as with its appetite and strategies in relation to this risk, and do not create any conflicts of interest. These practices also include measures to manage conflicts of interest, so as to protect consumers from any unwanted effects resulting from the remuneration of sales staff.
- There is consistency with the integration of sustainability risks and the related information is published on the Group’s webpage.
- The Remuneration Policy and remuneration practices stimulate behaviour that is in keeping with the Group’s approaches in relation to climate and the environment, as well as the commitments voluntarily undertaken by the Group. They promote a long-term approach to the management of climate-related and environmental risks.
- Remuneration components should contribute to promoting actions in relation to Environmental, Social and Governance (ESG) criteria, in order to make the business strategy sustainable and socially responsible.

All of the principles on which the Group’s Remuneration Policy is based are compliant with European Directives and Regulations and with prevailing legislation.

Of the Group’s Remuneration Policy is impartial when it comes to gender, in line with the principle of equal remuneration for the same work or for work of equal value, guiding decision-making towards the reduction of the gender pay gap.

In addition to ensuring equal remuneration for the same work or for work of equal value, equal opportunities are also guaranteed, as these are a prerequisite for long-term gender neutral remuneration. This includes, among other things, hiring policies, career development, succession plans, access to training and the possibility to fill internal vacancies.

Remuneration of the Board of Directors

With regard to average pay, all members of the Board of Directors, both male and female, are remunerated according to the same criterion, i.e. the number of Board or Board Committee meetings in which they participate or, if applicable, that they chair, without any variation among them for any other reason.

	2021		2020	
	Members	Remuneration	Members	Remuneration
Men	10	259,633	11	155,796
Women	4	164,390	2	132,917
Total	14	232,421	13	152,277

Average remuneration of the Board of Directors³⁷

Average remuneration is calculated by considering Board members who have served as directors during the entire tax year, excluding Board members who have not served for the full year. Remuneration received for work carried out in the capacity of members of the Board of Directors is calculated excluding any amounts received for management functions and excluding any amounts received for work carried out as members of the Advisory Board. This remuneration includes, from 2021, an additional remuneration for the Non-executive Chairman for his functions as Chairman of the Institution, Chairman of the Board of Directors and Chairman of the General Meeting of Shareholders, as well as his functions as highest representative of the Bank and all other functions attributed to him by law, the Articles or the Board of Directors itself. 2021 average remuneration for men Members of the Board is 148,574 euros without considering the remuneration for the Non-executive Chairman.

Staff remuneration, by professional category, age and gender

Remuneration received for work carried out during the year is reported, broken down by geographical region.

Average total remuneration in Spain

Professional category	2021						2020					
	Employees			Remuneration			Employees			Remuneration		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Senior management	402	165	567	165.001	125.629	153.543	394	136	530	182.125	138.933	171.042
Middle management	1.618	1.027	2.645	72.565	60.951	68.055	2.025	1.077	3.102	73.341	62.398	69.542
Specialist staff	4.087	6.002	10.089	47.081	42.570	44.397	5.099	6.794	11.893	48.150	42.724	45.050
Administrative staff	50	116	166	27.580	25.988	26.468	52	134	186	27.382	26.191	26.524
Total	6,157	7,310	13,467	61,319	46,764	53,418	7,570	8,141	15,711	61,719	46,662	53,917

Data as at 31/12/2021. Average remuneration in euros.

Age range	2021						2020					
	Employees			Remuneration			Employees			Remuneration		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Under 31	367	256	623	35,596	34,524	35,156	246	227	473	37,461	33,924	35,763
Between 31 and 49	3,606	5,118	8,724	55,767	45,100	49,509	3,856	5,403	9,259	55,462	44,674	49,167
Over 49	2,184	1,936	4,120	74,807	52,782	64,457	3,468	2,511	5,979	70,396	52,092	62,709
Total	6,157	7,310	13,467	61,319	46,764	53,418	7,570	8,141	15,711	61,719	46,662	53,917

Data as at 31/12/2021. Average remuneration in euros.

37. 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.grupobancsabadell.com).

<https://www.grupobancsabadell.com/corp/en/corporate-governance-and-remuneration-policy/director-remuneration-policy.html>

<https://www.grupobancsabadell.com/corp/en/corporate-governance-and-remuneration-policy/annual-report-on-remuneration-of-directors.html>

<https://www.grupobancsabadell.com/corp/en/corporate-governance-and-remuneration-policy/corporate-governance-annual-report.html>

Average total remuneration in United Kingdom (TSB)

Professional category	2021						2020					
	Employees			Remuneration			Employees			Remuneration		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Senior management	94	46	140	272,790	256,255	267,357	99	40	139	276,653	258,053	271,300
Middle management	203	154	357	117,593	110,090	114,356	205	151	356	110,585	103,828	107,719
Specialist staff	1,302	1,486	2,788	55,223	47,163	50,927	1,411	1,831	3,242	52,085	43,931	47,480
Administrative staff	674	1,803	2,477	27,468	24,552	25,345	669	2,303	2,972	27,651	23,341	24,311
Total	2,273	3,489	5,762	61,560	41,013	49,118	2,384	4,325	6,709	59,584	37,039	45,050

Data as at 31/12/2021. Average remuneration in euros. Exchange rate as at 31/12/2021: GBP 0.8403 = EUR 1. Exchange rate as at 31/12/2020: GBP 0.89903 = EUR 1. Workforce figures only include TSB's workforce; they do not include staff at Banco Sabadell's foreign branch in the UK.

Age range	2021						2020					
	Employees			Remuneration			Employees			Remuneration		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Under 31	686	939	1,625	34,204	30,116	31,842	649	959	1,608	34,699	30,700	32,314
Between 31 and 49	1,189	1,653	2,842	68,775	45,133	55,024	1,269	1,946	3,215	65,427	40,370	50,260
Over 49	398	897	1,295	87,159	44,826	57,836	466	1,420	1,886	78,333	36,754	47,028
Total	2,273	3,489	5,762	61,560	41,013	49,118	2,384	4,325	6,709	59,584	37,039	45,050

Data as at 31/12/2021. Average remuneration in euros. Exchange rate as at 31/12/2021: GBP 0.8403 = EUR 1. Exchange rate as at 31/12/2020: GBP 0.89903 = EUR 1. Workforce figures only include TSB's workforce; they do not include staff at Banco Sabadell's foreign branch in the UK.

Average total remuneration in Mexico

Professional category	2021						2020					
	Employees			Remuneration			Employees			Remuneration		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Senior management	44	14	58	197,786	123,363	179,507	51	16	67	210,214	127,902	190,557
Middle management	162	114	276	50,882	46,965	49,258	178	121	299	50,757	44,988	48,414
Specialist staff	72	57	129	20,555	19,816	20,226	77	55	132	19,511	19,735	19,604
Administrative staff	—	—	—	—	—	—	—	—	—	—	—	—
Total	278	185	463	66,023	44,382	57,319	306	192	498	69,532	44,663	59,925

Data as at 31/12/2021. Average remuneration in euros. Exchange rate as at 31/12/2021: MXN 23.1438 = EUR 1. Exchange rate as at 31/12/2020: MXN 24.416 = EUR 1. Remuneration figures do not include expatriated staff or staff at Sinia Capital, S.A.

Age range	2021						2020					
	Employees			Remuneration			Employees			Remuneration		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Under 31	46	35	81	25,577	22,249	24,139	54	30	84	27,368	22,701	25,681
Between 31 and 49	201	141	342	68,543	48,825	60,342	215	148	363	68,482	48,693	60,468
Over 49	31	9	40	109,939	60,843	98,892	36	15	51	137,904	49,097	111,784
Total	278	185	463	66,023	44,382	57,319	305	193	498	69,532	44,663	59,925

Data as at 31/12/2021. Average remuneration in euros. Exchange rate as at 31/12/2021: MXN 23.1438 = EUR 1. Exchange rate as at 31/12/2020: MXN 24.416 = EUR 1. Remuneration figures do not include expatriated staff or staff at Sinia Capital, S.A.

Note on calculation of total remuneration:

The calculation of average total remuneration takes into account: fixed remuneration at year-end, variable remuneration, salary and non-salary supplements and benefits,

as well as annualised remuneration paid. This criterion has been applicable in all countries since 2021. Data for 2020 have been recalculated to ensure like-for-like comparison against data for 2021.

Banco Sabadell, when faced with the same roles and responsibilities, does not make any type of wage discrimination between genders, neither when recruiting staff nor during its employees' salary reviews, monitoring the impact that any actions taken in relation to discretionary pay may have on the pay gap.

The pay gap calculation compares total remuneration received by men against total remuneration received by women. To this end, it is calculated as the percentage arrived at by taking the difference between average and median remuneration received by men and average and median remuneration received by women and then dividing this by the average and median remuneration received by men. If the percentage is positive, this means

that the average or median remuneration received by men is higher than that received by women. Conversely, if the percentage is negative, it means that women receive more average or median remuneration than men.

Similarly, the overall pay gap is calculated as the average pay gap of each country weighted according to the % that their workforce represents out of the total.

	2021	2020
Spain	23.74%	24.40%
United Kingdom (TSB)	33.38%	37.84%
Mexico	32.78%	35.77%
Total	26.77%	28.58%

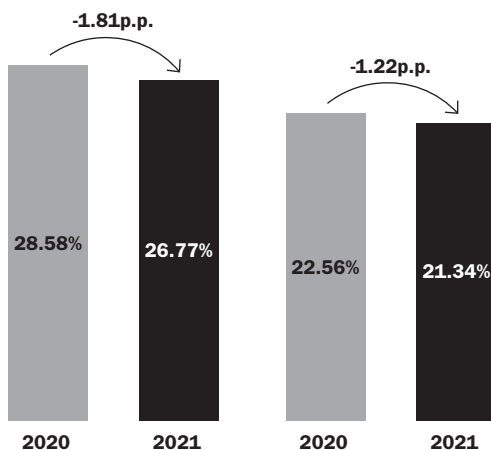
Pay gap based on average total remuneration

Data as at 31/12/2021 and 31/12/2020.

	2021	2020
Spain	18.38%	19.37%
United Kingdom (TSB)	28.49%	30.17%
Mexico	18.72%	20.50%
Total	21.34%	22.56%

Pay gap based on median total remuneration

Data as at 31/12/2021 and 31/12/2020.



Pay gap based on average total remuneration

Pay gap based on median total remuneration

Note on calculation of pay gap:

The methodology used to calculate the overall pay gap in the various different countries has been unified in 2021. In addition, each country will use its own local criteria to meet the requirements laid down by applicable local legislation.

In the specific case of Spain, the indicator of the weighted average pay gap used until 2020 has continued to be monitored in 2021. According to this criterion, the pay gap as at year-end 2021 was 11.24%, compared to 11.79% as at year-end 2020.

In the United Kingdom, TSB remains committed to the Living Wage organisation, of which it has been a

member since August 2016. TSB's commitment continues to be to address the causes of gender inequality and to carry on building a balanced workforce.

6.7 Working environment and organisation

Changes in the business, labour relations and society as a whole require the creation of more flexible and efficient working environments that integrate technology into the services provided by the Group and its employees.

6.7.1 Work-life balance

Staff at Banco Sabadell Group have access to a series of measures designed to improve their work-life balance, which have been agreed on with union representatives and are set out in the Plan for Effective Equality between Women and Men.

These measures seek to establish a framework for flexible working hours that can be used to improve the balance between personal and professional interests under equal terms for both men and women. The entire workforce has been informed of all the measures available, which are published on the employee intranet and are therefore well-known to all employees, who have been requesting and enjoying them for some time.

These measures include: reductions of working hours (paid, unpaid, to care for nursing children), extended leaves of absence (for childcare or to care for family members), special leave (for studies, personal reasons, for international adoption or due to an accident or severe illness of a family member), as well as flexible working hours.

In addition, Banco Sabadell gives its workforce access to a tool called "Mi Jornada", in order to comply with the provisions of Royal Decree-Law 8/2019 on keeping daily records of working hours, and with the Agreement on Keeping Working Time Records at Banco Sabadell, signed on 27/02/2020, where each worker is required to keep a record of the start and finish times of their working day, without prejudice to any flexitime arrangements and with mechanisms to compensate any surplus or shortfall of working hours that may arise.

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 also allows them to save time, as these are online purchases. They can also choose to have their purchases left at lockers installed in some of the corporate centres, so as to avoid having to make a specific trip to collect them or having to deal with the delivery outside of their working hours. In addition to these benefits, it is also worth mentioning the range of services available to staff working in corporate centres, which are designed to make it easier for them to run personal errands.

During the pandemic, some services have been temporarily unavailable but now, with the return to on-site work, they are gradually being resumed.

Employees continue to make use of the measures launched in previous years, such as the option to purchase additional annual leave and the advice offered by the work-life balance consultant (*gestora de conciliación*), which are unique aspects of our employee value proposition.

TSB has a flexitime policy that offers 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 any personal reasons they might have. All requests are assessed in a fair and consistent manner in order to improve the work-life balance of employees. This makes it possible to improve employee retention and talent attraction.

6.7.2 Health and safety

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.

The Group applies a policy of hazard prevention and continuous improvement of the health and safety conditions of employees. In accordance with prevailing 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. Since 2020, with the outbreak of the SARS CoV-2 pandemic, this activity has become particularly important, ensuring the implementation of the guidelines issued by health authorities in each region and developing new protocols for action.

The guidelines followed by the Institution relate to the following:

- 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 keeping with the guidelines established by the health authorities.
- Suspension of face-to-face events and training sessions, as well as business trips, enhancing the use of digital channels to this end.
- Adaptation of spaces in branches and corporate centres to enable social distancing, and a clean desk policy:
 - Limits on maximum number of people allowed in branches at any one time.
 - Limits on maximum number of people allowed in meeting rooms of corporate centres at any one time 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 centres.
 - Appointment of centre managers to comprehensively monitor the measures put in place.
- More frequent cleaning of all facilities.
- Emotional support through a telephone service that is free to use, unlimited and anonymous, so that any employee who needs to can talk to a specialist.

Health surveillance is part of the wider field of occupational medicine that is integrated in the Occupational Hazard Prevention Plan and encompasses a series of activities related to workers on both an individual basis (individual surveillance) and on a group basis (collective surveillance) through medical check-ups.

Individual surveillance seeks to enable the early

detection of any repercussions on an individual's health stemming from working conditions, the identification of individuals who are particularly sensitive to certain risks, and the adaptation of tasks to each individual.

Collective surveillance is based on the analysis and interpretation of the results obtained within the group of workers, in order to assess the state of health of the organisation, so as to establish priority areas of action in relation to prevention and to evaluate the effectiveness of the measures set out in the Occupational Hazard Prevention Plan.

Medical check-ups are carried out periodically (depending on the age of the worker). The check-ups are very thorough and they are completely voluntary. Nevertheless, every year, around 80% of employees accept their invitations to these check-ups. Other types of reviews are also established following a long absence from work.

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 of which relate to the risks inherent in the Bank's activity.

ASPY, a leading occupational hazard prevention company, gave out the Xcellens Awards in Madrid on 25 November. These awards recognise the top organisations for worker health and safety. Among them, Banco Sabadell was awarded for its psychosocial health project, which incorporates a methodology into its existing health surveillance process to assess pathological conditions potentially caused by stress and provides psychological support for employees going through emotionally charged situations, such as those resulting from the COVID-19 pandemic, these being aspects that affect the health and satisfaction of the Bank's workers.

Similarly, the priority continues to be the health and safety of all staff, responding at all times and in a coordinated way to the external situation, implementing a system to monitor and coordinate actions in all the regions in which the Bank operates, including monitoring the incidence rate in each country or region, as well as health recommendations and applicable health regulations and the incidence rate within our workforce.

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 initial assessment, subsequent assessments are carried out, in all of the facilities, of both individual workstations and common areas, along with the installations and technical aspects of the working environment (temperature, lighting, etc.).

In relation to the health crisis, a protocol has been established for implementation in the workplace to ensure people's health and prevent infections of COVID-19.

Among the measures introduced is the requirement to take 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.

In the United Kingdom, TSB is committed to maintaining the highest standards of health, safety and protection in all of its business activities. TSB has suitable training, capabilities and communications to enable all employees to collaborate with the measures introduced and to avoid taking unnecessary risks.

Indicators of absence from work

	2021	2020
Total hours (accidents and ill health)	702,547	918,666
Total hours (work-related ill health)	89,504	119,764

Indicators of absence from work in Spain

Data as at 31/12/2021.

	2021	2020
Total hours (accidents and ill health)	342,804	395,613
Total hours (work-related ill health)	56,626	110,907

Indicators of absence from work in TSB

Data as at 31/12/2021.

In Mexico, indicators of absence from work are recorded and reported as general ill health. As at year-end 2021,

these resulted in a total of 592 days off work.

Work-related accidents

Types of accident in Spain	2021			2020		
	M	W	Total	M	W	Total
Work centre	20	45	65	22	39	61
Whilst commuting	25	43	68	25	45	70
Travel during workday	6	10	16	6	9	15
Other work centre	0	0	0	0	0	0
TOTAL	51	98	149	53	93	146

Work-related accidents

Data as at 31/12/2021.

Work-related accidents in Spain	2021			2020		
	M	W	Total	M	W	Total
Total hours	7,755	10,298	18,053	7,745	8,067	15,812
Frequency rate ³⁸	2.31	4.26	3.35	2.14	3.42	2.80
Severity rate ³⁹	0.07	0.08	0.07	0.06	0.06	0.06

Work-related accidents in Spain

Data as at 31/12/2021. Rate calculations exclude accidents occurring whilst commuting. Although all absences due to COVID-19 can be likened to work-related accidents for the purpose of claiming social security benefits, they are not included in the accident rates.

In terms of subsidiaries, TSB, in compliance with UK legislation, does not keep a record of accidents, while Mexico

has not recorded any accidents in 2021.

38. (no. accidents (excluding those whilst commuting) / no. hours worked)*1,000,000

39. (working hours lost/ theoretical working hours (collective agreement) * 100)

6.7.3 Trade union rights and right of association

Banco Sabadell Group guarantees the basic rights of employees in relation to freedom of association and collective bargaining.

In Spain, this guarantee is always in compliance with Spanish legislation, and these rights in relation to freedom of association and collective bargaining are provided for in the Workers' Statute and in chapter 12 of the Collective Bargaining Agreement for Banks, Articles 62, 63 and 64.

At present, Banco Sabadell has a total of 10 trade union sections in Spain, including trade union sections at the State level and at the autonomous community level. In its subsidiaries in Spain, it has trade union representatives in Sabadell Information Systems, S.A., Business Services for Operational Support, S.A., Sabadell Consumer Finance S.A., and Fonomed Gestión Telefónica, where the number of trade union sections is smaller than in Banco de Sabadell.

Workers' representatives are voted in every four years, in accordance with the guidelines set forth in prevailing legislation and the implementing agreement enforced in 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. In Spain, 100% of employees are covered by the Collective Bargaining Agreement, while in all other countries, the prevailing legislation in each country is applied.

One of the main duties is to represent workers in occupational health and safety committees. In Spain the following committees currently exist:

- State Health and Safety committees:
 - Banco de Sabadell S.A.
 - Business Services for Operational Support, S.A.
 - Sabadell Information Systems, S.A.
 - Fonomed Gestión Telefónica, S.A.

In the United Kingdom, TSB continue to work closely with their recognised unions, Accord and Unite, to build strong relationships. This relationship has enabled union representatives to collaborate with TSB's Management in all aspects concerning the subsidiary's employees.

With regard to the subsidiary in Mexico, there is no relationship between employees and union representatives.

6.8 Dialogue with employees: more connected than ever

Banco Sabadell Group has various mechanisms in place for communicating with employees and listening to their concerns, which are key to anticipating their needs and building a great place in which to develop a professional career. 2021 has seen the consolidation of elements for both issuing and receiving communications, which have effectively supported the management and consequences of the health crisis and cultural development.

In relation to information resources, in Spain, it is worth mentioning FlashIN, which has continued to be issued on a weekly basis and which is sent to all employees to provide them with information, guidance and context. It has been consolidated as a crucial element of information and cohesion in the Bank, which provides key information to the workforce in complex situations brought about by the external environment and during complex restructuring processes within the organisation.

The quick surveys in the *FlashIN* newsletters and in the fortnightly publication **Eres Manager** have continued to be sent out. These surveys aim to periodically capture the mood in the Bank and they have served to verify the high level of commitment of employees at all times.

In relation to *El Banco que queremos ser* (The Bank we aim to be), the survey to ascertain, among other factors, the commitment of employees to the Institution's current and future course of action, the results were stable, in line with the good results of the previous year. 69% of the workforce rated the Bank's general performance as satisfactory or very satisfactory. Practically all of the other factors measured, such as the quality of management, meritocracy and internal cooperation, also obtained good ratings.

The Employee Assistance Office plays an essential role in resolving employee concerns. This year, a total of 56,446 queries have been submitted and the quality of service has been successfully maintained, with user satisfaction ratings of 4.4 out of 5.

TSB is committed to creating a positive and inclusive culture and supporting the wellbeing of each employee. Twice a year, a survey is sent out to all employees to understand how they feel and make sure they feel listened to, supported and have what they need to be at their best.

Link is TSB's forum for employees, created in 2013. Its members act as spokespersons for employees, with 40 representatives from all departments and levels within the Bank and they are appointed to consult with and represent all areas of the Institution. Every quarter, Link members meet with the Executive Committee to give their ideas, comments and recommendations. In 2021, Link has contributed to the development of hybrid ways of working, the development of digital products for customers and the creation of inclusion through staff policies, connectivity to TSB Blueprint and activities in the Do What Matters Plan.

7. Commitment to Society



Banco Sabadell Group 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 2021, the Board of Trustees of the Banco Sabadell Private Foundation (hereinafter, Banco Sabadell Foundation) approved the allocation of 3,727,201 euros, 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.

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 education

Financial 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. Some of the initiatives undertaken are:

- The Financial Education for Schools in Catalonia (EFEC, by its acronym in Spanish) programme: Banco Sabadell continues to participate in this programme for the ninth consecutive year and since its inception. Thanks to the corporate volunteers of the participating institutions, more than 141,248 students have received training in basic finance. In this edition, which has continued to be run in hybrid form with face-to-face and virtual workshops, the programme has been taught in 397 educational centres. With the participation of 60 volunteers who have run a total of 647 workshops, Banco Sabadell together with all of the collaborating institutions, provided training for 19,250 young people in their fourth year of secondary school education. 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 94 centres and 3,552 students.

Students

141.248

- 'Your finances, Your future' initiative (Tus Finanzas, Tu futuro) of the Spanish Banking Association (Asociación Española de Banca or AEB) and the Junior Achievement (JA) Foundation. In this year's online edition, 80 volunteers from the Bank took part through 40 programmes and 120 workshops delivered to 26 educational centres and 786 students. In 2021, the programme, which is nationwide in scope, was delivered to 113 centres and 4,448 students.

Banco Sabadell México, in partnership with the Mexican Banking Association (Asociación de Bancos de México or ABM), has designed infographic material to promote financial education and, consequently, nurture healthy financial activity.

Promoting talent

Another of the Institution's commitments to society involves supporting leading universities and educational institutions by offering financial aid and grants to give students access to more educational opportunities, to foster young talent through awards and support programmes, and contribute to excellent research with financial assistance for pre-doctoral students, which is supplementary to other grants. Some of the most noteworthy initiatives carried out in this field are:

- Competitions organised by Celera: Through the Banco Sabadell Foundation, young people who are outstanding in their respective disciplines take part in competitions organised by Celera, the only people accelerator that currently exists in Spain, which each year selects a number of exceptional young people and offers them resources, training and opportunities.
- Banco Sabadell Foundation Awards in Biomedical Research, Economic Research and Scientific Research, which aim to promote and recognise the careers of young Spanish researchers who stand out for their excellence and innovation in these three fields; these are recognised as the most important awards in their respective fields.
- Foundation research grants: Intended for aspiring pre-doctoral students who are carrying out their doctoral thesis, with the aim of promoting and developing scientific work or to fund placements at universities or research centres.
- Global Talent Programme: Launched by the Banco Sabadell Foundation and CIDOB (Centro de Información y Documentación Internacionales Barcelona), this programme involves a paid research placement and two awards for applied research, aimed at young researchers.
- Collaborative work to support universities with awards and scholarship programmes to promote young talent, for example at the Universities of León, Oviedo, San Jorge, Jaume I and Francisco Vitoria, and also to help university students find employment and provide training for innovation, such as the University of Murcia's TOOLBOX programme or the mentoring programme of the Centre for Technological Expertise in Alicante in which students have been assisted by Banco Sabadell mentors.
- Scholarship programmes with leading further education establishments, such as EDEM (*Escuela de Empresarios*), Esade, Fundación Dágoris, IBEI (*Institut Barcelona d'Estudis Internacionals*), and scholarships for young musicians with the ADDA Symphony Orchestra or the Reina Sofia School of Music, among others.

Business support and training

— The “Export to Grow” (*Exportar para crecer*) programme: 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. Under this programme, International Business Conferences (*Jornadas de Negocio Internacional*) have been held, most notably the conference on technical measures for customs and logistics in the context of Brexit, with the participation of more than 1,550 companies. In addition, a selection of news content concerning international business is offered through a newsletter that is sent to the Bank’s business customers, with information about international markets and business sectors most likely to be concerned with internationalisation or export matters.

- Sabadell International Business Programme: The Institution has held the fourth edition of this university-certified training programme that offers advice to business customers, which has attracted the participation of more than 300 companies engaging in international business.
- Completion, on 31 December, of the first edition of the course entitled: ‘Financial Advisor for religious bodies and voluntary sector organisations’, resulting from an agreement reached at the end of 2020 with the University of Francisco de Vitoria. This is a specialised online advisory programme with university accreditation, aimed at both employees and customers. A total of 818 students (558 customers and 260 employees) signed up for this year’s first edition, with 285 customers and 186 employees completing the course. The Bank offers this course to its customers free of charge, thus helping to provide access to qualified training for organisations with limited resources. The second edition is currently under consideration.

BStartup is the Banco Sabadell initiative to support young innovative technological companies to develop their projects with the best guarantee of success.

It has become a pioneering and leading service in Spanish banking for startups and scaleups, providing them with specialised banking and equity investment.

Among its activities, the following social impact actions stand out in particular:

- In 2021 it launched the first edition of BStartup Green to invest in startups that, through technology or digitisation, are able to facilitate the transition to a more sustainable world (from the perspectives of energy transition, industry 4.0, smart cities and the circular economy). A total of 136 companies put themselves forward at this first edition and from these, three were selected for investment.
- Fourth edition of BStartup Health, a programme designed to support health projects, in which invested funds are primarily used to validate technology, research and business. This year’s edition ended with 121 enrolled startups, from which 3 projects were selected. Each of these will receive an investment of 100,000 euros and will benefit from a support and mentoring programme.
- Collaboration 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 and face-to-face edition, Dive Medical, a recipient of BStartup equity investment, presented its project together with other outstanding national and international high-impact startups.

- Sponsorship of another edition of 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.

For its part, TSB carried out a programme of 30 events and initiatives, attracting the participation of more than 2,400 small companies, which dealt with topics such as access to finance, cash flow and the impact of COVID-19 on the SME sector. In addition, more than 20,000 female entrepreneurs took part in the ‘Entrepreneurial Women’ campaign, in partnership with ‘Enterprise Nation’, where they were given access to inspiring events and business support.

Promotion of culture

Bringing culture closer to people 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. The following activities are particularly noteworthy:

- *Àtempo, 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.
- *ConectArte* workshops: In collaboration with SONAR+D, to promote contact among the cultural organisations with which it works.
- The Entrepreneurship and Leadership Programme of the Reina Sofía School of Music for young classical musicians.
- Artistic project in partnership with the *Fundación Amigos del Teatro Real*: A Foundation collaboration aimed at offering professional opportunities to young students of the Reina Sofía School of Music.
- *'Dentro Cine'* (Inside Cinema) artistic education project: A project supported by the Foundation which is aimed at young people in vulnerable situations and which has a dual objective of training them in the craft and language of filmmaking and providing them with the tools of dialogue.
- Collaboration with training programmes for emerging artists, such as Eeemerging, a European training programme for young European artists to promote the emergence of young talent performing old music, and *'Encontro de artistas novos'* of the City of Culture of Galicia Foundation, among others.

7.2 Social and Volunteering activities

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.

Corporate Volunteering Programme

This year, once again, the people who form Banco Sabadell have demonstrated their commitment to society, reaching beyond their professional duties, giving their time and sharing their talents to help people and organisations in need of them. More than 1,200 volunteers have taken part in social initiatives promoted by the Bank, its Foundation and other collaborating organisations, through the Bank's Corporate Volunteering Programme.

Promotion of digital education

In 2021, the Banco Sabadell Foundation has promoted training programmes, remaining involved in its commitment to education and digitisation.

- The *'Reto Futuro'* (Future Challenge) project, together with the *Fundación Éxit* and Imagine, to close the digital gap faced by the most vulnerable groups of society.
- Programme for the Development of Innovation Management and Digital Skills Collaboration in the programme delivered by the University Foundation of Las Palmas (FULP by its Spanish acronym).
- Yob' Exit programme of intensive training based on the skills identification methodology.

Through the Bank's digital media, and during the course of 2021, the Institution has carried out 592 internal and external activities and events, including 209 delivered through open webinars. These mostly involved online support meetings through corporate social networks, informative videos and online sessions to deliver training (such as 111 online training webinars organised by Sabadell Hub Empresa and the 37 Sabadell Forums), assisting participants with content about cybersecurity and digitisation, as well as disseminating specific content related to the existing support for businesses, SMEs, self-employed professionals and individuals.

Volunteers

+1.200

In addition to the educational programmes described above, the initiatives and cooperation and solidarity programmes carried out by the Bank include, most notably:

- Supporting voluntary sector 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 and other organisations that promote the programme, have presented different awards to finalists among the participating entities. These awards help them to take their projects forward and give visibility to the causes that they support, putting the spotlight on talent and innovation. One of the keys to the programme's success is the participation of employees of the Bank as voluntary mentors. This year, 42 employees from different areas of the Bank and with different profiles, have supported those organisations in developing their social impact projects.
- The Banco Sabadell Foundation, together with the Imagine Creativity Centre and the Fundació Éxit, has also 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. In the second edition of the programme, 26 volunteers from the Bank have dedicated a total of 520 hours as trainers, providing training to 78 young participants.
- With regard to programmes that leverage the knowledge and experience of the Bank's employees and that concern vulnerable sectors of society or those at risk of social exclusion, the 'Coach Project' run by Fundació Éxit is a corporate volunteering initiative that seeks to improve the future employability of young people who have had an unsuccessful academic experience. This year, 36 volunteers from the Bank took part and dedicated 540 hours of their time to 36 young people, to keep them in training.
- Together with Fundació Éxit, a new collaborative initiative was promoted in 2021, with the aim of promoting female talent, by helping women aged between 18 and 25 who are thinking of returning to education or who are actively seeking employment. To do so, 10 volunteers from managerial roles at Banco Sabadell and with prior experience in mentoring and coaching, assisted the young women through various workshops designed to help them develop soft skills, such as communication, initiative-taking, managing interpersonal relationships, etc... tools that will help them to enhance their self-knowledge and remove barriers limiting their future professional choices.
- Women are also the recipients of the following programmes: 'Ace your job interview' (Triunfa en tu entrevista de trabajo), 'Job search 2.0' (Búsqueda de empleo 2.0), 'Ready and able' (Capaces), or 'Emotional intelligence for the workplace' (Inteligencia emocional para el empleo), in which the Bank has been collaborating with

the Fundación Quiero Trabajo since 2019. The aim is to empower people, particularly women, by enhancing their skills and attitudes, and by giving them the tools to manage the selection process and job interviews with success. This year, a total of 40 volunteers from the Bank mentored the participants in these programmes.

- Jointly with the Private Foundation for Self-employment in Catalonia (Fundación Privada para la Promoción de la Autocupación de Cataluña), and through its SOS Mentoring programme, 10 volunteers from the branch network worked with young entrepreneurs, self-employed professionals and micro-enterprises that have faced difficulties due to the social crisis caused by COVID-19. The Banco Sabadell mentors are delivering personalised support to help entrepreneurs diagnose their situation, evaluate alternative courses of action, identify the best decisions in different scenarios and implement them.
- Following last year's hiatus due to the restrictions related to COVID-19, In October the Oxfam Intermón Trailwalker took place once again, the charity sporting team event which, this year, involved 29 teams from the Bank. A total of 230 people, including walkers, personal helpers and volunteers raised 50,274 euros to contribute to Oxfam and to the work it carries out in more than 90 countries to combat poverty and hunger.
- Each year, to coincide with the Christmas festivities and in collaboration with the Fundació Magone - Salesianos Acció Social, through its corporate volunteering programme, the Bank runs the 'Be one of the Wise Men' (Conviértete en Rey Mago) programme, in which volunteers sponsor and deliver gifts in response to letters written by children under the care of the foundation. On the eve of the Epiphany, the volunteers distribute the gifts. During Christmas 2021, 634 Wise Men from Banco Sabadell took part in this project.
- In 2021, the Bank once again organised 'donor days' to make it easier for the Bank's volunteers to donate blood. In collaboration with Banc de Sang i Teixits, two blood donors' days were organised at the Banco Sabadell corporate centre in Sant Cugat with the participation of 80 employees.

Banco Sabadell promotes the wellbeing of its workers, social interaction between colleagues and involvement in charity and volunteering through Sabadell Life, an internal portal in place since 2016, which has more than 13,000 users among the Bank's employees.

Through Sabadell Life, the Bank and its employees have the opportunity to propose other charity and/or volunteering initiatives. In addition, thanks to the collaboration with the startup Worldcoo, employees can make direct donations to any of the causes supported by the Bank, via the Actitud Solidaria platform located in Sabadell Life. In most cases, these causes are selected by the employees themselves. In 2021, employees responded with vigour to several emergency appeals: one for Aldeas Infantiles to reinforce child and youth protection in view of the social consequences related to COVID-19, for which 5,010 euros was raised. Another for the Red Cross to help victims of the volcanic eruption in La Palma, for which employees raised a total of 15,136 euros.

Furthermore, in 2021, through its Ethics Committee, Sabadell Asset Management, whose CIU (Collective Investment Undertaking) that raises funds for charitable endeavours is the investment fund Sabadell Inversión Ética y Solidaria, FI, has selected a total of 29 humanitarian projects mostly aimed at addressing risks of social exclusion, improving the living conditions of people with disabilities and meeting their basic nutrition and health-care needs. This year, 318,405 euros have been granted to different charitable organisations and projects.

In relation to charitable donations, 892 contactless donation boxes installed through the 'DONE' system, which integrate contactless technology and have helped to collect more than 2 million euros, have contributed to different charities and social entities, both religious and non-profit, channelling funds to meet the needs brought about by the effects of the pandemic.

Additionally, digitisation has been promoted among some of the most disadvantaged groups, through the donation of 50-60 computers.

In the case of the UK subsidiary, TSB, among its work to support local communities the following initiatives, in particular, are noteworthy:

— Support for 68 charitable organisations through the 'TSB Charity Partnership' Programme, which helps organisations across Britain to carry out crucial work in the communities supporting vulnerable people, mental health, cancer care, homelessness and helping the disadvantaged. Colleagues across the bank have

now raised over £100k to support these causes since the start of the programme.

- A pilot scheme to access to banking services for homeless people in Scotland was launched in July 2021, delivered in partnership with the Simon Community Scotland, which seeks to address a key barrier for the homeless to secure a job and obtain other important support.
- Since August 2020, employees of TSB have carried out more than 9,000 hours of voluntary work, with more than a third of these hours delivered through the volunteering programme with Citizens Advice. This has seen TSB colleagues, with the right skills, spending some of those hours at Citizens Advice offices directly helping clients, and others sharing their knowledge through a series of masterclasses or taking part in a mentoring scheme. Outside of this, TSB colleagues have joined the NHS Jobs Army to help the fight against COVID-19, worked within their communities to clean up litter and support a range of local initiatives.
- During 2021, TSB became the first bank to offer a safe space to victims of domestic abuse under the charity Hestia's Safe Space initiative. More than 1,500 TSB branch colleagues have received specialist training to increase their confidence in responding to disclosures of domestic abuse and can provide victims with access to the Safe Space in their branch.

With regard to Mexico, the Mexican Banking Association (*Asociación de Bancos de México*) has a Foundation which coordinates, as a guild, an activity once a year. In the case of Banco Sabadell México, the '100 volunteers said' (*100 voluntarios dijeron*) initiative was organised, a competition in which employees of the Bank asked children benefiting from the event general knowledge questions and rewarded them with gifts.

40. Citizens Advice is an independent charitable organisation specialising in confidential information and advice to assist people with legal, debt, consumer, housing and other problems in the UK

Through Sabadell Seguros, in 2021 the Group has participated in various charitable initiatives, focussed on people, diseases, social exclusion and poverty.

In this respect, *'Life Care Mujer'* is a product aimed at addressing the specific needs of women. It is a life insurance product exclusively for women, which aims to protect the insured family's financial stability and economic needs in adversity, in the event of death, permanent disability or serious illness, such as a female cancer diagnosis. In addition, for each customer that takes out *Life Care Mujer* insurance, Bansabadell Vida makes a donation of three euros to the Spanish Association Against Cancer (AECC by its Spanish acronym), to support research into women's cancers. In 2021, 30,000 euros was donated to the AECC and 12,000 euros to the Sant Joan de Déu hospital (Barcelona) to fund the Paediatric Cancer Centre, the largest paediatric oncology centre in Europe and one of the most important in the world. The donation will go towards the purchase of resources and funding the hospital's own research. Through corporate volunteering, donations amounting to a total of 97,799 euros have been collected.

Social integration

The Banco Sabadell Foundation collaborates on projects aimed at social integration, such as:

- The Balia Foundation's *'Conecta Mayores-Conecta Jóvenes'* (Connect the Elderly-Connect the Young), which brings two different generations together with the aim of breaking stereotypes and eliminating the digital divide that separates them.
- Artistic education projects: *Dentro Cine*, *Horagai* and *L'art taller de música*, all targeting vulnerable young people, with the aim of training them in the craft and language of art and filmmaking, providing them with the tools of dialogue and inclusion.

In the same vein, the Entrepreneurship and Leadership Programme of the Reina Sofía 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.

To address the needs of the more vulnerable segments of society or those at risk of financial exclusion, products are marketed in a targeted manner, such as the 'basic payment account', an account suitable for asylum seekers

or persons without a residence permit, or the debt restructuring actions on main residence mortgages, which are carried out to protect customers at risk of losing their home due to an inability to pay, in line with the provisions of the Spanish Regulation (Royal Decree Law 6/2021), which the Bank has voluntarily adhered to since it entered into force.

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, or support for activities of the Pasqual Maragall Foundation and the Institute for Research in Biomedicine (IRB by its Spanish acronym).

Another of the flagship research institutions with which the Banco Sabadell Foundation collaborates is the National Cancer Research Centre (CNIO, by 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.

Economic development

It is worth highlighting the 2021 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.

7.3 Social housing management

Through Sogeviso (the subsidiary and the 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 and the loss of usual home affecting its more vulnerable mortgage borrowers. This is carried out under the framework of the Bank's sustainability policies.

In its six years of activity, Sogeviso has managed over 23,300 contracts for social or affordable rent and it has helped over 8,500 families improve their social and economic situation through its programmes designed to offer social support and improve employment prospects (JoBS).

Contracts for social or affordable rent

+23,300

Helped families

+8,500

As at 31 December 2021, Sogeviso managed 2,493 properties under social and affordable rental arrangements specifically aimed at these vulnerable customers. In 21% of these cases the 'Social Contract' has remained in place.

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 that is adapted to their income and that offers specific support provided by a social manager based on three independent lines of approach: connect these customers with the public services; support them with training to manage their household finances and to access public aid, and the JoBS programme.

The JoBS programme consists of a job placement service that aims to provide customers with the skills and tools to enable them to access the labour market, as well as market research to match profiles with existing job offers. Since the launch of the Social Contract in 2016,

2,341 people have found work with the help of the JoBS programme.

The Social Contract currently provides services to 534 families, including 209 individuals actively seeking employment through the JoBS programme.

Under the scope of action of the Social Contract, the 'Pathfinder' programme was launched in 2021, aimed at bridging the digital divide. This programme was set up with the collaboration of the Mobile World Capital Foundation, which provided technological devices for the participants and the Ayo (Accelerating Youth Opportunities) Foundation. In the programme's first phase, 33 training workshops and 21 group tutorials were given, attended by 21 users, of which 62% were women. Thanks to the Pathfinder programme, 62% of participants have improved their digital skills.

Since the beginning of Sogeviso's management, 4,623 families that are Banco Sabadell customers have improved their socio-economic situation.

In addition, Banco Sabadell has assigned 110 properties to 44 non-profit institutions and/or foundations, aimed at supporting the most disadvantaged social groups, and since 2013 it has been a member of the Social Housing Fund (FSV by its Spanish acronym), contributing 440 homes to it, mainly for customers following repossessions or foreclosures. Of the FSV housing stock, 89% is covered by social rental agreements currently in effect.

On 24 March 2021, Sogeviso became the first Spanish social housing management company to obtain the prestigious international B-Corp certification.

This certificate attests Sogeviso's social and environmental impact, and ratifies its high standards of ethics, transparency and social responsibility.

On 28 October 2021, on the strength of its Support Programme for the socio-economic improvement of vulnerable families, Sogeviso won the first prize in the Large Organisation category, awarded by Club Excelencia en Gestión, as part of the IVth edition of its Awards for Good Management Practices during its XXVIII Annual Forum.

7.4 Sponsorship

With regard to sponsorship, with an initial budget of 1,553,352 euros, a total of 1,553,261 euros have been invested, mainly in culture, entrepreneurship and sport. In 2021, an approach continuing along pre-pandemic lines was followed, as the cycling tours of Valencia, Murcia and the Basque Country were able to take place. In addition, and to coincide with Jacobean Year, the Bank sponsored various events related to Holy Year, amounting to 250,000 euros overall.

In addition to the Sponsorship described above, in the case of the Barcelona Open Banc Sabadell – Conde de

Godó Trophy, the Bank has kept up its collaboration with this tennis tournament in 2021, as a manifestation of its engagement and support for the city of Barcelona, in a clear commitment to the city's economic and business activity. The investment⁴¹ in this tournament was 1,565,664 euros related to sponsorship and 350,000 euros related to promotion.

7.5 Patronage

The Banco Sabadell Private Foundation, through its patronage 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 2021, the Banco Sabadell Private Foundation received 4.5 million euros from Banco Sabadell, including 3,727,201 euros used to fund its activities. The contributions allocated to each area of activity, and the number of events/initiatives in which it was a collaborating partner, compared with those in 2020, are shown below:

Area and sub-area	No. collaborations 2021	Amount allocated 2021	No. collaborations 2020	Amount allocated 2020
Culture	83	€1,933,063	82	€1,616,725
Visual arts and design	32	€563,361	29	€450,096
Literature and performing arts	16	€499,000	17	€400,000
Music and festivals	22	€686,000	23	€560,629
Heritage	10	€168,500	12	€193,500
Society	3	€16,202	1	€12,500
Talent	86	€1,794,138	83	€1,808,135
Culture	8	€80,900	17	€271,414
Training	56	€846,738	46	€787,571
Innovation	11	€300,500	7	€122,000
Research	11	€566,000	13	€627,150
Overall total	169	€3,727,201	165	€3,424,860

Every year, the Banco Sabadell Private Foundation publishes its annual report on <https://www.fundacionbancosabadell.com>⁴²

41. The total figure shown in the first paragraph does not include investment in the Barcelona Open Banc Sabadell - Trofeo Conde de Godó.

42. More information on www.fundacionbancosabadell.com > Foundation > Report

7.6 Institutional relations

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, among others.

In 2021, 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 2,085,215 euros at year-end.

7.7 Consumers

Banco Sabadell adheres to the Code of Good Practice whose main objective is to arrange the viable restructuring of debt on main residence mortgages.

Banco Sabadell adheres to the Code of Good Practice (CBP by its Spanish acronym) enacted by Royal Decree Law 6/2012, of 9 March, and subsequent modifications thereto, whose main objective is to arrange the viable restructuring of debt on main residence mortgages, which is available to families experiencing extraordinary difficulties in meeting their mortgage payments because they are on the 'exclusion threshold'. This Bank reiterated its commitment to the CBP in 2021, with 80 debt restructuring operations carried out under its auspices.

Operations 2021

80

With regard to Spain, in accordance with the provisions of Order ECO 734/2004 of 11 March, Banco Sabadell has a Customer Care Service (SAC by its Spanish acronym) which handles 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.

In accordance with its Regulations, the SAC 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 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 and its head, who is appointed by the Board of Directors, report directly to the Compliance Division and is independent of the Bank's business and operational lines. 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.

During 2021 the following cases were received and managed:

Cases received	Volume	Percentage
Complaints received in 2021	2,489	5.01%
Claims received in 2021	47,231	94.99%
Total received in 2021	49,720	100 %
Cases pending from 2020	1,143	—

Cases managed	Volume
Cases accepted and resolved	34,701
Cases not admitted for processing	15,248
Total managed in 2021	49,949
Cases pending at year-end 2021	914

In the case of TSB, if we use the figure for the year up to December 2021, the number of recorded complaints, claims and other communications was 73,614. The volume recorded during the same period in 2020 is 75,326 and, therefore, 2021 represents a 2% reduction (1,712) 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 2021, a total of 72,705 (99%) were resolved before the end of the year, 31 December 2021.

In addition, TSB have begun a multi-skill programme for colleagues in branch banking and the contact centre with a view to enabling colleagues to deal with more types

of customer enquiries at first point of contact.

TSB is the first retail bank accredited by the Good Business Charter, a national accreditation scheme that recognises businesses that behave responsibly, and measuring behaviour over 10 components: real living wage, fairer hours and contracts, employee well-being, employee representation, diversity and inclusion, environmental responsibility, paying fair tax, commitment to customers, ethical sourcing, and prompt payment.

With regard to Mexico, in 2021 they received a total of 17 complaints and no claims.

For more details, see Note 42 to the consolidated annual financial statements for 2021 and the SAC section of the Directors' Report.

7.8 Outsourcing and suppliers

The new challenges of competition require cooperative behaviour between the Group and its suppliers, the latter being viewed as strategic partners and collaborators through which the Group interacts within and outside the regions in which it operates.

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 Group has an Outsourcing Policy and is developing a Procurement Policy, which will be approved at the beginning of 2022, 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 human rights, workers' rights, freedom of association and environmental rights.

In 2021, the top 20 suppliers represented 51.49% of all supplier invoicing. Other noteworthy aspects are included in the following table:

	2021	2020	2019
Total number of suppliers who have invoiced more than 100,000 euros at year-end	558	557	520
% of suppliers of essential services (out of total suppliers)	7.5%	5%	2.11%
Total number of approved suppliers	1,279	1,043	831
Amount invoiced by Special Employment Centres (CEEs)	2.8 M €	2.9 M €	2.8 M €
Average time taken to pay suppliers (days payable outstanding) ⁴³	27.3	30.13	37.28

These figures exclude those relating to brokerage, securities firms, subsidiaries, duties and taxes, pension funds, homeowners' associations, SOCIMIs (REITs) and rental of premises.

Registration and approval of suppliers

The Group 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 Organisation (ILO) conventions.
- United Nations Convention on the Rights of the Child.
- The principles of the United Nations Global Compact, subscribed by the Group 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 Corporate Social Responsibility (CSR) and/or 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 CSR 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 supplier validation exercises, 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. In relation to information security, specific monitoring is carried out depending on the level of risk inherent to the supplier, which include social and environmental aspects.

Additionally, at the beginning of 2022 a supplier approval platform will be rolled out so that they may be evaluated in ESG terms and this will, in turn, allow for approval at Bank level.

Contracts and supervision

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.

In addition, the Group 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 Group 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.

Supplier recruitment in the international network is decentralised, hiring only local suppliers and affecting only products for 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, the Group 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. The Group assesses suppliers' CSR as part of the supplier approval process. Three key areas can be distinguished in the evaluation:

- 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,

43. 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 2021.

whistleblowing and internal audits.

- Quality and environment: it assesses whether the supplier has quality environmental policies, including ISO 9001 and 14001 certification.

In line with this, the Group has procurement policies that allow it to ensure that its suppliers know its values and apply them to their own activities: Supplier Code of Conduct, Sustainability Policy, Restrictions on Financing and Investment in activities associated with the arms

industry Policy, Anti-Corruption Policy, Human Rights Policy, Human Rights Due Diligence Procedure and Equality Plan.

The Group has continued to monitor its supply chain closely during the COVID-19 pandemic. Regular reporting on its higher risk suppliers is carried out and the 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.

7.9 Tax information

Banco Sabadell Group's commitment with regard to sustainability finds one of its manifestations in the promotion and development of responsible fiscal management, allied to the United Nations' Sustainable Development Goals (SDGs).

Tax Strategy

The principles governing the Group's actions are set out and developed in the Tax Strategy, approved by the Board of Directors and reviewed annually, which can be found on the Group's corporate website⁴⁴.

The Tax Strategy is applicable to all companies controlled by the Group, regardless of their geographic location. The Group also undertakes to ensure that the tax practices of those entities that are not part of the Group, but in which it has a significant shareholding or whose control is shared with partners outside the Group, follow principles of action aligned with those set out in Banco Sabadell Group's Tax Strategy.

In the same vein, the Group's Code of Conduct establishes compliance with tax obligations as one of the fundamental elements underpinning the commitment to the economic development of the companies in all jurisdictions in which it operates, as well as acting in accordance with the principles set out in the Tax Strategy.

These principles include the principles of efficiency, prudence, transparency and minimisation of tax risk, with the aim of ensuring compliance with current tax legislation, by promoting responsible and transparent actions with regard to tax, in accordance with the requirements of its customers, shareholders, the tax authorities and other stakeholders.

The guiding principles of the Group's actions in relation to tax, on which the Tax Strategy is based, are the following:

- Guarantee compliance with and respect for the tax regulations in force in all countries and territories in which the Group operates and/or in which it is present, as well as observance of the international principles and recommendations on tax matters issued by the Organisation for Economic Co-operation and Development (OECD).
- Determine the tax criteria to be applied by adopting the interpretation of the regulations most suited to its purpose, in light of existing judicial and legal opinion, as well as the applicable international guidelines and standards.
- Carry out a prior analysis of the tax implications of any transaction and verify that they are based on commercial and business reasons.
- Configure the banking products marketed by the Group, assessing their tax implications, and convey these clearly and transparently to customers.
- Assess related party transactions under the arm's length principle, in accordance with the terms established by the OECD, and following the recommendations stipulated by that organisation.
- Refrain from using opaque vehicles or entities, or those resident in tax havens, in order to reduce the Group's tax burden.
- Promote a relationship of collaboration and cooperation with the tax authorities, based on good faith and transparency, seeking mutually agreed solutions in the event of discrepancies, with the aim of minimising tax disputes.

44. <https://www.grupbancsabadell.com/corp/es/sostenibilidad/fiscalidad-responsable.html>

The attainment of the objectives set out in the Tax Strategy and compliance with the fundamental principles governing it are ensured through the establishment of tax risk management systems, under the framework of the Group's risk management programme.

The tax risk policies of Banco Sabadell Group aim to ensure that any tax risks that could have an impact on the Tax Strategy are systematically identified, assessed and managed.

The governance structure for tax risk management is underpinned by the direct involvement of the Institution's governing and management bodies following the corporate model of three lines of defence, with a clear-cut allocation of roles and responsibilities.

To this end, the Audit and Control Committee oversees the effectiveness of the risk management systems.

It should be noted that in 2021 the Audit and Control Committee supervised the Group's tax management, monitoring, in particular, the implementation of the Tax Strategy and its guiding principles, and it carried out a review of actions taken to ensure a sound analysis of tax issues in the Group.

Collaborative relationship with the State Tax Agency, Good Tax Practices and Transparency

Banco Sabadell adheres to the Code of Good Tax Practices (CBPT by its Spanish acronym), approved by the Large Company Forum (*Foro de Grandes Empresas*), of which it is a member, and acts in accordance with the recommendations contained therein. In this regard, Banco Sabadell voluntarily submitted the 'Annual Tax Transparency Report' for 2020 to the State Tax Agency (*Agencia Estatal de Administración Tributaria* or AEAT).

Additionally, through its subsidiary in the United Kingdom, it follows the Code of Practice on Taxation for Banks, promoted by the UK tax authorities, and is in compliance with its contents.

In line with the principle of transparency, the Group conveys relevant tax information directly, clearly and transparently to its different stakeholders, and includes this information in the various documents accessible on its corporate website (Tax Strategy, annual financial statements, Audit and Control Committee report, tax liability and Good Taxation Practices documentation, etc.).

The Group conveys relevant tax information directly, clearly and transparently to its different stakeholders.

Presence in tax havens / non-cooperative jurisdictions

In accordance with the corporate principles governing its Tax Strategy and the CBPT to which it adheres, the Group has adopted a commitment to refrain from using entities resident in tax havens, unless their presence or operations are justified on economic or business grounds.

Pursuant to this commitment, Banco Sabadell does not include in its Group any subsidiary that is resident in a territory considered to be a tax haven/non-cooperative jurisdiction, in accordance with the applicable regulations in Spain, the OECD guidelines and the position of the European Union. This is reflected in the 'Declaration of presence in territories classified as tax havens', published on Banco Sabadell's website.

Breakdown of profit and tax by country

Consolidated pre-tax profit, and details of corporation tax paid and accrued, by country⁴⁵, are set out below.

45. For the purpose of determining the countries and magnitudes included in the following table, the constituent entities included in the Banco Sabadell Group at year-end are considered, therefore, there may be differences with respect to other

information included in the Consolidated annual financial statements, basically caused by entities that have been sold during the year or by the results contributed by the companies consolidated by the equity method.

Data in thousand euros.

Country	Consolidated pre-tax profit		Corporation tax paid ⁴⁶		Corporation tax accrued	
	2021	2020	2021	2020	2021	2020
Spain	377,746	99,828	-116,636	-3,651	-39,762	83,228
United Kingdom	166,090	-287,727	19,996	6,071	-31,084	55,198
USA	66,432	63,126	17,910	19,825	-13,084	-15,874
France	15,622	-8,280	-1,608	0	-2,893	224
Portugal	5,854	-1,136	91	26	-1,538	77
Morocco	2,389	1,479	0	814	-902	-7
Bahamas	-25	-80	0	0	0	0
Mexico	-14,119	1,317	5,941	4,578	7,981	1,614
Brazil	0	0	3	9	0	0
Luxembourg	0	-110	0	0	0	0
Andorra	0	10,752	0	124	0	-621
Total	619,989	-120,831	-74,303	27,796	-81,282	123,839

Other contributions

In addition to corporation tax, the Bank contributes to the deposit guarantee funds in place in each geography and to the European Single Resolution Fund, which have

a positive impact on citizens' economic and financial security. The table below sets out information corresponding to Note 32 – Other operating expenses of the consolidated Annual Financial Statements.

Data in thousand euros

	2021	2020
Contribution to deposit guarantee funds	-128,883	-123,437
<i>Banco Sabadell</i>	-116,341	-110,587
TSB	-879	-166
BS IBM Mexico	-11,663	-12,684
Contribution to Single Resolution Fund	-87,977	-78,388
Other items	-250,502	-307,268
Total	-467,362	-509,093

“Other items” includes expenses corresponding to Tax on Deposits of Credit Institutions, amounting to 33,438 thousand euros in 2021 (32,369 thousand euros in 2020), as well as expenses associated with non-financial activities (mostly operating leases).

Public subsidies received

Subsidies received in Spain in 2021 (training) of 764,283.09 euros.

46. This amount usually differs from accrued corporation tax, as the first is determined on a cash basis (net difference between amounts of tax paid - which essentially correspond to instalment payments - and amounts collected as refunds when the amount paid is higher than the resulting tax liability for the year)

and in accordance with the payment schedule established by the tax legislation in force in each country, while the latter corresponds to corporation tax accrued in accordance with the applicable accounting legislation.

7.10 Money Laundering and Terrorism 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 some basic principles:

- Promotion and supervision of the adaptation and execution of the AML/CTF model by the Board of Directors.
- Promotion and direction of the execution and development of the model by Senior Management.
- Independence in the performance of the AML/CTF function.

- Effectiveness in the management and control of MLTF risk.
- Assurance of regulatory compliance
- Proactive collaboration with the competent authorities and coordination and cooperation with other units of the Institution

Among other things, they establish certain critical management parameters:

- Designation of a representative to the competent authorities.
- Establishment of a risk appetite specific to AML/CTF.
- Establishment of criteria and control systems for the approval of customers and correspondent banks.
- Identification controls and customer knowledge.
- Application of due diligence, according to risk, to customer and transactions.
- Continuous monitoring of business relationships using tracking systems.
- Controls on the detection and blocking of terrorism financing, and international sanctions.
- Examination and reporting of suspicious transactions.
- Specific training plans related to AML/CTF.

The Bank 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 second line of defence controls.

It should also be noted that 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.

Furthermore, 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 those areas where there has been a perceived increase in risk due to the pandemic. Thus, control plans have been reviewed, strengthened measures have been implemented and training activities have been stepped up.

TSB also has procedures and controls in place in relation to anti-money laundering and counter-terrorist financing, including 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 these activities.

With regard to financial sanctions, TSB is fully aligned with the obligations under the United Nations and the United Kingdom sanctions regimes, and thus ensures compliance therewith. Other countries also

have sanctions regimes which may apply to TSB. US and EU Sanctions are examples where the nature of TSB's relationship with Sabadell means these regimes are also applicable to TSB. 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.

For its part, the subsidiary in Mexico has a Manual on the Prevention of Money Laundering and Terrorism

Financing, whose main objective is to establish measures and procedures to prevent, detect and report acts, omissions or transactions that could favour, aid, assist or cooperate in any way in the commission of offences set forth in the Federal Criminal 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 terrorism financing.

8. Commitment against corruption and bribery



The Group undertakes to safeguard integrity and promote a culture of zero-tolerance towards corruption, expressly prohibiting any and all actions of this kind.

Similarly, as a signatory of the United Nations Global Compact, it 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.

One of the basic elements for consolidating a corporate culture is the existence of a set of regulations that reflects the firm commitment of all units to comply with legislation, starting with the Management Body.

Furthermore, the Bank has a Code of Conduct and Policies on Compliance, Conflicts of Interest, Anti Money Laundering & Counter Terrorist Financing, Corporate Crime Prevention and Anti-Corruption, which are applicable to the entire Group.

The Anti-Corruption Policy defines all those actions included in the concept of corruption, as well as related actions that are prohibited. Both the Code of Conduct and the Policies detailed above are regularly reviewed and, where appropriate, updated.

As regards the Group's Code of Conduct, its latest update included specific sections on the fight against corruption and bribery. The 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 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 2021 or in 2020.

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. The accounts of the Banco Sabadell Foundation are also duly audited. In light of the exceptional health emergency caused by COVID-19, it is worth noting that the Institution has continued with the actions carried out during 2020 relating to the extension of the control framework in all of the affected areas and to the additional identification of crimes that are considered more likely to be committed as a result of the pandemic. Thus the enhanced measures implemented have been kept, as well as the Regulatory School's initiatives to strengthen the Bank's compliance culture.

With regard to 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 a fair treatment, 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 in place. The identification, assessment, management and reporting of conduct risks is the responsibility of each member of the Executive Committee, 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 to illegal activities to safeguard its employees, customers and communities against financial crimes. This culture is set out through policies and annual training courses to guarantee that due diligence and risk assessment practices have been implemented to assess exposure to bribes or corruption through relationships with related parties, sponsorship of events 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 Gifts, Entertainment and Hospitality 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 continues to be the only bank in the United Kingdom that undertakes a commitment to refund every TSB customer who has been an innocent victim of fraud, reimbursing over 97% of all fraud cases, compared to the industry-wide rate of 42%.

In relation to the approach followed to manage the health crisis, TSB has continued to monitor the COVID-19 impact on financial crime prevention policies and procedures throughout 2021, using analytical reports purposely prepared in 2020 after the onset of the pandemic. In 2020, alternative arrangements were agreed to ensure customers could continue to securely provide identification documents to TSB without the need to visit

branches. These arrangements were kept in place until the second half of 2021, when the COVID-19-related restrictions were eased.

With regard to the Bank's subsidiary in Mexico, it also has the following initiatives in place to combat corruption and bribery:

- 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.
- 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.

9. Commitment to Human Rights



9.1 Information regarding Human Rights

In carrying out its activities, Banco Sabadell Group respects, upholds and protects internationally recognised fundamental human rights in all territories in which it is present, taking into consideration the internal and external relationships it develops with all of its stakeholders: employees, customers, suppliers and the communities and environment in which it operates.

Its commitment is underpinned by the Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

In addition, it has signed up to some important national and international agreements on human rights, including: the United Nations Global Compact, which encompasses human rights and labour rights in its first and second set of principles, undertaking to incorporate into its activities the Global Compact's ten principles of conduct and action in this regard, such as non-discrimination in employment, the elimination of forced or compulsory labour, and the abolition of child labour; the Equator Principles, which it signed up to in 2011 and which form a framework for the assessment and management of social and environmental risks, encompassing respect for human rights, and the performance of due diligence to prevent, mitigate and manage adverse impacts; and the Principles for Responsible Banking, among which,

the principles of commercial alignment, the principle of impacts and those related to customers and users, as well as the principle of transparency and accountability are particularly relevant to human rights.

The Group has a Sustainability Policy, ratified by the Board of Directors in 2021, which includes a specific principle concerning respect for internationally recognised fundamental human rights.

Through the publication of its Human Rights Policy and the related due diligence procedure, both approved in 2021 and applicable to all Group companies, Banco Sabadell Group establishes its basic principles of action, as well as the mechanisms required to identify, prevent, mitigate and/or remedy any potential negative impacts on human rights that its activities and procedures may entail, in particular, with regard to granting finance to companies, or issues involved in its human resources management model or its supplier contracting processes; the need for training in all of these areas is also established.

In 2021, the Board of Directors approved a new version of the Group's Code of Conduct.

In addition, in 2021, the Board of Directors approved a new version of the Group's Code of Conduct, which was thoroughly revised and updated in order to align it with regulatory requirements, supervisory guidelines and reports, and market standards. In short, to ensure it complies with the expectations and objectives of different stakeholders. The issue of the new version of the Group's Code of Conduct requires express acceptance of it by every member of the Group's workforce.

As a direct result of updating the Group's Code of Conduct, the Code of Conduct for Suppliers was also reviewed, incorporating aspects related to the model for the organisation and management of criminal risk, the Corporate Ethics Committee as the highest supervisory body, and control of the whistleblowing channel.

Each year, in accordance with the UK Modern Slavery Act⁴⁷, TSB publishes a statement setting out the actions carried out with the aim of identifying any risk of modern slavery that may be related to the performance of its work, and describing the measures taken to prevent situations of slavery or human trafficking in the development of its activity and in its supply chains.

The Modern Slavery Statement is reviewed and updated each year. The current statement makes reference to the actions and activities carried out in 2021, and is published on TSB's public website and on the UK Government's Register of Modern Slavery Statements.

With regard to its employees, the Group fosters and maintains an environment in which the entire workforce is treated with dignity and respect, fairly, with no discrimination based on gender, ethnicity, age, social background, religion, nationality, sexual orientation, political leaning or disability of any kind, promoting equal opportunities and inclusion in the workplace and in work settings, and prohibiting any form of forced or child labour. 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.

With regard to customers and society in general, the Group strives to offer products and services that contribute, through responsible business, to generating a positive impact on the communities which it serves, whether through the analysis and prevention of potential breaches of human rights in its business activities and services, or through social housing management or its collaboration in various charitable projects.

The Group does not establish any commercial relationships related to "controversial weapons" or with "countries subject to an arms embargo", according to the definitions of those terms set out in existing United Nations treaties and conventions, limiting its investment in international trade activities involving countries and/or persons affected by international sanctions, and

preventing certain weapons from being used to commit crimes under international law or serious human rights violations.

With regard to suppliers or other commercial partners, the Group has the necessary procedures in place to ensure transparency and respect for human rights at every stage of the supplier approval and contracting process, and when evaluating their corresponding supply chains. Suppliers are required to make a commitment to respect human rights in the performance of their business activity and observe current labour legislation, maintaining a work environment free of any abuse, in accordance with the Group's Code of Conduct for Suppliers, which they are expressly requested to comply with and to which they must formally adhere.

The tender process for suppliers seeking to establish a commercial relationship with the Group incorporates compliance with specific clauses related to oversight, including clauses on the protection of the environment or respect for human rights related to their business activity; the process also sets out the possibility of carrying out supplier reviews when deemed necessary or appropriate.

Training and awareness

In terms of training, the Group promotes awareness and a culture of upholding human rights by providing employees with the necessary information to raise awareness about the importance of observing the procedures developed to ensure maximum respect for human rights, and specific training activities are carried out, aimed at the early detection and reporting of any conduct that may be in violation of these international principles. The objective is to reduce any potential breach of human rights.

To this end, staff are offered a series of training activities that are related to and have an impact on the main human rights directly or indirectly involved for their team or the activity they carry out. These training activities include courses on prevention of occupational risks, prevention of money laundering and financing of terrorism, data protection or human trafficking.

In particular, in the last quarter of 2021, the Bank launched a new course, which is mandatory for all employees, with the aim of raising awareness of the basic aspects of the Group's Code of Conduct, and facilitating an inherent understanding and belief in the key principles on which our corporate culture is based, encompassing specific issues related to human rights.

47. Designed to prevent people from being forced to work, exploited, trafficked, including being purchased or sold as 'property', or controlled with mental or physical threats.

9.2 Whistleblowing Channel



Banco Sabadell Group has incorporated the internal resources required for effective management of aspects related to human rights. Accordingly, to make it possible to report any incident in this regard, the Group has set

up, both externally and internally, and in all the countries where it is present, the necessary communication tools to enable participation and dialogue with its various stakeholders.

Banco Sabadell Group has a whistleblowing 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.

In this regard, Banco Sabadell Group has a whistleblowing 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, which includes the Chief Risk Officer (CRO) among its members.

In 2021, as in the previous year, no report of any breach of human rights was received through this channel.

Other reports received in 2021 were duly handled and managed, in accordance with the internal procedure on Whistleblowing Management. This procedure sets out all potential stages of the whistleblowing management process, such as:

- Receipt, acknowledgement of receipt and, as applicable, request for additional information.
- Preliminary assessment.
- Opening an investigation case file.
- Conclusion of the procedure.
- Sanctions or archiving the case file.

At every stage of the procedure, the protection and confidentiality of participants' data is guaranteed, as well as the absence of reprisals against them when the data is used in good faith.

Additionally, staff have access to the whistleblowing channel of the Equality Plan in force in each territory, through which, in the event of a possible situation of workplace discrimination, workplace and/or sexual harassment or gender-based discrimination, a case file is opened by the person instructing the Investigating Committee, who forwards information received and processed to the Equality Plan Monitoring Committee. The Equality Plan Monitoring Committee comprises one employee representative or union delegate for each of the trade union representatives who signed the Equality Plan, and an equal number of representatives of the Institution.

10. Commitment to information



In line with the Group's Strategic Plan, the priorities in relation to digital transformation are set out in section "1.5 Customers - Digital transformation and customer experience" of the Banco Sabadell Group Consolidated Directors' Report.

10.1 Transparency

Banco Sabadell Group establishes, through the Sustainability Policy and the Code of Conduct, a series of principles in order to adapt the organisation so that it may be in line with best practices in relation to transparency. In this regard, the Institution promotes transparent information and responsible, simple and close communication with all 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.** Similarly, the Bank ensures that suppliers are selected in line with the internal regulations in place at any given time and, in particular, with the principles of the Group's Code of Conduct, which are set out, in in this particular case, in the Supplier Code of Conduct⁴⁸.
- **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 Contact with Shareholders, Investors and Proxy Advisors, available on the corporate website.

- **The Tax Strategy** is based on principles of transparency, in accordance with prevailing legislation⁴⁹.

In addition, the Bank fosters transparency in the disclosure of information, at all times adopting responsible communication practices that prevent the manipulation of information and protect the company's integrity and honour, in accordance with the recommendations of the Good Governance Code of Listed Companies of the Spanish National Securities Market Commission (CNMV).

Furthermore, with the entry into force of MiFID II (Markets in Financial Instruments Directive) in 2018, Banco Sabadell prioritises the provision of advice as the service model for the distribution of financial instruments. The Institution has a tool called "Sabadell Inversor", which serves as a guide for relationship managers to recommend the products most suited to the characteristics and needs of customers, by analysing their preferences, experience and knowledge. At present, Banco Sabadell is working on developing the aforesaid advice model to incorporate customers' preferences in relation to ESG. It is expected to be available in the second half of 2022, coinciding with the review of MiFID II.

The information provided to customers, following the guidelines of this Directive, is always impartial, clear and unambiguous. Furthermore, since March 2021, Banco Sabadell has been complying with obligations on sustainability disclosures in relation to products affected by Regulation (EU) 2019/2088, also known as the SFDR (Sustainable Finance Disclosure Regulation). In addition, with the health crisis, more customer interactions have been handled remotely. These 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.

48. The scope, principles and measures provided in this Code are indicated in section 9. Commitment to Human Rights.

49. The principles on which the Tax Strategy is based are indicated in section 7.9 Tax Information.

To this end, before marketing a new product or service, an internal workflow (“Product Workflow”) is followed, where the relevant areas in the Bank review the various aspects to ensure they conform to the established standards. The subsequent validation by the areas involved is ultimately ratified by a high-level committee (Technical Product Committee) whose members include, among others, the Chief Operations and Technology Officer.

In the branch network, relationship managers have access to different items of information about products and services, which enable them to provide the necessary explanations so that customers and consumers may understand their characteristics and risks. This information is complemented with the corresponding pre-contractual information documents delivered to customers.

It is also worth noting 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.

Mortgages Campaign: “Lo Firmo”

In 2021, Banco de Sabadell, S.A. launched a mortgage lending campaign that focused particularly on transparency.

Focus groups were held with customers, through which it was determined that their main concerns when choosing a mortgage included a lack of knowledge about the product and the insecurity (felt by customers) when taking out a mortgage. In order to support customers and help them overcome these obstacles, the Bank launched a campaign called “Lo Firmo” (meaning ‘I’ll sign it’), with the following value proposition:

“En Sabadell te entendemos y queremos que entiendas la hipoteca. Entiende la hipoteca con Sabadell, contrátala con quien quieras.”

Which roughly translates as:

‘At Sabadell we understand you,
and we want you to understand mortgages.
Understand mortgages with Sabadell,
arrange one with whomever you like.’

With this goal in mind, the Bank offers customers the option to seek advice from a specialised relationship manager to help them understand mortgages through the ‘10 keys to understanding mortgages’, without any type of commitment, so that they may learn about:

1. The associated costs
2. How much money the Bank will lend them
3. What a mortgage is
4. The differences between mortgages and other loans
5. The interest rates on mortgages
6. The term or length of a mortgage
7. How much they will pay for a mortgage
8. How to compare mortgages
9. FIPRE (Pre-Contractual Information Sheet) and ESIS (European Standardised Information Sheet)
10. How long the Bank takes to approve a mortgage

Banco Sabadell Mexico, on the other hand, in accordance with Mexican banking regulations, is transparent when it publishes its products through the following:

- Official webpage of Banco Sabadell Mexico:
 - The section on financial products shows the Bank’s offering of products, which are aimed at two groups: natural persons and companies. It also contains prevailing standard form contracts and product information sheets, which specify the terms, conditions,

- requirements and fees associated with the products.
- Costs and Fees Document, which sets out the costs, returns and fees of the products. The total annual rate of return (Ganancia Anual Total, GAT) of investment products is also shown, in accordance with the provisions of the Bank of Mexico.
- Record of Standard Form Contracts, on the web portal of the National Commission for the Protection and Defence of Users of Financial Services (Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros, CONDUSEF), a record that contains the standard form contracts of financial institutions. Regulations establish which products and services should be arranged under this type of contract.
- Bureau of financial institutions, a consultation and disclosure tool with information about the Bank’s products.
- Logo and links to access the Institute for the Protection of Bank Savings (Instituto para la Protección al Ahorro Bancario, IPAB), which guarantees savings of up to 400,000 UDIs (inflation-linked investment units) per customer, per bank.

10.2 Data protection



To ensure that personal data are processed pursuant to applicable data protection regulations, the Institution has a mechanism that comprises three lines of defence, through which all members of the organisation, from all areas, in line with their authority and discretions, actively take part in the management, control and supervision of the Institution's data processing.

Banco Sabadell has a Data Protection Officer (DPO) who has been duly entered in the register of the Spanish Data Protection Agency (Agencia Española de Protección

de Datos, AEPD), and who advises the different areas of the Bank in order to ensure compliance with regulations.

In keeping with the management model of three lines of defence, the Bank also has a Chief Data Officer (CDO) who is responsible for data governance and for the identification and record-keeping of all data processing activities carried out, with the following teams:

- Information Security – takes part in the evaluation, analysis and implementation of the necessary security measures.
- Compliance Control – carries out an Annual Control Plan to periodically identify and rectify weaknesses or vulnerabilities.
- Audit – takes on a supervisory role and verifies compliance with policies, controls and procedures.

The Institution has its own Personal Data Protection and Privacy Policy that it uses as an instrument to ensure the protection of natural persons in relation to personal data processing.

The Institution has its own Personal Data Protection and Privacy Policy that it uses as an instrument to ensure the protection of natural persons in relation to personal data processing, which mentions different procedures and controls, and which provides an appropriate definition of the management model for data protection.

All of the Bank's employees complete, as general mandatory training, a course on personal data protection and, depending on the professional duties of each employee, they also receive specific training imparted by the Data Protection Officer.

In the section on customer information, the Bank publishes up-to-date mandatory information about the different data processing activities that it carries out in the document "Annex: Detailed information on personal data protection"⁵⁰.

In addition, Banco Sabadell Mexico, in accordance with Mexican personal data protection legislation, complies with the following:

- Legal Framework, comprising:
 - Federal Law on Protection of Personal Data Held by Individuals (Ley Federal de Protección de Datos Personales en Posesión de los Particulares, LFPDPPP).
 - LFPDPPP Regulation.
 - Provisions or guidelines issued by Mexico's National

Institute for Transparency, Access to Information and Personal Data Protection (Instituto Nacional de Transparencia, acceso a la Información y Protección de Datos Personales, INAI), the body responsible for ensuring personal data protection.

- Data Protection Officer (DPO).
- Manual and Policies in effect at Banco Sabadell Mexico:
 - Personal Data Privacy Manual
 - Policy on Sending and Transferring Personal Data
 - Policy on Assistance with INAI Procedures
 - Policy on Personal Data Protection Training
 - Policy on Handling Personal Data Breaches
 - Process for Upholding Rights of Access, Rectification, Objection and Erasure/Right to be Forgotten
- Rights of Access, Rectification, Objection and Erasure/Right to be Forgotten

In the United Kingdom, TSB has a Privacy and Data Protection Policy that requires personal data to be collected correctly and legally and used only for specific purposes. It also ensures that where information is transferred to external suppliers, or processed on their behalf, that information is subject to a suitable due diligence process and is only transferred for legitimate operational or business purposes. The management staff of each business

⁵⁰. https://www.bancosabadell.com/cs/Satellite/SabAtl/ClientInformation/GBS_Generico_FA/1183016790073/1191332198208/en/ > Other relevant information > Annex - Detailed information on personal data protection

area are responsible for the development, implementation, operation and maintenance of controls that meet the requirements established in the aforesaid policy.

Effective management and protection of personal data, in addition to being a legal and regulatory requirement, is also a key aspect for the commercial success of TSB. For this reason, the subsidiary has its own Data Protection

Officer (DPO) who is responsible for coordinating with regulators and customers.

Furthermore, TSB carries out annual training dedicated exclusively to privacy and data protection, which all employees are required to complete every year. TSB's DPO reviews the content to ensure it addresses all the required topics before approving it.

10.3 Cybersecurity



Banco Sabadell Group has established a control framework for the security of its information systems and the protection of corporate, customer and employee information.

In light of the importance of cybersecurity risks in recent years, Banco Sabadell Group 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 Group has an in-house team of over 100 cybersecurity specialists dedicated to ensuring that protection measures are adequate in relation to the existing 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, the various Banco Sabadell Group entities have launched multiple awareness-raising initiatives for customers on cybersecurity risks and digital fraud, sending information via email and through social media campaigns. Annual training sessions are also in place in relation to data protection and cybersecurity, which are mandatory for all employees and are complemented with drills that simulate cyberattacks.

Through the Information Systems Security function, Banco Sabadell Group entities establish measures for the protection of information systems, which are set out in policies and procedures, to guarantee secure access to systems and to deal with new cyber threats. These

measures include:

- Role-based access control and periodic recertification of these permissions.
- Two-factor authentication for remote access.
- Malware protection systems.
- 24x7 security incident response team recognised as an official Computer Emergency Response Team (CERT).

In addition, a continuous evaluation is carried out of systems' security, using renowned tools that simulate multiple cyberattacks, and monitoring the main external cybersecurity ratings (Bitsight, RiskRecon, Security Scorecard), where Banco Sabadell Group has been ranked in the top positions in terms of its results compared to the rest of the sector.

Efforts are also made to ensure the availability of redundant infrastructures and regularly tested recovery procedures in order to guarantee the continuity of technological services in the event an incident occurs, such as a disaster affecting the facilities or a cyber heist.

Furthermore, an annual external audit takes place, carried out following the main information security standards, with partial coverage of the aforesaid standards.

Security in Digital Transformation initiatives

Banco Sabadell Group's cybersecurity specialists participate 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.

Annex 1.



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 in turn enshrine this commitment. The policies and commitments listed below are those corresponding to the Institution's non-financial areas.

Key non-financial documents⁵¹

Policies

- Banco Sabadell Group Sustainability Policy.
- Banco Sabadell Mexico Environmental and Social Policy.
- Banco Sabadell Climate Risk Policy.
- Banco Sabadell Policy on Integrating ESG Risks in Savings/Investment Products.
- Banco Sabadell Director Candidate Selection Policy.
- Banco Sabadell Group Remuneration Policy.
- Banco Sabadell Director Remuneration Policy.
- Banco Sabadell Group Policy on Outsourcing of Functions.
- Banco Sabadell Group Anti-Money Laundering and Counter-Terrorist Financing Policy.
- Banco Sabadell Group Anti-Corruption Policy.
- TSB Gifts, Entertainment and Hospitality Policy.
- Banco Sabadell Group Human Rights Policy.
- Banco Sabadell Commercial Communication Policy.
- Banco Sabadell Policy on Communication and Contact with Shareholders, Investors and Proxy Advisors.
- Banco Sabadell Personal Data Protection and Privacy Policy.
- Banco Sabadell Mexico Policy on Sending and Transferring Personal Data.
- Banco Sabadell Mexico Policy on Assistance with INAI Procedures.
- Banco Sabadell Mexico Policy on Personal Data Protection Training.
- Banco Sabadell Mexico Policy on Handling Personal Data Breaches.
- TSB Data Protection and Privacy Policy.
- Banco Sabadell Group Information Systems Security Policy.
- Banco Sabadell Group Policy on Restrictions on Financing and Investment in activities associated with the arms industry.

- Banco Sabadell Customer Classification and Assessment Policy.

Other documents

- Banco Sabadell Group Code of Conduct.
- Internal Code of Conduct relating to the securities market.
- Banco Sabadell Group Supplier Code of Conduct.
- Banco Sabadell Group Plan for Effective Equality between Women and Men.
- Green Bonds Report 2021.
- Banco Sabadell Mexico Sustainable Financing Framework.
- Banco Sabadell Mexico Personal Data Privacy Manual.
- TSB Do What Matters Plan.
- Banco Sabadell Group Tax Strategy.
- Social Media Code of Conduct.
- Human Rights Due Diligence Procedure

Pacts, agreements and commitments

- 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.
- Adherence to Collective Commitment to Climate Action of AEB, CECA and ICO, with the aim of reducing the carbon footprint on balance sheets.
- Signatory of the Equator Principles since 2011.
- Membership of Task Force on Climate-related Financial Disclosures (TCFD).
- Membership of Net-Zero Banking Alliance (NZBA).
- Approval of offsetting of emissions through investment in forestry projects in Spain, certified by MITECO (Ministry for Ecological Transition).
- Adherence to MasterCard Priceless Planet Coalition project.
- TSB offsetting of Scope 1 and 2 emissions through reforestation projects in Bolivia.
- Signatory of the Sustainability Protocol of the Association of Mexican Banks (ABM).
- Enrolment in the MeCuida Plan promoted by the Spanish Government.
- Membership of the Spanish Observatory of Sustainable Financing (OFISO).
- Renewed membership of the agreement signed between the Spanish Banking Association (AEB), the

⁵¹. Includes documents not directly mentioned in the Non-Financial Disclosures Report.

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.

- Adherence to the Code of Good Banking Practices.
- Adherence to the Code of Good Tax Practices.
- Membership of Autocontrol (independent advertising self-regulatory organisation in Spain).
- 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.

There are references to the Consolidated Directors' Report (DR) for its acronym and the Annual Accounts. If there aren't these references, it corresponds to the sections of this document.

General Disclosures

		Response/page	GRI Disclosure Number	GRI Description
Business model	Brief description of the Group's business model	DR 1 – BANCO SABADELL GROUP (Introduction)	GRI 102-2	Activities, brands, products and services
		DR 1.1 Mission, values and business model	GRI 102-7	Scale of the organisation
	Markets in which it operates	DR 1 – GRUPO BANCO SABADELL (Introduction)	GRI 102-3	Location of headquarters
		1. Introduction	GRI 102-4	Location of operations
		GRI 102-6	Markets served	
General	Organisation's objectives and strategies	DR 1 – GRUPO BANCO SABADELL (Introduction)	GRI 103-2	The management approach and its components
		DR 1.1 Mission, values and business model		
		2. Governance		
		3. Sabadell's Commitment to Sustainability		
		4. Commitment to climate and the environment (particularly 4.1 Climate and environmental strategy)		
		4.3. Environmental management		
		5. Commitment to sustainable finance		
		6.2 SmartWork: moving towards a more agile organisation		
		6.3 Commitment to talent		
		6.4 Training		
		6.5 Diversity		
		6.6 Remuneration policy		
		6.7 Working environment and organisation		
		6.8 Dialogue with employees: more connected than ever		
		7. Commitment to Society		
		8. Commitment against corruption and bribery		
		9. Commitment to Human Rights		
		10. Commitment to information		
	Key factors and trends that could affect its future performance	3. Sabadell's Commitment to Sustainability	GRI 102-15	Key impacts, risks and opportunities
		4. Commitment to climate and the environment (particularly 4.1 Climate and environmental strategy)		
		4.3. Environmental management		
		5. Commitment to sustainable financing		
General	Reporting framework	1. Introduction	GRI 102-54	Claims of reporting in accordance with the GRI Standards
	Materiality principle	1. Introduction	GRI 102-46	Defining report content and topic boundaries
		3.3 Materiality	GRI 102-47	List of material topics

General Disclosures

		Response/page	GRI Disclosure Number	GRI Description
Management approach	Description of applicable policies	DR 1 – GRUPO BANCO SABADELL (Introduction) DR 1.1 Mission, values and business model 2. Governance 3. Sabadell's Commitment to Sustainability 4. Commitment to climate and the environment (particularly 4.1 Climate and environmental strategy) 4.3. Environmental management 5. Commitment to sustainable financing 6.2 SmartWork: moving towards a more agile organisation 6.3 Commitment to talent 6.4 Training 6.5 Diversity 6.6 Remuneration policy 6.7 Working environment and organisation 6.8 Dialogue with employees: more connected than ever 7. Commitment to Society 8. Commitment against corruption and bribery 9. Commitment to Human Rights 10. Commitment to information	GRI 103-2	The management approach and its components
	Results of those policies	2. Governance 3. Sabadell's Commitment to Sustainability 4. Commitment to climate and the environment (particularly 4.1 Climate and environmental strategy) 4.3. Environmental management 5. Commitment to sustainable financing 6.2 SmartWork: moving towards a more agile organisation 6.3 Commitment to talent 6.4 Training 6.5 Diversity 6.6 Remuneration policy 6.7 Working environment and organisation 6.8 Dialogue with employees: more connected than ever 7. Commitment to Society 8. Commitment against corruption and bribery 9. Commitment to Human Rights 10. Commitment to information	GRI 103-2	The management approach and its components
	The main risks related to these matters linked to the Group's activities	4.2 Climate risk management 8. Commitment against corruption and bribery 9. Commitment to Human Rights DR.5 Risks	GRI 102-15	Key impacts, risks and opportunities

Environmental matters

		Response/page	GRI Disclosure Number	GRI Description
Environmental management	Detailed information about the current and foreseeable effects of the company's activities on the environment and, where applicable, on health and safety	3.3 Materiality 4.2 Climate risk management 4.3. Environmental management	GRI 102-15	Key impacts, risks and opportunities
	Environmental assessment or certification procedures	4.3. Environmental management	GRI 103-2	The management approach and its components
	Resources dedicated to environmental risk prevention	2. Governance 4.2 Climate risk management 4.3. Environmental management Annual Accounts Note 4.4.1.4 Environmental and climate risk	GRI 103-2	The management approach and its components
	Application of the precautionary principle	4.2 Climate risk management 4.3. Environmental management	GRI 102-11	Precautionary principle or approach
	Amount of provisions and guarantees for environmental risks	4.2 Climate risk management Annual Accounts Note 4.4.1.4 Environmental and climate risk	GRI 103-2	The management approach and its components
Pollution	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.	4.3. Environmental management 5. Commitment to sustainable financing In relation to its indirect contribution through financing and investment.	GRI 103-2	El enfoque de gestión y sus componentes
Circular economy and waste prevention and management	Measures on the prevention, recycling, reuse and other forms of recovery and disposal of waste	4.3.4 Circular economy and waste management	GRI 103-2 GRI 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	GRI 103-2	The management approach and its components
Sustainable use of resources	Water consumption and water supply in accordance with local restrictions	4.3. Environmental management	GRI 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. Environmental management	GRI 301-1	Materials used by weight or volume
	Direct and indirect energy consumption	4.3. Environmental management	GRI 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. Environmental management	GRI 103-2 GRI 302-4	The management approach and its components Reduction of energy consumption
	Use of renewable energies	4.3. Environmental management	GRI 302-1 in relation to consumption of energy from renewable sources	Energy consumption within the organisation

Environmental matters

		Response/page	GRI Disclosure Number	GRI Description
Climate change	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	4.3. Environmental management	GRI 305-1	Direct (Scope 1) GHG emissions
			GRI 305-2	Energy indirect (Scope 2) GHG emissions
			GRI 305-3	Other indirect (Scope 3) GHG emissions
	Measures adopted to adapt to the consequences of climate change	4. Climate and environmental commitment	GRI 103-2	The management approach and its components
			GRI 201-2	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	4.3. Environmental management	GRI 305-5 in relation to Greenhouse Gas emissions	Reduction of GHG emissions
Protection of biodiversity	Measures taken to preserve or restore biodiversity	Banco Sabadell considers this to be a material topic purely because of its indirect contribution through finance. 4.2.7 Equator Principles	GRI 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. 4.2.9 Equator Principles	GRI 103-02 GRI 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
Employment	Total number and breakdown of employees by country, sex, age and professional category	6.1 Workforce information	GRI 102-8	Information on employees and other workers
		6.5.1 Gender	GRI 405-1	Diversity of governance bodies and employees
	Total number and breakdown of types of employment contract	6.1 Workforce information	GRI 102-8	Information on employees and other workers
	Annual average by type of contract (permanent, temporary or part-time) and by sex, age and professional category	Banco Sabadell's activities are not linked to any significant seasonal variation. For this reason, the changes between data as at 31 December and data averages are not material.	GRI 102-8	Information on employees and other workers
	Number and breakdown of dismissals by sex, age and professional category	6.1 Workforce information	GRI 103-2	The management approach and its components
	Average remuneration and its evolution, broken down by sex, age and professional category or its equivalent	6.6 Remuneration policy	GRI 103-2	The management approach and its components
			GRI 405-2 in relation to ratio of remuneration of women to men, by professional category	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 sex	6.6 Remuneration policy	GRI 103-2	The management approach and its components
			GRI 405-2 in relation to ratio of remuneration of women to men, by professional category	Ratio of basic salary and remuneration of women to men
Pay gap	6.6 Remuneration policy (Pay Gap)	GRI 103-2	The management approach and its components	
Implementation of policies safeguarding employees' right to disconnect	6.2.3 Work-life balance and flexibility measures	GRI 103-2	The management approach and its components	
Employees with disabilities	6.5.2 Functional diversity	GRI 405-1	Diversity of governance bodies and employees	
Workplace organisation	Organisation of working hours	6.2 SmartWork: moving towards a more agile organisation	GRI 103-2	The management approach and its components
		6.7 Working environment and organisation		
	Number of hours of employee absence	6.7.2 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	6.7.1 Work-life balance	GRI 103-2	The management approach and its components	

Corporate and staff-related matters

		Response/page	GRI Disclosure Number	GRI Description	
Health and safety	Health and safety conditions in the workplace	6.2 SmartWork: moving towards a more agile organisation	GRI 103-2	The management approach and its components	
		6.7.2 Health and safety	GRI 403-1 (2018)	Occupational health and safety management system	
		6.7.2 Health and safety	GRI 403-2 (2018)	Hazard identification, risk assessment and incident investigation	
		6.7.2 Health and safety	GRI 403-3 (2018)	Occupational health services	
	Workplace accidents, in particular their frequency and severity, broken down by sex	6.7.2 Health and safety	GRI 403-9 (2018) in relation to work-related injuries	Work-related injuries	
Occupational illnesses, broken down by sex	Social Security does not define any occupational illnesses in the banking sector.	GRI 403-10 (2018) in relation to work-related ill health	Work-related ill health		
Workplace relations	Organisation of social dialogue, including procedures for informing and consulting with staff and for negotiating with them	6.7.3 Trade union rights and right of association	GRI 103-2	The management approach and its components	
		Percentage of employees covered by a collective bargaining agreement, by country	6.7.3 Trade union rights and right of association	GRI 102-41	Collective bargaining agreements
		Status of collective bargaining agreements, particularly in relation to occupational health and safety	6.7.3 Trade union rights and right of association	GRI 403-4 (2018)	Worker participation, consultation, and communication on occupational health and safety
Training	Policies implemented in relation to training	6.3 Commitment to talent	GRI 103-2	The management approach and its components	
		6.4 Training	GRI 404-2	Programs for upgrading employee skills and transition assistance programs	
	Total hours of training, broken down by professional category	6.4 Training	GRI 404-1 in relation to average hours of training, by employee category	Average hours of training per year per employee	
Accessibility	Integration and universal accessibility for people with disabilities	6.5.2 Functional diversity	GRI 103-2	The management approach and its components	
Equality	Measures adopted to promote equal treatment and opportunities between men and women	6.5. Diversity	GRI 103-2	The management approach and its components	
		6.5.1 Gender			
	Equality Plans (Chapter III of Organic Law 3/2007, of 22 March, on effective equality between men and women)	6.5.1 Gender	GRI 103-2	The management approach and its components	
	Measures adopted to promote employment, protocols against sexual abuse and sexual harassment.	6.5. Diversity 6.5.1 Gender	GRI 103-2	The management approach and its components	
Policy against all forms of discrimination and, where applicable, gender diversity management	6.5. Diversity 6.5.1 Gender	GRI 103-2	The management approach and its components		

Disclosures on respecting human rights

		Response/page	GRI Disclosure Number	GRI Description
Human rights	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	9.1 Information regarding Human Rights	GRI 102-16	Values, principles, standards and norms of behaviour
		9.2 Whistleblowing channel	GRI 102-17	Mechanisms for advice and concerns about ethics
	Reported human rights violations	No reports have been made in relation to human rights in 2021.	GRI 103-2	The management approach and its components
		9.2 Whistleblowing channel	GRI 406-1	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	9. Commitment to Human Rights		GRI 103-2	The management approach and its components
			GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
			GRI 408-1	Operations and suppliers at significant risk for incidents of child labour
			GRI 409-1	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
Corruption and bribery	Measures adopted to prevent corruption and bribery	8. Commitment against corruption and bribery	GRI 103-2	The management approach and its components
			GRI 102-16	Values, principles, standards and norms of behaviour
			GRI 102-17	Mechanisms for advice and concerns about ethics
			GRI 205-2	Communication and training about anti-corruption policies and procedures
			GRI 205-3	Confirmed incidents of corruption and actions taken
	Measures to combat money laundering	8. Commitment against corruption and bribery	GRI 103-2	The management approach and its components
			GRI 102-16	Values, principles, standards and norms of behaviour
			GRI 102-17	Mechanisms for advice and concerns about ethics
			GRI 205-2	Communication and training about anti-corruption policies and procedures
			GRI 205-3	Confirmed incidents of corruption and actions taken
	Contributions to foundations and non-profit organisations	7.6 Institutional relations	GRI 102-13	Membership of associations
		7.3 Social housing management	GRI 201-1 in relation to community investments	Direct economic value generated and distributed
		8. Commitment against corruption and bribery	GRI 415-1	Political contributions

Information regarding society

		Response/page	GRI Disclosure Number	GRI Description
The company's commitments to sustainable development	The impact of the company's activities on local employment and development	7. Commitment to Society	GRI 103-2 GRI 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	7.1 Commitment to education 7.2 Social and volunteering activities 7.3 Social housing management	GRI 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	7.1 Compromiso con la educación 7.2 Acciones sociales y Voluntariado 7.3 Gestión social de la vivienda	GRI 102-43 GRI 413-1	Approach to stakeholder engagement Operations with local community engagement, impact assessments, and development programs
	Association and sponsorship activities	7.1 Commitment to education 7.4 Sponsorship 7.5 Patronage 7.2 Social and volunteering activities	GRI 103-2 GRI 201-1 in relation to community investments	The management approach and its components Direct economic value generated and distributed
Outsourcing and suppliers	Inclusion in the procurement policy of social, gender equality and environmental matters	7.8 Outsourcing and suppliers	GRI 103-2	The management approach and its components
	Consideration in relationships with suppliers and subcontractors of their social and environmental responsibilities	7.8 Outsourcing and suppliers	GRI 102-9 GRI 308-1 GRI 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	7.8 Outsourcing and suppliers	GRI 102-9 GRI 308-1	Supply chain New suppliers that were screened using environmental criteria
Consumers	Consumer health and safety measures	10. Commitment to information 6.7.2 Health and safety	GRI 103-2	The management approach and its components
	Whistleblowing systems, complaints received and their resolution	7.7 Consumers DR - 1.5. Customers Consolidated annual accounts, Note 42 – Other information	GRI 103-2	The management approach and its components
Tax information	Country-by-country earnings obtained	7.9 Tax information	GRI 103-2 GRI 201-1 in relation to pre-tax profit received	The management approach and its components Direct economic value generated and distributed
	Corporation tax paid	7.9 Tax information	GRI 103-2 GRI 201-1 in relation to corporation tax paid	The management approach and its components Direct economic value generated and distributed
	Public subsidies received	7.9 Tax information Annual accounts - Schedule VII Annual banking report	GRI 201-4	Financial assistance received from government

Regulation (UE) 2020/852- Taxonomy

	Response/page	GRI Disclosure Number
Requirements of the Regulation	4.1 Climate and environmental strategy 4.2.2 Taxonomy 5. Commitment to sustainable finance	Criterio compañía

GRI content index

GRI index	GRI Description	Boundary 2021
102-1	Name of the organisation	1. Introduction
102-2	Activities, brands, products and services	DR 1 – Banco Sabadell Group 1. Introduction
102-3	Location of headquarters	DR 1 – Banco Sabadell Group
102-4	Location of operations	DR 1 – Banco Sabadell Group 1. Introduction
102-5	Ownership and legal form	DR 1 – Banco Sabadell Group
102-6	Markets served	DR 1 – Banco Sabadell Group
102-7	Scale of the organisation	DR 1 – Banco Sabadell Group DR 3.1 Key figures in 2021 6.1 Workforce information
102-8	Information on employees and other workers	6.1 Workforce information
102-9	Supply chain	7.8 Outsourcing and suppliers DR 1.1 Mission, values and business model
102-10	Significant changes to the organisation and its supply chain	2. Governance 6.1 Workforce information DR 1 – BANCO SABADELL GROUP Annual Accounts Note 2 – Banco Sabadell Group
102-11	Precautionary principle or approach	DR 5 - RISKS 4. Climate and environmental commitment
102-12	External initiatives	3.2 Initiatives and alliances
102-13	Membership of associations	7.6 Institutional relations 3.2 Initiatives and alliances
102-14	Statement from senior decision-maker	https://www.grupbancsabadell.com/memoria2021/en (Chairman's Message)
102-16	Values, principles, standards and norms of behaviour	8. Corruption and bribery
102-18	Governance structure	2. Governance
102-40	List of stakeholder groups	3.3 Materiality
102-41	Collective bargaining agreements	6.7.3 Trade union rights and right of association
102-42	Identifying and selecting stakeholders	3.3 Materiality
102-43	Approach to stakeholder engagement	3.3 Materiality
102-44	Key topics and concerns raised	3.3 Materiality
102-45	Entities included in the consolidated financial statements	1. Introduction Annual Accounts Note 2 – Banco Sabadell Group
102-46	Defining report content and topic boundaries	1. Introduction 3.3 Materiality
102-47	List of material topics	3.3 Materiality
102-48	Restatements of information	4.2.9 Equator Principles 6.6 Remuneration policy (Pay Gap) 4.3 Commitment to the environment
102-49	Changes in reporting	1. Introduction
102-50	Reporting period	2021
102-51	Date of most recent report	2020
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	https://www.grupbancsabadell.com/memoria2021/en/
102-54	Claims of reporting in accordance with the GRI Standards	1. Introduction
102-55	GRI content index	Annex II - GRI content index
102-56	External assurance	Independent Assurance Report

GRI content index for material topic

GRI Topic	GRI	GRI Description	Boundary 2021
Responsible supply chain			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	7.8 Outsourcing and suppliers
	103-3	Evaluation of the management approach	7.8 Outsourcing and suppliers
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	7.8 Outsourcing and suppliers
Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	9. Human rights
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	7.8 Outsourcing and suppliers
Profile of the organisation	102-10	Significant changes to the organisation and its supply chain	2. Governance 6.1 Workforce information Annual Accounts Note 2 – Banco Sabadell Group DR 1.1 Mission, values and business model
	102-9	Supply chain	7.8 Outsourcing and suppliers
Climate and environment: risks			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	4. Climate and environmental commitment
	103-3	Evaluation of the management approach	4. Climate and environmental commitment
Economic performance	201-2	Financial implications and other risks and opportunities due to climate change	4. Climate and environmental commitment
Social commitment and Human Rights			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	9. Commitment to Human Rights 7. Commitment to Society
	103-3	Evaluation of the management approach	9. Commitment to Human Rights 7. Commitment to Society
Indirect economic impacts	203-1	Infrastructure investments and services supported	5. Commitment to sustainable financing
	203-2	Significant indirect economic impacts	7. Commitment to Society
Local communities	413-1	Operations with local community engagement, impact assessments, and development programs	7.1 Commitment to education 7.2 Social and volunteering activities 7.3 Social housing management
Human Rights Assessment	412-2	Employee training on human rights policies or procedures	9.1 Information regarding Human Rights
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	4.2.9 Equator Principles
Forced or Compulsory Labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	9.1 Information regarding Human Rights
Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour	9.1 Information regarding Human Rights
Commitments and partnerships in environmental matters			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	1. Introduction 3.2 Initiatives and alliances 4.3 Environmental management
	103-3	Evaluation of the management approach	1. Introduction 3.2 Initiatives and alliances 4.3 Environmental management
Profile of the organisation	102-12	External initiatives	1. Introduction 3.2 Initiatives and alliances 4.3 Environmental management

GRI Topic	GRI	GRI Description	Boundary 2021
Value creation and solvency			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	DR 1 – Banco Sabadell Group
	103-3	Evaluation of the management approach	DR 1 – Banco Sabadell Group
Economic performance	201-1	Direct economic value generated and distributed	7.2 Acciones sociales y Voluntariado 7.3 Gestión social de la vivienda 7.9 Información fiscal
Profile of the organisation	102-2	Activities, brands, products and services	DR 1 – Banco Sabadell Group
Diversity, Inclusion and Equality			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	6.5 Diversity
	103-3	Evaluation of the management approach	6.5 Diversity
Diversity and equal opportunities	405-2	Ratio of basic salary and remuneration of women to men	6.6 Remuneration policy
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	No reports have been made in relation to human rights in 2021. 9.1 Information regarding Human Rights
Quality employment and talent management			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	6. Commitment to people 6.3 Commitment to talent 6.4 Training
	103-3	Evaluation of the management approach	6. Commitment to people 6.3 Commitment to talent 6.4 Training
Training and education	404-1	Average hours of training per year per employee	6.3.1 Talent management model
	404-2	Programs for upgrading employee skills and transition assistance programs	6.3. Commitment to talent
Governance	102-35	Remuneration policies	6.6 Remuneration policy
	102-36	Process for determining remuneration	6.6 Remuneration policy
Profile of the organisation	102-8	Information on employees and other workers	6.1 Workforce information
Occupational health and safety	403-1	Occupational health and safety management system	6.7.2 Health and safety
	403-2	Hazard identification, risk assessment and incident investigation	6.7.2 Health and safety
	403-3	Occupational health services	6.7.2 Health and safety
	403-4	Worker participation, consultation, and communication on occupational health and safety	6.7.3 Trade union rights and right of association
	403-9	Work-related injuries	6.7.2 Health and safety
Ethics and integrity			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	8. Commitment against corruption and bribery
	103-3	Evaluation of the management approach	8. Commitment against corruption and bribery
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	8. Commitment against corruption and bribery
	205-3	Confirmed incidents of corruption and actions taken	8. Commitment against corruption and bribery
Ethics and integrity	102-17	Mechanisms for advice and concerns about ethics	8. Commitment against corruption and bribery
Governance	102-25	Conflicts of interest	8. Commitment against corruption and bribery 6.9 Remuneration policy
Public policy	415-1	Political contributions	8. Commitment against corruption and bribery
Ethics and integrity	102-16	Values, principles, standards and norms of behaviour	8. Commitment against corruption and bribery

GRI Topic	GRI	GRI Description	Boundary 2021
Risk management and cybersecurity			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	DR 5 - RISKS 10.3. Cybersecurity
	103-3	Evaluation of the management approach	DR 5 - RISKS 10.3. Cybersecurity
Strategy	102-15	Key impacts, risks and opportunities	DR 5 - RISKS
Governance	102-29	Identifying and managing economic, environmental and social impacts	DR 5 - RISKS 10.3. Cybersecurity
Profile of the organisation	102-11	Precautionary principle or approach	DR 5 - RISKS 10.3. Cybersecurity
Corporate governance			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	2. Governance
	103-3	Evaluation of the management approach	2. Governance
Diversity and equal opportunities	405-1	Diversity of governance bodies and employees	2. Governance 6.1. Workforce information 6.5. Diversity
Strategy	102-14	Statement from senior decision-maker	https://www.grupbancsabadell.com/memoria2021/en (Chairman's Message)
Governance	102-18	Governance structure	2. Governance
	102-20	Executive-level responsibility for economic, environmental and social topics	2. Governance
	102-28	Evaluating the highest governance body's performance	3.1 From vision to Commitment to Sustainability: transforming and promoting (Sustainability-linked remuneration)
	102-35	Remuneration policies	6.6 Remuneration policy
Internal environmental footprint			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	4.3. Environmental management
	103-3	Evaluation of the management approach	4.3. Environmental management
Water and Effluents	303-5	Water consumption	4.3.3 Details of emissions and sustainable use of resources
Emissions	305-1	Direct (Scope 1) GHG emissions	4.3.1 Carbon footprint 4.3.3 Details of emissions and sustainable use of resources
	305-2	Energy indirect (Scope 2) GHG emissions	4.3.1 Carbon footprint 4.3.3 Details of emissions and sustainable use of resources
	305-3	Other indirect (Scope 3) GHG emissions	4.3.1 Carbon footprint 4.3.3 Details of emissions and sustainable use of resources
	305-4	GHG emissions intensity	4.3.1 Carbon footprint 4.3.3 Details of emissions and sustainable use of resources
	305-5	Reduction of GHG emissions	4.3.1 Carbon footprint 4.3.3 Details of emissions and sustainable use of resources
Energy	302-1	Energy consumption within the organisation	4.3.3 Details of emissions and sustainable use of resources
Materials	301-1	Materials used by weight or volume	4.3.3 Details of emissions and sustainable use of resources
Waste	306-2	Management of significant waste-related impacts	4.3.4 Circular economy and waste management
	306-3	Waste generated	4.3.4 Circular economy and waste management

GRI Topic	GRI	GRI Description	Boundary 2021
Customer satisfaction and digitisation			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	DR 1.5 Customers
	103-3	Evaluation of the management approach	DR 1.5 Customers Note 42 – Other information (SAC)
		Claims and complaints, by product	Note 42 – Other information (SAC)
Transparency and data management			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	3.3 Materiality 7.9 Tax information
	103-3	Evaluation of the management approach	3.3 Materiality 7.9 Tax information
Economic performance	201-4	Financial assistance received from government	7.9 Tax information
Tax	207-01	Approach to tax	7.9 Tax information
	207-02	Tax governance, control, and risk management	7.9 Tax information
Governance	102-21	Consulting stakeholders on economic, environmental and social topics	3.3 Materiality
Stakeholder engagement	102-41	Collective bargaining agreements	6.7.3 Trade union rights and right of association
	102-42	Identifying and selecting stakeholders	3.3 Materiality
	102-43	Approach to stakeholder engagement	3.3 Materiality
	102-44	Key topics and concerns raised	3.3 Materiality
Profile of the organisation	102-12	External initiatives	3.2 Initiatives and Alliances
	102-13	Membership of associations	7.6 Institutional relations
Reporting practice	102-47	List of material topics	3.3 Materiality
	102-51	Date of most recent report	2020
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	https://www.grupbancsabadell.com/memoria2021/en/
	102-54	Claims of reporting in accordance with the GRI Standards	1. Introduction
	102-55 102-56	GRI content index External assurance	Annex II - GRI content index Independent Assurance Report
Sustainable finance and investment			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	5. Commitment to sustainable financing
	103-3	Evaluation of the management approach	5. Commitment to sustainable financing
		Volumes of sustainable financing	5. Commitment to sustainable financing
Corporate culture			
Management approach	103-1	Explanation of the material topic and its boundary	3.3.1 Definition of Material Aspects
	103-2	The management approach and its components	DR 1.1 Mission, values and business model 6. Commitment to people
	103-3	Evaluation of the management approach	DR 1.1 Mission, values and business model 6. Commitment to people
Profile of the organisation	102-16	Values, principles, standards and norms of behaviour	6. Commitment to people

Task Force on Climate-related Financial Disclosures (TCFD)

In November 2020 Banco Sabadell adhered the Task Force on Climate-related Financial Disclosures (TCFD) and, subsequently, it is executing a roadmap to align with these disclosure standards.

See below the references to sections in the document where the information to meet TCFD recommendations is detailed:

TCFD Recommendation	Banco de Sabadell NFDR Section	Reference
Governance	a) Describe the board's oversight of climate-related risks and opportunities.	— Board of Directors; Board committees
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	— Organisation; Internal committees; Remuneration linked to Sustainability — 4.2.2 Taxonomy; 4.2.3 Sectoral standards; 4.2.5 Integration into management procedures; 4.2.6 Initiatives to improve the quality of information; 4.2.7 Equator Principles
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	— 4.1 Climate and environmental strategy; 4.2.1 Climate risks (regarding risks) — 5. Commitment to sustainable financing (regarding opportunities)
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	— 4.2.1 Climate risks — 5.1 Issuance of sustainability bonds; 5.2 Sinia Renovables; 5.3 Project Finance; 5.4 Financing solutions for the CIB business, Companies and Individuals; 5.5 Sustainable savings and responsible investment solutions ; 5.6 Lines of credit with multilateral development banks in Mexico
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	— 4.2.1 Climate risks (Transition risks)
Risk Management	a) Describe the organization's processes for identifying and assessing climate-related risks.	— 4.2.1 Climate risks
	b) Describe the organization's processes for managing climate-related risks.	— 4.1 Climate and environmental strategy; 4.2.2 Taxonomy; 4.2.3 Sectoral standards; 4.2.5 Integration into management procedures; 4.2.6 Initiatives to improve the quality of information; 4.2.7 Equator Principles
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	— 4.1 Climate and environmental strategy; 4.2.2 Taxonomy; 4.2.3 Sectoral standards; 4.2.5 Integration into management procedures; 4.2.6 Initiatives to improve the quality of information; 4.2.7 Equator Principles

TCFD Recommendation	Banco de Sabadell NFDR Section	Reference
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	4. Climate and environmental commitment 5. Commitment to sustainable financing — 4.2.2 Taxonomy; 4.2.3 Sectoral standards; 4.2.4 Carbon footprint of the financed portfolio; 4.2.7 Equator Principles — 5. Commitment to sustainable financing; 5.1 Issuance of sustainability bonds; 5.2 Sinia Renovables ; 5.3 Project Finance; 5.4 Financing solutions for the CIB business, Companies and Individuals ; 5.5 Sustainable savings and responsible investment solutions ; 5.6 Lines of credit with multilateral development banks in Mexico
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	4. Climate and environmental commitment — 4.2.4 Carbon footprint of the financed portfolio; 4.3.1 Carbon footprint
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	3. Sabadell's Commitment to Sustainability 4. Climate and environmental commitment — 3. Sabadell's Commitment to Sustainability (objectives will be published in a separate report in 2022.) — 4.1 Climate and environmental strategy; 4.2.1 Climate risks; 4.3. Environmental management

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
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Principle 1 Alignment

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.

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.

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, sustainability, 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 Bank's management model focuses on a long-term vision of customers, through constant efforts to promote customer loyalty by adopting an initiative-based and proactive approach. The Bank offers a comprehensive range of products and services, qualified personnel, an IT platform with ample capacity to support future growth, and a relentless focus on quality.

Over the last ten years, Banco Sabadell has expanded its geographical 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 the domestic level. Banco Sabadell also has a good market share in other products, including 9% in trade credit, 10% in business lending, 6% in mutual funds, 4% in securities trading and 16% in POS turnover.

Banco Sabadell still occupies a leading position in the sector when it comes to quality, positioning itself as leader among its peers in terms of customer experience (based on the Net Promoter Score) in the SME and Corporate Banking segments.

The Group has become one of the largest banks in Spain's financial system. It has a geographically diverse business (70% in Spain, 28% in the UK and 2% in Mexico) and its customer base is now six times larger than it was in 2008. It has achieved all of this while safeguarding its solvency and liquidity.

Directors' Report:
1.1 Mission, values and business model
Business model, main objectives achieved and actions implemented

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.

The Strategy and Sustainability Committee was created in 2021, and it enables the Board to enhance the monitoring of the Strategic Plan and to prioritise and promote sustainability and the commitment to ESG aspects.

Banco Sabadell continues to steer its activity, organisation and procedures in order to make a solid contribution to sustainability and the fight against climate change. Therefore, it aligns its sustainability strategy and business model with frameworks of reference, such as the Sustainable Development Goals (SDGs), and it revisits them periodically so as to bring itself closer in line with, and expedite its achievement of, the Paris Agreement and the 2030 Agenda. In addition, during the past year, the Sustainable Finance Plan has become part of a new ESG roadmap, which reinforces material aspects whilst also including actions and broadening the aspirations of the alliances and commitments by signing new initiatives such as the Net-Zero Banking Alliance (NZBA) that strengthen the climate risk strategy.

2. Governance
3.1 From vision to Commitment to Sustainability:
transforming and promoting
4.1 Climate and environmental strategy
5. Commitment to sustainable financing

The Group tackles climate and environmental matters from a double standpoint (internal and external), taking into account, on one hand, the potential impacts of climate related and, on the other hand, the impacts he Group directly causes through its facilities and the use of resources on the environment in which it operates.

Banco Sabadell's strategy of advising its customers during the transition and increasing the weight of financial assets is carried out through the issuance of sustainability bonds, investment in renewable energies and the sustainability business through the subsidiary Sinia Renovables, Project Finance, financing solutions for different businesses, and solutions for sustainable savings and responsible investment.

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 fulfils 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.**

In 2021, a materiality analysis process has been carried out with three aims: (i) Recognise the ESG priorities on which Banco Sabadell Group should focus its attention, taking into consideration risks, opportunities, impacts and trends, (ii) Strengthen the relationship with the different stakeholders and outline the impacts and expectations with regard to ESG, and (iii) Address the reporting needs arising from legal requirements and from analysts and indexes, as well as the demands of shareholders, investors and other stakeholders, with a common and a simple language.

A Materiality Matrix was produced as a result of this analysis (identifying the material topics most relevant to the Group) as well as the 'double materiality' approach, identifying the main impacts according to this dual perspective approach (the impact of the environment on the Group and the impact of the Group on its stakeholders), as well as the positive and negative impacts of the most important topics:

- Climate and Environment: Risks
- Risk Management and Cybersecurity
- Value Creation and Solvency
- Customer Satisfaction and Digitisation
- Ethics and Integrity

On the other hand, it has advised customers in their transition to more sustainable models that enable to meet, at portfolios levels, the international decarbonisation and circular economy targets. It has also increased its exposure to green financial assets, one of the key factors to meet the decarbonisation targets.

In addition, Banco Sabadell Group developed in 2020 its own Eligibility Guide in accordance with the EU Taxonomy of green activities and based on the Social Bond Principles in relation to social matters pending the EU's social taxonomy. The first implementation phase of the taxonomy in an internal eligibility guide developed in 2020, which allows the identification of activities potentially eligible based on this guide, as well as those activities and financing transactions deemed taxonomy compliant. On the back of this, the Group has already incorporated into its systems a marking for those priority green products that allows tracing the entire product management cycle and ensure their alignment with the taxonomy's requirements. The second implementation phase consists of updating the Eligibility Guide according to the latest delegated taxonomy act of July 2021. In addition, the Bank has started to work on aligning the guide on eligible activities with the first draft of the social taxonomy.

3.3 Materiality

- 4.1 Climate and environmental strategy
- 4.2.2 Taxonomy

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

The Group has conducted an impact analysis in which it has identified the positive and negative impacts of the most relevant aspects.

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.

In 2020, the Bank established a synthetic sustainability indicator (SSI), 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%. The metrics that comprise this indicator include:

- **Environment:** reduction of the Bank’s CO₂ emissions.
- **Social:** increase in the number of people in talent programmes and social financing.
- **Diversity:** increase in the number of women in various management positions and reduce the pay gap.

Furthermore, Banco Sabadell joined the Net-Zero Banking Alliance (NZBA) initiative to strength the strategy against climate change, and it has approved the offsetting of emissions through the investment in forestry projects in Spain, certified by MITECO (Ministry for Ecological Transition), which will materialise in 1Q22.

3.1 From vision to commitment to sustainability: transforming and promoting
4.1 Climate and environmental strategy

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Target Setting.

The Group has established qualitative and quantitative targets for its priority ESG aspects and it has attained a high level of achievement of those targets.

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 regularly monitored by the Sustainability Committee.

In addition, the Strategy and Sustainability Committee has been created, which enables the Board to enhance the monitoring of the Strategic Plan and to prioritise and promote sustainability and the commitment to ESG aspects.

2. Governance
3.1 From vision to commitment to sustainability: transforming and promoting

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

The Group has made its governance more robust in order to monitor progress made in relation to sustainability on a more continuous basis and in more detail.

2.4 Progress on Implementing Targets

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the 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. (Were feasible and appropriate, banks should include quantitative disclosures).

In 2021, the Group has achieved a high level of compliance with the metrics related to the synthetic sustainability indicator.

In relation to the environment, the Group's CO₂ emissions in Spain and the UK amounted to 7,259 tonnes, compared to 7,651 tonnes in 2020 and 17,670 tonnes in 2019 – a reduction of 5% and 59%, respectively.

In terms of social matters, more than 1,200 volunteers have taken part in social initiatives promoted by the Bank, its Foundation and other collaborating organisations, through the Bank's Corporate Volunteering Programme, with double the number of volunteers compared to the previous year.

With regard to diversity, women represent 29.4% of the senior management group, with an increase of 3.5 points in 2021, continuing with the steady trend of improvement of recent years.

Furthermore, the indicator of the weighted average pay gap used until 2020 has continued to be monitored in 2021. According to this criterion, the pay gap as at year-end 2021 was 11.24%, compared to 11.79% as at year-end 2020.

4.3.1 Carbon footprint

6.5.1 Gender

6.6 Remuneration policy

7.2 Social and volunteering activities

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

In 2021 the Group has attained a high level of achievement of its different objectives.

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.

Banco Sabadell adheres to the Code of Good Practice (CBP by its Spanish acronym), whose main objective is to arrange the viable restructuring of debt on main residence mortgages. This Bank reiterated its commitment to the CBP in 2021, with 80 debt restructuring operations carried out under its auspices.

Banco Sabadell Group establishes, through the Sustainability Policy and the Code of Conduct, a series of principles in order to adapt the organisation so that it may be in line with best practices in relation to transparency. In this regard, the Institution promotes transparent information and responsible, simple and close communication with all stakeholders. The Bank fosters transparency in the disclosure of information, at all times adopting responsible communication practices that prevent the manipulation of information and protect the company's integrity and honour.

The Institution has its own Personal Data Protection and Privacy Policy that it uses as an instrument to ensure the protection of natural persons in relation to personal data processing, which mentions different procedures and controls, and which provides an appropriate definition of the management model for data protection.

Furthermore, through the publication of its Human Rights Policy in 2021, it establishes its basic principles of action, as well as the mechanisms required to identify, prevent, mitigate and/or remedy any potential negative impacts on human rights that its activities and procedures may entail, in particular, with regard to granting finance to companies, or issues involved in its human resources management model or its supplier contracting processes; the need for training in all of these areas is also established.

7.7 Consumers

9.1 Information regarding Human Rights

10.1 Transparency

10.3 Data protection

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.

The Bank sees sustainability as an element of transformation, increasing competitiveness across companies and generating a positive social and environmental impact for people and the planet. In its role as a key agent to promote the transition towards a more sustainable economy, the Bank has included sustainability in the contents of the 360 Visit and the conversation between customers and relationship managers. Furthermore, aware that sustainability, in addition to being a challenge, also presents a series of opportunities for the customers for whom the Bank aims to support, a specific webinar on how companies can be more sustainable has been released through the Companies Hub platform, obtaining a score of 8.92 out of 10 among participants.

In addition, a team of specialists in European Funds and Sustainability has been trained and deployed to offer support to the branch network in the development of sustainable operations. Customers have also been advised in their transition to more sustainable models which that enable to meet, at portfolios level, the international decarbonisation and circular economy targets.

Furthermore, Banco Sabadell puts a series of solutions at the disposal of its customers, which are geared towards energy saving, offering solutions for home purchases and home renovations, sustainable mobility and the installation of renewable energy systems, which are described in section 5.4.2. Financing solutions for companies and individuals.

3.1 From vision to commitment to sustainability: transforming and promoting
4.1 Climate and environmental strategy
5.4.2 Financing solutions for companies and individuals
5.4.3 Next Generation EU

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

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.

In 2021, a materiality analysis process has been carried out in order to listen to stakeholders and adapt to the regulatory and market environment. To this end, the first step involved the identification of stakeholders and the main sources of information, considering:

- Regulators and supervisory authorities: responding to legislative consultations and regulatory drafts.
- 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.
- Customers: visiting companies, conducting customer surveys, interacting on social networks and through an active relationship with economic agents.
- Employees: through the InSabadell and Sabadell Life platforms, the ongoing relationship with the Employee Assistance Office (EAO), holding internal forums for employee innovation (BS Idea, Qualis Awards) and internal and external dissemination of information (Sabadell Forum).
- 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 think-tanks, foundations and NGOs.
- Suppliers: through analysis of the commitments undertaken by Banco Sabadell in its corporate policies in relation to suppliers, as well as the specific requirements that suppliers must meet for ESG-approval in the procurement process and through the Code of Conduct for Suppliers.

3.3 Materialidad

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.

In 2021, the Board of Directors updated the Sustainability Policy, which sets out the core principles on which Banco Sabadell Group bases its approach to tackle the challenges posed by sustainability, defines the management parameters, as well as the organisation and governance structure necessary for its optimal implementation. It also approved the new version of the Code of Conduct, the Human Rights Policy and the Climate Risk Policy.

The Strategy and Sustainability Committee was created in 2021, which enables the Board to enhance the monitoring of the Strategic Plan and to prioritise and promote sustainability and the commitment to ESG aspects.

The Sustainability Committee, created in 2020, is the body responsible for the establishment of the Bank's Sustainable Finance Plan and for monitoring its execution, the definition and dissemination of the general action principles in the area of sustainability and the promotion of projects and initiatives, as well as the management of alerts that may arise in the scope of ongoing initiatives or updates to the regulatory, supervisory environment, etc.

The Sustainability Division, specifically created in 2021, is the area responsible for the definition and management of Banco Sabadell Group's responsible banking strategy. In addition, the Sustainability Rating and Outreach Division was created to ensure enhanced reporting and communication on sustainability matters to stakeholders.

2. Governance
9.1 Information regarding Human Rights

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.

Banco Sabadell Group's remuneration policies are consistent with the goals of the risk and business strategy, the corporate culture, the protection of shareholders, investors and customers, the values and long-term interests of the Group, as well as with customer satisfaction and the measures taken to prevent conflicts of interest without providing incentives for excessive risk-taking.

In addition, the synthetic sustainability indicator (SSI), established in 2020, is linked to the variable remuneration of employees, forming part of the Group objectives with a weight of 10%.

Furthermore, all employees are required to complete mandatory training, including the Introduction to Sustainability course, where they can get acquainted with the new sustainable paradigm, have a conceptual framework about this topic, explain the triple bottom line, the ESG framework, the Sustainable Development Goals (SDGs) and what is meant by the circular economy, and they can also become familiar with the Bank's Sustainability Plan. In relation to this same topic, a further two courses have been developed: the Sustainability course and the Environmental Management System course.

Work is also now starting to get underway to allow all of the Bank's employees to attain a sustainability certification. This will be implemented in the first quarter of next year.

3.1 From vision to commitment to sustainability: transforming and promoting
6.4. Training
6.6. Remuneration Policy

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 Board of Directors of Banco Sabadell is the highest decision-making body and is basically configured as an instrument of supervision and control. It is directly responsible for approval of the Institution'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 into the Institution's strategy.

The Strategy and Sustainability Committee enables the Board to enhance the monitoring of the Strategic Plan and to prioritise and promote sustainability and the commitment to ESG aspects.

The Sustainability Committee is the body responsible for establishing the Bank's Sustainable Finance Plan and for monitoring its execution, the definition and dissemination of the general action principles in the area of sustainability and the promotion of projects and initiatives, as well as the management of alerts that may arise in the scope of ongoing initiatives or updates to the regulatory, supervisory environment, etc.

Lastly, the Sustainability Division is the area responsible for the definition and management of the Banco Sabadell Group's responsible banking strategy.

2. Governance

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

The Group has a governance structure for the implementation of the Principles for Responsible Banking, which it has strengthened with the creation of the Strategy and Sustainability Committee.

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.

The Non-Financial Disclosures Report, which forms part of the Banco Sabadell Group consolidated Directors' Report for 2021, and which is annexed to that report as a separate document, complies with the general provisions published in Law 11/2018 of 28 December, and information relating to taxonomically eligible exposures in compliance with the Taxonomy Regulation (EU Regulation 2020/852), which came into effect in January 2022. In addition, the non-binding guidelines published by the European Commission on its Guidelines on Non-Financial Reporting (2017/C 215/01) are considered, as well as its supplementary document on climate change related information (2019/C 209/01) and the Global Reporting Initiative (GRI) reference framework. This report has been prepared in accordance with the core option of the GRI Standards.

Banco Sabadell continues to forge alliances with other sectors and is part of the most relevant international initiatives in the fight against climate change and in favour of social development, such as:

- Since 2005, with the signature of the adherence to the corporate responsibility initiative of the United Nations Global Compact and the ten principles in the areas of human rights, labour, environment and anti-corruption.
- The signature of the Equator Principles, since 2011, which incorporate social and environmental criteria in the funding of large-scale projects and corporate loans.
- 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, thus reinforcing the Bank's alignment with the SDGs in relation to the Paris Agreement.
- Ratification of the Collective Commitment to Climate Action, which aims to reduce the carbon footprint of balance sheets.
- Adherence to the Task Force on Climate-related Financial Disclosure (TCFD) for disclosure of risks and opportunities related to climate change.
- Signatory of the Carbon Disclosure Project (CDP) for action against climate change
- Adherence in October 2021 to the Net-Zero Banking Alliance, an international alliance promoted by the United Nations Environment Programme Finance Initiative (UNEPFI), through which the Bank commits to making all its loan portfolios greenhouse gas neutral by 2050, in line with the objectives of the Paris Agreement.

1. Introduction
3.2. Initiatives and Partnerships
Annex 2: Table of contents Law 11/2018, GRI and TCFD content index.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

The Group has made progress in the implementation of the Principles for Responsible Banking and is part of the most important international initiatives.

Indicator

	2021
1. Proportion in their total assets of exposures to Taxonomy-eligible economic activities	41,1%
2. Proportion in their total assets of exposures to central governments, central banks and supranational issuers	31.3%
3. Proportion in their total assets of derivatives exposures	0.8%
4. Proportion in their total assets of exposures to companies not obliged to report non-financial information pursuant to Article 19 bis or 29 bis of Directive 2013/34/EU	10.7%
5. Proportion in their total assets of Trading book and interbank sight loans	3.5%

The components of the indicators, taking into account that indicators 1 and 4 have been derived from robust data sources and the remaining indicators from the Group's consolidated balance sheets, are set out in more detail below:

1. More details on the calculation of this indicator in section 4.2.2 Taxonomy.
2. Exposure to central governments, central banks and supranational issuers is 31.3% of total assets at year-end 2021.
This indicator is calculated taking into consideration cash balances in central banks and loans, advances and debt securities of central banks and general government, relative to the Group's total assets.
3. Derivatives exposure is 0.8% of total assets at year-end 2021.
This indicator is calculated taking into consideration total derivative assets, relative to the Group's total assets.
4. Exposure to companies not obliged to report non-financial information pursuant to Article 19 bis or 29 bis of Directive 2013/34/EU is 10.7% of total assets at year-end 2021.
This indicator is calculated⁵² taking into account the exposure⁵³ to companies with 500 employees or less and, according to the latest available information, with assets of 20 million euros or less and turnover of 40 million euros or less.
5. Trading book and interbank sight loans are 3.5% of total assets at year-end 2021.
This indicator is calculated taking into consideration cash balances in credit institutions, loans and advances to credit institutions and total financial assets held for trading, relative to the Group's total assets.


















In addition, in accordance with Annex XI of Delegated Regulation (EU) 2021/2178, the information of the strategy is presented in section 3. Sabadell's Commitment to Sustainability and 4.1 Climate and environmental strategy. As for the product part and the weight of financing, the information is presented in section 5. Commitment to sustainable financing.

52. Companies for which all information is not available are excluded from the calculation.

53. Risk drawn down.

Annex 5.

SDG alignment

	1. Introduction	2. Governance	3. Sabadell's Commitment to Sustainability	4. Climate and environmental commitment	5. Commitment to sustainable financing	6. Commitment to people	7. Commitment to Society	8. Commitment against corruption and bribery	9. Commitment to Human Rights	10. Commitment to information	Annex 1
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KPMG Asesores, S.L.
Torre Realia
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Independent Assurance Report on the Consolidated Non-Financial Disclosures Report for Banco de Sabadell, S.A. and subsidiaries for 2021

(Translation from the original in Spanish. In case 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 Non-Financial Information Statement Consolidated (hereinafter NFIS) for the year ended 31 December 2021, of Banco de Sabadell, S.A. (hereinafter the Parent) and subsidiaries (hereinafter the Group) which forms part of the Group's 2021 consolidated Directors' Report.

The NFIS includes additional information to that required by prevailing mercantile legislation governing non-financial information, which has not been the subject of our assurance work. Our assurance work was limited only to providing assurance on the information contained in table "Table of contents Law 11/2018" included in the annex 2 of the NFIS.

Directors' responsibility

The Directors of the Parent are responsible for the contents and the authorisation for issue of the NFIS included in the Group's consolidated Directors' Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) and based on the content indicated for each subject area in "Table of contents Law 11/2018" included in the annex 2 of the aforementioned NFIS.

This responsibility also encompasses the design, implementation and maintenance of 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

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the Internal Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

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 the requirements of the Revised International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised), 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 responsible 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 personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the NFIS based on the materiality analysis performed by the Parent and described in the section "3.3 Materiality" considering the content required in prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the NFIS for 2021.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2021.
- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2021 and whether it has been adequately compiled based on data provided by information sources.
- Procurement of a representation letter from the Directors and management.

Conclusion

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 de Sabadell, S.A. and subsidiaries for the year ended 31 December 2021 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 subject area in "Table of contents Law 11/2018" included in the annex 2 of the aforementioned NFIS.

Emphasis of matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment stipulates the obligation to disclose information on how and to what extent the institution's investments are associated with economic activities eligible under the Taxonomy for the first time for the 2021 fiscal year, provided that the Non-Financial Information Statement is published from 1 January 2022 onwards. Consequently, the attached NFIS does not contain comparative information on this matter. Additionally, certain information has been included in respect of which the Directors of the Parent have opted to apply the criteria that, in their opinion, best allow them to comply with the new obligation, and which are those defined in paragraph "4.2.2 Taxonomy" and annex 4 "Taxonomy Indicators" in the accompanying NFIS. Our conclusion is not modified in respect of this matter.

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

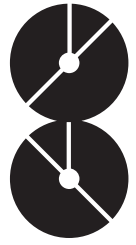
KPMG Asesores, S.L.

(Signed on the original in Spanish)

Patricia Reverter Guillot

17 February 2022

Annual Corporate
Governance
Report 2021



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¹ The letters used in the headings of the different sections of this report refer to the corresponding sections of the standardised model of the IAGC of the Spanish National Securities Market Commission (CNMV for its Spanish acronym).

Banco de Sabadell, S.A. (hereinafter, Banco Sabadell, the Bank, the Institution or the Entity) keeps, one more year, its commitment to strengthen and continuously improve its Corporate Governance, on which it has been working steadily in recent years. During financial year 2021, substantial improvements and progress have been made in the area of Corporate Governance, placing the Entity at the forefront of advanced corporate governance systems and aligned with best practices.

The Annual Corporate Governance Report (hereinafter ACGR) is drawn up with the information from the Bank at year-end 2021 and, together with the Annual Report on Director Remuneration, it forms part of the Directors' Report attached to the separate and consolidated Annual Accounts. It was approved unanimously by the Board of Directors at a meeting on 17 February 2022, in compliance with the provisions of article 540 of the Capital Companies Law and Circular 5/2013 of 12 June of the CNMV (Spanish National Securities Market Commission).

Corporate Governance of Banco Sabadell in 2021

During the 2021 financial year, Banco Sabadell made substantial changes to improve and strengthen corporate governance, in line with best practices.

The Board of Directors submitted to the General Meeting of Shareholders a proposal to amend certain provisions of the Articles of Association, which was approved on 26 March 2021, and which essentially entailed the following:

- A Chairman with non-executive status, in line with the leading international banks and corporate governance best practices.
- A Strategy and Sustainability Committee to increase the focus of attention on strategic elements, sustainability and commitment to ESG (Environmental, Social and Governance) aspects.
- The Delegated Committee has been abolished and the Credit Delegated Committee has been set up to monitor and supervise credit risks on a weekly basis.
- The Appointments Committee has taken on all corporate governance functions and is now called the Appointments and Corporate Governance Committee, also focusing on the engagement on the ESG perspective.
- The functions of the Audit and Control Committee have been updated and revised.
- The possibility of holding the General Meeting of Shareholders online has been introduced, in line with the main Spanish listed companies.

The preparation and format of the Report is governed by the provisions of Circular 5/2013, as amended by CNMV Circular 2/2018 of 12 June, CNMV Circular 1/2020 of 6 October and CNMV Circular 3/2021 of 28 September. Following the amendment introduced by the Circular 2/2018, of 12 June, the Annual Corporate Governance Report may be submitted in any PDF free format provided that it contains the disclosures defined in the regulations in force. Banco Sabadell, following the 2020 financial year, has once again opted for this format in order to explain and disclose, with maximum transparency, the main aspects contained therein. This document is available in the "Corporate Governance and Remuneration Policy" section of the Bank's corporate website www.grupobancosabadell.com.

Board of Directors

The composition of the Board of Directors during 2021 underwent the following changes:

- Following the amendment of the Articles of Association at the General Meeting of Shareholders held on 26 March 2021, the Chairman of the Board of Directors, Mr Josep Oliu Creus, became a non-executive Director and his status changed to that of Other External Director.
- Having obtained the relevant regulatory authorisations, Mr César González-Bueno Mayer Wittgenstein accepted the position of Chief Executive Officer on 18 March 2021.
- Mr Jaume Guardiola Romojaro resigned as a member of the Board of Directors on the same date being replaced as Chief Executive Officer.
- Director Ms María José García Beato became an Other External Director, effective 31 March 2021.
- Mr José Javier Echenique Landiribar tendered his resignation as Deputy Chairman and Independent Director of Banco Sabadell, for personal and professional reasons, at the meeting of the Board of Directors held on 28 July 2021 and was replaced as Deputy Chairman of the Board of Directors by Mr Pedro Fontana García on the same date.
- Mr Luis Deulofeu Fuguet was appointed Independent Director to fill the vacancy caused by the resignation of Mr José Javier Echenique Landiribar, by resolution of the Board of Directors on 28 July 2021, joining the Board for the first time at the meeting held on 27 October 2021, once the corresponding regulatory authorisations had been received.

Following these changes, the Board of Directors of Banco Sabadell is composed of its Chairman as a non-executive Director, ten Independent Directors, two executive Directors, one Other External Director and one Proprietary Director.

During the 2021 financial year, the Board of Directors of Banco Sabadell, together with its Appointments and Corporate Governance Committee, has had as a priority objective the increase of diversity within the Board. In this regard, the number of Executive Directors has decreased, the number of Independent Directors has been maintained, as well as the percentage of women, and the diversity of knowledge and experience has increased, in line with the recommendations of the CNMV.

On the other hand, during the financial year 2021, both the Board of Directors and the Appointments and Corporate Governance Committee have carried out an intense activity in order to adapt their composition and that of the Board Committees to the amendment of the Articles of Association approved by the General Meeting and the corresponding amendments to the Regulations of the Board of Directors and the Committees.

Committees of the Board of Directors

Changes in the Board Committees

Following the amendment of the Articles of Association, the following changes have been made to the structure of the Board of Directors Committees:

- A Strategy and Sustainability Committee has been set up comprising five non-executive Directors, the majority of whom are independent. The Chairman of the Committee shall be the Chairman of the Board of Directors. The Secretary of the Board of Directors shall be the Committee Secretary or, as appropriate, the person who acts as the Board's Deputy Secretary. In matters of strategy, the Chief Executive Officer shall participate in the meetings with the right to speak and vote, and, for this purpose, the Committee shall be composed of six members. Its establishment enables the Board to handle matters of strategy thorough a prior analysis and to increase the focus on monitoring the strategic plan and to prioritise and drive sustainability and ESG engagement, while completing the adaptation of the Bank's governance system to the needs of the new sustainability-driven environment.
- A Credit Delegated Committee has been set up, comprising a maximum of five Directors, the majority of whom are independent, and who shall be appointed by the Board itself. The Board shall appoint one of the Committee members as its Chairman. The Secretary of the Board of Directors shall be its Secretary or, as

appropriate, the person who acts as the Board's Deputy Secretary. The Committee analyses and, where appropriate, resolves credit operations in accordance with the assumptions and limits established by express delegation of the Board of Directors, and also emphasises the control of credit risks by means of weekly meetings on a detailed basis.

- The competences of the Audit and Control Committee in relation to the supervision of financial and non-financial information, the monitoring of the audit plan and internal audit services have been updated in the articles of association and regulations.
- The Appointments Committee has been given additional functions in the area of Corporate Governance and has therefore been renamed the Appointments and Corporate Governance Committee, and now has powers in relation to the reporting of internal corporate policies and standards, the supervision of corporate governance rules and relations with shareholders and investors, proxy advisors and other stakeholders.

Changes in the Composition of the Board Committees

As a consequence of the changes of the Committees due to the establishment of the new Board Committees and in order to maintain the due differentiation in their composition, on 26 March 2021, the Board of Directors:

- Appointed Ms Mireya Giné Torrens as Chairwoman of the Audit and Control Committee and as a member of the Appointments and Corporate Governance Committee.
- Appointed Ms Alicia Reyes Revuelta as a member of the Risk Committee.
- Appointed Mr Gonzalo Baretino Coloma, General Secretary and Deputy Secretary of the Board, as non-Director Secretary of the Credit Delegated Committee, the Remuneration Committee and the Risk Committee.
- It gave the newly constituted Strategy and Sustainability Committee the following initial composition: as Chairman, Mr Josep Oliu Creus and, as members, Mr José Javier Echenique Landiribar, Mr Pedro Fontana García, Ms María José García Beato, Mr José Manuel Martínez Martínez and Mr César González-Bueno Mayer Wittgenstein², with the Secretary of the Board, Mr Miquel Roca i Junyent, as Secretary.
- It gave the new Credit Delegated Committee the following initial composition: as Chairman, Mr José Javier Echenique Landiribar and, as members, Mr Pedro Fontana García, Ms María José García Beato, Mr César González-Bueno Mayer Wittgenstein and Ms Alicia Reyes Revuelta, with the Deputy Secretary of the Board, Mr Gonzalo Baretino Coloma, as Secretary.

² In matters of strategy, the Chief Executive Officer shall participate in the meetings with the right to speak and vote, and, for this purpose, the Board shall be composed of six members.

On 28 July 2021, as a result of his resignation, Mr José Javier Echenique Landiribar ceased, to form part of the Credit Delegated Committee and the Strategy and Sustainability Committee, and Mr Pedro Fontana García is appointed Deputy Chairman of the Board as well as Chairman of the Credit Delegated Committee. On the same date, Mr Luis Deulofeu Fuguet is appointed member of the Credit Delegated Committee as well as the Strategy and Sustainability Committee. Mr Luis Deulofeu Fuguet accepts the positions as member of the Board of Directors and the respective Committees on 26 October 2021 after receiving the corresponding regulatory authorisations.

The current composition of the Board Committees is as follows:

Committee	Name	Position
Strategy and Sustainability	Josep Oliu Creus	Chairman
	Luis Deulofeu Fuguet	Member
	Pedro Fontana García	Member
	María José García Beato	Member
	César González-Bueno Mayer Wittgenstein*	Member
	José Manuel Martínez Martínez	Member
	Miquel Roca i Junyent	Non-member Secretary
Credit Delegated Committee	Pedro Fontana García	Chairman
	Luis Deulofeu Fuguet	Member
	María José García Beato	Member
	César González-Bueno Mayer Wittgenstein	Member
	Alicia Reyes Revuelta	Member
	Gonzalo Baretino Coloma	Non-member Secretary
Audit and Control	Mireya Giné Torrens	Chairman
	Pedro Fontana García	Member
	José Ramón Martínez Sufrategui	Member
	Manuel Valls Morató	Member
	Miquel Roca i Junyent	Non-member Secretary
Appointments and Corporate Governance	José Manuel Martínez Martínez	Chairman
	Anthony Frank Elliott Ball	Member
	Aurora Catá Sala	Member
	Mireya Giné Torrens	Member
	Miquel Roca i Junyent	Non-member Secretary
Remuneration	Aurora Catá Sala	Chairman
	Anthony Frank Elliott Ball	Member
	George Donald Johnston III	Member
	José Ramón Martínez Sufrategui	Member
	Gonzalo Baretino Coloma	Non-member Secretary
Risks	George Donald Johnston III	Chairman
	Aurora Catá Sala	Member
	Alicia Reyes Revuelta	Member
	Manuel Valls Morató	Member
	Gonzalo Baretino Coloma	Non-member Secretary

* Member on matters of strategy only.

Matrix of competencies and diversity in the Board of Directors

Since 2019, Banco Sabadell has had a competency and diversity matrix in place, which is revised annually by the Board of Directors. The latest review was carried out on 18 November 2021, coinciding with most recent appointment and the changes that took place within the Board of Directors.

As a result of this review, the competencies have been updated and standardised in the following areas: banking, retail and corporate; financial and capital markets; insurance; other financial competencies; accounting and auditing; risk management; planning and strategy; governance; risk control; anti money laundering and countering the terrorist financing; legal; digital and IT (digital transformation); human resources, culture, talent and remuneration; responsible business and sustainability; international experience; governing bodies; organisational management and leadership; business experience; governance and public policy; consulting; regulatory and supervisory bodies; academics; communication and institutional relations.

The Board has increased its diversity, in relation to the category of Directors and the knowledge, skills and experience, which have been strengthened in the following areas: retail banking and digital transformation.

The appointment of the Chief Executive Officer, Mr César González-Bueno Mayer Wittgenstein, brings to the Board someone with a profile with extensive experience in retail banking at the highest executive level, as well as experience in transformation and modernisation (digitalisation), highlighting his solid profile as Chief Executive Officer developed throughout his extensive career.

The appointment of Mr Luis Deulofeu Fuguet has leveraged the Board's expertise and experience, especially in retail banking and digital and IT (digital transformation) competence, IT risks and risk management, combined with the specific experience in the banking sector and the ability to apply such knowledge and skills to the banking business.

In terms of gender diversity, 27% of the Bank's Board in financial year 2021 were women, in line with the CNMV's general target of 30%. The Board and the Appointments and Corporate Governance Committee have made a commitment to ensure that the Board has a sufficient number of female Directors, promoting compliance with the objective of representing the under-represented sex.

New organisational structure

The Board of Directors at its meeting of 29 January 2021 appointed Mr Leopoldo Alvear Trenor as Chief Financial Officer, who has obtained the corresponding regulatory authorisation.

On 18 March 2021, the Board of Directors approved a new organisational structure to address the implementation of Banco Sabadell's new strategic plan. The Bank is structured into three large business units in Spain: Retail Banking, headed by Mr Miquel Montes Güell; Business Banking and Branches, headed by Mr Carlos Ventura Santamans; and Corporate Banking, headed by Mr José Nieto de la Cierva, where each unit is responsible for its income statement (income, expenditure, provisions and capital consumption). In this new organisational structure, Mr Gonzalo Baretino Coloma has been appointed General Secretary, Mr Marc Armengol Dulcet as Director of Operations and Technology and Ms Ana Ribalta Roig as Director of Sustainability, all of whom have obtained the corresponding regulatory authorisations.

The appointment of Ms Ana Ribalta as Director of Sustainability and the creation of this position in the structure with her inclusion as a member of the Management Committee represents a new step forward for the Entity in ESG matters.

The organisational structure is completed with the already existing Risk Regulation and Control unit, headed by Mr David Vegara Figueras, the Risk unit, headed by Mr Xavier Comerma Carbonell, and the Organisation and Resources unit, headed by Mr Miquel Montes Güell.

Sustainability as a key component of Corporate Governance

Sustainability has been a pivotal point during 2021 within Banco Sabadell's business purpose and strategy. In defining the Entity's overall strategy, business objectives and risk management framework, the Board of Directors takes climate and environmental risks into account and exercises effective oversight of these risks.

In July 2021, the Board of Directors updated its Sustainability Policy, which aims to provide a framework for all of the Institution's activities and organisation within ESG parameters, which incorporate environmental, social and corporate governance factors in decision-making and, at the same time, based on those parameters, seeks to respond to the needs and concerns of all of its stakeholders. The sustainability policy establishes the basic principles on which the Banco Sabadell Group is based to address the challenges posed by sustainability, and defines the parameters for managing them, as well as the organisation and governance structure necessary for their optimum implementation.

In 2021, following the amendment of the Articles of Association, a Strategy and Sustainability Committee was set up, which has the following remit with regard to sustainability:

- Review the Entity's sustainability and environmental policies.
- Advise the Board of Directors on any amendments and regular updates of the sustainability strategy.
- Review the definition and amendment of diversity and integration, human rights, equal opportunity and work-life balance policies and evaluate their degree of compliance on a regular basis.
- Review the Bank's social action strategy and its sponsorship and patronage plans.
- Review and report on the Entity's Non-Financial Disclosures Report before the Audit and Control Committee review and report thereon and its subsequent preparation by the Board of Directors.
- Receive information in connection with reports, written notices or communications from external supervisory bodies within the scope of this Committee's competences.

The Sustainability Committee, set up in 2020 and chaired from 2021 by the Deputy General Manager and head of the newly created Sustainability Division in 2021, Ms Ana Ribalta, is the body responsible for establishing the Bank's Sustainable Finance Plan and monitoring its implementation, defining and disseminating the general principles of action in the area of sustainability and promoting the development of projects and initiatives.

In addition, Banco Sabadell's Statement of Non-Financial Information (NFI) for financial year 2021, which forms part of the Consolidated Directors' Report for financial year 2021 and is attached to the Consolidated

Annual Accounts as is this ACGR and is submitted for its approval by the Ordinary General Shareholders' Meeting as a separate item on the agenda, details the actions implemented in the area of sustainability and other non-financial information in accordance with Law 11/2018 in the area of non-financial information and diversity. Among the most relevant aspects of the NFI statement are the following:

- Progress in the Entity's commitment to sustainability and the Sustainable Finance Plan.
- The ESG commitments and initiatives to which the Bank has adhered (e.g. Principles for Responsible Banking, Net Zero Banking Alliance and the disclosure framework of the Task Force on Climate-related Financial Disclosures (TCFD)).
- The Entity's ESG materiality approach.
- The management of risks and opportunities linked to climate change.
- The contribution of business to sustainable financing.
- The Bank's commitment to the environment.
- Employee data including SmartWork, talent management, diversity, training and compensation.
- Commitment to society.
- The fight against bribery and corruption.
- Information regarding human rights.
- The actions carried out in terms of transparency and digitalisation.

Contents of the Annual Corporate Governance Report

1. Ownership structure (A)³

1.1. Share capital (A.1)

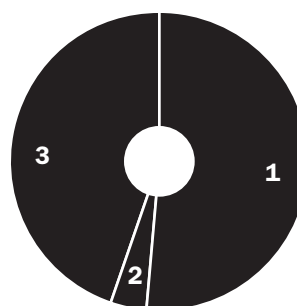
At 31 December 2021, the share capital of Banco Sabadell was 703,370,587.63 euros, represented by 5,626,964,701 registered shares, with a par value of 0.125 euros each, all fully subscribed and paid up, representing 5,626,964 voting rights, at a ratio of one right for every 1,000 shares. The share capital was last amended on 16 November 2017 and the Articles of Association do not contain any provision for additional loyalty voting rights.

Banco Sabadell's shares are in the form of book entries 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 has not issued securities that are not traded on a regulated market in the European Union.

Within the Bank's shareholding structure, at the close of the 2021 financial year, three investor groups reported a shareholding of more than 3% according to data reported to the CNMV; the aggregate shareholding thereof makes up 9.94% of the total share capital. The remaining shareholdings are free-float. The members of the Board of Directors, one of whom is an indirect holder of the voting rights attributed to the shares of one of the aforementioned investors, own 3.67% of the Bank's share capital.

There were 228,432 shareholders as at 31 December 2021, distributed in the following tiers:



1	Retail investors	51.60%
2	Board of Directors	3.67%
3	Institutional investors	44.70%

228,432

Number of shareholders as at 31 December 2021

Number of shares	No. of shares	Shares	% of capital
From 1 to 12,000	179,459	573,130,438	10.19
From 12,001 to 120,000	45,899	1,427,423,280	25.37
From 120,001 to 240,000	1,866	307,959,112	5.47
From 240,001 to 1,200,000	1,039	469,333,426	8.34
From 1,200,001 to 15,000,000	139	433,432,171	7.70
More than 15,000,000	30	2,415,686,274	42.93
Total	228,432	5,626,964,701	100.00

³ The letters used in the headings of the different sections of this report refer to the corresponding sections of the standardised model of the ACGR of the Spanish National Securities Market Commission (CNMV in its Spanish initials).

1.2. Significant shareholders

(A.2, A.4, A.5, A.6, A.7 and A.8)

As at 31 December 2021, the direct and indirect holders of significant shareholdings, including Directors with a significant shareholding, in Banco Sabadell were:

Name or company name of shareholder	% of voting rights assigned to shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Blackrock Inc.	0.00	3.02	0.00	0.41	3.43
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

BlackRock Inc. holds its indirect holding via a number of its 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 wholly owned by Fintech Investment Ltd., the mutual fund managed by Fintech Advisory Inc. (FAI). FAI is wholly owned by Mr. David Martínez Guzmán.

Mr Lewis A. Sanders is the controlling owner of Sanders Capital, LLC, which is a US registered investment advisor that provides discretionary investment management services to clients; in connection with this service, certain clients grant proxy voting rights to Sanders Capital, LLC.

The most significant movements in the shareholder structure during the financial year that were reported to the CNMV by the shareholders and whose disclosures are available on the CNMV's website are as follows:

Name or company name of shareholder	Transaction date	Description of the movement
Blackrock Inc.	22/03/2021, 31/05/2021 21/06/2021	Decreased below 3% of voting rights attributed to shares
	04/03/2021, 05/05/2021 03/06/2021, 22/06/2021	Exceeded 3% of voting rights attributed to shares
Norges Bank	01/02/2021	Exceeded 3% of voting rights attributed to shares
	19/01/2021	Decreased below 3% of voting rights attributed to shares
	27/09/2021	Exceeded 3% of voting rights attributed to shares and financial instruments
	28/04/2021, 29/09/2021	Voting rights attributed to shares and financial instruments decreased below 3%

Banco Sabadell is not aware of any family, commercial, contractual or corporate ties between the owners of significant holdings. Moreover, the Bank and the companies that make up Banco Sabadell Group do not have any family, commercial, contractual or corporate ties with the Entity's significant shareholders other than those arising out of ordinary business relations. The Bank has not been notified of any shareholders' agreements, nor is it aware of the existence of any concerted actions among its shareholders, or of the existence of any individual or legal entity that exercises or may exercise control over the Bank in accordance with article 5 of the Securities Market Act.

1.3. Board of Directors' stake in share capital (A.3)

The members of the Board of Directors own a total of 3.67% of the Bank's total voting rights. This information is detailed and updated on the Bank's website www.grupobancosabadell.com. The percentage of voting rights

through financial instruments reflects the rights attributed to long-term supplementary incentives which by their nature are not likely to be exercised.

The information on the position of the Board of Directors in the share capital, excluding Mr David Martínez Guzmán, Proprietary Director, whose shareholding has been identified in the previous section, is detailed below:

Name or company name of shareholder	% of voting rights assigned to shares		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Josep Oliu Creus	0.07	0.05	0.01	0.00	0.13	0.00	0.00
Pedro Fontana García	0.00	0.00	0.00	0.00	0.00	0.00	0.00
César González-Bueno Mayer Wittgenstein	0.01	0.00	0.00	0.00	0.01	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
Luis Deulofeu Fuguet	0.00	0.00	0.00	0.00	0.00	0.00	0.00
María José García Beato	0.01	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
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 treasury shares by a resolution adopted by the Ordinary General Meeting of Shareholders of Banco Sabadell 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 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 may hold, all in accordance with the provisions of articles 146, 509 and concordant articles of the Capital Companies Law.

The limits or 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 Banco Sabadell 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 in its portfolio, must not lead to net equity being less than the amount of share capital plus legal reserves and reserves that are designated as restricted under the Articles of Association.
- The shares acquired must have been fully paid up.
- 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 2021 year-end, Banco Sabadell directly held 40,679,208 own shares, representing 0.72% 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 percentage of share capital
16/02/2021	45,563,454	—	0.810
10/08/2021	38,717,784	—	0.688

1.5. Estimated free float capital (A.11)

At 2021 year-end, the estimated free float was 89.10%, i.e. the percentage of share capital not held by significant shareholders, members of the Board of Directors or as the Bank's 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 hinder 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, Law 10/2014, of 26, June, on the Regulation, Supervision and Solvency of Credit Institutions, establishes that in any acquisition of at least 10 per cent 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 not traded on a regulated market in the European Union were issued.

2. General Meeting of Shareholders (B)

2.1. Regulations of the General Meeting (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 thereto by article 10 of Royal Decree 84/2015, of 13 February, implementing Law 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, 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.

The General Meeting of Shareholders, held on 26 March 2021, approved the amendment of the Articles of Association and the Regulations of the General Meeting of Shareholders' with the aim, among other matters, of providing for the possibility of remote attendance at the General Meeting online and remote voting by any means, including exclusively in the event that the law so permits, in which case, and without prejudice to the terms set forth in the Regulations of the General Meeting of Shareholders, an express resolution of the Board of Directors shall be required authorising the systems and procedure necessary to enable remote attendance and remote voting, and this resolution must be expressly communicated in the announcement calling the General Meeting in question.

In line with best practices in corporate governance, Banco Sabadell broadcasts 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 accessing 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 2021 (B.4 and B.5)

Data on attendance at the General Meeting of Shareholders in recent years, and the percentages by which the resolutions were passed, are published on the corporate website 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 by proxy		% remote voting		Total
					Electronic voting	Other	
26/03/2021	0.16		60.98		0.00	0.00	61.14
Of which free float:	0.07		57.80		0.00	0.00	57.87
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

The estimated figures of free float capital 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 regulations, and it conforms to best practices in the area of corporate governance.

The General Meeting of Shareholders held on 26 March 2021 approved the amendment of the Articles of Association and the Regulations of the General Meeting of Shareholders, and took note of the amendment of the Regulations of the Board of Directors approved by resolution of the Board of Directors held on 18 February 2021.

3.1. Composition of the Board (C.1, C.1.2, C.1.8 and C.1.29)

At 31 December 2021, the Board of Directors comprised fifteen members, as shown in the following table:

Name or company name of shareholder	Director category	Board Committees	Board position	First appointment	Latest appointment	Election procedure
Josep Olliu Creus	Other External ○ C		Chairman	29/03/1990	28/03/2019	Resolution of a General Meeting of Shareholders
Pedro Fontana García	Independent ○ ● ● C		Deputy Chairman	27/07/2017	19/04/2018	Resolution of a General Meeting of Shareholders
César González-Bueno Mayer Wittgenstein	Executive ○ ● *		CEO	17/12/2020	26/03/2021	Resolution of a General Meeting of Shareholders
Anthony Frank Elliott Ball	Independent	● ●	Lead Independent Director	30/03/2017	26/03/2021	Resolution of a General Meeting of Shareholders
Aurora Catá Sala	Independent	● ● ○ C	Director	29/01/2015	28/03/2019	Resolution of a General Meeting of Shareholders
Luis Deulofeu Fuguet	Independent ○ ●		Director	28/07/2021	28/07/2021	Resolution of the Board of Directors
María José García Beato	Other External ○ ●		Director	24/05/2018	28/03/2019	Resolution of a General Meeting of Shareholders
Mireya Giné Torrens	Independent	● ● C	Director	26/03/2020	26/03/2020	Resolution of a General Meeting of Shareholders
George Donald Johnston III	Independent	● ○ C	Director	25/05/2017	19/04/2018	Resolution of a General Meeting of Shareholders
David Martínez Guzmán	Proprietary		Director	27/03/2014	19/04/2018	Resolution of a General Meeting of Shareholders
José Manuel Martínez Martínez	Independent ○	● C	Director	26/03/2013	19/04/2018	Resolution of a General Meeting of Shareholders
José Ramón Martínez Sufregui	Independent	● ●	Director	18/09/2010	28/03/2019	Resolution of a General Meeting of Shareholders
Alicia Reyes Revuelta	Independent	● ○	Director	24/09/2020	26/03/2021	Resolution of a General Meeting of Shareholders
Manuel Valls Morató	Independent	● ○	Director	22/09/2016	26/03/2021	Resolution of a General Meeting of Shareholders
David Vegara Figueras	Executive		Director	28/05/2015	28/03/2019	Resolution of a General Meeting of Shareholders

*Member on strategy issues only.

Committees of the Board of Directors

- Strategy and Sustainability Committee
- Credit Delegated Committee
- Audit and Control Committee
- Appointments and Corporate Governance Committee
- Remuneration Committee
- Risk Committee
- C Chairman

11/15

Number of Directors in the Articles

15

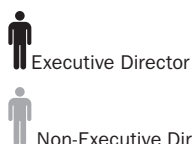
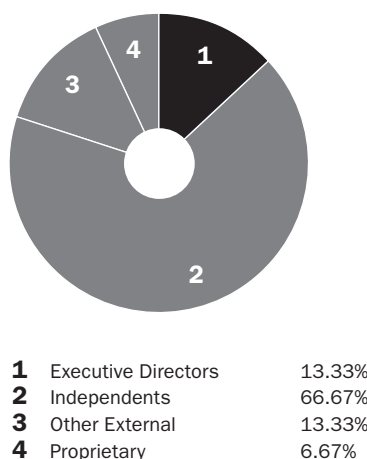
Directors set by the General Meeting

15

Members of the Board of Directors

During the 2021 financial year, there have been changes in the category of the Directors Mr Josep Oliu Creus and Ms María José García Beato, who have become Other External Directors, their previous category being that of Executive Directors.

Of the fifteen members of the Board of Directors, two are Executive Directors (13.33 % of the total Board) and thirteen are Non-Executive Directors, of whom ten are Independent (66.67 % of the total Board), two are Other External (13.33 % of the total Board) and one is Proprietary (6.67 % of the total Board).



Mr Miquel Roca i Junyent, has been non-voting secretary since 13 April 2000. Mr Gonzalo Baretino Coloma was appointed Non-Director Deputy-Secretary on 26 March 2021. There have been no appointments of proprietary Directors at the proposal of shareholders owning less than 3% of capital.

The following resignations from the Board of Directors of Banco Sabadell took place in 2021 and have been duly reported to the CNMV in the form of other relevant information disclosures:

Mr Jaume Guardiola Romojaro, after obtaining the corresponding regulatory authorisations for the appointment of Mr César González-Bueno Mayer as Executive Director and CEO, tendered his resignation as a member of the Bank's Board with the category of Executive Director with effect from 18 March 2021, in a letter addressed to all the members of the Board of Directors, in which he expressed his deep satisfaction at having carried out this important stage of his career at Banco Sabadell.

Mr José Javier Echenique Landiribar tendered his resignation as Deputy-Chairman and Independent Director on 28 July 2021 by a letter addressed to all members of the Board of Directors, in which he stated that personal and professional commitments made it difficult for him to continue performing this role.

3.2. Director profiles (C.1.3)

Below is the Matrix of competencies and diversity of the members of the Board of Directors, which lists the horizontal and sectoral competencies of the Board of Directors. The Matrix is published in Banco Sabadell's Internal Governance Framework on the website www.grupobancosabadell.com, in the section "Corporate Governance and Remuneration Policy".

Sectoral competencies	Chairman	Deputy Chairman	Chief Executive Officer	Director
	Josep Oliu Creus	Pedro Fontana García	César González-Bueno Mayer	Anthony Frank Elliott Ball
	Ext. D.	Ind. D.	Exec. D.	Lead. I.D.
Banking Retail	●	●	●	
Corporate	●	●	●	
Financial and capital markets	●	●	●	●
Insurance	●	●	●	
Other financial competences	●	●	●	●
Accounting and auditing	●	●	●	
Risk Management	●	●	●	
Planning and strategy	●	●	●	●
Governance	●		●	●
Risk control	●	●	●	●
Anti-money laundering and countering the financing of terrorism.	●		●	
Legal	●		●	
Digital and IT (digital transformation)	●		●	●
Human resources, culture, talent and remuneration	●		●	●
Responsible business and sustainability	●		●	
International experience:				
Spain	●	●	●	●
United Kingdom	●		●	●
Mexico	●			●
Other	●	●	●	●
Cross-organisational competencies				
Governing bodies	●	●	●	●
Organisation management and direction	●	●	●	●
Business experience	●	●	●	●
Government and public policy	●		●	
Consultancy			●	
Regulatory and supervisory bodies	●		●	
Academic	●		●	
Communication and institutional relations	●		●	●

Sectoral competencies		Board Members										
		Aurora Catá Sala	Luis Deulofeu Fuguet	María José García Beato	Mireya Giné Torrens	George Donald Johnston III	David Martínez Guzmán	José Manuel Martínez	José Ramón Martínez Sufrategui	Alicia Reyes Revuelta	Manuel Valls Morató	David Vegara Figueras
		Ind. D.	Ind. D.	Ext. D.	Ind. D.	Ind. D.	Prop. D.	Ind. D.	Ind. D.	Ind. D.	Ind. D.	Exec. D.
Banking	Retail		●	●		●		●	●	●		
	Corporate	●		●		●				●		
Financial and capital markets		●		●	●	●	●	●		●		●
Insurance								●		●		●
Other financial competences		●	●	●	●	●	●	●	●	●	●	●
Accounting and auditing		●		●	●			●	●	●	●	●
Risk Management			●	●		●	●	●		●	●	●
Planning and strategy		●	●	●	●	●	●	●	●	●	●	●
Governance		●	●	●	●	●		●		●		●
Risk control			●	●		●	●			●	●	●
Anti-money laundering and countering the financing of terrorism.				●		●				●		●
Legal				●						●		
Digital and IT (digital transformation)		●	●		●							
Human resources, culture, talent and remuneration		●	●	●	●	●		●	●	●		●
Responsible business and sustainability				●								
International experience												
	Spain	●	●	●	●	●	●	●	●			●
	United Kingdom			●		●	●			●		●
	Mexico						●					●
	Other		●	●	●	●	●	●		●		●
Cross-organisational competencies												
Governing bodies		●	●	●	●	●	●	●	●	●	●	●
Organisation management and direction		●	●	●	●	●	●	●	●	●	●	●
Business experience		●	●	●	●	●	●	●	●	●	●	●
Government and public policy			●	●							●	●
Consultancy		●	●		●							●
Regulatory and supervisory bodies				●				●		●	●	●
Academic				●	●					●		●
Communication and institutional relations			●	●				●		●		

<p>Josep Oliu Creus Non-Executive Chairman</p>	<p>Profile Banking/Retail & Corporate Banking/ Financial/ Academic/ International</p>	<p>He holds a degree in Economics from the University of Barcelona and a PhD in Economics from the University of Minnesota. (USA). 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 Director 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.</p>
<p>César González- Bueno Mayer Wittgenstein Chief Executive Officer</p>	<p>Profile Banking/Retail & Corporate Banking/ Financial/ Regulatory/ International/ Digital and IT (digital transformation)</p>	<p>Double degrees in Law and Business Administration from ICADE, Madrid, and an MBA from Yale School of Management, Yale University, Connecticut (USA). Founder and CEO of ING Direct, N.V. Branch in Spain (1998-2010), General Manager for Spain, France, Italy and the United Kingdom of ING Direct, N.V. (2004-2010), Regional Head of Europe of ING Bank (2010-2011), CEO of Novagalicia Banco (now Abanca) (2011-2013), CEO of Gulf Bank (2014-2016), CEO of ING Spain and Portugal (2017-2019) and Non-Executive Director of TSB Bank, PLC and TSB Banking Group, PLC of the Banco Sabadell Group (2020-2021). Member of the Board of Trustees of the <i>Ciudad Escuela de los Muchachos</i> Foundation.</p>
<p>David Vegara Figueras Director General Manager</p>	<p>Profile Financial/ Risks/ Academic/ Regulatory</p>	<p>A graduate in economics from the Autonomous University of Barcelona, he holds an MA in economics from the London School of Economics. Former Secretary of State for the Economy in the Spanish government (2004-2009), Deputy Director of the International Monetary Fund (2010-2012) 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. and Trustee of the Pasqual Maragall Foundation. He is a non-executive Director of TSB Bank, PLC and TSB Banking Group, PLC of the Banco Sabadell Group.</p>
<p>David Martínez Guzmán Proprietary Director</p>	<p>Profile Business/ Financial/ International</p>	<p>Holds a degree in Electrical & Mechanical Engineering from the National Autonomous University of Mexico, Diploma in Philosophy from Universitas Gregoriana (Italy), and an MBA from Harvard Business School. Founder of Fintech Advisory in 1987, the fund management company of Fintech Investments Ltd. (New York and London). Director of listed companies Alfa, S.A.B., Vitro, S.A.B. and Cemex, S.A.B.</p> <p>Mr. David Martinez Guzman, 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 Martinez Guzman.</p>
<p>Pedro Fontana García Independent Deputy Chairman</p>	<p>Profile Banking/ Retail Banking/ Business</p>	<p>Holds a degree in Business Sciences from ESADE and an MBA from Harvard Graduate School of Business Administration, Boston, Massachusetts (USA). 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 representative of EMESA Corporacion Empresarial, S.L. on the board of the listed company Elior Group, S.A. (2018-2019). Independent Director of Grupo Indukern, S.L. and of Pax Equityco, S.A.R.L., Chairman of Asociación para el Progreso de la</p>

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.

Anthony Frank Elliott Ball
Lead Independent Director

Profile
Business/
International

Chartered Engineer; MBA from Kingston Business School, Kingston University (London). Honorary Doctorate from the Kingston University Faculty of Business and Law and from Middlesex University. Former Chairman and CEO of Fox Sports International (1995-1996), CEO of Fox Liberty Networks LLC. (1996-1999), Chief Executive Officer of BSkyB Plc. (1999-2004), Chairman of Kabel Deutschland GmbH (2005-2013) and Independent Director of BT Group (2009-2018).

Director of Ambassadors Theatre Group Ltd, Chairman of Bité Group and Proprietary Director of Masmovil Ibercom, S.A., companies in which Providence Equity Partners LLC has an interest.

Aurora Catá Sala
Independent Director

Profile
Business/
Consultant/
Financial/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. Chief Financial Officer of Nissan Motor Ibérica, S.A. (1991-1996), CEO of Planeta 2010 (1999-2002), Founder of ContentArena (2002-2003), General Manager of Audiovisual Media of Recoletos Grupo de Comunicación (2003-2008), Member of the Governing Board of the *Institut Català de Finances* (2014) and Independent Director of Atresmedia Corporación de Medios de Comunicación, S.A. (2019-2021). Formerly held a number of Directorships. Independent Director of Repsol, S.A. and Atrys Health, S.A. Chairman of Barcelona Global and Member of the Executive Committee of IESE alumni. Director of Sabadell Information Systems, S.A. (a technology subsidiary of Banco Sabadell).

Luis Deulofeu Fuguet
Independent Director

Profile
Banking/
Retail Banking/
Digital IT (Digital
Transformation)/
Business/
Consultant

Qualified as an Advanced Telecommunications Engineer from the Polytechnic University of Catalonia, "Finance for Executives" at ESADE and PDG from IESE (Barcelona). Senior Manager at Andersen Consulting (1988-1994), Head of Technical Services & Development of New Projects at Acesa (1994-2001), Chief Technology Officer at La Caixa (2001-2011), Managing Director for Internal Resources and Efficiency at Abertis Infraestructuras (2011-2014). Managing Director of Sanef (2014-2018) and Deputy CEO of Cellnex Telecom (2018-2020). He has been Founder and Administrator of Acesa Telecom (today Cellnex Telecom), and Founder and Director of the *Parc Logístic de la Zona Franca* (Duty-Free Zone Logistics Park), as well as Vice-Chairman of the Catalan Research and Innovation Foundation and Trustee of the Barcelona Digital Foundation, and Board member of numerous entities such as e-La Caixa, Abertis Telecom, Invercaixa Gestión, Sanex, Xfera, Cellnex Telecom, Hispasat, DDST-Tradia, among others. Since 2020, Director of Sabadell Information Systems, S.A., a technology subsidiary of Banco Sabadell and Member of the Technology Committee (CATED). Senior Advisor at Cellnex Telecom and Chairman of the Cellnex Foundation.

Mireya Giné Torrens Independent Director	Profile Financial/ Academic/ Governance/Digital and 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). Member of the Board of Trustees of the Aula Escola Europea Foundation.
George Donald Johnston III Independent Director	Profile Banking/ Corporate Banking/ Internacional	Bachelor of Arts in Political Science from Middlebury College, Vermont, (USA). Master of Arts in International Economics and Latin American Studies from the Johns Hopkins University School of Advanced International Studies, Washington DC. (USA). 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.
José Manuel Martínez Martínez Independent Director	Profile Business/ Insurance/ Financial/ International	A Public Works Engineer, he obtained a degree in Economics and Actuarial Science at the University of Madrid. Former Chairman of MAPFRE (2001-2012), Chairman of Fundación MAPFRE (2007-2012) and former member of the Board of Directors of <i>Consortio de Compensación de Seguros</i> and the International Insurance Society. Honorary Chairman of MAPFRE.
José Ramón Martínez Sufreguiegui Independent Director	Profile Banking/Business	An architect specialising in urban development, he holds an Executive MBA from IE Business School, Madrid. Former 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., Produccion y Desarrollo, S.A., Títulos e Inversiones, S.A., and Villa Rosa, S.A.
Alicia Reyes Revuelta Independent Director	Profile Banking/Retail & Corporate Banking/ Financial/ International	Double 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), Chief Executive Officer (CEO) for the EMEA business (2016-2020) and Acting Chairwoman (2019) of Wells Fargo Securities International LTD. She is a guest lecturer at the Institute of Finance and Technology in the Engineering Faculty of University College London (UCL), and a trustee of the NGO, Fareshare. Independent Director of Ferrovial, S.A. and Non-Executive Director of TSB Bank, PLC and TSB Banking Group, PLC of the Banco Sabadell Group.

Manuel Valls Morató
Independent Director

Profile
Auditor/Financial

He holds a degree in Economics and Business Studies from the University of Barcelona and a post-graduate qualification in Business Administration from IESE/University of Navarre; he is a registered auditor and has been 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). He is Lead Independent Director of the listed company Renta Corporación Real Estate, S.A. and Chairman of the Audit, Control and Risk Committee at COBEGA. Director of Sabadell Information Systems, S.A., a technology subsidiary of Banco Sabadell.

María José García Beato
Other External
Director

Profile
Banking/
Legal/
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, Chief Legal Counsel at the Data Protection Agency, State Attorney as consultant to the Directorate of 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). She has been Head of the Legal Department (2005-2008), General Secretary (2008-2021) and Executive Director (2018-2021) of Banco Sabadell. Independent Director of the listed company Red Eléctrica Corporación, S.A. (2012-2021). Non-Executive Director of MdF, S.A., Member of the Board of Trustees of Fundación Banco Sabadell and of the Foundation of the Spanish Banking Association and member of the Advisory Board of the Board of Trustees of Fundación CajaSur.

3.3. Positions held by Directors in other Banco Sabadell Group companies and other listed and unlisted companies (C.1.10, C.1.11 and C.1.12)

3.3.1 Positions in other Group companies

Mr Josep Oliu Creus is non-executive Chairman of the subsidiary Sabadell Consumer Finance, S.A.U.;

Mr David Vegara Figueras and Ms Alicia Reyes Revuelta are non-executive Directors of TSB Bank, Plc and TSB Banking Group, Plc;

Ms Aurora Catá Sala, Mr Manuel Valls Morató and Mr Luis Deulofeu Fuguet are non-executive Directors of Sabadell Information Systems, S.A.U. (SABIS).

3.3.2 Positions in other listed and unlisted companies

The positions held by Banco Sabadell Directors in other entities, as well as, where applicable, the remunerated activities they perform are detailed in section C.1.11 of the Statistical Annex to the Annual Corporate Governance Report of Listed Companies 2021 appended to this Report.

3.3.3 Specific rules for credit institutions regarding the number of positions a member of the Board of Directors can hold.

In addition, in accordance with article 26 of Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, the maximum number of positions on company boards of which Directors may form part is as follows:

- one executive Directorship and two non-executive Directorships.
- four non-executive Directorships.

For these purposes, executive or non-executive positions held within the same group shall be counted as a single position.

For the purpose of determining the maximum number of positions, positions held in non-profit or non-commercial organisations or entities shall not be counted.

3.4. Diversity Policy at Banco Sabadell (C.1.4, C.1.5, C.1.6, C.1.7, C.1.14 and C.2.2)

Banco Sabadell, in general terms, has policies governing diversity in terms of age, gender, disability, and professional training and experience.

The Banco Sabadell Director Candidate Selection Policy, approved on 25 February 2016 (most recently amended on 30 September 2021), 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.

Under Article 66 of the Articles of Association, the Appointments and Corporate Governance 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.

The Appointments and Corporate Governance Committee in fulfilling its duties has implemented the Policy and measures to increase the diversity of gender, age, background, knowledge and experience that contributes to the collective suitability of the Board, reporting favourably on the ratification and appointment of the Chief Executive Officer and proposing the ratification and appointment of one female Independent Director and the appointment of one Independent Director, as well as the re-election of two Independent Directors in 2021 who meet 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 and Corporate Governance Committee verified compliance with the Policy in the appointments and re-elections made in 2021 by the General Meeting of Shareholders and the Board of Directors. This verification proved compliance with 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 2021 favour an appropriate composition of the Board of Directors, by increasing its diversity in relation to the category of the Directors and the knowledge, competencies and experience which have been strengthened, thus complying with the mandate of the Board of Directors and the Appointments and Corporate Governance Committee itself to contribute to increasing competencies diversity within the Board. In particular, the areas of retail banking, digital competency and IT (digital transformation), IT risk and risk management have been strengthened.

To select candidates, the Appointments and Corporate Governance Committee drew on the Matrix of competencies and diversity of the members of the Board of Directors of Banco Sabadell, which defines the Directors' aptitudes and knowledge. In addition, the Committee has relied on external consultants who have provided it with profiles of candidates meeting the competency profiles prioritised by the Appointments and Corporate Governance Committee.

At the close of financial year 2021, there were four female Directors: three female Independent Directors (out of a total of ten Independent Directors) and one female Other External 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			
	Financial year 2021	Financial year 2020	Financial year 2019	Financial year 2018	Financial year 2021	Financial year 2020	Financial year 2019	Financial year 2018
Executives	—	1	1	1	—	25.00	20.00	25.00
Proprietaries	—	—	—	—	—	—	—	—
Independents	3	3	1	2	30.00	30.00	12.50	20.00
Other Externals	1	—	1	—	50.00	—	100.00	—
Total	4	4	3	3	26.67	26.67	20.00	20.00

The presence of women on the Board of Directors' Committees is as follows: two female independent Directors are the Chairwoman of the Remuneration Committee and the Chairwoman of the Audit and Control Committee, respectively, as well as members of the Risk Committee and the Appointments and Corporate Governance Committee; another female independent Director is a member of the Credit Delegated Committee and the Risk Committee; and finally, the female other external Director is a member of the Credit Delegated Committee

and the Strategy and Sustainability Committee. Thus, women chair two committees and are present in all Board Committees. Hence their presence reaches 16.67% (on strategy matters) and 20% (on sustainability matters) of the Strategy and Sustainability Committee, 40% of the Credit Delegated Committee, 25% of the Audit and Control Committee, 50% of the Appointments and Corporate Governance Committee, 25% of the Remuneration Committee and 50% of the Risks Committee.

Number of female Directors

	Financial year 2021		Financial year 2020		Financial year 2019		Financial year 2018	
	Number	%	Number	%	Number	%	Number	%
Strategy and Sustainability Committee	1	16.67*	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit Delegated Committee	2	40.00	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Audit and Control Committee	1	25.00	1	25.00	1	25.00	1	25.00
Appointments and Corporate Governance Committee	2	50.00	1	33.33	2	50.00	2	50.00
Remuneration Committee	1	25.00	1	25.00	1	25.00	2	50.00
Risk Committee	2	50.00	1	33.33	1	33.33	1	25.00

* 20% on Sustainability matter.

27 % of the Board members in Banco Sabadell were women in financial year 2021, in line with the general target set by the CNMV of 30 %. The Board and the Appointments and Corporate Governance Committee have committed to promoting the diversity of the Board, ensuring that it has a sufficient number of female Directors, promoting compliance with the objective of representing the under-represented gender.

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 regulations, which are applicable to the entire organisation, guarantee an increase in its diversity.

The percentage of women in senior management is 10%. The percentage of female executives at Banco Sabadell is 29.3%, having increased by 3.5 percentage points with respect to 2020 (25.8%).

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, 59 and 66 of the Articles of Association, of articles 17, 23 and 24 of the Board of Directors Regulations, the Banco Sabadell Director Candidate Selection Policy, dated on 25 February 2016, (most recently amended on 30 September 2021), in the renewal Plan of the Board of Directors of Banco Sabadell for financial years 2021-2024, and in 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 and Corporate Governance 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 has the remit to assess the skills, knowledge and experience required for the appointment of members of the Board of Directors in advance and, for this purpose, it shall take into account the balance of knowledge, ability, diversity and experience of the members of the Board of Directors and, for these purposes, it shall define the duties and skills required of the candidates who will fill each vacancy and it shall assess the time and dedication required for them to perform their duties effectively.

+3.5p.p.

Increase in the number of female executives

For candidate selection, the Appointments and Corporate Governance Committee may, if it sees fit, commission a consultancy firm of recognised standing in the field of personnel selection to initiate a process to search for candidates who match the desired profile. Additionally, any Director may suggest candidates for Director provided they meet the requirements laid down in the Policy.

Suitability assessment

Once a candidate has been selected, the procedure for assessing the suitability of Board members and key function holders must be applied; on this basis, the Appointments and Corporate Governance Committee analyses the information about the selected candidates and the reports submitted to it 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 taking due account of 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 to assess the suitability of members of management bodies and key office holders (EBA/GL/2017/12 and EBA/GL/2021/05 from 31 December 2021). The Appointments and Corporate Governance Committee checks that candidates meet the requirements as to integrity, knowledge, experience and good governance laid down in the applicable regulations and draws up its suitability assessment report of the candidates. In addition, candidates for Directorships must be vetted in terms of their suitability by the European Central Bank.

The Appointments and Corporate Governance Committee is also entrusted with assessing Director suitability on an ongoing basis, as well as 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 the candidate for Director, the Appointments and Corporate Governance Committee is entrusted, among its basic responsibilities in accordance with Article 66 of the Articles of Association, with making proposals to the Board for the appointment of Independent Directors either by co-opting or for submission to a vote by the General Meeting of Shareholders, and must advise on the proposals to appoint other Director categories by co-opting or by submitting the selection to the General Meeting of Shareholders to decide.

Members of the Board of Directors are appointed by the General Meeting of Shareholders. Likewise, any vacancies arising on the Board of Directors are filled by the General Meeting of Shareholders unless the Board of Directors decides, in the interests of the Bank, to act in accordance with the provisions of the Capital Companies Law. Directors appointed by co-optation hold office until the next General Meeting of Shareholders.

The Appointments and Corporate Governance Committee ensures that the appointment process favours both diversity and an appropriate balance in the composition of the Board, between the different types of Directors, Independent, Proprietary and Executive.

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 integrity, 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 be able to demonstrate a professional track record 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 of office ends if they are not re-appointed, or when the General Meeting of Shareholders or the Board of Directors so decides using the powers vested in them by law or the Articles of Association. The Appointments and Corporate Governance 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 the 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 with 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 business activities due to their position.
- Government officials whose duties are related to, or have a bearing on, the Bank's business activities.
- 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 1.37)

Under article 50 of the Articles of Association and article 24 of the Regulations of the Board of Directors, and in compliance with the Banco Sabadell Group Code of Conduct and its Policy on Conflicts of Interest of Directors and Senior Management, they 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 are disqualified on the grounds of incompatibility, prohibition or limitation as laid down in the applicable regulations.

Additionally, in accordance with article 24 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 are disqualified by any of the conditions of incompatibility or prohibition by law or the Articles of Association.
- If they are arraigned for an alleged crime or are the subject of disciplinary proceedings by the supervisory authorities for a serious or very serious infringement.
- Where their continuance on the Board may jeopardise the company's interests.

During financial year 2021, 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 record any such case.

3.7. Workings of the Board

(C. 1.9, C.1.20, C.1.24 and C.1.35)

3.7.1. Proxies

Directors must attend meetings of the Board of Directors in person. However, when they can not attend in person, they may grant proxy to another Director. Article 60 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 financial years 2021, 2022 and 2023, approved by the Shareholders' Meeting on 26 March 2021, 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 by the Board

The Chief Executive Officer Mr César González-Bueno Mayer Wittgenstein has all the powers of the Board - except those that cannot be legally delegated - necessary for the effective management of the Institution as its first executive. The Chief Risk Officer, Mr David Vegara

Figueras, has general powers of attorney necessary for the exercise of his executive functions in the Entity.

The Credit Delegated Committee has been delegated powers by the Board of Directors to analyse and, where appropriate, resolve credit transactions in accordance with the assumptions and limits established by express delegation of the Board of Directors, as set out in the Regulations of the Credit Delegated Committee and detailed in section 4.2.

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 21.1 of the Regulations of the Board of Directors establishes that the notice of the meeting shall always include its agenda, which must contain, among other items, those that concern information about subsidiary companies and Board Committees, as well as the proposals and suggestions made by the Chairman and the other members of the Board and by the General Managers of the Bank, provided that notice is given at least five business days prior to the date of the Board Meeting, as well as proposals that must be supported by any relevant material for their distribution to the Directors.

Additionally, article 25 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 operations and to inspect all of its facilities and 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 manner, 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 2021:

Number of meetings

15	0	9	21	12	16	12	14
Board of Directors	Board of Directors meetings without the attendance of the Chairman	Strategy and Sustainability Committee	Committee Credit Delegated Committee	Audit and Control Committee	Appointments and Corporate Governance Committee	Remuneration Committee	Risk Committee

Additionally, the Lead Independent Director held 1 meeting with the other Directors which no executive Directors attended either in person or by proxy.

Data on attendance at Board of Directors meetings is shown in the following table:

Number of meetings

15/15

Number of meetings in which at least 80% of Directors were present in person

15/15

Number of meetings with attendance of all Directors either in person or by proxies, given specific instructions

%

99.10%

Attendance in person as a % of total votes during the year

100%

Votes cast in person and by proxies with specific instructions, as a % of total votes during the financial 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. Assessment of the Board and its Committees (C.1.17 and C.1.18)

Every year since 2007, the Bank has evaluated the performance of the Board of Directors and its committees (currently the Strategy and Sustainability Committee, the Credit Delegated Committee, the Audit and Control Committee, the Appointments and Corporate Governance Committee, the Remuneration Committee and the Risk Committee). In compliance with the provisions of Recommendation 36 of the Good Governance Code of Listed Companies (revised in June 2020), at least 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 and Corporate Governance Committee.

It was decided that the performance assessment of the Board of Directors and its committees for 2021 will be performed internally by the Entity in the first quarter of financial year 2022. The internal assessment methodology is based on two main elements: (i) input from the Directors, and (ii) analysis of significant corporate documentation of Banco Sabadell relating to significant aspects of the Bank's corporate governance system.

In accordance with the recommendations of the Code of Good Governance for listed companies (revised in June 2020), the evaluation of the performance of the Board of Directors, its Committees and the Chief Executive Officer, as well as the Secretary and the Deputy Secretary, is organised and coordinated by the Chairman of the Board of Directors, with the Lead Independent Director leading the evaluation of the Chairman.

The areas to be evaluated are those indicated in the CNMV's Technical Guide on Appointments and Remuneration Committees, which extends the scope of the evaluation provided for in Recommendation 36 of the Good Governance Code of Listed Companies (revised in June 2020): 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 deliberations; and training.

On 18 February 2021, the Board of Directors, following a report from the Appointments Committee, approved the 2020 evaluation carried out internally by the Entity, with satisfactory results.

As a result of the evaluation, in 2021 (i) the systems and procedures have been strengthened to ensure that the documentation of the Board meetings is available to the Directors sufficiently in advance and in an appropriate and comprehensible manner; (ii) a new profile has been incorporated, which provides different and complementary skills to those already existing on the Board of Directors, specifically targeting persons with sectoral knowledge and experience in retail banking; (iii) special monitoring of the adaptation of the Bank's remuneration policies to the measures derived from new regulations on remuneration, as well as their effective implementation; (iv) reinforcement and continuation of the training programmes for Directors on matters related to their specific needs and corporate governance, within the framework of the Training Programme for Directors approved by the Board of Directors for this financial year; and (v) monitoring of compliance with the specific action plans approved by the various Committees for the financial year 2021.

On 17 February 2022, the Board of Directors, following a report from the Appointments and Corporate Governance Committee, approved the evaluation of 2021, carried out internally by the Entity, with a satisfactory result.

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 financial year 2021, 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, in the section "Corporate Governance and Remuneration Policy".

Remuneration accrued in favour of the Board of Directors in the financial year (thousands of euros)	44,604
Amount of funds accumulated by current Directors for long-term savings schemes with vested financial rights (thousands of euros)	4,696
Amount of funds accumulated by current Directors for long-term savings schemes with non-vested financial rights (thousands of euros)	2,471
Amount of funds accumulated by former Directors for long-term savings schemes (thousands of euros)	3,703

The remuneration accrued in the financial year in favour of the Board of Directors incorporates the amounts corresponding to 2021 of everyone who was a member of the Board of Directors in that year. Some of the amounts correspond to extraordinary events that happened during 2021 concerning the Executive Directors who make the bases non comparable to 2020 and with significant differences. These events are the consolidation of economic rights of long-term savings plans whose contributions have been made during the previous years and the severance pay amounts for the executive Directors, in the terms of this section 3 of the Annual Report on Directors' Remuneration. If these events did not happen and only the amounts arising from the regular activity were considered, the amount of the remuneration accrued in companies of the group in 2021 would amount to 7,179 thousands of euros instead of the 44,604 thousands of euros.

Additionally, in 2020, as a responsibility measure against the crisis brought about by COVID-19, the Chairman and the executive Directors voluntarily waived their variable annual remuneration for 2020. If this had not happened, the amount of the remuneration accrued in companies of the group in 2020 would amount to 7,644 thousands of euros.

The comparable ordinary remunerations in 2021 decreased 465 thousand of euros (-6,1%) regarding remunerations in 2020.

	2021	2020
Summary of the Directors' comparable remunerations (thousands of euros)	7,179	7,644
Extraordinary events in each year		
Consolidation of Directors' severance pay and pensions	37,425	
Directors' waiver of the variable remuneration payment for 2020		865
Total amounts published in the statistical annex, including extraordinary events	44,604	6,779

The members of Banco Sabadell's Senior Management and the Head of Internal Audit, excluding executive Directors, as at 31 December 2021, are as follows:

Senior Management:

General Manager

Leopoldo Alvear Trenor
Miquel Montes Güell
José Nieto de la Cierva
Carlos Ventura Santamans

General Secretary

Gonzalo Baretino Coloma

Deputy General Manager

Marc Armengol Dulcet
Xavier Comerma Carbonell
Ana Ribalta Roig

Deputy Chief Executive

Director of Internal Audit

Nuria Lázaro Rubio

Total remuneration of Bank's Senior Management and the Head of Internal Audit (thousands of euros)	9,253
Combined contributions to pension plans, structured through insurance policies, in financial year 2021 (thousands of euros)	1,426

The total remuneration of the Bank's Senior Management includes the amounts received by all members who were senior managers at any time during 2021, in proportion to their time in the position. It includes accrued and not subject to deferral amounts.

3.12. Severance pay, guarantee clauses and golden handshakes agreed between the Bank and its Directors, executives or employees

(C.1.39)

— 35 beneficiaries

— Description of beneficiaries:

Chairman, Chief Executive Officer, Director General Manager, and 32 Executives.

— Description of agreements:

The Chairman's contract of employment contains an early termination clause with two years' remuneration for non-voluntary eventualities linked to no-compete.

The Chief Executive officer's contract contains a post-contractual non-compete clause with two years' salary starting from the date of unfair dismissal or change of control and one year's salary in all other cases. The

Director General Manager contract contains a post-contractual non-compete clause lasting two years which would be applied at most until the first date of ordinary retirement in the amount of two years' salary of fixed remuneration.

There are 20 executives whose contracts have a clause providing indemnity in the amount of 2 years' fixed remuneration for cases of unfair dismissal or some limited cases of change of control. A further 12 executives have a post-contractual no-compete clause, 10 of them for a duration of two years, at the latest until the first date of ordinary retirement for an amount of two years' fixed remuneration, and 2 for a duration of one year from the date of unfair dismissal or due to some limited cases of change of control, at the latest until the first date of ordinary retirement for an amount of one year's 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 individual and consolidated Annual Accounts of Banco Sabadell for the financial year 2021 are certified in advance by the Chief Executive Officer and the Chief Financial Officer.

The Bank's internal services draw up the financial statements so 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 of Directors, 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 Annual Accounts are prepared. The auditors attend the Board of Directors meeting to report on the degree to which the Annual Accounts conform to the accounting standards.

If the discrepancies cannot ultimately be resolved before the Annual Accounts 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 individual and consolidated Annual Accounts for financial year 2021 were unqualified.

Additionally, a certification process is carried out on the financial and non-financial information reported in the Annual Accounts, to provide greater robustness to the control framework of the preparation of accounts. This process is based on 3 levels of certification and it flows hierarchically along the organisation to the members of the Management Committee.

In connection with the external auditors, article 65 of the Articles of Association provides that the Audit and Control Committee has the following competencies:

- “4. To propose to the Board of Directors, for submission to the General Meeting of Shareholders, the appointment or re-election of the external auditors, establishing the conditions for hiring them, the scope of their professional mandate and, if appropriate, their revocation or non-renewal; to review compliance with the audit contract, and regularly obtain information from them on the audit plan and its execution, in addition to preserving their independence in the performance of their duties, ensuring that the opinion on the Annual Accounts and the

main contents of the audit report are drafted clearly and accurately.

- 6. To establish the appropriate relationships with the external auditors, in order to receive information on any issues which may jeopardize their independence, so that they may be examined by the Committee, and any other information or communications related to the process of the conduct of the account auditing and in the auditing standards.”

The Regulations of the Board of Directors state in similar terms whose article 34 provides that: “Relations between the Board and the company's external auditors will be channelled through the Audit and Control Committee”.

The Audit and Control Committee consisted of four independent Directors during the financial year 2021. The Committee's Regulations, in force in 2021, include the provisions of the Articles of Association and the Regulations of the Board of Directors; article 8.4 provides that, as Directors and members of the Committee, the said members must act with independence of judgment and action from the rest of the organisation (...).

On 19 April 2016, in conformity with Law 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 on 26 January 2022 by the Board of Directors on 26 January 2022, following a recommendation by the Audit and Control Committee. The policy is implemented through procedures that make provision for measures to preserve auditors' independence by monitoring possible incompatibilities arising from personal circumstances, prohibited services, staff turnover 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 27 July 2021 and 24 January 2022. 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 said advice, 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, where applicable, and ensure that others comply with them also.

Additionally, Banco Sabadell conforms to the rules set out in its General Policy on Conflicts of Interest 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 recording and addressing them immediately.
- Whenever possible, 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. External audit

During the 2021 financial year Banco Sabadell has been audited by KPMG Auditores, S.L. for a second year, after the Board of Directors, following a reasoned recommendation by the Audit and Control Committee, at a meeting held on 20 December 2018, and as communicated in significant event number 273,045, agreed to select KPMG as auditor of the accounts of Banco Sabadell and of the consolidated Annual Accounts of the Banco Sabadell Group for the 2020, 2021 and 2022 financial years. 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. Following a proposal by the Board of Directors, the Ordinary General Meeting of Shareholders approved that appointment on 28 March 2019.

The audit firm has carried out other non-audit work for Banco Sabadell, the fees for which and the amount they represent of the fees billed for audit work for the Company and the Group were as follows:

	Individual	Consolidated	Total
Amount invoiced for non-audit services (thousands of euros)	211	46	257
Amount invoiced for non-audit work/Amount for audit work (in %)	8.88%	0.70%	2.86%

The amount of fees for non-audit work does not include audit-related services for a total of 502 thousand euros (316 thousand euros in respect of the Company and 186 thousand euros in respect of Group subsidiaries), since they are independent assurance services, some of which are required by law.

The number of consecutive years that the current audit firm has been auditing the individual and consolidated Annual Accounts of Banco de Sabadell, and the percentage that the number of years audited by the current audit firm represents of the total number of years in which the Annual Accounts have been audited, are as follows:

	Individuals	Consolidated
Number of consecutive financial years	2	2
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	4.88	5.41

4. Board of Directors Committees (C) (C.2.1 and C.2.3)

There are currently six operational Board Committees with the functions defined in the Articles of Association and the Regulations of the Board of Directors, which are implemented and complemented by the committees' own regulations. Those documents are available on the website 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 assessment report on their activities, which is submitted to the Bank's Board of Directors for evaluation. This assessment is carried out, at least, every three years with the help of an external consultant. The last assessment carried out with the support of an external consultant was performed in 2019. Additionally, the Audit and Control Committee, Appointments and Corporate Governance Committee, Remuneration Committee and Risk Committee draw up annual reports on their functions and activities, which are available on the website www.grupobancosabadell.com in the section on "Corporate Governance and Remuneration Policy".

Finally, before going into detail on the current Board Committees, it should be noted that, once the regulatory authorisations to the amendment of the Articles of Association approved by the General Meeting of 26 March 2021 had been received, on 10 June 2021 the Delegated Committee was removed, and the first meeting of the Credit Delegated Committee was held.

4.1. Strategy and Sustainability Committee

Membership and attendance at meetings

Chairman	Josep Oliu Creus	Other External	9/9
Members	Luis Deulofeu Fuguet*	Independent	2/2
	Pedro Fontana García**	Independent	8/9
	María José García Beato	Other External	9/9
	César González-Bueno Mayer***	Executive	9/9
	José Manuel Martínez Martínez**	Independent	8/9



* Number of meetings which the Director attended with respect to the number of meetings held during the period in 2021 in which he/she was a member.

** Both Directors gave specific instructions to a proxy for meetings from which they were absent.

***Member on strategy issues only. The Strategy Committee is composed of 6 members, 50% of whom are independent Directors.

On 26 March 2021, at a meeting of the Board of Directors following the General Shareholders' Meeting held on the same date, the establishment of the Strategy and Sustainability Committee was approved, which held its first meeting on 22 April 2021. Its initial composition was as follows: Chairman, Mr Josep Oliu Creus; Members: Mr Javier Echenique Landiribar, Mr Pedro Fontana Garcia, Ms María José García Beato, Mr José Manuel Martínez Martínez and Mr César González-Bueno Mayer (on strategy issues only).

As a result of his resignation as Director, on 28 July 2021, Mr José Javier Echenique Landiribar stepped down as Director and Mr Luis Deulofeu Fuguet was appointed in the same category. On 26 October 2021, after obtaining the relevant regulatory approvals, he accepts the position.

Regulation and operation

The Strategy and Sustainability Committee is expressly regulated by article 63 of the Articles of Association and article 14 of the Board of Directors Regulations, and it has its own regulations approved by the Board of Directors on 27 May 2021 that govern its organisation and functioning.

In accordance with the Regulations of the Board of Directors, the Strategy and Sustainability Committee shall be composed of a maximum of five Directors appointed by the Board of Directors, all of them non-executive, the majority of them being independent. The Chairman of the Committee shall be the Chairman of the Board of Directors. In matters of strategy, the Chief Executive officer shall participate in the meetings with the right to speak and vote, and, for this purpose, the Board shall be composed of six members. The Secretary of the Board of Directors shall be the Committee Secretary or, as appropriate, the person who acts as the Board's Deputy Secretary.

The Regulations of the Strategy and Sustainability Committee stipulate that the members of the Committee shall have overall expertise and experience appropriate to the functions they are called upon to perform, taking

into account that some of them have specific experience in the following areas: strategy, banking business, digital transformation, international and sustainability. Efforts will be made to promote diversity, both in terms of gender, professional experience, skills, sectoral knowledge, international experience and geographical origin in the appointment of members of the Committee. The Committee shall meet as often as necessary and at least once every three months, when convened by its Chairman, at his own initiative or at the initiative of any member of the Committee, or whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever it is appropriate for the proper performance of its functions.

Functions

Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors, the Board of Directors Regulations or its own regulations, the Strategy and Sustainability Committee has the following basic duties:

On Strategy:

1. To evaluate, propose and recommend to the Board of Directors actions of strategic relevance in matters of growth, development, diversification, business transformation and technology of the Company.
2. To inform and advise the Board of Directors on the long-term strategy of the Company, identifying new opportunities for value creation and submitting to the Board of Directors corporate strategy proposals in relation to new investment or divestment opportunities, financial transactions with a material accounting impact and relevant technological or organisational structural transformations. To study and propose recommendations or improvements to the strategic plans and their updates

that are submitted to the Board of Directors from time to time.

3. To issue and submit to the Board of Directors, on an annual basis, a report containing the proposals, evaluations, studies and work carried out by the Committee in relation to the foregoing matters.

On Sustainability:

1. Reviewing the Company's sustainability and environmental policies, and advising the Board of Directors on possible amendments and regular updates of the sustainability strategy.

2. Reviewing the definition and amendment of diversity and integration, human rights, equal opportunity and work-life balance policies and evaluating their degree of fulfilment on a regular basis.

3. Reviewing the Bank's social action strategy and its sponsorship and patronage plans.

4. Reviewing and reporting on the Non-Financial Disclosures Report before the Audit and Control Committee reviews and reports on it and it is subsequently authorised by the Board of Directors.

5. Receiving information in connection with reports, written communiqués or communications from external supervisory bodies within the scope of this Committee's competencies.

6. To oversee the model for identifying, monitoring and managing sustainability risks and opportunities, including, where appropriate, environmental and climate change risks.

Activities carried out during the financial year

The main issues that arose in relation to the matters within the Committee's remit and the main activities carried out by the Committee since it was constituted are described below:

In the area of strategy, the Committee reviewed, evaluated and reported to the Board on corporate projects and operations of strategic importance in the areas of growth, development, diversification, as well as business transformation and technological transformation projects implemented by the Bank. It also reported favourably to the Board on the approval of Banco Sabadell's 2021-2023 Strategic Plan, monitoring it, and informed the Board of the relevant changes in the organisational structure.

In Sustainability, the Committee reported to the Board for approval of the Sustainability Plan, the creation of the Group's sustainability policy and the review of the Policy for the Integration of ESG Risks in Banco Sabadell's savings-investment products. Moreover, it

submitted the Non-Financial Disclosures Report for financial year 2021 before the Audit and Control Committee's review and report on it and its subsequent drafting by the Board of Directors. It has also been informed and has analysed communications from supervisory bodies within the scope of its competences.

Within the framework of the Bank's social action strategy, the Committee reported favourably to the Board of Directors on the approval of the contribution to the Banco Sabadell Private Foundation to carry out its Action Plan for 2022.

In addition, in 2022 it carried out a self-assessment of its performance for the 2021 financial year with a satisfactory result.

4.2. Credit Delegated Committee

Membership and attendance at meetings

Chairman	Pedro Fontana Garcia	Independent	21/21
Members	Luis Deulofeu Fuguet*	Independent	7/7
	María José García Beato**	Other External	20/21
	César González-Bueno Mayer	Executive	19/21
	Alicia Reyes Revuelta	Independent	21/21



* Number of meetings which the Director attended with respect to the number of meetings held during the period in 2021 in which he/she was a member.

** The committee member gave specific instructions to a proxy for meetings from which she was absent.

On 26 March 2021, at a meeting of the Board of Directors following the General Meeting of Shareholders held on the same date, the new competencies of the Delegated Committee, which was later replaced by the Credit Delegated Committee, were established, following regulatory approvals. Subsequently, it held its first meeting on 10 June 2021.

Regulations and operation

The Credit Delegated Committee is expressly regulated by article 64 of the Articles of Association and article 15 of the Board of Directors Regulation, and it has its own regulations approved by the Board of Directors on 27 May 2021 that govern its organisation and functioning.

In accordance with the Regulations of the Board of Directors, the Credit Delegated Committee shall be composed of a maximum of five Directors, the majority of whom shall be independent, and who shall be appointed by the Board of Directors itself with the favourable vote of two thirds of its members. The Board shall appoint one of the Committee members as its Chairman. 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 performed those roles at the meeting in question.

It is also established that it shall meet as often as called by its Chairman, and that its meetings may be attended, in order to be heard, by any person, whether or not they are an officer or employee of the Company, who is called for this purpose, by resolution of the Committee itself or of its Chairman, for such purposes as may be determined, in view of the purpose of the matter in question; and that the Secretary of the Committee shall be the person who is Secretary of the Board of Directors or, where appropriate, the person acting as Deputy Secretary thereof.

Functions

The duties and responsibilities of the Credit Delegated Committee are to analyse and, where appropriate, terminate credit operations in accordance with the assumptions and limits established by express delegation of the Board of Directors. In particular, the following are included:

- 1. Risk admission decisions:** Operations of 80 million euros or more at Operation level and up to a maximum of 350 million euros. For the General State Administration, Autonomous Communities and Local Bodies, operations of an amount equal to or greater than 150 million euros and up to a maximum of 350 million euros. Risks of an amount of 125 million euros or more at Group level and up to a maximum of 500 million euros.
- 2. Within the limits of the previous point, decisions to refinance and restructure risks with gross write-offs of 15 to 40 million euros.**
- 3. Decisions to sell foreclosed assets with a gross asset value (GAV) of 50 million euros or more and 15 million euros and up to 40 million euros gross loss per transaction.**
- 4. Exceptionally, decisions exceeding the above thresholds, whenever necessary for reasons of urgency, shall be submitted for subsequent ratification by the Board of Directors.**
- 5. To report to the Board of Directors on all credit operations that must be approved by the Board.**
- 6. To be informed of transactions approved by the relevant credit committees and to be submitted to the Board for information.**
- 7. To report on and monitor those matters within the competence of the Board of Directors relating to credit risk.**

The Board may also require the Committee to prepare reports on matters within its sphere of action.

Activities carried out during the year

The main issues that arose in relation to the matters within the Committee's remit and the main activities carried out by the Committee since it was constituted are described below:

In the course of 2021, the Credit Delegated Committee approved decisions on risk acceptance, refinancing and restructuring of risks and the sale of foreclosed assets within the above assumptions and limits set by the Board of Directors.

The Committee also reported favourably to the Board of Directors on all credit transactions whose approval is within the Board's competence, including credit transactions granted to members of the Board and the Bank's senior management, as well as on the transactions of persons related to them.

The Committee has been informed of the transactions approved by the relevant lower credit committees and which must be submitted to the Board for information, and has also reported and followed up on those matters within the competence of the Board of Directors in relation to credit risk.

In addition, in February 2022, the Credit Delegated Committee carried out a self-assessment of its functioning for the 2021 financial year, with satisfactory results.

4.3. Audit and Control Committee

Membership and attendance at meetings

Chairman	Mireya Giné Torrens	Independent	12/12
Members	Pedro Fontana García	Independent	12/12
	José Ramón Martínez Sufrategui	Independent	12/12
	Manuel Valls Morató	Independent	12/12



On 26 March 2021, the Independent Director Ms Mireya Giné Torrens was appointed Chairman of the Committee, replacing the Independent Director Mr Manuel Valls Morató, who continued as a member of the Committee once the maximum period as Chairman of the Committee permitted by Spanish law had expired.

Regulation and operation

The Audit and Control Committee is expressly regulated by article 65 of the Articles of Association and article 16 of the Board of Directors Regulation, and it has its own terms of reference that regulate its organisation, functioning and governance. The last amendment of this Regulation, approved by the Board of Directors during a meeting, took place on 27 May 2021.

The members of the Audit and Control Committee and, in particular, its Chairwoman, have knowledge and experience in accounting, auditing or both.

In accordance with the Regulations of the Board of Directors, the Audit and Control Committee shall 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 at least one of them must be appointed on the basis of their knowledge and experience of accounting and/or auditing, and it shall be ensured that, as a whole, the members have the necessary knowledge not only in accounting and auditing, but also in finance, internal control, information technology, risk management and the banking business.

The Board will appoint its Chairman from among the independent Directors that form part of it, with the vote in favour of two thirds of its members. The Secretary of the Board of Directors shall be its Secretary or, as appropriate, the person who acts as the Board's Deputy Secretary. The Chairman of this Committee will exercise his post for a maximum term of four years and may only be re-elected after one year has elapsed since ceasing to hold his/her office. 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 shall meet at least once every three months and whenever convened by its Chairman whether

at the latter's own initiative or by a member of the Committee, or at the request of the Board of Directors or external auditors.

Functions

The functions of the Audit and Control Committee, among others, include those defined in article 65 of the Articles of Association of Banco Sabadell, those defined in Article 16 of the Regulations of the Board of Directors, as well as all the functions set out in the Regulations of the Audit and Control Committee and those attributed to it by law.

The Audit and Control Committee has the following responsibilities in accordance with the Articles of Association and notwithstanding their further elaboration as a result of the Board of Directors Regulation:

- 1.** Reporting to the General Meeting on all issues raised by shareholders that are within its remit, particularly about the outcome of the audit, and describing how the audit contributed to the integrity of financial reporting and the function that the Committee played in this process.
- 2.** To supervise the effectiveness of the company's internal control, the Internal Audit and the risk management systems, including those related to taxes, as well as to discuss the significant weaknesses of the internal control system detected in the performance of the audits with the account auditors or audit companies, without any of the foregoing affecting their independence. To that end, presenting any recommendations or proposals to the Board of Directors and the corresponding period for follow-up.
- 3.** To supervise the process of preparation and presentation of regulated financial and non-financial information and submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity.
- 4.** To propose to the Board of Directors, for submission to the General Meeting of Shareholders, the appointment or re-election of the external auditors, establishing the conditions for hiring them, the scope of their professional mandate and, if appropriate, their revocation or non-renewal; to review compliance with the audit contract, and regularly obtain information from them on the audit plan and its

execution, in addition to preserving their independence in the exercise of their functions, ensuring that the opinion on the Annual Accounts and the main contents of the audit report are drafted clearly and accurately.

5. To report, beforehand, to the Board of Directors on the financial information and the management report, which shall include the mandatory non-financial information that the Company must periodically publish, as well as the quarterly and half-yearly financial statements and the prospectuses that must be submitted to the regulatory or supervisory bodies, monitoring compliance with legal requirements and the correct application of generally accepted accounting principles, as well as reporting on proposals to amend these principles.

6. To establish the appropriate relations with the external auditors in order to receive information on matters that may jeopardise their independence, the declaration at least once a year of their independence from the entity or entities related to it, directly or indirectly, and detailed and individualised information on additional services of any kind rendered and the corresponding fees received from these entities by the external auditor, or by persons or entities related to the latter in accordance with the provisions of the regulations governing the auditing of accounts, for examination by the Committee, and any other information or communications related to the process of auditing accounts and auditing standards, as well as, where appropriate, authorisation of services other than auditing and not categorised as prohibited, in accordance with the regulations on auditing of accounts.

7. To annually issue, prior to the issuance of the audit report, a report expressing an opinion on whether the independence of the auditors or audit firms is compromised, with a reasoned evaluation of the provision of each and every one of the additional services referred to in the previous item, individually considered and as a whole, other than the statutory audit and in relation to the independence regime or to the regulations governing the activity of auditing accounts.

8. To supervise the internal audit services, their independence and budget, reviewing their action plans and resources in order to ensure that they are appropriate for the Company's needs; to propose, where appropriate, the appointment and replacement of the head of internal audit; and to verify that the Bank's senior management takes into account the conclusions and recommendations of its reports.

9. To report on all matters which, within the framework of its powers, are submitted to it for consideration by the Board of Directors and, in particular, on the creation or acquisition of holdings in special purpose vehicles or entities domiciled in countries or territories considered tax havens and related party transactions.

10. To perform its own functions for those subsidiaries of the Entity which, by application of their specific regulations at any given time, must have such bodies.

11. The Board may require the Committee to prepare reports on matters within its sphere of action.

12. All the other issues which are attributed to it by law or by the articles and regulations that implement them, and any resulting from the generally applied standards of good governance, and any resulting from regulations and codes of good governance applicable to the Company.

Activity carried out during the financial year

The main issues that arose in relation to the matters within the Committee's remit and the main activities carried out by the Committee in 2021 are described below:

Functions related to financial and non-financial reporting

During this financial year, in accordance with the functions entrusted to the Committee, the sufficiency, clarity and integrity of all the financial and related non-financial information that the Bank has published was supervised and analysed prior to its submission to the Board of Directors and its dissemination to the market and supervisory bodies and the Committee has followed the most significant aspects.

Among these, the most significant aspects, namely the significant judgements and estimates and measurement bases used by the Group in the preparation of the financial statements, as well as the accounting standards and criteria of corporate transactions carried out during 2021.

The scope of the Committee's oversight included the Annual Corporate Governance Report, the prudential relevant information prepared and published, in compliance with the Pillar III Disclosures rules, the ICAAP and ILAAP, and the Universal Share Prospectus, covering specific aspects relating to the impacts of the COVID-19 pandemic, before they were released to the market, the monthly reports of the Bank's treasury stock progress, as well as the development and updating of the accounting policies, prior to submission to the Board of Directors for approval.

In regard to the supervision of effectiveness of the internal control system over financial reporting in accordance with the requirements established by the applicable regulations, the reports from those responsible for its design, implementation, management and operation, from the internal control functions, as well as from the external auditor, have been assessed.

The Committee carried out a review to verify that banking and accounting best practices are being applied at all levels of the organization, assuring, on the basis of reports from the persons in charge of internal control at the Bank and from the external auditor, that suitable

steps were being taken at General Management level and by other executive directions to ensure that the Group's main risks were being appropriately identified, measured and controlled.

During 2021, the Committee also received periodic information about messages received and sent to Group undertakings by national and international supervisors, as well as the half-yearly reports of the Group's Corporate Ethics Committee and the Group's tax affairs, on a half-yearly basis.

Functions related to external audit

The auditor of Banco Sabadell and its consolidated group is KPMG Auditores, S.L. (hereinafter, KPMG) following its appointment for the financial years 2020, 2021 and 2022 at the General Shareholders' Meeting held on 28 March 2019.

During the year, the Committee has established the appropriate relations with the Group's external auditors in order to receive detailed information on their strategy, planning, audit work plan for both the annual and half-yearly accounts, the degree of progress and main conclusions and any issues that could jeopardise its independence.

In relation to the independence requirements established by the regulations governing the auditing of accounts and the Group's policies, the contracting of non-audit services to be provided by KPMG to Banco Sabadell and the companies linked to it by a control relationship has been submitted for approval by the Group's Audit Committee, assessing the permissibility of the services as well as the possible threats and the safeguard measures, if any. Likewise, KPMG confirmed independence for Banco Sabadell and its group

The Committee has issued a report expressing a favourable opinion on the independence of the external auditor, following the relevant verifications, prior to the issuance of the audit report on the Annual Accounts for the year, stating the reasons for the provision of each and every one of the services considered individually and as a whole, other than the statutory audit and in relation to the independence regime or the regulations governing the auditing of accounts and the performance of KPMG as auditor during the financial year 2021, and has assessed the audit fee proposal for the financial 2022, ensuring that the auditor's remuneration does not compromise the quality of its work or its independence.

Lastly, the Committee was informed of the results of other verification work carried out by KPMG or companies in its network, such as the report on information relating to ICFR, the annual and half-yearly Information of Prudential Relevance and the Customer Asset Protection Report of Banco Sabadell.

Functions related to the internal audit

The Committee assessed in detail the annual plan of internal audit activities, together with the associated budget,

ensuring that it has the material and human resources to perform its duties, and decided to report favourably to the Board of Directors on both the plan and its budget.

It has regularly followed up on the audits and reports issued as foreseen in the business plan and on the evolution of the recommendations identified. It reviewed the update of the audit plan following prioritisation to adapt it to the Group's new strategic plan, supervisory requirements and corporate operations for the year. It has also been informed of the new Internal Audit Strategic Plan for the financial years 2021-2023.

The Committee has reviewed and agreed to report favourably to the Board of Directors on the updated Internal Audit policies for approval.

The Committee has been presented with the annual report on Internal Audit activities for the 2021 financial year, with details of all the activities and reports carried out during the year and an inventory of the recommendations and action plans contained in the various reports, as well as the results of the Internal Audit Quality Assurance and Improvement Programme, including the implementation of the action plans derived from the external evaluations of the function. Following the review, it decided to approve the fulfilment of internal audit objectives and projects during the said financial year.

Based on all of the above, the Committee has been able to assess the adequacy and effectiveness of the internal audit function, as well as the performance of its executive officer, which has been reported to the Appointments and Corporate Governance Committee and the Board of Directors for the determination of her variable remuneration.

Other functions

The Committee approved the prior reports of the Audit and Control Committee on two transactions with related parties that met the terms and conditions established in prevailing regulations for consideration as related parties and for requiring the authorisation of the Board and, in the case of one of them, were actually entered into, for publication on the corporate website and communication to the CNMV. Based on their basic terms and conditions and other information received and sufficient in the opinion of the Committee, it is considered that these are fair and reasonable transactions from the point of view of the company and, if applicable, of the shareholders other than the related party.

The Committee also reviewed the information on related-party transactions that was disclosed in the Annual Accounts.

In addition, in February 2022, the Audit and Control Committee carried out a self-assessment of its functioning for the 2021 financial year, with satisfactory results.

For further information, please refer to the Audit and Control Committee's activity report for the financial year 2021, available in the section "Corporate Governance and Remuneration Policy/Reports of the Committees" on the Bank's corporate website (www.grupobancosabadell.com).

4.4. Appointments and Corporate Governance Committee

Membership and attendance at meetings

Chairman	José Manuel Martínez	Independent	16/16
Members	Anthony Frank Elliott Ball	Independent	16/16
	Aurora Catá Sala	Independent	16/16
	Mireya Giné Torrens*	Other External	12/12



* Number of meetings which the Director attended in relation to the number of meetings held during the period in 2021 in which she was a member.

The Independent Director, Ms Mireya Giné Torrens, was appointed Member of the Committee in March 2021. The Appointments and Corporate Governance Committee is regulated by article 66 of the Articles of Association, article 17 of the Regulations of the Board of Directors and its own Regulations approved by the Board of Directors on 27 May 2021, which regulate the basic rules of organisation and operation.

Regulation and operation

In accordance with the Regulations of the Board of Directors, the Appointments and Corporate Governance Committee shall comprise a maximum of five members nominated by the Board of Directors, all non-executive, two of whom, at least, must be independent Directors, and in any event the Chairman of the Committee will always be appointed from among the independent Directors that are members thereof. The Secretary of the Board of Directors shall be its Secretary or, as appropriate, the person who acts as the Board's Deputy Secretary.

The Regulations of the Appointments and Corporate Governance Committee stipulate that the Committee shall meet as often as necessary and at least once every three months, when convened by its Chairman, at his own initiative or at the initiative of any member of the Committee, or whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever it is appropriate for the proper performance of its functions. In any case, it must meet once per year to provide advice in advance on the Board's performance evaluation.

Functions

Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors, the Board of Directors Regulations or its own regulations, the Appointments and Corporate Governance Committee has the following basic duties:

1. Making proposals to the Board of Directors for the appointment of independent Directors, for appointment by co-optation or for referral to the General Meeting of

Shareholders, and for the re-appointment or removal of the said Directors,

2. To report on proposals for the appointment of the remaining Directors, proprietary, other external or executive members, for appointment by co-optation or for submission to the decision of the General Meeting, as well as proposals for their re-election or removal;

3. To ensure compliance with the qualitative composition of the Board of Directors, in accordance with the provisions of article 53 of the Articles of Association, assessing the balance of knowledge, capacity, diversity and experience of the Board of Directors. 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 perform their duties;

4. Ensuring that, when filling new vacant positions or appointing new Directors, the selection procedures favour diversity of experience and knowledge, facilitate the selection of female Directors and, in general, are not affected by implicit biases that could result in any discrimination;

5. To assess the suitability, competences, knowledge and experience required of the members of the Board of Directors and their dedication regarding the authorisation of their appointment by the competent authorities.

6. To report on proposals for the appointment and removal of senior executives and members of the Identified Group and assess their suitability.

7. To report on the terms and conditions of the contracts of the executive Directors, which must be approved by the Board and recorded as a schedule to the minutes;

8. To examine and organise the succession plans for the Chairman of the Board and the Chief Executive Officer of the Bank and, where appropriate, to make proposals to the Board and, where appropriate, to comply with the provisions of the duly approved and published Succession Plan;

- 9.** To establish a target for representation of the gender that is less represented on the Board of Directors and draw up guidelines on how to achieve that target;
- 10.** To periodically, and at least once a year, assess the structure, size and composition of the Board of Directors and its Committees, and to advise the Board on the most appropriate configuration, reporting on proposals regarding the appointment or removal of members of such Committees;
- 11.** To propose to the Board of Directors the assignment of Directors to the corresponding category, their continuance in this category in the event of re-election or their amendment when appropriate; to annually review the category of Directors and report to the Board of Directors for their inclusion in the Annual Corporate Governance Report;
- 12.** To report to the Board of Directors on proposals for the appointment of the Deputy Chairman or Deputy Chairmen, as the case may be;
- 13.** To report to the Board of Directors on proposals relating to the appointment and removal of the Secretary and, where appropriate, the Deputy Secretary of the Board of Directors, who may or may not be Directors;
- 14.** To make proposals to the Board of Directors for the appointment, removal or re-appointment of the Lead Independent Director;
- 15.** To develop and regularly update a competency matrix of the Board of Directors, assessing the knowledge, skills and experience of the members of the Board of Directors and the Board as a whole, for approval thereby;
- 16.** To periodically review and make proposals to the Board for the amendment of the policies regarding the selection and diversity of the members of the Board of Directors, and verify compliance with them annually, informing the Board of Directors as to the degree of compliance;
- 17.** To design and organise regular refresher programmes for Directors;
- 18.** To report on the terms and conditions of senior executive contracts, without prejudice to the remuneration powers of the Remuneration Committee;

And, in terms of corporate governance, they are:

- 1.** To advise the Board of Directors on the Company's internal corporate policies and regulations, except in matters that are the responsibility of other Committees;
- 2.** To supervise compliance with the Company's corporate governance rules, excluding those in respect of spheres that are the responsibility of other Committees;
- 3.** To report to the Board of Directors, for its approval and annual publication, the Annual Corporate Governance Report, except in matters that fall within the scope of other Committees;
- 4.** To supervise, within the scope of its responsibilities, the Company's communications with shareholders and investors, proxy advisors and other stakeholders, and inform the Board of Directors in this regard.
- 5.** To provide 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;
- 6.** To submit to the Board of Directors the evaluations of the Board Committees with the results of their evaluation together with a proposal for an action plan or with recommendations to correct possible deficiencies detected or to improve the functioning of the Board and its Committees;
- 7.** To propose amendments to these Regulations and report on proposals to amend these Regulations and on proposals to amend the Regulations of the General Meeting of Shareholders of Banco Sabadell;
- 8.** To ensure that the composition of the Board Committees is appropriate, especially the Audit and Control Committee and the Risk Committee;
- 9.** Any other actions that may be necessary to ensure good governance of all the Company's activities.

Activities carried out during the year

The main issues that arose in relation to the matters within the Committee's remit and the main activities carried out by the Committee in financial year 2021 are described below:

In the area of Appointments, the Committee has analysed, proposed, reported on and assessed the suitability for ratification, appointment and re-election of members of the Board and its committees, changes in the category of Directors and the new appointments of the Deputy-Chairman and Deputy Secretary of the Board. In equivalent terms with regard to proposals for the appointment of senior management and issues concerning the Identified Staff.

During 2021, the Appointments and Corporate Governance Committee and the Board of Directors as part of the ongoing evaluation of the Directors have carried out a continuous assessment of the Proprietary Director due to the imposition of an administrative sanction by the CNMV, in relation to the communication of significant shareholdings in Banco Sabadell shares. The assessment concluded that the Director's suitability to hold the position and exercise the function of Director with the qualification of Proprietary Director is maintained. The Board submitted the suitability assessment before the European Central Bank on 11 October 2021.

In relation to the Group's organisational and governance structure, the Committee has informed the Board of Directors of proposed changes to the Group's organisational and governance structure and to the structure of the Group's management committees.

In the area of corporate governance, it verified compliance with Banco Sabadell's Director Candidate Selection Policy and reported on its modification; verified compliance with Banco Sabadell's Chairman and CEO Succession Plan for the orderly succession of the CEO, and assessed the structure, size and qualitative composition of the Board and the Committees. It also reported favourably to the Board of Directors on the approval of the update of the Matrix of competencies and diversity of the members of the Board of Directors and the update of the Internal Governance Framework of Banco Sabadell.

In February 2022, the Committee carried out a self-assessment of its performance for the 2021 financial year, with satisfactory results, and reported on the annual assessment of the performance of the Board of Directors and the other Committees, the Chairman of the Board and the Chief Executive Officer.

It also reported favourably to the Board on the proposal to amend the Articles of Association, the Regulations of the General Shareholders' Meeting and the Regulations of the Board of Directors, as well as its own Regulations.

For further information, please refer to the Report on the activities of the Appointments and Corporate Governance Committee for the financial year 2021, available in the section "Corporate Governance and Remuneration Policy/Reports of the Committees" on the Bank's corporate website (www.grupobancosabadell.com).

4.5. Remuneration Committee

Membership and attendance at meetings

Chairwoman	Aurora Catá Sala	Independent	12/12
Members	Anthony Frank Elliott Ball	Independent	12/12
	George Donald Johnston III*	Independent	10/12
	José Ramón Martínez Sufrategui*	Independent	10/12



* The committee member gave specific instructions to a proxy for meetings from which he was absent.

The Remuneration Committee is expressly regulated by article 67 of the Articles of Association and article 18 of the Board of Directors Regulation, and it has its own regulations approved by the Board of Directors on 27 May 2021 that regulate its organisation and functioning.

Regulation and operation

In accordance with the Regulations of the Board of Directors, the Remuneration Committee shall comprise a maximum of five members nominated by the Board of Directors, all non-executive, two of whom, at least, must be independent Directors, and the Chairman of the Committee will always be appointed from among the independent Directors who are members thereof. The Secretary shall be the Secretary of the Board of Directors or, as the case may be, the Deputy Secretary of the Board of Directors. The Regulations of the Remuneration Committee stipulated that it shall meet as often as necessary and at least once every three months, when convened by its Chairman, at his own initiative or at the initiative of any member of the Committee, or whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever it is appropriate for the proper performance of its functions. In any event, the Committee must meet once a year to prepare the information on Directors' remuneration that the Board of Directors must approve and include in its annual public documentation.

Functions

Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors, the Board of Directors Regulations or its own regulations, the Remuneration Committee has the following basic duties:

1. To propose to the Board of Directors, for submission to the General Meeting of Shareholders, the remuneration policy for Directors, and to submit the corresponding report, all in accordance with the terms established from time to time in the applicable regulations.
2. To determine the remuneration of non-executive Directors, in accordance with the provisions of the Directors' remuneration policy, submitting the corresponding proposals to the Board.
3. To determine, so that they may be contractually agreed, the extent and amount of individual remuneration, rights and compensation of a financial nature, as well as the other contractual conditions of executive Directors, in accordance with the Directors' remuneration policy, submitting the corresponding proposals to the Board of Directors;
4. To propose to the Board of Directors the remuneration policy for General Managers or those who perform senior management functions under the direct supervision of the Board, the Delegated Committee or Chief Executive Officers;
5. To report on share-based and/or option-based remuneration schemes;
6. To periodically review the general principles of remuneration as well as the remuneration schemes of all employees, assessing their compliance with these principles;
7. To annually review the remuneration policy to ensure that it is aligned with the Bank's short, medium and long-term strategy and situation and market conditions and to assess whether it contributes to long-term value creation and adequate risk control and management. Furthermore, to inform the Board of Directors via the Annual Report on Director Remuneration;
8. To ensure that the Bank's remuneration policy and practices are up to date, proposing any necessary changes, and that they are subject to a central and independent internal review at least once a year;
9. To verify that the remuneration policy is properly applied and that no payments are made to Directors that are not provided for in the policy;
10. To evaluate the mechanisms and systems in place to ensure that the remuneration system takes due account of all types of risks, liquidity and capital levels and that the remuneration policy promotes and is consistent with

sound and effective risk management, and that it is in line with the business strategy, objectives, corporate culture and values and the long-term interests of the Bank;

11. To review the various possible scenarios to analyse how remuneration policies and practices react to internal and external events, and back-test the criteria used to determine vesting and ex ante risk adjustment based on actual risk outcomes.

12. To review the conditions of the contracts with executive Directors and the Bank's senior management and provide advice in this connection to the Board of Directors, and verify that they are consistent with the current remuneration policy;

13. To assess the degree of compliance with the criteria and objectives established in relation to the previous financial year, which should determine the proposal on the individual remuneration of Directors, especially executive Directors, and the Bank's Senior Management and members of the Identified Staff, including the variable components in the short, medium and long term, involving, where appropriate, the external adviser.

14. To propose to the Board of Directors the determination of the remuneration accrued by the Directors and the Bank's Senior Management;

15. To propose to the Board of Directors the determination of the bonus for the Bank's senior management and that of its subsidiaries;

16. Verify whether the circumstances justifying the application of malus and clawback clauses to variable remuneration have arisen, and propose the appropriate measures to recover any amounts that may apply;

17. To approve the appointment of external remuneration consultants that the Committee may decide to contract for advice or support;

18. To ensure that potential conflicts of interest do not impair the independence of external advice;

19. To ensure that remuneration is transparent;

20. To verify the remuneration information contained in the various corporate documents, including the annual and half-yearly financial reports, the Annual Directors' Remuneration Report, the Annual Corporate Governance Report and the Non-Financial Disclosures Report.

21. To review that the information that the Bank disseminates on its website on matters within the competence of the Committee on Directors and members of the Bank's senior management is sufficient and appropriate and follows the applicable Good Corporate Governance recommendations.

Activity carried out during the financial year

The main issues that arose in relation to the matters within the Committee's remit and the main activities carried out by the Committee in financial year 2021 are described below:

The Committee reported favourably to the Board of Directors to propose to the General Meeting of Shareholders, held on 26 March 2021, the Remuneration Policy for Directors of Banco Sabadell for the financial years 2021, 2022 and 2023, submitting, for this purpose, the corresponding report. The Remuneration Committee also reported favourably to the Board of Directors on the submission for approval by the General Meeting of Shareholders 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 annual fixed remuneration assigned to each of them.

The Committee reviewed and reported on the terms and conditions of the contracts of executive Directors and the Bank's senior management, the modification thereof and/or exit conditions, verifying that they are in line with the entity's remuneration policy. The Committee reported favourably to the Board of Directors on the degree of compliance with the 2020 objectives for the Executive Directors, the Bank's Senior Management, Internal Audit and the entire Group, assessing the possible application of ex ante adjustments for risks to the 2020 variable remuneration and the non-application of malus and clawback clauses, as well as their fixed and variable remuneration for the 2021 financial year. It reported the approval of the individual objectives of the CEO and executive Directors, the members of the Bank's senior management and the members of the Group's Identified Staff, comparing the remuneration benchmark with reports from external consultants and analysing the Risk Committee's report on the consistency of these objectives with the level of risk appetite. It also reported on the fixed remuneration for Group's entire workforce and the increase in the total salary expense for the financial year 2021.

The Remuneration Committee reviewed and reported favourably to the Board of Directors on Banco Sabadell's remuneration policies, as well as those of the Group. To this end, the Committee analysed the independent report issued by a consultant on the Prudential Evaluation of Remuneration 2020, which was carried out in order to analyse whether Banco Sabadell's remuneration policy and remuneration practices were in line with the requirements and recommendations of the supervisory bodies, and which concluded that the aforementioned Policy and practices are in line with current prudential remuneration requirements and follow best practices in Good Corporate Governance and Transparency. It also examined the report submitted annually by the Human Resources Division in order to provide the Remuneration Committee with the basic elements that enable it to perform the functions entrusted to it. It analysed the Annual Internal Audit Report on the Remuneration Policy of the Group

and Subsidiaries, the purpose of which is to review the alignment of the guidelines of the European Banking Authority (EBA) and the applicable regulations with respect to the remuneration policies of the organisation (Group and subsidiaries), adequately monitoring its recommendations and ensuring their implementation.

Throughout the year, the Committee analysed the impact of Covid-19 on variable remuneration, with a detailed study and analysis of simulations of possible target achievement.

The Committee actively collaborated in the Corporate Governance Roadshow held in 2021, with proxy advisors and the most significant shareholders, explaining the most relevant issues related to the Remuneration Policy and ensured the correct dissemination of information on remuneration through the corporate website, in accordance with the applicable regulations and Good Corporate Governance recommendations.

In addition, in February 2022, the Remuneration Committee carried out a self-assessment of its performance for the 2021 financial year, with satisfactory results.

For further information, please refer to the Committee's Activity Report for the financial year 2021, available in the section "Corporate Governance and Remuneration Policy/Reports of the Committees" on the Bank's corporate website www.grupobancosabadell.com.

4.6. Risk Committee

Membership and attendance at meetings

Chairman	George Donald Johnston III	Independent	14/14
Members	Aurora Catá Sala*	Independent	12/14
	Alicia Reyes Revuelta**	Independent	10/10
	Manuel Valls Morató	Independent	14/14



* The committee member gave specific instructions to a proxy for meetings from which she was absent.

** Number of meetings which the Director attended with respect to the number of meetings held during the period in 2021 in which she was a member.

The independent Director, Ms Alicia Reyes Revuelta, was appointed member of the Risk Committee on 26 March 2021. The Risk Committee is regulated by article 68 of the Articles of Association, article 19 of the Board of Directors' Regulations and its own Regulations, approved by the Board of Directors on 27 May 2021, which govern the basic rules of organisation and operation.

Regulation and operation

In accordance with the Regulations of the Board of Directors, the Risk Committee shall comprise a maximum of five members nominated by the Board of Directors, all non-executive, who have the appropriate knowledge, ability and experience to fully understand and control the risk strategy and possible risks of the Entity, two of whom, at least, must be independent Directors, and the Chairman of the Committee will always be appointed from among the independent Directors who are members thereof. The Secretary shall be the Secretary of the Board of Directors or, as the case may be, the Deputy Secretary of the Board of Directors. In the exercise of its duties, the Risk Committee may directly request the information it considers relevant both from the Director General Manager of Risks and from the various Directorates reporting to him/her, including the Internal Control Directorate and the Credit Risk Control Directorate; and in accordance with its Regulations, the Committee shall meet as often as necessary and at least once every two months, when called by its Chairman, at his own initiative or at the initiative of any member of the Committee, or whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever appropriate for the proper performance of its duties.

Functions

Its functions are focused on supervising and exercising oversight to ensure that all the risks of the Bank and its consolidated Group are assumed, controlled and managed appropriately, and reporting to the Board on the performance of its duties and responsibilities, in accordance with the law, the Articles of Association, the Board of

Directors Regulations and its own regulations. The main functions of the Risk Committee are as follows:

1. To supervise implementation of the Global Risk Policy.
2. To report each quarter to the Board in plenary session 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.
3. To monitor and detect any excess above the approved tolerance thresholds, and oversee the activation of the contingency plans established for this purpose.
4. To advise the Remuneration Committee as to whether the employee compensation programmes are consistent with the Bank's levels of risk, capital and liquidity.
5. To advise and support the Board of Directors on the monitoring of the Bank's risk appetite and overall risk strategy, taking into account all types of risks, to ensure that they are in line with the Bank's business strategy, objectives, corporate culture and values.
6. To assist the Board of Directors in monitoring the implementation of the Bank's risk strategy and the corresponding limits set.
7. To monitor the implementation of the Bank's capital and liquidity management strategies, as well as all other relevant risks, to assess their alignment with the approved strategy and risk appetite.
8. To recommend to the Board of Directors any adjustments to the risk strategy deemed necessary as a result of, inter alia, changes in the Bank's business model, market developments or recommendations made by the risk control function.
9. To advise on the appointment of external consultants in the field of the Bank's supervisory activity.

10. To analyse a range of possible scenarios, including stress scenarios, to assess how the Bank's risk profile would react to external and internal events.

11. To monitor consistency between all major financial products and services offered to customers and the Bank's business model and risk strategy. The Risk Committee 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 returns obtained.

12. To assess internal or external auditors' recommendations and verify proper implementation of any measures that are adopted.

13. To coordinate with the Audit and Control Committee in relation to the latter's functions relating to supervising and assessing the effectiveness of the internal control and risk management policies and systems as a whole, covering financial and non-financial risks relating to the Entity, including operational, technological, legal, social, environmental, political, reputational and corruption-related risks, and to ensure that the main direct or indirect risks are reasonably identified, measured and controlled, as well as to discuss with the auditor any significant weaknesses in the internal control system detected during the course of the audit. To this end, meetings may be held with senior managers of the Bank's business units to explain business trends and associated risks and, where appropriate, to submit recommendations or proposals to the Board of Directors and the corresponding timeframe for their follow-up.

14. To report to the Board in plenary session regarding the performance of its functions under this article and other applicable legislation and the provisions of the Articles of Association.

Activities carried out during the year

The main issues that arose in relation to the matters within the Committee's remit and the main activities carried out by the Committee in financial year 2021 are described below:

The main function of the Risk Committee is to ensure that all risks are adequately assumed, controlled and managed in accordance with the Group's Risk Appetite Statement (RAS). Therefore, the main activities of the committee during 2021 included regular monitoring of the evolution of all risks through the monitoring of the SAR, with special emphasis on those most affected by the pandemic, such as the evolution of problem assets, ICO-guaranteed operations and those granted in the framework of moratoriums, and Leveraged Transactions. The committee was also informed about the situation and management of the different types of risks through specific studies on technological risks, operational risk and structural balance sheet risks, among others.

It also reviewed various aspects of regulatory compliance (such as the review of the MiFID report and the annual report of the Expert on the Prevention of Money Laundering and Terrorist Financing) and reported to the Remuneration Committee on the consistency of the remuneration schemes with the Bank's risk, capital and liquidity levels. It also supervised the capital adequacy (ICAAP) and liquidity (ILAAP) processes and the risk assessment on the financial projections reflecting the core elements of the Bank's strategic plan.

In addition, in February 2022, the Risk Committee carried out a self-assessment of its functioning for the 2021 financial year, with satisfactory results.

For further information, please refer to the Committee's Activity Report for the financial year 2021, available in the section "Corporate Governance and Remuneration Policy/Reports of the Committees" on the Bank's corporate website www.grupobancosabadell.com.

5. Related party and intra-group transactions (D) (D.1, D.2, D.3, D.4, D.5, D.6 and D.7)

5.1. Procedure and competent bodies and officers for the approval of related-party and Intragroup transactions (D.1, D.2, D.3, D.4, D.5 and D.7)

Law 5/2021, of 12 April, amending the revised text of the Corporate Companies Law, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies, established a new set of rules that applies to related party transactions, by means of Chapter VII second. Related Party Transactions, of the Capital Companies Law.

In accordance with the regulations mentioned, the power to approve related party transactions whose amount or value is equal to or over 10% of the total of the company's assets according to the last annual balance sheet approved by the Company shall correspond to the General Shareholders' Meeting. The power to approve the remaining related party transactions will be entrusted to the Board of Directors, and this power shall be non-transferable.

Approval of a related party transaction by the General Meeting or the Board must be subject to prior reporting before the Audit and Control Committee. The Committee must include in its report an assessment of whether the transaction is fair and reasonable from the point of view of the organisation and, if applicable, of the various shareholders different from the related party. Likewise, the report must include the estimates it was based on as well as the methods used.

However, in accordance with the aforementioned regulations, the Board of Directors may delegate approval of the following related party transactions if they meet the following conditions:

- (i) transactions between companies in the same group carried out in the ordinary course of business and on an arm's length basis and
- (ii) transactions based on contracts with standardised conditions applicable en masse to a large number of customers, carried out at prices or rates generally established by the supplier of the good or service and for an amount not exceeding 0.5% of the company's net turnover.

The Board of Directors of Banco Sabadell, pursuant to the provisions of the Capital Companies Law, approved the delegation to the Bank's Regulatory Compliance Division to be the body that reviews whether transactions with related parties should be considered as related party transactions for the purposes of the Capital Companies Law and, if so, to approve them if they meet the aforementioned conditions.

The approval of these operations by the Regulatory Compliance Division on the basis of the Board's delegation does not require a prior report from the Audit and Control Committee.

On an annual basis, the Regulatory Compliance Division shall report to the Audit and Control Committee the result of the review of related-party transactions, for the purpose of verifying the fairness and transparency of such transactions and, where appropriate, compliance with the applicable legal criteria for their delegated approval by the Regulatory Compliance Division, giving details of:

- Number of transactions reviewed.
- Related-party transactions approved by the Regulatory Compliance Division in exercise of the powers delegated by the Board of Directors.
- Related party transactions escalated to the Board of Directors for approval.
- Other information to enable verification and compliance as indicated.

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 amount or nature between the Bank or any Group undertaking and the Bank's significant shareholders.

There are no transactions with Directors and executives of the Bank that could be considered relevant, other than those considered "related-party transactions" in accordance with article 529 twentieth of the Capital Companies Law, and carried out with the application of the corresponding approval procedure and, if applicable, publicity established in accordance with articles 529 twenty-first et seq of the Capital Companies Law. Those that did take place were in the normal course of the company's business and were conducted at market prices or under the terms normally applicable to employees. The Bank is not aware of any transactions carried out at non-market prices with any persons or entities related to the Bank's Directors or Senior Management staff.

In relation to significant transactions due to their amount or relevant due to their subject matter carried out by the Bank with other related parties, on 18 November 2021, the Board of Directors, following a favourable report from the Audit and Control Committee, approved a related party transaction consisting of a loan to Acerinox, S.A. for an amount of 205 million euros, with a term of five years (the first two years of grace period), which was formalised on 23 December 2021. The transaction is considered a related party transaction, since Acerinox, S.A. is a company in which a Director of Banco Sabadell is also an

independent Director and on whose committees he holds positions (member of the executive committee and chairman of the audit committee of Acerinox, S.A.).

As its amount exceeds 2.5% of the turnover of the consolidated Annual Accounts of Banco Sabadell for the financial year 2020, it was published as Other Relevant Information together with the corresponding report of the Audit and Control Committee in the CNMV on 23 December 2021 with registry number 13,328, in accordance with the provisions of article 529 twenty-first of the Capital Companies Law.

The balances of transactions with related parties are disclosed in note 40 to the Group's consolidated Annual Accounts 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 Conflicts of Interest Policy of the Banco Sabadell Group and the General Conflicts of Interest Policy of Banco Sabadell are internal rules approved by the Board of Directors of Banco Sabadell, reviewed annually. These policies are intended to be effective in identifying, assessing, managing, mitigating, preventing or ultimately disclosing potential or actual conflicts of interest. The Regulatory Compliance Division has been delegated with the responsibility for correctly applying those policies and, when necessary, it will call on 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 the Bank's Senior Management, 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-banking activities and also with ordinary banking business.

The Group's Risk Transactions Committee analyses all credit transactions carried out by Directors, members of the Bank's senior management: and their related parties and makes proposals to the Board of Directors for their approval.

Royal Decree 84/2015, implementing Law 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.** In addition, in 2021, the Board of Directors approved the new version of the Group's Code of Conduct, which has undergone an in-depth revision and update in order to bring it into line with regulatory requirements, supervisory guidelines and reports, as well as with market standards. The Code contains a catalogue of principles, obligations and duties that must govern the actions of all members of the Group. In addition, the purpose of this Code is to define the criteria to be followed to ensure ethical and responsible conduct, both in relationships within the Group itself and in relationships with clients, suppliers, shareholders, investors and other stakeholders. The introduction of the new version of the Group's Code of Conduct requires the express adherence of the Group's entire workforce.
- 4.** Banco Sabadell Group's Internal Code of Conduct in connection with the securities markets (IRC), approved by the Board of Directors on 24 May 2018 and updated in September 2021, is 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 Code of Conduct in connection with the securities market.

To achieve its objectives, the Corporate Ethics Committee can call upon the resources of the Compliance Division, 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 Regulations of the Board of Directors, all Board members are bound by a duty of loyalty and confidentiality and are required to disclose any holdings they may have in the company itself or interests in other companies outside the Group.

Specifically, Article 29 of the Regulations 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 and Corporate Governance before accepting any executive appointment in another company or institution.

Article 31 of the Board of Directors Regulations 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.

They must also 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 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 entire Group's various divisions 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 also 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 Board of Directors of Banco de Sabadell, S.A. assumes, among its other duties, the identification of the Group's main risks and the implementation and monitoring of the appropriate internal control and reporting systems, including the challenging and monitoring and strategic planning of the Group and the oversight of the management of relevant risks and the alignment thereof 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 schemes and policies.

The Board of Directors has non-delegable responsibility for: (i) determining the tax strategy; (ii) approving investments or transactions considered strategic on the basis of their amount or special characteristics, strategic nature or particular tax risk, unless their approval is a matter to be determined by the General Meeting; (iii) approving the creation of special-purpose vehicles or entities resident in jurisdictions considered tax havens, or the acquisition of holdings 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 Credit 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. In addition, various Committees and Divisions are significantly involved 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), which includes the policies and metrics related to credit risk (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.

- Group's 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 Credit 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. The full roll-out of its functions took place in the first half of 2021.

- NPA Monitoring and Management Committee (CSyGAP): management body responsible for coordinating the activities of the recovery cycle, including the prevention and containment of the potential entry into default by promoting anticipation strategies, which is responsible for the following functions: (i) monitoring 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) establishing 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) ensuring coordination between the Risk Department and the Business units to reduce the potential for default and delinquency; (iv) monitoring the portfolio of non-performing assets and the recovery strategy for those assets; and (v) establishing 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. It became fully operational in 2021, with full deployment of its functions.

- 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 (UGB BS) 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-a-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 (SEP-BLAC) 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 report to SEPBLAC; (iii) validating 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 risks taxonomy 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 to adapt the Group's business model to the evolution of the environment in which it operates. This risk includes:

- Solvency risk: this is the risk of not having sufficient capital, either in quality or quantity, required to achieve strategic and business objectives, withstand operational losses or comply with regulatory requirements and/or the expectations of the market in which it operates.
- Business risk: the possibility of incurring losses arising from adverse events that negatively affect the capacity, strength and recurrence of the income statement, either because of their viability (short-term) or sustainability (medium-term).
- Reputational risk: this is the current or future risk of loss arising from failures in the areas of processes and operations, strategy and corporate governance, which generate a negative perception by customers, counterparties, shareholders, investors or regulators and which may negatively affect the Group's ability to maintain its business relationships or establish new ones, and to continue to access funding sources.
- Climate risk: the risk of loss arising from current and potential future impacts on the climate risk factors of customers and the Bank's own business. These factors can be mainly physical (the physical effects of change from a changing climate, including more frequent extreme weather events and gradual changes in climate) and transitional (resulting from adjustment processes towards a lower-emission economy). Climate risk acts, where appropriate, as a driver of other risks such as credit risk.

6.3.2. Credit risk

The possibility that losses may be incurred as a result of borrowers failing to meet their payment 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 credit risk is a type of credit risk that refers to the risk of a counterparty defaulting before definitively settling cash flows of either a transaction with derivatives or a transaction with a repurchase commitment, with deferred settlements or collateral financing.
- Country risk is defined as the risk of a country's debts taken as a whole due to factors inherent to the sovereignty and the economic situation of a country, 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 a State and who, for reasons outside their control and not intentionally, 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 received to pay off a debt.
- Equity risk: the risk of incurring losses as a result of adverse changes in the value of an equity instrument. This basically includes the Bank's own portfolio of equity holdings (listed and unlisted), including the portfolio of associate entities in which it has significant influence.

6.3.3. Finance risk

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

- Liquidity risk refers to the possibility of losses being incurred as a result of the institution being unable, albeit temporarily, to honour payment commitments due to a lack of liquid assets, or of its being unable to access the markets to refinance debts at a reasonable cost. This risk may be associated with factors of a systemic nature or specific to the Institution/Group 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 is defined as the risk of financial asset positions losing their market value due to changes in risk factors affecting their quoted price or market performance, their volatility, or the interconnections that exist between them. This refers in particular to trading positions.
- Insurance risk: this is the risk arising from pension commitments and from the holding of control in insurance companies, which are mainly affected by actuarial risk in addition to other risks (market, counterparty, operational, etc.).
- Credit Spread Risk in the Banking Book (CSRBB): is the risk of potential losses arising from changes in market perceptions of the price of credit risk, the liquidity premium and other potential components of instruments bearing credit risk, which generate fluctuations in the price of credit risk, the liquidity premium and other potential components. This risk is explained neither by IRRBB nor by the expected credit risk or immediate default risk.

6.3.4. Operational risk

Operational risk is defined as the risk of incurring losses due to inadequate or deficient processes, personnel and internal systems or due to external events. This definition includes, among others, legal risk, model risk and information and communication technology (ICT) risk and excludes strategic risk and reputational risk. 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: is the possibility, current or future, of losses arising from the inadequate provision of financial services, including cases of wilful or negligent conduct, including those arising from non-compliance with regulations or legal provisions.
- Process risk: the possibility of incurring losses due to failures in process management, execution or delivery or to inadequate processes.
- Technology risk: Technology risk (or ICT (information and communication technology) risk) is defined as the current or future risk of incurring losses due to inadequacies or failures of technical infrastructures' hardware and software, which could compromise the availability, integrity, accessibility and security of these infrastructures and data, or make it impossible for information and communication technology platforms to be changed at a reasonable cost and within a reasonable time frame to respond to changes in the needs of the environment or of the business. It also includes security risks resulting from inadequacies or failures of internal processes or external events, including cyberattacks or inadequate physical security in data centres.
- 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 subcontracting company, 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, workforce turnover and replacement, dissatisfaction among employees, etc. This category also includes losses arising from actions in breach of legislation or agreements in the areas of employment, workplace health and safety, personal injury claim payouts, 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 safety.
- 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.
- Risk Data Aggregation Risk: is the risk associated with inappropriate processing and/or consideration of data within the entity that could affect the accuracy, preparation, dissemination and, where appropriate, publication of relevant reporting used in decision making, including, but not limited to, risk, regulatory and financial reporting data.
- 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 its banking activities.
- 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:
 - (i) On the one hand, the probability of failing to comply with tax obligations, potentially resulting in an undue shortfall of income, or the occurrence of any other event that generates potential harm or loss for the Bank in terms of meeting its objectives.
 - (ii) On the other hand, the probability of making an undue payment when complying with tax obligations, thus negatively affecting shareholders and 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 Risk Appetite Statement (RAS) is the written articulation of the types of risks 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 of action.

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- Information for shareholders and investors - Financial information -Annual Reports).

Throughout 2021, the various mitigating measures taken in 2020 to mitigate the effects of the pandemic have been expiring and no increase in arrears is being observed as a result of the expiry of these measures. In this respect, expectations about the duration and intensity of the negative impact on economic activity remain uncertain, and developments continue to be monitored.

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, which enables it to make informed decisions. Accordingly, depending on their nature and hierarchy, the metrics in the Group RAS are reported regularly to different governing bodies (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, this 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 view 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 - Shareholder and Investor Information - Financial Information - Annual Reports.

7. Internal Control Systems and Risk Management over Financial Reporting (ICFR) (F)

7.1. Control environment (F.1)

7.1.1. Governance and governing bodies

Article 5 of the Regulations of the Board of Directors states that the Board of Directors is an instrument of supervision and control whose responsibility is to identify the company's and the consolidated Group's main risks and implement and monitor suitable internal control and reporting systems, as well as designing policies for the reporting and disclosure of information to shareholders, the markets and the general public.

In addition, as provided in Article 16 of its Regulations, the Board of Directors delegates supervision of internal control systems to the Audit and Control Committee.

The functions of the Internal Audit Department include the support of the Audit and Control Committee in the oversight of the correct design, implementation and effective functioning of risk management and control systems, including the SCIIF - Financial Information Control System.

The Internal Control Division is responsible, among other functions, for ensuring the effective control of all risks related to SCIIF, as well as management compliance with the established risk appetite levels and the established procedures.

The Group's Finance Division 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.

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. This Management analyses and adapts the functions and organisational structure of each General Management to bring it into line with the set objectives and the current regulations. Amendments to the organisation structure of the members of the Management Committee are submitted to the Board of Directors for approval, while amendments to the organisation 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 Division showing all the amendments 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 encompasses 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

The Banco Sabadell Group has a Group Code of Conduct which, as indicated above, was thoroughly reviewed and updated in 2021. The new text, approved by the Board of Directors, is available to all members of the Group and requires their express adherence to it. Its fundamental principles include a commitment to transparency and, in particular, it reflects the commitment to make all financial and corporate information available to shareholders. 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 various companies that comprise it. 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 existing code or self-regulation. In order to perform its functions, it has access to the human and material resources of the Compliance Department. If, as a consequence of performing its duties and responsibilities, it detects any breach, it must advise the Human Resources Division for the application of corrective actions and penalties. Additionally, the Corporate Ethics Committee has been designated by the Board of Directors as the Body in charge of Supervision and Compliance with the Crime Risk Organisation and 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.

7.1.5. Training

With regard to training and refresher programmes, and in particular the process of preparing financial information, the Banco Sabadell Group's Finance Division holds training sessions, depending on the needs that arise, in order to cover new aspects in relation to the Entity's internal accounting/financial operations, applicable national and international regulations and the use of IT tools, with the aim of facilitating the management and control of financial information. In addition, professionals from the Finance Division regularly participate in workshops and events dealing with aspects related to accounting and prudential regulations applicable to the Institution.

Training is taught chiefly by internal professionals of Banco Sabadell Group and by external experts who are specialists in each area.

In addition, the Human Resources Division 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 for its Spanish initials) 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 2021, 8 audit professionals had completed this programme, and 71 members of the Internal Audit Department currently hold PSAI certificates. In addition, during 2021, members of the Internal Audit Department took part in workshops on the impact of new regulatory developments in relation to credit risk, sustainability, non-financial reporting, reporting to the supervisor and Next Generation funds. In terms of technology certifications in 2021, one auditor has been certified in ITIL v4 Foundation and CDMP (Certified Data Management Professional), another auditor in CISSP (Certified Information Security Systems Security Professional) and one auditor in ISO27001. In addition, 71 auditors are certified in the Internal Control - Integrated Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

7.2. Assessment 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. In any case, if in the financial year (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 assesses 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 procedures for reviewing and authorising Banco Sabadell Group's financial reporting to the markets commence with a review by the Finance Department. In accordance with the Board of Directors Regulations, the individual 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 regulations, 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 mandatory, 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. In addition, on a monthly basis, they monitor the most significant developments from a technical accounting point of view as well as the results.

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:

- Credit investment
- Fixed-income portfolio and issuance
- Equity portfolio
- 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 perimeter. In particular, for example, Banco Sabadell Group conducts a monthly analysis of the consolidation perimeter, 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. In this regard, the main judgements and estimates made relate to the determination of the business models under which financial assets are managed, the determination of the significant increase in the risk of financial assets, impairment losses on certain financial assets, actuarial calculations relating to pension liabilities and commitments, the useful life of tangible and intangible assets and their impairment losses, the valuation of goodwill, provisions and the consideration of contingent liabilities, the fair value of certain unquoted financial assets, the fair value of mortgaged property, the recoverability of non-monetisable deferred tax assets and tax credits, the term of finance leases in which Banco Sabadell acts as lessee and the discount rate of financial liabilities under leases.

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 Organizations of the Treadway Commission).

Additionally, in order to strengthen the ICFR validation process, a certification process of the controls included in the ICFR is carried out for the closing of annual and half-yearly accounts; this process consists of three sequential certification levels and flows hierarchically through the organisation up to the members of the Management Committee.

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. In addition, the availability of redundant infrastructures and regularly tested recovery procedures are ensured to guarantee the continuity of technological services.

7.3.3. Internal control policies and procedures for outsourced activities and appraisals outsourced to independent experts

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.

For financial year 2021, 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 communication (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 also 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 refer explicitly to the rules that apply to each type of transaction, but also elaborate and explain the interpretation of these rules.

These documents are updated at least annually. Significant amendments 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 consistent and that the arithmetic totals of the financial statements and the tables contained in the notes in the annual report are correct.

7.5. Supervision of system operation

(F.5)

7.5.1. ICFR supervision activities

In accordance with the Regulations of the Board of Directors, the Audit and Control Committee is entrusted with oversight of Internal Audit. In addition, the Audit and Control Committee, among other functions, reports to the Board of Directors on the internal audit plan for approval by the Board, evaluates the results of each audit and prioritises and monitors corrective actions.

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 Internal Audit Activities Plan that the Board of Directors approved at a meeting on 20 January 2021, 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. The actions set out in the plan were performed in 2021, after a prioritisation scheme created for the purpose of adjusting the Plan to the group's new strategic plan as well as supervisor requirements and significant changes and exceptional

transactions throughout the year; 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 the existing controls. In addition, 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.

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.

The Internal Control Division is responsible, among other functions, to ensure the effective control of all the risks related to ICFR, as well as compliance with the established procedures and alignment of these risks management with the risk appetite level defined.

In addition to the aforementioned supervisory activities carried out by the ICFR Department, the Audit and Control Committee and the Internal Audit Department, in 2021 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.

In these meetings, an in-depth review is carried out 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 conducts meetings with the Chief Financial Officer, the internal control functions and the external auditor 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, during this discussion process, any ICFR weaknesses that were identified are assessed, and, where applicable, 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 to perform his/her work and to report on control weaknesses, if any, detected during the audit. With regard to the latter aspect, each year the external auditor submits a report to the Audit and Control Committee detailing any internal control weaknesses that were detected in the course of his/her work or certifying that there were none. This report incorporates comments by Group management and, where applicable, any action plans implemented to remedy the relevant internal control weaknesses.

7.6. External auditor's report (F.7)

The Banco Sabadell Group has submitted the ICFR information submitted to the markets for the 2021 financial year for review by the external auditor. The report of the External Auditor (KPMG Auditores, S.L.) will, when issued, be included as an appendix to this Annual Corporate Governance Report.

The scope of the auditor's review is determined by "Gufa 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" [Action Guidebook and Model Report of the Auditor referring to the Information related to the Internal Control System on Financial Information (SCIIF) of Listed Entities], issued by means of Circular E14/2013, dated 19 July 2013, of the Instituto de Censores Jurados de Cuentas de España [Spanish Institute of Chartered Accountants].

8. Degree of compliance with Corporate Governance Recommendations (G)

The degree to which Banco Sabadell complies with the recommendations in the Good Governance Code for Listed Companies is detailed in section G of the Statistical Annex to the 2021 Annual Corporate Governance Report of listed companies attached to this report.

9. Other useful information (H)

Since 2017, Banco Sabadell has adhered to the Code of Good Tax Practices approved by the Large Company Forum on 20 July 2010 and applies its recommendations.

Accordingly, Banco Sabadell informs that it voluntarily submitted the "Annual Tax Transparency Report" for financial year 2020 to the Spanish Tax Authority.

In addition, through its subsidiary in the United Kingdom, it has been a signatory since 2014 to the "Code of Practice on Taxation for Banks" promoted by the UK tax authorities, complying with its contents.

This Annual Corporate Governance Report was approved by Banco Sabadell's Board of Directors at its meeting held on:

17/02/2022

No Directors who voted abstained or voted against the approval of this Report.

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.



ISSUER IDENTIFICATION DATA

Date of end of reference year: [31/12/2021]

Tax ID Number: [A-08000143]

Company name:

[BANCO DE SABADELL, S.A.]

Registered address:

[AV. OSCAR ESPLA N.37 (ALICANTE)]

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the share capital and voting attributed, including, where applicable, those corresponding to shares with loyalty votes, as at closing date of the financial year:

Indicate whether the company's articles of association contain a provision for double loyalty voting:

Yes
 No

Date of last modification	Share capital (€)	Number of shares	Number of voting
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 direct and indirect borrowers of significant holdings at the closing date of the financial year, including directors with significant holding:

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	3.02	0.00	0.41	3.43
FINTECH EUROPE, S.À.R.L.	3.45	0.00	0.00	0.00	3.45
MR. LEWIS A. SANDERS	0.00	3.47	0.00	0.00	3.47

Breakdown of the indirect holding:

Name or company name of the indirect borrower	Name or company name of the direct borrower	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
BLACKROCK INC.	BLACKROCK, INC. several subsidiaries	3.02	0.41	3.43
FINTECH EUROPE, S.À.R.L.	MR. DAVID MARTINEZ GUZMAN	3.45	0.00	3.45
MR. LEWIS A. SANDERS	SANDERS CAPITAL, LLC	3.47	0.00	3.47

- A.3. List the holding, whatever the percentage, at closing date of financial year of the members of the Board of Directors who are borrowers of voting attributed to shares in the company or through financial instruments, excluding the directors identified in section A.2 above:

Name or company name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	Voting that <u>can be transferred</u> through financial instruments (%)	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. JOSEP OLIU CREUS	0.07	0.05	0.01	0.00	0.13	0.00	0.00
MR. PEDRO FONTANA GARCÍA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. CÉSAR GONZALEZ-BUENO MAYER WITTGENSTEIN	0.01	0.00	0.00	0.00	0.01	0.00	0.00
MR. ANTHONY FRANK ELLIOTT BALL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS. AURORA CATÁ SALA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. LUIS DEULOFEU FUGUET	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS. MARIÁ JOSÉ GARCÍA BEATO	0.01	0.00	0.00	0.00	0.01	0.00	0.00
MS. MIREYA GINÉ TORRENS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. GEORGE DONALD JOHNSTON III	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	0.05	0.01	0.00	0.00	0.06	0.00	0.00
MS. ALICIA REYES REVUELTA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. MANUEL VALLS MORATÓ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. DAVID VEGARA FIGUERAS	0.01	0.00	0.00	0.00	0.01	0.00	0.00

% of total voting borrowed by Board of Directors	3.67
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Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct borrower	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	Voting that <u>can be transferred</u> through financial instruments (%)
No data					

Give details of the total percentage of voting represented on the board:

Total voting represented on the Board of Directors (%)	3.67
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A.7. Indicate whether the company has been notified of any shareholder 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 shares among its shareholders. If so, provide a brief description:

Yes
 No

A.8. Indicate whether any natural person 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 closing date of the year:

Number of direct shares	Number of shares Indirect(*)	% of total of share capital
40,679,208		0.72

(*) Through:

Name or company name of direct borrower of the holding	Number of direct shares
No data	

A.11. Estimated capital float:

	%
Estimated capital float	89.10

A.14. Indicate whether the company has issued shares that are not traded on a regulated EU market.

Yes
 No

B. GENERAL MEETING

B.4. Give details of attendance at general meetings held during the reporting year and the two previous years:

Date of general meeting	Attendance data					Total
	% in attendance	% represented by proxy	% remote voting			
			E-voting	Other		
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
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
26/03/2021	0.16	60.98	0.00	0.00		61.14
Of which free float	0.07	57.80	0.00	0.00		57.87

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 for any given reason:

Yes
 No

B.6. Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend the general meeting, or to vote remotely:

Yes
 No

Number of shares required to attend the general meeting	1,000
Number of shares required for voting remotely	1,000

C. STRUCTURE OF COMPANY'S ADMINISTRATION

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors expected in the articles of association and the number established by the general meeting:

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 with Board members:

Name or company name of director	Representative	Director category	Board position	Date first appointed	Date of last appointment	Election procedure
MR. JOSEP OLIU CREUS		Other external	CHAIRMAN	29/03/1990	28/03/2019	GENERAL MEETING OF SHAREHOLDERS RESOLUTION
MR. PEDRO FONTANA GARCÍA		Independent	DEPUTY CHAIRMAN	27/07/2017	19/04/2018	GENERAL MEETING OF SHAREHOLDERS RESOLUTION
MR. CÉSAR GONZALEZ-BUENO MAYER WITTGENSTEIN		Executive	CHIEF EXECUTIVE OFFICER/ CEO	17/12/2020	26/03/2021	GENERAL MEETING OF SHAREHOLDERS RESOLUTION
MR. ANTHONY FRANK ELLIOTT BALL		Independent	INDEPENDENT LEAD DIRECTOR	30/03/2017	26/03/2021	GENERAL MEETING OF SHAREHOLDERS RESOLUTION
MS. AURORA CATÁ SALA		Independent	DIRECTOR	29/01/2015	28/03/2019	GENERAL MEETING OF SHAREHOLDERS RESOLUTION
MR. LUIS DEULOFEU FUGUET		Independent	DIRECTOR	28/07/2021	28/07/2021	BOARD OF DIRECTORS RESOLUTION
MS. MARÍA JOSÉ GARCÍA BEATO		Other external	DIRECTOR	24/05/2018	28/03/2019	GENERAL MEETING OF SHAREHOLDERS

Name or company name of director	Representative	Director category	Board position	Date first appointed	Date of last appointment	Election procedure
MS. MIREYA GINÉ TORRENS		Independent	DIRECTOR	26/03/2020	26/03/2020	GENERAL MEETING OF SHAREHOLDERS RESOLUTION
MR. GEORGE DONALD JOHNSTON III		Independent	DIRECTOR	25/05/2017	19/04/2018	GENERAL MEETING OF SHAREHOLDERS RESOLUTION
MR. DAVID MARTÍNEZ GUZMAN		Proprietary	DIRECTOR	27/03/2014	19/04/2018	GENERAL MEETING OF SHAREHOLDERS RESOLUTION
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ		Independent	DIRECTOR	26/03/2013	19/04/2018	GENERAL MEETING OF SHAREHOLDERS RESOLUTION
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI		Independent	DIRECTOR	18/09/2010	28/03/2019	GENERAL MEETING OF SHAREHOLDERS RESOLUTION
MS. ALICIA REYES REVUELTA		Independent	DIRECTOR	24/09/2020	26/03/2021	GENERAL MEETING OF SHAREHOLDERS RESOLUTION
MR. MANUEL VALLS MORATÓ		Independent	DIRECTOR	22/09/2016	26/03/2021	GENERAL MEETING OF SHAREHOLDERS RESOLUTION
MR. DAVID VEGARA FIGUERAS		Executive	DIRECTOR	28/05/2015	28/03/2019	GENERAL MEETING OF SHAREHOLDERS RESOLUTION

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 of Directors 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 disposal	Specialised Commissions of which the director was a member	Indicate whether the cessation took place before the finish date of the mandate
MR. JAIME GUARDIOLA ROMOJARO	Executive	19/04/2018	18/03/2021	Delegated Committee	YES
MR. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	Independent	28/03/2019	28/07/2021	Strategy and Sustainability Committee and Credit Delegated Committee	YES

C.1.3 Complete the following tables with the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisation chart of the company	Profile
MR. CÉSAR GONZALEZ-BUENO MAYER WITTGENSTEIN	CHIEF EXECUTIVE OFFICER/ CEO	BANKING/RETAIL & CORPORATE BANKING/FINANCIAL/ REGULATORY/INTERNATIONAL/DIGITAL AND IT (Digital transformation) Double degree in Law and Business Administration from ICADE, Madrid, and an MBA from Yale School of Management, Connecticut (USA). 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) and non-executive director of TSB Bank, PLC and TSB Banking Group, PLC of Banco Sabadell Group. (2020-2021) Trustee of the Ciudad Escuela de los Muchachos Foundation.
MR. 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. Secretary of State for Economic Affairs (2004-2009), Deputy Director at the International Monetary Fund (2010-2012) and Deputy Managing Director for Banking of 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 the company Hellenic Corporation of Assets and Participations, S.A. and Trustee of the Foundation

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisation chart of the company	Profile
		Pasqual Maragall. He is a non-executive director of TSB Bank, PLC and TSB Banking Group, PLC of the Banco Sabadell Group.

Total number of executive directors	2
Percentage of Board	13.33

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of director	Name or corporate name of the significant shareholder he/she represents or who has proposed its appointment	Profile
MR. DAVID MARTÍNEZ GUZMÁN	FINTECH EUROPE, S.À.R.L.	BUSINESS/FINANCIAL/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 of Fintech Advisory in 1987, the fund management company of Fintech Investments Ltd. (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
MR. PEDRO FONTANA GARCÍA	BANKING/RETAIL BANKING/BUSINESS. Degree in Business from Escuela Superior de Administración y Dirección de Empresas (ESADE), Barcelona, and MBA from Harvard Graduate School of Business Administration, Boston-Massachusetts (EE.UU.) 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., Chairman of Asociación para el Progreso de la Dirección -Catalonia Chapter, Chairman of the Board of Trustees of Fundació Privada Cercle d'Economia, Member of the Board of Trustees of Fundació Barcelona Mobile World Capital, and a Director of Fira Internacional de Barcelona.

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of director	Profile
MR. ANTHONY FRANK ELLIOTT BALL	BUSINESS/INTERNATIONAL. Chartered Engineer and MBA from Kingston Business School, Kingston University (London). Honorary Doctorate from the Kingston University Faculty of Business and Law and from Middlesex University. Chairman and CEO of Fox Sports International (1995-1996), CEO of Fox Liberty Networks LLC. (1996-1999), Chief Executive Officer of BSkyB Plc. (1999-2004), Chairman of Kabel Deutschland GmbH (2005-2013) and Independent Director of BT Group (2009-2018). Director of Ambassadors Theatre Group Ltd, Chairman of Bité Group and Proprietary Director of Masmovil Ibercom, S.A., companies in which Providence Equity Partners LLC has an interest.
MS. AURORA CATÁ SALA	BUSINESS / CONSULTING / FINANCE / HUMAN RESOURCES. Degree in Industrial Engineering (major in Industrial Organisation) from the Polytechnic University of Catalonia and an MBA and PADE from IESE Barcelona. Chief Financial Officer of Nissan Motor Ibérica, S.A. (1991-1996), CEO of Planeta 2010 (1999-2002), Founder of Content Arena (2002-2003), General Manager of Audiovisual Media of Recoletos Grupo de Comunicación (2003-2008), Member of the Governing Board of the Institut Català de Finances (2014) and Independent Director of Atresmedia Corporación de Medios de Comunicación, S.A. (2019-2021). Formerly member of a number of Board of Directors. Independent Director of Repsol, S.A. and Atrys Health, S.A. Chairman of Barcelona Global and Member of the Executive Committee of IESE alumni. Director of Sabadell Information Systems, S.A. (a technology subsidiary of Banco Sabadell).
MR. LUIS DEULOFEU FUGUET	BANKING/RETAIL BANKING/DIGITAL AND IT (Digital Transformation)/BUSINESS/CONSULTANT Telecommunications Engineer from the Polytechnic University of Catalonia, "Finance for Executives" at ESADE and PDG from IESE (Barcelona). Senior Manager at Andersen Consulting (1988-1994), Head of Technical Services & Development of New Projects at Acesa (1994-2001), Chief Technology Officer at La Caixa (2001-2011), Managing Director for Internal Resources and Efficiency at Abertis Infraestructuras (2011-2014). Managing Director of Sanef (2014-2018) and Deputy CEO of Cellnex Telecom (2018-2020). He has been Founder and Administrator of Acesa Telecom (today Cellnex Telecom), and Founder and Director of the Parc Logístic de la Zona Franca (Duty-Free Zone Logistics Park), as well as Deputy Chairman of the Catalan Research and Innovation Foundation and Trustee of the Barcelona Digital Foundation, and Board member of numerous entities such as e-La Caixa, Abertis Telecom, Invercaixa Gestión, Sanex, Xfera, Cellnex Telecom, Hispasat, DDST-Tradia, among others. Since 2020, Director of Sabadell Information Systems, S.A. (technology subsidiary of Banco Sabadell) and Member of the Technology Committee (CATED). Senior Advisor at Cellnex Telecom and Chairman of the Cellnex Foundation.
MS. MIREYA GINÉ TORRENS	FINANCE / ACADEMIC / GOVERNANCE / DIGITAL & IT (Digital Transformation) 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, WRDS from Wharton Business School in Pennsylvania 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, Expert on Corporate Governance issues at the World Economic Forum from 2019 and a Member of the Center for Economic Policy from 2020. Independent Director of Sabadell Asset Management (2018-2020), Trustee of the Aula Escola Europea Foundation.

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of director	Profile
MR. GEORGE DONALD JOHNSTON III	BANKING/CORPORATE BANKING/INTERNATIONAL. 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. (USA). Executive Director at Salomon Brothers (1979-1990), Director of Bankers Trust International and member of its worldwide Executive Committee (1992-1999), head of the M&A group for Europe and member of the Executive Committee for Europe and of the Global Operating Committee within Deutsche Bank's investment banking division (1999-2005), Chairman of Deutsche Bank's European M&A group (2005-2010). Independent Director of listed companies Acerinox, S.A. and Merlin Properties, SOCIMI, S.A.
MR. JOSÉ MANUEL MARTÍNEZ	BUSINESS / INSURANCE / FINANCE / INTERNATIONAL. Public Works Engineer, he obtained a degree in Economics and Actuarial Science at the University of Madrid. Chairman of MAPFRE (2001-2012), Chairman 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.
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	BANKING / BUSINESS. Architect specialised in urban development, he holds an Executive MBA from IE Business School of Madrid. Formerly director of Banco Guipuzcoano (1990-2010). Owner and Chairman of an extensive group of companies, he is currently Chairman of the companies of the group 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.
MS. ALICIA REYES REVUELTA	BANKING / RETAIL & CORPORATE BANKING / FINANCE/ INTERNATIONAL Double degree in Law and Business Administration from ICADE, Madrid. PhD in Quantitative Methods and Financial markets from ICADE. Formerly member of a number of Board of Directors. 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), Chief Executive Officer (CEO) for the EMEA business (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. Independent Director of Ferrovial, S.A. and Non-Executive Director of TSB Bank, PLC and TSB Banking Group, PLC of Banco Sabadell Group.
MR. 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). Lead Independent Director of listed company Renta Corporación Real Estate, S.A. and Chairman of the Audit, Control and Risk Committee at COBEGA. Director of Sabadell Information Systems, S.A., a technology subsidiary of Banco Sabadell.
Total number of independent directors	10

Percentage of Board	66.67
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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
No data		

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	Grounds	Company, manager or shareholder to which or to whom the director is related	Profile
MR. JOSEP OLIU CREUS	He held executive functions until 26 March 2021 and in accordance with the Capital Companies Law	BANCO DE SABADELL, S.A.	BANKING/RETAIL & CORPORATE BANKING/FINANCIAL/ 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), Trustee of the Fundación Princesa de Asturias and the Fundación Princesa de Girona.

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	Grounds	Company, manager or shareholder to which or to whom the director is related	Profile
MS. MARIA JOSE GARCIA BEATO	Held executive functions until 31 March 2021 and in accordance with the Capital Companies Act.	BANCO DE SABADELL, S.A.	BANKING/LEGAL/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 Spanish National Court. She has been General Counsel (2005-2008), General Secretary (2008-2021) and Executive Director (2018-2021) of Banco Sabadell. Independent Director of the listed company Red Eléctrica Corporación, S.A. (2012-2021). Non-Executive Director of MdF, S.A., Trustee of Fundación Banco Sabadell and of the Fundación de la Asociación Española de Banca and member of the Advisory Board of the Board of Trustees of Fundación Cajasur.

Total number of other external directors	2
Percentage of Board	13.33

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 category
MR. JOSEP OLIU CREUS	26/03/2021	Executive	Other external
MS. MARIA JOSE GARCIA BEATO	31/03/2021	Executive	Other external

C.1.4 Complete the following table with information relating to the number of female directors at closing date of the past four years, as well as the category of each:

	Number of female directors				% of total directors in each category			
	Year 2021	Year 2020	Year 2019	Year 2018	Year 2021	Year 2020	Year 2019	Year 2018
Executives		1	1	1	0.00	25.00	20.00	25.00
Proprietaries					0.00	0.00	0.00	0.00
Independents	3	3	1	2	30.00	30.00	12.50	20.00
Other Externals	1		1		50.00	0.00	100.00	0.00
Total	4	4	3	3	26.67	26.67	20.00	20.00

C.1.11 List any position of director or administrator, or representative of them, held by directors or representatives of directors who are members of the company's Board of Directors in other entities, whether or not they are listed companies:

Identification of the director or representative	Company name of the listed or unlisted entity	Position
MR. JOSEP OLIU CREUS	SABADELL CONSUMER FINANCE, S.A.U.	CHAIRMAN
MR. JOSEP OLIU CREUS	EXEA EMPRESARIAL, S.L.	CHAIRMAN
MR. JOSEP OLIU CREUS	PUIG, S.L.	REPRESENTATIVE OF DIRECTOR
MR. JOSEP OLIU CREUS	BARCELONA GRADUATE SCHOOL OF ECONOMICS FUNDACIÓN PRIVADA	REPRESENTATIVE OF DIRECTOR
MR. JOSEP OLIU CREUS	FUNDACIÓ BOSCH I CARDELLACH	REPRESENTATIVE OF DIRECTOR
MR. JOSEP OLIU CREUS	FUNDACIÓN DE ESTUDIOS DE ECONOMÍA APLICADA	DIRECTOR
MR. JOSEP OLIU CREUS	FUNDACIÓN PRINCESA DE ASTURIAS	REPRESENTATIVE OF DIRECTOR
MR. JOSEP OLIU CREUS	FUNDACIÓN PRINCESA DE GIRONA	REPRESENTATIVE OF DIRECTOR
MR. PEDRO FONTANA GARCÍA	GRUPO INDUKERN, S.L.	DIRECTOR
MR. PEDRO FONTANA GARCÍA	PAX EQUITYCO, S.À.R.L.	DIRECTOR
MR. PEDRO FONTANA GARCÍA	GARNIEL, S.L.	SOLE ADMINISTRATOR
MR. PEDRO FONTANA GARCÍA	ASOCIACION PARA EL PROGRESO DE LA DIRECCION - APD CATALUÑA	CHAIRMAN

Identification of the director or representative	Company name of the listed or unlisted entity	Position
MR. PEDRO FONTANA GARCÍA	FIRA INTERNACIONAL DE BARCELONA	DIRECTOR
MR. PEDRO FONTANA GARCÍA	FUNDACION BARCELONA MOBILE WORLD CAPITAL	DIRECTOR
MR. PEDRO FONTANA GARCÍA	FUNDACIO PRIVADA CERCLE D'ECONOMIA	CHAIRMAN
MR. CÉSAR GONZALEZ-BUENO MAYER WITTGENSTEIN	FUNDACIÓN CIUDAD ESCUELA DE LOS MUCHACHOS	DIRECTOR
MR. ANTHONY FRANK ELLIOTT BALL	AMBASSADORS THEATRE GROUP LTD.	DIRECTOR
MR. ANTHONY FRANK ELLIOTT BALL	BITE GROUP	CHAIRMAN
MR. ANTHONY FRANK ELLIOTT BALL	MASMOVIL IBERCOM, S.A.	DIRECTOR
MS. AURORA CATÁ SALA	SABADELL INFORMATION SYSTEMS, S.A.U.	DIRECTOR
MS. AURORA CATÁ SALA	ATRY'S HEALTH, S.A.	DIRECTOR
MS. AURORA CATÁ SALA	REPSOL, S.A.	DIRECTOR
MS. AURORA CATÁ SALA	BOZO CONSULTING, S.L.	JOINT ADMINISTRATOR
MS. AURORA CATÁ SALA	LIZARD INVERSIONES, S.L.	JOINT ADMINISTRATOR
MS. AURORA CATÁ SALA	ASOCIACIÓN BARCELONA GLOBAL	CHAIRMAN
MR. LUIS DEULOFEU FUGUET	SABADELL INFORMATION SYSTEMS, S.A.U.	DIRECTOR
MR. LUIS DEULOFEU FUGUET	EIXAMPLE 2 ASSESSORS, S.L.	JOINT ADMINISTRATOR
MR. LUIS DEULOFEU FUGUET	FUNDACIÓN CELLNEX	CHAIRMAN
MS. MARÍA JOSÉ GARCÍA BEATO	MdF, S.A.	DIRECTOR
MS. MARÍA JOSÉ GARCÍA BEATO	FUNDACIÓN PRIVADA BANCO SABADELL	DIRECTOR
MS. MARÍA JOSÉ GARCÍA BEATO	FUNDACIÓN ASOCIACIÓN ESPAÑOLA DE BANCA	DIRECTOR
MS. MIREYA GINÉ TORRENS	REAL ANALYSIS, S.L.	SOLE ADMINISTRATOR

MS. MIREYA GINÉ TORRENS	FUNDACIÓN AULA ESCUELA EUROPEA	DIRECTOR
MR. GEORGE DONALD JOHNSTON III	ACERINOX, S.A.	DIRECTOR
MR. GEORGE DONALD JOHNSTON III	MERLIN PROPERTIES, SOCIMI, S.A.	DIRECTOR
MR. GEORGE DONALD JOHNSTON III	YANKEE KINGDOM ADVISORY, LLC	SOLE ADMINISTRATOR
MR. DAVID MARTÍNEZ GUZMÁN	ALFA, S.A.B DE C.V.	DIRECTOR
MR. DAVID MARTÍNEZ GUZMÁN	CEMEX, S.A.B. DE C.V.	DIRECTOR
MR. DAVID MARTÍNEZ GUZMÁN	VITRO, S.A.B. DE C.V.	DIRECTOR
MR. DAVID MARTÍNEZ GUZMÁN	ICA TENEDORA, S.A. DE C.V.	DIRECTOR
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	MAPFRE (HONORARY CHAIRMAN)	CHAIRMAN
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	FUNDACIÓN PEDRO GUILLÉN	DIRECTOR
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	FUNDACIÓN PEDRO CANO	DIRECTOR
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	CENTRO FUENCARRAL, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	COMERCIAL DEL CAMPO, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	EDIFICIOS CAMERANOS, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	INVERSIETE, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	PRODUCCIÓN Y DESARROLLO, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	S.A. VILLA ROSA	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	TITULOS E INVERSIONES, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	ADMINISTRACIÓN Y EXPLOTACIÓN HOTELERA, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	CAVISA, S.A.	CHAIRMAN

Identification of the director or representative	Company name of the listed or unlisted entity	Position
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	DRUGSTORE MADRID, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	EMPRESA TURÍSTICA HOTELERA, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	EXPLOTACIONES AGRÍCOLAS EL ABUELITO, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	HOTEL NUEVO BOSTON, S,A,	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	INMOBILIARIA MOGAN, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	LONJAS INDUSTRIALES, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	PROMOCIONES CANTERAS, S.A.	CHAIRMAN
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	PROMOTIONS JOMARSA, S.A.	CHAIRMAN
MS. ALICIA REYES REVUELTA	FERROVIAL, S.A.	DIRECTOR
MS. ALICIA REYES REVUELTA	TSB BANK, PLC	DIRECTOR
MS. ALICIA REYES REVUELTA	TSB BANKING GROUP, PLC	DIRECTOR
MS. ALICIA REYES REVUELTA	NGO FARESHARE	DIRECTOR
MR. MANUEL VALLS MORATÓ	SABADELL INFORMATION SYSTEMS, S.A.	DIRECTOR
MR. MANUEL VALLS MORATÓ	COBEGA, S.A. (AUDIT, CONTROL AND RISK COMMITTEE)	CHAIRMAN
MR. MANUEL VALLS MORATÓ	RENTA CORPORACIÓN REAL ESTATE, S.A.	DIRECTOR
MR. MANUEL VALLS MORATÓ	ERBERA M & A, S.L. (INACTIVE COMPANY)	JOINT ADMINISTRATOR
MR. DAVID VEGARA FIGUERAS	TSB BANK, PLC	DIRECTOR
MR. DAVID VEGARA FIGUERAS	TSB BANKING GROUP, PLC	DIRECTOR
MR. DAVID VEGARA FIGUERAS	HELLENIC CORPORATION OF ASSETS AND PARTICIPATION, S.A.	DIRECTOR
MR. DAVID VEGARA FIGUERAS	FUNDACIÓN PASQUAL MARAGALL	DIRECTOR

The positions indicated in Foundations and other non-profit entities listed above correspond to the position of Trustee. Below is a list of the entities in which the directors of Banco de Sabadell, S.A. hold remunerated positions: ACERINOX, S.A.; ALFA, S.A.B. DE C.V.; AMBASSADORS THEATRE GROUP LTD.; ATRYS HEALTH, S.A.; BITE GROUP; CEMEX, S.A.B. DE C.V.; COBEGA, S.A.; EXEA EMPRESARIAL, S.L.; FERROVIAL, S.A.; GRUPO INDUKERN, S.L.; HELLENIC CORPORATION OF ASSETS AND PARTICIPATIONS, S.A.; ICA Tenedora, S.A. DE C.V.; INVERSIETE, S.A.; MASMOVIL IBERCOM, S.A.; MERLIN PROPERTIES, SOCIMI, S.A.; PAX EQUITYCO, S.À.R.L.; REAL ANALYSIS, S.L.; RENTA CORPORACIÓN REAL ESTATE, S.A.; REAL ANALYSIS, S.L.; REPSOL, S.A.; SABADELL INFORMATION SYSTEMS, S.A.U.; TÍTULOS E INVERSIONES, S.A.; TSB BANK, PLC and TSB BANKING GROUP, PLC (ONLY THE INDEPENDENT DIRECTOR OF BANCO SABADELL); VITRO S.A.B DE C.V.; YANKEE KINGDOM ADVISORY, LLC.

Indicate, if applicable, any other remunerated activities of the directors or representatives of the directors, whatever their nature, other than those indicated in the above table.

Identification of the director or representative	Other remunerated activities
MR. ANTHONY FRANK ELLIOTT BALL	SENIOR ADVISOR (PROVIDENCE EQUITY PARTNERS LLC)
MR. LUIS DEULOFEU FUGUET	SENIOR ADVISOR (CELLENEX TELECOM, S.A.)
MS. MARÍA JOSÉ GARCÍA BEATO	LAWYER (PROFESSIONAL ACTIVITY)
MS. MIREYA GINÉ TORRENS	ASSOCIATE PROFESSOR (IESE BUSINESS SCHOOL)
MS. ALICIA REYES REVUELTA	VISITING PROFESSOR (FACULTY OF ENGINEERING, UNIVERSITY COLLEGE OF LONDON)
MR. DAVID VEGARA FIGUERAS	MEMBER OF THE ADVISORY BOARD (ROCA JUNYENT, S.L.P.)

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)	44,604
Amount of funds accumulated by current directors through long-term savings schemes with vested economic rights(thousands of euros)	4,696
Amount of funds accumulated by current directors for long-term savings schemes with non-vested economic rights(thousands of euros)	2,471
Amount of funds accumulated by former directors through long-term savings schemes (thousands of euros)	3,703

C.1.14 Identify members of Bank's senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position(s)
MR. LEOPOLDO ALVEAR TRENOR	GENERAL MANAGER
MR. MIQUEL MONTES GÜELL	GENERAL MANAGER
MR. JOSÉ NIETO DE LA CIERVA	GENERAL MANAGER
MR. CARLOS VENTURA SANTAMANS	GENERAL MANAGER

Name or company name	Position(s)
MR. GONZALO BARETTINO COLOMA	SECRETARY GENERAL
MR. MARC ARMENGOL DULCET	DEPUTY GENERAL MANAGER
MR. XAVIER COMERMA CARBONELL	DEPUTY GENERAL MANAGER
MS. ANA RIBALTA ROIG	DEPUTY GENERAL MANAGER
MS. NURIA LÁZARO RUBIO	ASSISTANT GENERAL MANAGER - HEAD OF INTERNAL AUDIT

Number of women in Bank's senior management	1
Percentage of total Bank's senior management members	10.00
Total remuneration of Bank's senior management (thousands of euros)	9,253

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	15
Number of board meetings held without the Chairman's presence	0

Indicate the number of meetings held by the lead director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	1
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Indicate the number of meetings held by each Board Committees during the year:

Number of Strategy and Sustainability Committee meetings	9
Number of the Credit Delegated Committee meetings	21
Number of Audit and Control Committee meetings	12
Number of Appointments and Corporate Governance Committee meetings	16
Number of Remuneration Committee meetings	12
Number of Risk Committee meetings	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	15
Attendance in person as a % of total votes during the year	99.10
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	15
Votes cast in person and by proxies with specific instructions as a % of total votes during the year	100.00

C.1.27 Indicate whether the individual and consolidated annual accounts submitted to the Board for issue are certified in advance:

Yes
 No

Identify, if applicable, the person(s) who certified the individual and consolidated annual accounts of the company for issue by the Board:

Name	Position
MR. CÉSAR GONZALEZ-BUENO MAYER WITTGENSTEIN	CHIEF EXECUTIVE OFFICER/ CEO
MR. LEOPOLDO ALVEAR TRENOR	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
MR. 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

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)	211	46	257
Amount invoiced for non-audit work/Amount for audit work (in %)	8.88	0.70	2.86

C.1.33 Indicate whether the report of the audit of the annual accounts 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 annual accounts. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the annual accounts have been audited:

	Individuals	Consolidated
Number of consecutive years	2	2
	Individuals	Consolidated
Number of years audited by the current audit firm/number of years in which the company or its group have been audited (in %)	4.88	5.41

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 the 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 21.1 of the Regulation of the Board of Directors establishes that the notice of the meeting shall always include the Agenda of the meeting that must contain, among other points, those that concern information about subsidiary companies and Board Committees, as well as the proposals and suggestions made by the Chairman and the other members of the Board and by the General Managers of the Bank, provided that notice is given at least five business days prior to the date of the Board Meeting, as well as proposals that must be supported by any relevant material for its distribution to the Directors.

Additionally, article 25 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 operations 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 Secretary of the Board of Directors, 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 of Directors 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 to directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing severance pay or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a public offering or any other type of operations.

Number of beneficiaries	35
Type of beneficiary	Description of the agreement
CHAIRMAN, CHIEF EXECUTIVE OFFICER, DIRECTOR GENERAL MANAGER AND 32 EXECUTIVES	The Chairman's contract contains an early termination clause with two years' remuneration for non-voluntary eventualities linked to non-compete. The Chief Executive Officer's contract has a post-contractual non-compete clause providing two years' salary from the date of unfair dismissal or change of control, and one year's remuneration in all other cases. The Director General Manager's contract contains a post-contractual non-compete clause lasting two years, which would be applied at most until the first date of ordinary retirement in the amount of two years' salary of fixed remuneration. There are 20 executives whose contracts have a clause providing indemnity in the amount of two years' fixed remuneration for cases of unfair dismissal and some limited cases of change of control. A further 12 executives have a post-contractual non-compete clause, 10 of them for a duration of two years, at the latest until the first date of ordinary retirement for an amount of two years' salary of fixed remuneration, and 2 for a duration of one year from the date of unfair dismissal or due to some limited cases of change of control, at the latest until the first date of ordinary retirement for an amount of one year's salary of fixed remuneration.

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 Meeting
Body that authorises the clauses	√	
	Yes	No
Are these clauses notified to the General 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:

Strategy and Sustainability Committee		
Name	Position	Category
MR. JOSEP OLIU CREUS	CHAIRMAN	Other external
MR. LUIS DEULOFEU FUGUET	MEMBER	Independent
MR. PEDRO FONTANA GARCÍA	MEMBER	Independent
MS. MARÍA JOSÉ GARCÍA BEATO	MEMBER	Other external
MR. CÉSAR GONZALEZ-BUENO MAYER WITTEGENSTEIN	MEMBER	Executive
MR. JOSÉ MANUEL MARTÍNEZ MARTINEZ	MEMBER	Independent

% of executive directors	16.67
% of proprietary directors	0.00
% of independent directors	50.00
% of other external directors	33.33

Credit Delegated Committee		
Name	Position	Category
MR. PEDRO FONTANA GARCÍA	CHAIRMAN	Independent
MR. LUIS DEULOFEU FUGUET	MEMBER	Independent
MS. MARÍA JOSÉ GARCÍA BEATO	MEMBER	Other external
MR. CÉSAR GONZALEZ-BUENO MAYER WITTGENSTEIN	MEMBER	Executive
MS. ALICIA REYES REVUELTA	MEMBER	Independent

% of executive directors	20.00
% of proprietary directors	0.00
% of independent directors	60.00
% of other external directors	20.00

Audit and Control Committee		
Name	Position	Category
MS. MIREYA GINÉ TORRENS	CHAIR	Independent
MR. PEDRO FONTANA GARCÍA	MEMBER	Independent
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	MEMBER	Independent
NR. MANUEL VALLS MORATÓ	MEMBER	Independent

% of executive directors	0,00
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% 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 Chairman of this committee was appointed.

Names of directors with experience	MRS. MIREYA GINÉ TORRENS / MR. PEDRO FONTANA GARCÍA / MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI / MR. MANUEL VALLS MORATÓ
Date of appointment of the Chairman	26/03/2021

Appointments and Corporate Governance Committee		
Name	Position	Category
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	CHAIR	Independent
MR. ANTHONY FRANK ELLIOTT BALL	MEMBER	Independent
MRS. AURORA CATÁ SALA	MEMBER	Independent
MRS. MIREYA GINÉ TORRENS	MEMBER	Independent

% of executive directors	0,00
% of proprietary directors	0,00
% of independent directors	100,00
% of other external directors	0,00

Remuneration Committee		
Name	Position	Category
MRS. AURORA CATÁ SALA	CHAIR	Independent
MR. ANTHONY FRANK ELLIOTT BALL	MEMBER	Independent
MR. GEORGE DONALD JOHNSTON III	MEMBER	Independent
MR. 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	Category
MR. GEORGE DONALD JOHNSTON III	CHAIR	Independent

Risk Committee		
Name	Position	Category
MRS. AURORA CATÁ SALA	MEMBER	Independent
MRS. ALICIA REYES REVUELTA	MEMBER	Independent
MR. 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.22 Complete the following table with information on the number of female directors on the committees of the Board of Directors at the end of the last four financial years:

	Number of female directors							
	Year 2021		Year 2020		Year 2019		Year 2018	
	Number	%	Number	%	Number	%	Number	%
Strategy and Sustainability Committee	1	16.67	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit Delegated Committee	2	40.00	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Audit and Control Committee	1	25.00	1	25.00	1	25.00	1	25.00
Appointments and Corporate Governance Committee	2	50.00	1	33.33	2	50.00	2	50.00
Remuneration Committee	1	25.00	1	25.00	1	25.00	2	50.00
Risk Committee	2	50.00	1	33.33	1	33.33	1	25.00

D. RELATED PARTY AND INTRAGROUP OPERATIONS

D.2. List individually those operations that are significant due to their amount or relevant due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting or represented on the company's Board of Directors, indicating which body was competent to their approval and whether any shareholder or director affected abstained. In the case of board competence, indicate whether the motion has been approved by the board without a majority of the independent directors voting against it:

Name or company name of shareholder or of any of its subsidiaries	% Holding	Name or company name of the company or subsidiary	Amount (thousands of euros)	Approving body	Identification of the significant shareholder or director who has abstained	The proposal to the board, if any, has been approved by the board without the majority of independents voting against
No data						

Name or company name of the shareholder or of any of its subsidiaries	Nature of the relationship	Type of transaction and other information necessary for its assessment
No data		

D.3. List individually the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the directors or executives of the company, including those operations carried out with entities that the director or executive controls or jointly controls, indicating which body was the competent body for their approval and whether any shareholder or director affected abstained. In the case of board competence, indicate whether the motion has been approved by the board without a majority of the independent directors voting against it:

Name or company name of the directors or their controlled or jointly controlled entities	Name or company name of the company or subsidiary	Relationship	Amount (thousands of euros)	Approving body	Identification of the significant shareholder or director who has abstained	The proposal to the board, if any, has been approved by the board without the majority of independents voting against
No data						

Name or company name of the directors or their controlled or jointly controlled entities	Nature of the transaction and other information necessary for its assessment
No data	

- D.4. Report on an individual basis on significant intragroup operations by virtue of their amount or their subject matter carried out by the company with its parent company or with other entities belonging to the parent company's group, including the listed company's own subsidiaries, unless no other related party of the listed company has an interest in such subsidiaries or such subsidiaries are wholly owned, directly or indirectly, by the listed company.

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 and other information necessary for its assessment	Amount (thousands of euros)
No data		

- D.5. List individually any operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties in accordance with International Accounting Standards as adopted by the EU, which have not been reported under the previous headings.

Company name of the related party	Brief description of the transaction and other information necessary for its assessment	Amount (thousands of euros)
Acerinox, S.A.	The Board of Directors, on 18 November 2021, following a favourable report from the Audit and Control Committee, approved a related party transaction consisting of a loan to Acerinox, S.A. for an amount of 205 million euros, with a term of five years (the first two years of grace period), which was formalised on 23 December 2021. The transaction is considered a related-party transaction, since Acerinox, S.A. is a company in which a Director of Banco Sabadell is also an independent Director and on whose committees he holds positions (member of the executive committee and Chairman of the audit committee of Acerinox, S.A.).	205,000

Company name of the related party	Brief description of the transaction and other information necessary for its assessment	Amount (thousands of euros)
	As its amount exceeds 2.5% of the turnover of the consolidated annual accounts of Banco Sabadell for the financial year 2020, it was published as Other Relevant Information together with the corresponding report of the Audit and Control Committee in the CNMV on 23 December 2021 with registry number 13.328, in accordance with the provisions of article 529 twenty-first of the Capital Companies Law.	

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 Explain

2. That when the listed company is controlled by another entity, whether listed or not, in the meaning of Article 42 of the Commercial Code 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

3. That, during the Ordinary General 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 Ordinary General Meeting.
- b) Specific reasons why the company does not follow one or more of the recommendations of the Code of Corporate Governance and the alternative rules that apply in this regard, if any.

Complies Partially complies Explain

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 Partially complies Explain

5. That the Board of Directors should not submit to the General Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of pre-emptive 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 pre-emptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies Partially complies 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 Ordinary General Meeting, even if their publication is not mandatory:

- a) Report on the auditor's independence.
- b) Reports on the performance of the audit and the nomination and remuneration committees.
- c) Report by the audit committee on related party operations.

Complies Partially complies Explain

7. That the company should transmit in real time, through its website, the proceedings of the General Meeting of Shareholders.

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 companies of large capitalisation and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies Partially complies Explain

8. That the audit committee should ensure that the annual accounts that the Board of Directors submits to the General Meeting of Shareholders 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 reports.

Complies Partially complies 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 Meeting of Shareholders, and the exercise of voting or issuing a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies Partially complies Explain

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make motions in advance of the General Meeting of Shareholders, the company:

- a) Should immediately distribute such complementary items and new motions.
- b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative motions can be voted on in the same terms as those proposed by the Board of Directors.
- c) Should submit all these items 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 deduction regarding votes for or against.
- d) That after the General Meeting of Shareholders, a breakdown of the voting on said additional items or alternative proposals be communicated.

Complies Complies partially Explain Not applicable

11. That if the company intends to pay premiums for attending the General Meeting of Shareholders, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies Complies partially Explain Not applicable

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] Partially complies [] 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 of Directors and that:

- a) Is concrete and verifiable.
- b) Ensures that proposals as to the appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- c) Favours knowledge, experience, age and gender diversity. 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 appointments committee published upon calling the General Meeting of Shareholders to which the ratification, appointment or re-election of each director is submitted.

The appointments committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies [X] Partially complies [] 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 holding 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 than 30% prior to that date.

Complies [] Partially complies [X] Explain []

Banco Sabadell fulfils the first part of the recommendation. As for the number of female directors, 27% of the Board members in Banco Sabadell were women in financial year 2021, in line with the general target set by the CNMV of 30%. The Board and the Appointments and Corporate Governance Committee commits to favour the Board's diversity and will ensure that the Board has a sufficient number of female directors, promoting compliance with the objective of representing the under-represented sex.

16. That the number of proprietary directors as a percentage of the total number of non-executive directors are not 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 holdings 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 and biographical profile.
- b) Any other Boards of Directors to which the directors belong, regardless of whether or not they are listed companies, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of proprietary directors, 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 reelections.
- e) Company shares and share options that they own.

Complies Partially complies Explain

19. That the annual corporate governance report, after verification by the appointments 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

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire holding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its holding to a level that requires a decrease in the number of proprietary directors.

Complies 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 appointments 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 offering, merger or other similar corporate operations entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board of Directors are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies 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 Directors 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 Appointments 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 Partially complies 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

24. That whenever, due to resignation or resolution of the General 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 Complies partially Explain Not applicable

25. That the appointments 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 Partially complies 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 Partially complies 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 representative with instructions.

Complies Partially complies 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

29. That the company should establish 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 Partially complies 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 Explain Not applicable

31. That the agenda for meetings should clearly indicate those items 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 Partially complies 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 Partially complies 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 Partially complies Explain

34. That when there is a lead director, the articles of incorporation or Regulations of the Board of Directors 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 Explain Not applicable

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 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:
- a) The quality and efficiency of the Board of Directors' work.
 - b) The workings and composition of its committees.
 - c) Diversity in the composition and skills of the Board of Directors.
 - d) Performance of the Chairman of the Board of Directors and of the chief executive officer of the company.
 - e) 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 appointments 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 appointments 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 Partially complies 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 of Directors.

Complies Complies partially Explain Not applicable

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 accounting, audit and risk management issues, both financial and non-financial.

Complies Partially complies 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 Partially complies 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 unit; 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 Bank's senior management takes into account the conclusions and recommendations of its reports.
 - c) Establish and supervise a mechanism to enable employees and other persons connected with the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report potentially significant irregularities, including financial and accounting irregularities, or of any other nature, related to the company that they notice within 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] Partially complies [] 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 appears without the presence of any other member of management.

Complies Partially complies Explain

44. That the audit committee be kept abreast of any corporate and structural changes operations 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 Complies partially Explain Not applicable

45. That the risk management and 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 the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies Partially complies 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 management and control 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 Partially complies Explain

47. That in designating the members of the appointment and remuneration committee — or of the appointments 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 Partially complies Explain

48. That large-cap companies have separate Appointments and Remuneration Committees.

Complies Explain Not applicable

49. That the appointments committee consult 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 appointments committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies Partially complies 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 executive 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 executives, 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 executives.
- d) Ensuring that potential conflicts of interest do not impair the independence of external advice given to the committee.
- e) Verifying the information on remuneration of directors and senior executives contained in the various corporate documents, including the annual report on directors' remuneration.

Complies Partially complies Explain

51. That the remuneration committee should consult the Chairman and the chief executive of the company, especially on matters relating to executive directors and senior executives.

Complies Partially complies 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:
- a) That they be composed exclusively of non-executive directors, with a majority of independent directors.
 - b) That their chairpersons be independent directors.
 - c) 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.
 - d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
 - e) That their meetings be recorded and the minutes be made available to all directors.

Complies 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 appointments 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 Partially complies Explain

54. The minimum functions referred to in the foregoing recommendation are the following:
- a) 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.
 - b) 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 Partially complies Explain
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 Partially complies 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 Partially complies 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 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 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 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 Complies partially Explain Not applicable

62. That once shares or options or financial instruments have been allocated under remuneration systems, 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 Appointments and Remuneration Committee, to deal with such extraordinary situations as may arise and so require.

Complies Complies partially Explain Not applicable

63. That contractual arrangements should include a clause allowing the company to demand repayment 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 resolution 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 resolution 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



ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

Indicate whether any board members voted against or abstained with respect to the approval of this report.

- Yes
 No

I declare that the details include in this statistical schedule 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 2021

*(Translation from the original in Spanish. In the
event of discrepancy, the Spanish-language
version prevails.)*



KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
Barcelona

Auditor's report referring to the "Information related to the Internal Control System over Financial Information (ICOFR)" of Banco de Sabadell, S.A. corresponding to the 2021 financial year

(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 19 January 2022, we have applied certain procedures to the "ICFR disclosures" attached hereto in section F of the Annual Corporate Governance Report (ACGR) of Banco de Sabadell, S.A. for 2021, which summarises the Company's internal control procedures for annual financial reporting.

The Directors are responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and monitoring of an adequate system of internal control and developing improvements to that system, as well as defining the content of and preparing the ICFR information attached hereto.

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 Company 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 Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Company'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 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 the effectiveness thereof, nor on its design or operating effectiveness, with respect to the Company's annual financial reporting for 2021 described in the ICFR information attached hereto. 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 the 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 ICFR – 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 ICFR, of the ACGR template provided in Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013, and subsequent amendments, the most recent being Circular 3/2021 of 28 September of the CNMV (hereinafter, the Circulars of the CNMV).
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 the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing ICFR systems. 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 ICFR 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 committee and other committees of the entity for the purposes of assessing the consistency of the matters discussed at these meetings in relation to ICFR with the information detailed in point 1 above.
6. Obtaining a representation letter in connection with the work performed, signed by those responsible for preparing and approving the information detailed in point 1 above.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

No inconsistencies or incidents that might affect ICFR disclosures have come to light as a result of the procedures applied to those disclosures.

This report has been prepared exclusively within the context of the provisions of article 540 of the Revised Spanish Companies Act and the CNMV Circulars for the purposes of the description of ICFR in annual corporate governance reports.

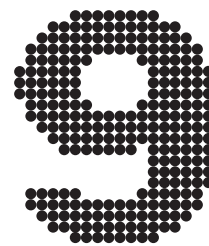
KPMG Auditores, S.L.

(Signed on original in Spanish)

Francisco Gibert Pibernat

17 February 2022

Annual Report on Directors' Remuneration



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This is the Annual Report on Directors' Remuneration of Banco de Sabadell, S.A. (hereinafter, Banco Sabadell, the Bank or the Entity).

Banco Sabadell's Annual Report on Directors' Remuneration (hereinafter, IARC or the Report) is drawn up with the information on the Bank at the end of 2021, in compliance with the provisions of article 541 of the Capital Companies Law and Notice 4/2013 of 12 June of the CNMV (Spanish National Securities Market Commission).

This Report, together with the statistical annex contained in Section 7, has been disclosed as "other relevant information" at the CNMV (Spanish National Securities Market Commission) and shall be submitted for a consultative vote on a separate item of the agenda at the Bank's forthcoming Ordinary General Meeting of Shareholders to be held in 2022. Similarly, this Report is available in the "Corporate Governance and Remuneration Policy" section of the Banco Sabadell Group's corporate website (www.grupobancosabadell.com).

This report essentially consists of two sections:

- Firstly, a summary of our Directors Remuneration Policy applicable to 2022 approved at the Company's General Meeting of Shareholders held on 26 March 2021, which shall remain in force until 31 December 2023.
- Secondly, a description of how the Directors Remuneration Policy has been applied throughout 2021.

We provide below details of the context of the current Remuneration Policy, which includes Banco Sabadell's results in 2021 and how through the decisions taken by the Remuneration Committee, said policy has been applied.

Informative Supplement to the Directors' Remuneration Policy

The Board of Directors, on 17 February 2022, following a report by the Remuneration Committee made available to shareholders at the time notice was given of the General Meeting of Shareholders, has considered appropriate to submit for approval by the General Meeting of Shareholders an informative supplement to the Directors' Remuneration Policy for the years 2021, 2022 and 2023 which develops and expands the information available on current Directors' Remuneration Policy of Banco Sabadell, S.A., approved by the General Meeting of Shareholders on 26 March 2021.

Subsequent to the approval of the current Directors' Remuneration Policy, Law 5/2021 of 12 April was enacted, amending the revised text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010 of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies, which entered into force in general on 3 May

2021, without prejudice to specific provisions for certain specific precepts. Amendments were introduced in relation to the requirements and mandatory content of the Directors' remuneration policy.

Although the current Directors' Remuneration Policy approved in March 2021 already took into account the Draft Bill that led to the aforementioned Law 5/2021, which was at that time at the end of its parliamentary processing, and substantially addresses all the requirements and content applicable to the remuneration policies of directors of listed companies as set out in the new article 529 novodecies of the Capital Companies Law. The Board of Directors of Banco Sabadell, approved at its meeting of 17 February 2022, following a favourable report from the Remuneration Committee, this proposal for the Director's Remuneration Policy, in order to develop and expand the information available on three specific aspects introduced by the new regulations subsequent to their approval, which will improve the overall quality of its contents.

In particular, the proposed informative supplement develops and expands (i) how the remuneration and employment conditions of the employees of the Bank have been taken into account when setting the Remuneration Policy; (ii) how share-based remuneration contributes to the Bank's business strategy and the Bank's long-term interests and sustainability; and (iii) the decision-making process followed for the determination, review and application of the Directors' Remuneration Policy.

The informative supplement of these three specific aspects do not affect the content of the current Directors' Remuneration Policy for the financial years 2021, 2022 and 2023 approved by the General Meeting of Shareholders on 26 March 2021. No elaboration of a new Policy or amendment is therefore required.

Remuneration accrued by the Directors in 2021

The remuneration accrued in 2021 by the Executive Directors and Non-Executive Directors comprises the same elements as those described in the current Remuneration Policy in force in 2022. In this respect, it should be noted that the remuneration system for the Directors of Banco Sabadell distinguishes between the remuneration of the Directors for their functions as members of the Board of Directors and the remuneration for the performance of executive functions, as regulated by the Articles of Association.

The amounts corresponding to 2021 of everyone who was a member of the Board of Directors during that year have been taken into account for this report. Some of the amounts correspond to extraordinary events which happened during 2021 concerning the Executive Directors that make the bases non comparable to 2020 and present significant differences. These events are the vesting of economic rights of long-term savings plans whose contributions have been made during the previous years and the

severance pay amounts for the Executive Directors, in the terms set out in section 3. If these events did not happen and only the amounts arising from the regular activity were considered, the amount of the remuneration accrued in companies of the group in 2021 would amount to 7,179 thousand euro instead of the 44,604 thousand euro contained in table c.i) of section "7. Statistical annex".

In the same way, in 2020, as a responsibility measure against the crisis brought by COVID-19, the Chairman and the Executive Directors voluntarily waived their variable annual remuneration for 2020. If this had not happened, the amount of the remuneration accrued in companies of the group in 2020 would amount to 7,644 thousand euro.

Ordinary remunerations comparative 2021 vs 2020 (thousand euro)

	2021	2020
Summary of the Directors' ordinary remunerations (thousand euro)	7,179	7,644
Extraordinary events in each year		
Vesting of entitlements for pensions (*) and severance pay for directors	37,425	
Directors' waiver of the variable remuneration payment for 2020		865
Total amounts published in the statistical annex, including extraordinary events	44,604	6,779

(*) Of which 32,134 thousand euro correspond to contributions made before 2021.

The comparable ordinary remunerations in 2021 decreased 465 thousand euro (-6,1%) in contrast to the remunerations in 2020.

- The remuneration system of the Directors as members of the Board of Directors, which is broken down into fixed remuneration for membership of the Board of Directors and attendance fees for ordinary meetings, specifies the additional remuneration received by the Chairman for the performance of his functions in his non-executive capacity.
- With regard to the remuneration system of the Directors for their executive functions, in 2021, the Directors received fixed remuneration, short-term variable remuneration, long-term remuneration, social welfare plans and discretionary pension benefits in accordance with the scheme set out in the Directors Remuneration Policy.

With regard to the short-term variable remuneration, each Executive Director is allocated a target amount and certain objectives, which include metrics related to risk control and management, solvency and capital and strategic objectives with weightings allocated to each indicator and a scale of achievement. In 2021 the Chief Executive Officer had 100% of his objectives linked to the Group's objectives. In the case of the CRO Director, taking into account the control functions that he performs, this percentage was reduced to 20%, with the remaining 80% related to the performance of his duties and responsibilities.

On 26 January 2022 the Board of Directors determined the degree of achievement of the following Group objectives in accordance with the weightings established at the beginning of the year:

Metric	Definition	Weighting	% Achievement
ROE (Return on Equity)	Banco Sabadell's ROE (excluding corporate operations) forecast in the 2021 budget	20%	125.61
Net banking revenues	Banco Sabadell's consolidated net interest income plus net fees and commissions forecast in the 2021 budget	17.5%	125.92
Group expenses	Budget for the sum of consolidated personnel and general expenses and those derived from real estate activities not included in the first two (personnel and general)	17.5%	126.63
Cost of Risk	Budget for loan-loss provisions and other financial assets / Gross customer loans + Non-performing properties, ex portfolio sales	25%	100.05
NPS (synthesis of Group)	A synthetic indicator of customers' appraisal of the Entity, distinguishing between business units (Commercial Banking, Private Banking, Corporate Banking EMEA and TSB), weighted by the strategic focus of each segment	10%	105.21
Sustainability (Synthetic Group)	A synthetic indicator comprising environmental, social, diversity and gender equality indicators	10%	125.60
TOTAL			117.41%

Upon the basis of these results, in accordance with the 2021 Policy, the amount of the per annum variable remuneration for each Executive Director has been determined, subject to the deferred liquidation and share-based payment system applicable to their status as Executive Directors, in a manner consistent with effective risk management.

The long-term remuneration is also subject to the achievement of annual objectives, insofar as the amount allocated in the long term is determined upon the basis of a percentage of the fixed remuneration and the achievement of individual annual objectives in the first year of the generation of the incentive. The achievement achieved in respect of the multi-year objectives is applied to this allocated amount at the end of the period and the final amount to be received is determined. The allocated amount considering the achievement of the annual objectives may be reduced but never increase by the result of multi-year metrics.

The Remuneration Policy, approved by the General Meeting of Shareholders on March 28, 2019, was applied to the members of the Board of Directors who performed their executive functions until March 26, 2021. In this respect, in addition to the current Chief Executive Officer and the CRO Director, the following persons performed executive functions as members of the Board of Directors in 2021:

- The Chairman, Mr Josep Olliu Creus performed executive functions until 26 March 2021.
- The Director Ms María José García Beato performed executive functions until 31 March 2021.
- Mr Jaime Guardiola Romojaro resigned as CEO on 18 March 2021.

1. Principles of Banco Sabadell's Remuneration Policy

Banco Sabadell's Remuneration Policy is geared towards creating long-term value by means of an alignment of the interests of its shareholders and employees in coherence with the strategic risk and business goals and the Bank's values while adopting a prudent risk management approach and preventing conflicts of interest.

The principles of the Banco Sabadell Group Remuneration Policy, which are fully applicable to the Executive Directors, are as follows:

1. Fostering medium-to-long term business and social sustainability, as well as alignment with the Group values

Likewise, the Remuneration Policy of the Banco Sabadell Group, as a whole, includes information on the coherence of these policies with the integration of sustainability risks. In particular, with regard to sustainability, the following aspects shall be taken into account:

- The Group's remuneration policy and practices shall be consistent with its approach to credit risk management, its credit risk appetite and its strategies, and shall not create a conflict of interest. In addition, these practices shall incorporate measures for the management of conflicts of interest, with a view to protecting consumers against undesirable detriment arising from the remuneration of sales staff.

- Aligning remuneration with shareholder interest 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 interest.

- Consistency with the integration of sustainability risks and the publication of this information on the Group's website.
- Remuneration policy and practices shall encourage conduct that is consistent with the Group's approach to climate and environmental risks, as well as with the Group's voluntary commitments. Remuneration policy and practices shall promote a long-term approach to managing climate-related and environmental risks.
- The components of remuneration must contribute towards the promotion of action in environmental, social and good governance (ESG) in order to have a sustainable and socially responsible business strategy.

2. Ensuring a competitive and equitable remuneration system (external competitiveness and internal fairness) based on the equal remuneration of female and male employees for a given job or a job of equal value

- The ability to attract and retain the best talent.
- Rewards professional experience and responsibility, irrespective of the employee's gender.
- Is aligned with market standards and flexible, so that it can be adapted to changes in the environment and in the sector's requirements.

3. Rewarding performance by aligning remuneration with the results generated by the individuals and the level of risk assumed with the results generated by the individual and the level of risk assumed

- An appropriate balance between the different remuneration components.
- Taking into consideration current and future risks and results, without encouraging employees to take risks that go beyond the level tolerated by the Group.
- A system that is simple, transparent and clear. The Remuneration Policy must be understandable and easy to communicate to the entire workforce.

Strengths of the Remuneration Policy applicable to the Executive Directors

- **A reasonable balance between (per annum and multi-year) fixed and variable elements**, reflecting appropriate risk-taking combined with the fulfilment of defined short and long-term objectives.
- **Consideration of multiple metrics** linked to results, return, risk management and control, solvency, capital and strategic non-financial objectives linked to sustainability.
- **Long-term remuneration** with a three-year target measurement period linked to TSR, liquidity, solvency and ROTE targets.
- **There is no guaranteed variable remuneration.**
- Prudential mechanisms for **adjustment to fulfilment of objectives** and other **ex-ante adjustments**.
- **Deferral** of 60% of the per annum variable remuneration over five years for any variable remuneration element.
- Payment of more than 50% of the **variable remuneration in shares** (50% for the up-front part and 55% for the deferred part).
- **Permanent holding of shares.** Executive Directors may not transfer the delivered shares until at least three years have elapsed since the time of their delivery, unless they own an amount equivalent to twice their annual fixed remuneration and in any event they have a minimum lock-up of one year.
- **Malus and clawback clauses**, in accordance with the provisions of credit institutions' regulations.
- **Recurrent external advice** to the Board of Directors and the Remuneration Committee with regard to market practices.

Strengths of the Remuneration Policy applicable to the Directors for their functions as members of the Board of Directors

- The remuneration is in accordance with the responsibilities and functions assumed by each Director, without jeopardising their independence.
- They do not participate in variable remuneration schemes.
- They do not receive their remuneration by means of the delivery of shares, options or rights relating to shares or instruments linked to the value of the share.
- They do not participate in long-term savings systems such as pension plans, retirement schemes or other social welfare schemes.

The Policy also complies with the current European Directives and Regulations and other legislation, in particular 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 and Bank of Spain Notice 2/2016 of 2 February to credit institutions on supervision and solvency, complementing the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) 575/2013, as well as the EBA Guidelines on Internal Governance (EBA/GL/2021/05) of 2 July 2021, the EBA Guidelines EBA/GL/2021/04 of 2 July 2021 on adequate remuneration policies in accordance with Directive 2013/36/EU and Delegated Regulation (EU) 923/2021 or the regulation that replaces it.

2. Directors Remuneration Policy applicable to 2022

Banco Sabadell regularly carries out a process to reflect on the current Directors Remuneration Policy that takes into account the following factors:

The Bank's own reality

- **Strategic Plan:** aligning the remuneration package with the short and long-term objectives set out in the 2021-2023 strategic plan.
- **Commitment to sustainability:** this is an essential element of the Group's remuneration. The components of the remuneration must contribute to the promotion of action in environmental, social and good governance (ESG) in order to ensure a sustainable and socially responsible business strategy.
- **Prudent risk management:** discouraging the taking of present and future risks that go beyond the level tolerated by the Group while taking into account the customers' interests.
- **The Group's general Remuneration Policy:** particularly the one applied to members of the members of the Group Identified Staff and the senior management.

External factors

- **Regulations:** strict compliance with the regulatory requirements on remuneration.
- **Approval of Report of the last financial year:** This report was approved by a significant majority at the General Meeting of Shareholders (89.74% of the votes cast).
- **Stakeholders:** the recommendations received during the process of engagement with investors, shareholders and proxy advisors that Banco Sabadell regularly carries out.
- **Market practices:** credit institutions that may be competitors for business or talent.
- **Good governance:** the general national and international corporate governance recommendations.

The Board of Directors, on the motion of the Remuneration Committee, applies the measures it deems appropriate to the Directors' remuneration system during the year, within the limits established in the Policy. However, if the Board of Directors considers that the measures to be implemented require an amendment or a new Remuneration Policy, it shall propose such an amendment or new Policy to the General Meeting of Shareholders.

The Remuneration Policy referred to in this section is the Remuneration Policy of the Directors of Banco Sabadell, S.A. for years 2021, 2022 and 2023, which was approved at the Bank's General Meeting of Shareholders held on 26 March 2021.

The Board of Directors, on 17 February 2022, following a report by the Remuneration Committee has considered appropriate to submit for approval by the General Meeting of Shareholders an informative supplement to the Directors' Remuneration Policy for the years 2021, 2022 and 2023. The Remuneration Committee report is available to shareholders at the time notice was given of the General Meeting of Shareholders. This informative supplement develops and expands the information available on current Remuneration Policy of Banco Sabadell, S. A. (Banco Sabadell, the Bank or the Entity), approved by the General Meeting of Shareholders on 26 March 2021.

For further details the Remuneration Policy can be viewed via the following link:

<https://www.grupbancsabadell.com/corp/es/gobierno-corporativo-y-politica-de-remuneraciones/politica-de-remuneraciones-de-consejeros.html>

2.1. Remuneration of the Executive Directors

2.1.1. Executive summary and remuneration mix

The Executive Directors, in addition to their remuneration due to their capacity as members of the Board of Directors, receive the remuneration corresponding for the performance of their executive functions, pursuant to the provisions of the Articles of Association of Banco Sabadell, whose concepts coincide with those of the Senior Management of Banco Sabadell and the rest of the members of the Group Identified Staff.

The remuneration of the Executive Directors for each financial year is set by the Board of Directors, within the overall maximum limit established by the General Meeting of Shareholders in this Directors Remuneration Policy for each of the items comprising their remuneration. The Board of Directors shall comply with the provisions of the applicable legal regulations, taking into account its special consideration as a financial institution in accordance with the concepts, terms and conditions established in the Directors Remuneration Policy, which considers a vision of total remuneration, taking into account all the elements of remuneration and the relationships between them, establishing an appropriate balance between the fixed and variable remuneration and between the distribution of short and long-term payments and safeguarding the rights and interests of the shareholders, investors and customers.

In this respect, while the remuneration packages of the Chief Executive Officer and the CRO Director are quite similar, there exist the following differences:

- The CRO Director's remuneration is predominantly fixed in order to reflect the nature of his activities and not to jeopardise his independence with respect to the business units he oversees.
- The methods used to set the objectives and determine the variable remuneration of each of the Directors take into account the particularities of each of them and they must not jeopardise their objectivity and independence, in particular that of the Chief Risk Officer. In this respect, 80% of the Chief Executive Officer's short-term variable remuneration is linked to the Group's objectives and the remaining 20% is based on an individual qualitative appraisal approved by the Remuneration Committee on the motion of the Chairman. For the CRO Director, given the nature of his functions (control function), the percentage linked to the Group's objectives is limited to 20% and the remaining 80% are objectives specific to his functions.
- In relation to the pension benefits, the Chief Executive Officer only participates in the pension plan in which the other employees of Banco Sabadell, S.A. are included.

The Chief Executive Officer's remuneration has been kept without variation since their hiring. The established conditions were fixed taking into account the comparative market references, detailed in section 4.2 of this report, which establish the total remuneration of the CEO at the 60th percentile of the group of international comparison and at the 63rd percentile of the group of national comparison, as well as the situation of the Entity at the moment of hiring.

The remuneration items for the Executive Directors set out in the Directors Remuneration Policy, as well as the amounts estimated for 2022, are summarised below:

Item	Purpose	2022 amounts	
		Chief Executive Officer	CRO Director:
Fixed salary	To remunerate the set of functions and the responsibilities of the position held, acknowledging the contribution of the Executive Director in that position for as long as he remains in it.	€2,000,000	€450,000
Social benefits and remuneration in kind	To complement the monetary and non-monetary remuneration with other items that increase the loyalty and commitment of the Executive Directors. The Executive Directors are entitled to the social benefits under the same conditions as the rest of the workforce.	Similar to 2021 ⁽⁴⁾	Similar to 2021 ⁽⁴⁾
Social welfare plans	To cover retirement and other contingencies appropriate to the nature of the functions performed by the Executive Directors.	€870 approximate	€ 100,500 approximate
Discretionary pension benefits*	In accordance with the current regulations, 15% of the contributions to the pension benefits are regarded as discretionary pension benefits and are therefore linked to the percentage of fulfilment of the short-term objectives of the short-term variable remuneration, and they may not in any event exceed 100% of the amount.		
Short-term variable remuneration*	To reflect the performance during the year measured by annual objectives aligned with the risk incurred. Each Executive Director is allocated certain objectives, which include metrics related to risk control and management, solvency and capital and strategic objectives with weightings allocated to each indicator and a scale of achievement. The objectives set for the Executive Directors for 2022 can be viewed in section 2.1.2.b).	Target**: €600,000	Target**: €100,000
		Maximum: €870,000	Maximum: €117,500
Long-term remuneration*	To measure the performance of the Group and the Executive Director within a multi-year framework. The annual objectives determine the amount allocated, to the same extent as the short-term variable remuneration. Upon the basis of that amount, the multi-year objectives determine the final amount to be received, which may be reduced, but never but never increased the long term remuneration amount. The objectives set for the Executive Directors in the different cycles in force in 2022 can be viewed in section 2.1.2.c).	Target**: €600,000	Target**: €112,500
		Maximum: €870,000	Maximum: €132,188

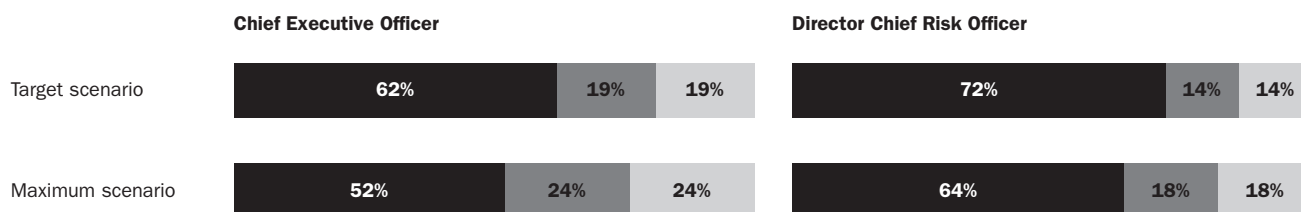
* The payment of any item of variable remuneration is subject to the requirements regarding ex-ante adjustments, deferral periods, payments in capital instruments, malus and clawback clauses outlined in this Report.

In addition, the target and maximum amounts of the variable remuneration are indicated at the time of allocation, without prejudice to the fact that the value actually received may be lower, equal or higher, depending on (i) the evolution of the value of the capital instruments during the deferral period and (ii) the application, as appropriate, of malus clauses.

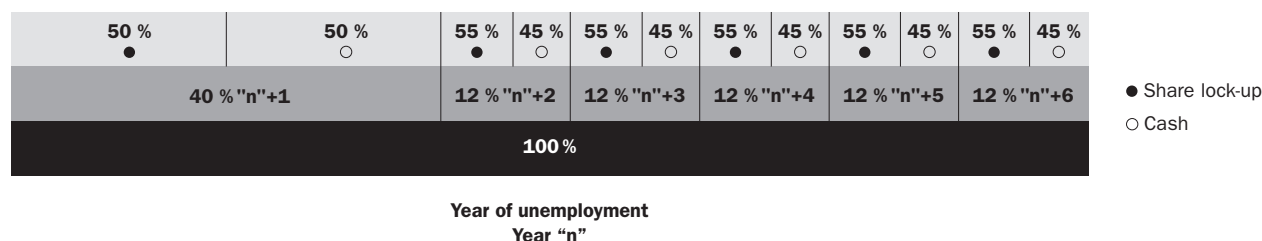
**Target: remuneration to be allocated in the event that 100% of the objectives are achieved.

Maximum: maximum amount of the variable remuneration to be allocated in the event of over-fulfilment of the objectives.

In view of the above, the remuneration mix of the Executive Directors is presented upon the basis of a target scenario for the fulfilment of the objectives:



- Fixed Salary + Social Benefits + Pension Benefits
- Short-term variable remuneration + discretionary pension benefits
- Long-term remuneration



⁽⁴⁾ The amounts are detailed in section 7. Statistical appendix, table i).

2.1.2. Details of the items of remuneration

The items that comprise the remuneration package of the Executive Directors for the performance of their executive functions are similar to those for the 2021 financial year:

A) Fixed remuneration

In accordance with the Directors Remuneration Policy, the overall maximum limit of the fixed remuneration of the Executive Directors is six million euros per annum. Within the above-mentioned limit, which includes both the cash remuneration and the social benefits, pension benefits and welfare plans in the envisaged contractual terms, the Board of Directors, subject to a favourable report from the Remuneration Committee, determines the individual amounts of the remuneration.

The individual remuneration amounts comprising the fixed remuneration of the Executive Directors in 2022 are listed below:

Item	Additional information	Amount
Fixed salary	This is paid in cash on a monthly basis. This remuneration is established by the Board of Directors on the motion of the Remuneration Committee. The amount established in 2021 for both Executive Directors has been maintained.	— Chief Executive Officer/ CEO: €2,000,000 — CRO Director: €525,000
Benefits and Remuneration in kind	The Executive Directors are the beneficiaries in 2022 of a Collective Life Insurance, School allowance, and Christmas basket in the same terms as the rest of the institution's employees. In addition, they are beneficiaries of an Absolute Permanent Disability Insurance in the same terms as the rest of the institution's executives, as well as the assignment of use of a vehicle, in the same terms as the rest of the members of the Bank's senior management.	— Chief Executive Officer/ CEO: Amounts similar to 2021 ⁽⁴⁾ — CRO Director: Amounts similar to 2021 ⁽⁴⁾
Social welfare plans*	Like all the other employees, the Executive Directors participate in the defined contribution "Group B company pension plan", which shall materialise upon their effective retirement as employees. The CRO Director is also a beneficiary of the defined-contribution "Executive Group insurance policy" indexed to his annual fixed salary, which shall be paid out upon the date of his effective retirement, death or permanent and absolute disability, providing for the possibility of collection of the benefit in the form of a lump sum, rent or a combination of the two, in accordance with the current legislation, except in the event that, in the absence of any express interest on the part of Banco Sabadell, he continues to work at Banco Sabadell beyond the age defined by law for collecting the retirement benefit, in which case all the economic rights to which he is entitled shall be forfeited. It is compatible with potential dismissal indemnities.	It is calculated that the following contributions shall be made in 2022: —Group B company pension plan: Chief Executive Officer/ CEO: €831.27 and CRO Director: €831.27 — Executive Group insurance policy: CRO Director: €99,750

Note:

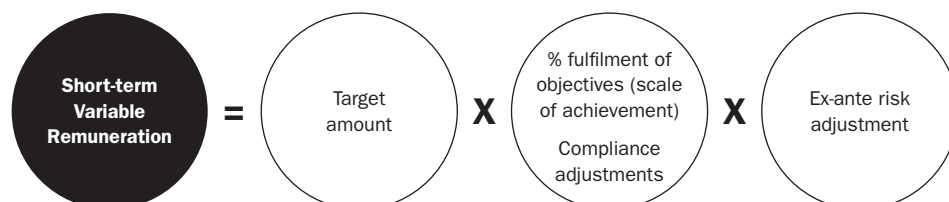
Discretionary pension benefits: Since the entry into force of Bank of Spain Notice 2/2016 of 2 February to credit institutions on supervision and solvency, complementing the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) 575/2013, 15% of the contributions are regarded as discretionary pension benefits and, consequently, they are linked to the percentage of fulfilment of the beneficiary's short-term objectives and on no account may they exceed 100% of the amount.

In this regard, 15% of the contributions to be made in 2022 in relation to the "Executive Group insurance policy" shall be made in keeping with the percentage of fulfilment of the short-term variable remuneration objectives.

⁽⁴⁾ The amounts are detailed in section 7. Statistical appendix, table I).

B) Short-term variable remuneration 2022

At its meeting held on 26 January 2022, the Board of Directors, on the motion of the Remuneration Committee, established that the short-term variable remuneration for 2022 shall be as follows:



Target and maximum amounts:

Target amount (reached in the event that 100% of the pre-set objectives are fulfilled):

- Chief Executive Officer/ CEO: € 600,000 (30% of the fixed salary).
- CRO Director: € 100,000 (22.22% of the fixed salary).

Maximum amount (reached in the event of maximum fulfilment of the pre-established objectives):

- Chief Executive Officer/ CEO: € 870,000 (145% of the target amount).
- CRO Director: € 110,000 (117.5% of the target amount).

Objectives and metrics

The Chief Executive Officer has 80% of his objectives linked to the Group's objectives and the remaining 20% to an individual qualitative appraisal set by the Remuneration Committee on the motion of the Chairman. In the case of the CRO Director, the percentage of the Group's objectives fell to 20%, taking into account the control functions he performs. The metrics selected for the Group's objectives are described below:

Metric	Definition	Weighting
ROTE	Return on Tangible Equity	20%
Net Profit of the Group		20%
Margin interest plus commissions	Banco Sabadell's consolidated net interest income plus net fees and commissions forecast in the 2022 budget	10%
Group expenses	Budget for the sum of consolidated personnel and general expenses and those derived from real estate activities not included in the first two (personnel and general)	10%
Asset Quality	Cost of Risk (12%) + Volume NPAs (8%)	20%
Quality of Services	Aggregate availability metrics of the Group's customer services	10%
Sustainability	A synthesis with grade improvements in the main ESG indices of the credit ratings agencies - Thematic Review Result, Diversity (% female managers) Environment (sustainable finance)	10%

Scales of achievement

In the case of the Group's Objectives, attainment parameters of between 50% and 150% were established for each of the objectives, based on a non-linear scale of attainment pre-established by the Remuneration Committee for each of the objectives. Attainment of under 50% is regarded as 0% for the purposes of the calculation of the overall attainment.

In the case of the functional objectives of the CRO Director, the attainment parameters are set at between 50% and 100%.

In order to be entitled to receive the variable remuneration, the overall attainment of the objectives must exceed 60%. No variable remuneration shall be received under 60% and no additional variable remuneration shall be generated above 150%

Prudential adjustments to the fulfilment of the objectives

The real amount to be received shall be determined by the degree of attainment of the Group's established objectives, to which a correction factor shall be applied, based on the relationship between the Institution's levels of capital (CET1) and liquidity (*Liquidity Coverage Ratio*) with respect to the limits set in the RAS (Risk Appetite Statement). Non-attainment of any of these indicators shall entail a reduction in the variable remuneration; a breach of the tolerance thresholds of the RAS of these indicators shall count as zero attainment of the Group's objectives for 2021.

Ex ante risk adjustments

In addition, the amount of the short-term variable remuneration is subject to a possible disposal adjustment, as determined by the Board of Directors on the motion of the Remuneration Committee, which may indeed prove to be zero depending on the following parameters:

- A variable remuneration adjustment based on the evolution of the risk profile and the evolution of the results. The adjustment may be applied at Group, unit, country or even individual level, to reflect the various types of risk. This variable remuneration adjustment, which can reduce the initial amount of available remuneration to zero, ensures that the variable remuneration is fully aligned with the risks assumed. This variable remuneration adjustment shall cover all the events and situations that might have an impact on the Group's risk and which have not been fully factored into the assessment of the objectives set at the beginning of the year and shall be related to risk and control factors such as breaches of standards and regulations, breaches of risk limits (e.g. RAS, (solvency, liquidity) and breaches of expected loss thresholds in terms of operational risk) and/or internal control indicators (e.g. results of internal audits) and similar items.

- The possibility of reduction to zero if the Bank's capital is less than the Maximum Distributable Amount (MDA) determined by the regulations at any given time.

Malus and Clawback clauses

The short-term variable remuneration and long-term remuneration that has not yet been collected (up to 100% of the amount) shall be subject to malus (reduction or cancellation of the deferred amounts) and clawback (recovery of the received amounts) clauses in the event of a poor financial performance by the Bank as a whole or a specific division or area or the exposures generated by the member of the members of the Group Identified Staff that are applicable. These clauses do not require malice or negligence. For these purposes, the performance assessment will be compared with subsequent performance of the variables that contributed to achieving the objectives.

The following factors will be considered:

- Significant failures in the risk management by the Institution or a unit.
- An increase in the capital requirements of the Institution or a business unit level not envisaged at the moment at which the exposures are generated.
- Regulatory penalties or legal convictions for events that can be attributed to the unit or its managers. Similarly, failure to comply with the Institution's internal codes of conduct.
- Individual or collective improper conduct. Particular consideration shall be given to the negative effects deriving from marketing unsuitable products and the liability of the persons or bodies making such decisions.

The malus clause may be triggered during the period in which variable remuneration is deferred. The clawback clauses may be applied from the delivery of the remuneration until the conclusion of the last lock-up period. The application of the clawback clauses may be supplementary to the application of malus causes, in such a way that, in addition to forfeiting the amounts not yet received, the member of the Identified Staff shall be required to return part or all of the amounts already received as short-term variable remuneration and long-term remuneration.

The Remuneration Committee must review the situation each year in order to make a proposal to the Board of Directors, if necessary, based on a report by the Human Resources Division, and after seeking the opinion of the Internal Control Division, the Finance Division and the Compliance Division as to whether circumstances have arisen to reduce or cancel the deferred remuneration or trigger clawback of variable remuneration already collected by a member of the Identified Staff, depending on the characteristics and circumstances of each particular case.

Payment procedure

The payment of this variable remuneration is subject to the criteria of deferral and payment in capital instruments, in accordance with the applicable regulations. Taking into account the foregoing, the effective receipt of the short-term variable remuneration of the Executive Directors corresponding to 2022 will be subject to the following scheme:

Variable remuneration 2022



40% of the variable remuneration for 2022 shall be received in 2023. 50% of the resulting amount shall be paid in cash and the other 50% in Banco Sabadell shares (valued at the closing price of the last meeting of the month in 2023 in which the non-deferred part is paid) and the shares shall be subject to a one-year lock-up*.

Accordingly, the actual receipt of the Executive Directors' short-term variable remuneration corresponding to 2022 shall be subject to the following schedule:

60% of the variable remuneration for 2022 shall be deferred over a five-year period, with one-fifth being paid in each of the years 2024, 2025, 2026, 2027 and 2028. 45% of the resulting amount shall be paid in cash and the other 55% in Banco Sabadell shares (whose number shall be determined in accordance with the closing price of the last meeting of the month in 2023 in which the non-deferred part is paid) and the shares shall be subject to a one-year lock-up*.

* The variable remuneration paid in shares is subject to one-year lock-up. In line with recommendation 62 of the Good Governance Code, unless the Executive Directors own shares amounting to the equivalent of twice their annual fixed remuneration, they may not transfer the shares they receive until at least three years have elapsed from the time of their delivery. The above condition shall not apply to any shares that must be disposed of, as appropriate, to cover the tax obligations arising from their delivery.

The use of personal hedges with financial products or any other mechanism that guarantees collection of part or all of the variable remuneration is not permitted.

C) Long-term remuneration

The Executive Directors, as well as the other members of the Bank's senior management and the Group Identified Staff, receive long-term remuneration whose overlapped cycles are granted on an annual basis.

General framework

The long-term remuneration scheme is based on the fulfilment of annual and multi-year (three-year) objectives, whereby a reference long-term remuneration amount (the amount to be received in the event of 100% fulfilment of both the annual and the multi-year objectives) is established at the beginning of the cycle. This reference amount totals 30% of the fixed salary for the Chief Executive Officer and 25% for the CRO Director.

After the end of the first year of the cycle, the reference amount is adjusted during the first quarter upon the basis of the following factors:

- Degree of fulfilment with the short-term variable remuneration objectives corresponding to the first year of the cycle.
- Potential ex-ante adjustments.

This adjustment may result in the reference amount being zero or, at most, in the event of the over-fulfilment of the annual objectives, 145% of the reference amount in the

case of the Chief Executive Officer and 117.5% in the case of the CRO Director.

The payment of the adjusted reference amount, determined as a cash amount (45%) and a number of shares (55%), shall depend on the degree of fulfilment of the three-year multi-year objectives. The final amount to be paid shall be, at most, the adjusted reference amount (on no account may it be increased).

In addition, as in the case of the annual objectives, a risk correction factor shall be applied with indicators relating to capital (CET1) and liquidity (Liquidity Coverage Ratio) and an attainment adjustment. Any breach of the tolerance thresholds of the RAS for Liquidity or Solvency shall entail zero remuneration for this long-term remuneration.

In view of the above, the following table summarises the main features of each of the long-term remuneration cycles whose measurement period includes 2022:

Objectives and metrics

In relation to the annual objectives that determine the adjusted reference amount, the same objectives as those established for the short-term variable remuneration apply.

Regarding the multi-annual objectives, the metrics applicable to the 2020 and 2021 long-term remunerations are as follows:

Objective	Weighting
Shareholder profitability (Relative Total Shareholder Return)	25%
Liquidity (Liquidity Coverage Ratio)	25%
Solvency (CET 1)	25%
Return on Risk Adjusted Capital (RoRAC)	25%

In relation to the multi-year objectives, the metrics applicable to the long-term remuneration in 2022 are as follows:

Objective	Weighting
Shareholder profitability (Relative Total Shareholder Return)	25%
Liquidity (Liquidity Coverage Ratio)	25%
Solvency (CET 1)	25%
ROTE	25%

The main features of each of the above metrics are outlined below:

Shareholder profitability (relative TSR)

Definition:

The TSR shall be regarded as the sum of the dividends paid and the variation in the share value shall be regarded as the difference between the arithmetic mean of the closing share price, rounded up to the third decimal, of the first 20 sessions prior to the beginning and end of the multi-year objective measurement period. In this respect, the start and end dates are as follows:

Long-term remuneration	2020	2021	2022
Start Date	01/01/2020	01/01/2021	01/01/2022
Completion date	31/12/2022	31/12/2023	31/12/2024

The TSR of Banco Sabadell shall be compared with the TSR of the following companies (peer group):

Long-term remuneration 2020

ABN AMRO Group NV	Unione di Banche Italiane, SpA
Bankia, S.A.	Caixabank S.A.
Banco Santander, S.A.	Natixis, S.A.
Mediobanca Banca di Credito Finanziario SpA	Banco Bpm SpA
Bankinter S.A.	Nordea Bank AB
BBVA, S.A.	KBC Groep NV
Skandinaviska Enskilda Banken AB	Intesa Sanpaolo SpA
Swedbank AB	Société Générale, S.A.
Crédit Agricole, S.A.	

Long-term remuneration 2021

ABN AMRO Group NV	Unione di Banche Italiane, SpA
Bankia, S.A.	Caixabank S.A.
Erste Group	Natixis, S.A.
Mediobanca Banca di Credito Finanziario SpA	Banco Bpm SpA
Bankinter S.A.	Raiffeisen
BBVA, S.A.	KBC Groep NV
Skandinaviska Enskilda Banken AB	Intesa Sanpaolo SpA
Swedbank AB	Virgin Money
Standard Chartered Bank	

Long-term remuneration 2022

ABN AMRO Group NV	Caixabank S.A.
BPER Banking, SpA	Banco Bpm SpA
Erste Group	Raiffeisen
Mediobanca Banca di Credito Finanziario SpA	KBC Groep NV
Bankinter S.A.	Intesa Sanpaolo SpA
BBVA, S.A.	Virgin Money
Skandinaviska Enskilda Banken AB	Standard Chartered Bank
Swedbank AB	

Upon the basis of a proposal by the Remuneration Committee, the Board of Directors shall have the power to adapt, as appropriate, the composition of the sample of entities in the event of unforeseen circumstances affecting the above-mentioned companies (e.g. mergers, spin-offs, exclusions from stock market trading, etc.) and

to adapt the TSR calculation to any potential operations (e.g. capital increases with the accolade of the preference right) performed by said entities that affect the value of the shares to ensure that the comparison is made on a like-for-like basis.

Scale of achievement

Position of Banco Sabadell's TSR within the peer group		% of achievement
Long-term remuneration 2020 and 2021	Long-term remuneration 2022	
Between the 1st and the 8th	Between the 1st and the 8th	100%
Between the 9th and the 11th	Between the 9th and the 10th	75%
Between the 12th and the 14th	Between the 10th and the 13th	50%
Between the 15th and the 18th	Between the 14th and the 16th	0%

Liquidity (Liquidity Coverage Ratio)**Definition:**

the level established in the Bank's RAS (Risk Appetite Statement) shall be taken into account for the calculation of the fulfilment of the Liquidity Coverage Ratio indicator. The measurement of this indicator shall be based on the average of the last three months of the last financial year of the multi-year measurement period.

Scale of achievement:

If the LCR is higher than the early warning indicator (EWI), the objective shall be deemed to have been achieved in full; if it lies below that threshold, the attainment shall be rated 0%.

Long-term remuneration	2020	2021	2022
Average LCR	01/10/2022 – 31/12/2022	01/10/2022 – 31/12/2023	01/10/2024 – 31/12/2024

Solvency (CET1)**Definition:**

the level established in the Bank's RAS (Risk Appetite Statement) shall be taken into account for the calculation of the fulfilment of the Solvency CET1 indicator. The measurement of this indicator shall be based on the average of the last three months of the last financial year of the multi-year measurement period.

Scale of achievement:

If the Solvency is higher than the early warning indicator (EWI), the objective shall be deemed to have been achieved in full; if it lies below that threshold, the attainment shall be rated 0%.

Long-term remuneration	2020	2021	2022
CET 1 average	01/10/2022 – 31/12/2022	01/10/2022 – 31/12/2023	01/10/2024 – 31/12/2024

Return on Risk Adjusted Capital (RoRAC) (set for 2020-2022 and 2021-2023)

Definition:

the level of the cost of equity shall be taken into account for the calculation of the fulfilment of the RoRAC indicator. The measurement of this indicator shall be based on the average of the last three months of the last financial year of the multi-year measurement period.

Long-term remuneration	2020	2021
Average RORAC	01/10/2022 – 31/12/2022	01/10/2022 – 31/12/2023

Scale of achievement:

If the Cost of Equity is exceeded, the fulfilment of the indicator shall be deemed to be 100%. If it is not reached, the fulfilment of the indicator shall be deemed to be 0%.

Return on Tangible Equity (ROTE) (set for 2022-2024)

Definition:

The ROTE value obtained at the end of the measurement period (2024) shall be taken.

0%	50%	75%	100%
<5%	5%	6%	>7.5%

Scale of achievement:

the following fulfilment scale is defined with a position at the end of the December 2024 period.

Prudential adjustments to the fulfilment of the objectives

A risk correction factor shall be applied with indicators relating to capital (CET1) and liquidity (Liquidity Coverage Ratio) and an attainment adjustment. Any breach of the tolerance thresholds of the RAS for Liquidity or Solvency shall entail zero remuneration for this long-term remuneration.

Payment procedure

The payment of this variable remuneration is subject to the criteria of deferral and payment in capital instruments, in accordance with the applicable regulations. Taking into account the foregoing, the effective receipt of the short-term variable remuneration of the Executive Directors corresponding to 2022 will be subject to the following scheme:

Ex ante risk adjustments

The ex-ante adjustments outlined in the section corresponding to the short-term variable remuneration shall also apply to the long-term remuneration .

	Year annual measurement	Multi-year measurement period	1st payment* (60%)	2nd payment* (20%)	3rd payment* (20%)
Long-term remuneration 2020	2020	2020-2022	2024	2025	2026
Long-term remuneration 2021	2021	2021-2023	2025	2026	2027
Long-term remuneration 2022	2022	2022-2024	2026	2027	2028

* Taking into account that the adjusted reference amount is determined as 45% in cash and the remaining 55% in Banco Sabadell shares, each payment of the long-term remuneration shall abide by the same proportion. The shares that are received are subject to the lock-up requirements outlined in the section on long-term remuneration .

2.1.3. Terms and conditions of the Executive Directors' contracts, including potential payments in the event of termination of employment

The contracts of the Executive Directors are in keeping with the usual parameters for the Bank's Senior Management contracts and comply with the requirements of the law for these types of contracts, based on the following terms and conditions:

- **Duration:** the contracts are indefinite.
- **Fixed remuneration:** The contracts incorporate the payment of the fixed amounts of the remuneration of the Executive Directors under the terms and conditions outlined above.
- **Variable remuneration:** The contracts incorporate the payment of the variable amounts of the remuneration of the Executive Directors under the terms and conditions outlined above.
- **Social welfare benefits:** The contracts incorporate the holding of the Executive Directors in the social welfare systems under the terms and conditions outlined above.
- **Benefits:** The contracts of the Executive Directors incorporate social benefits and flexible remuneration programmes that the Bank has established for the company's other employees, under the same terms as the other beneficiaries.
- **Confidentiality:** The contracts include a confidentiality clause that binds the Executive Directors not to disclose, either during the term of the contract or thereafter, any confidential data, procedures, methods, information or commercial or industrial data referring to the Bank's business or finances.
- **Use and return of company assets:** all the material goods, information media, files, documentation, manuals, etc. in the possession of the Executive Directors must be returned to the Bank upon the termination of the contract.
- **Clawback and Malus clauses:** These two types of clauses are included in the eventualities defined in the Directors Remuneration Policy which are outlined in section 1.1.4 of this Report.
- **Early termination and no-compete clause:** The Chief Executive Officer's contract has a non-compete clause for a period of two years from the date of unfair dismissal or change of control, and for one year in all other cases. The Director General Manager contract contains a post-contractual non-compete clause lasting two years, which would be applied at most until the first date of ordinary retirement in the amount of two years' salary of fixed remuneration.

They do not contain any of the other clauses specified in Article 529.1 eighteenth of the Capital Companies Law.

2.2. Directors' remuneration for their functions as members of the Board of Directors

2.2.1. Remuneration Policy

In accordance with the Directors Remuneration Policy in force in 2022, the overall maximum limit of the remuneration of the Directors for their functions as members of the Board of Directors, pursuant to the provisions of the Articles of Association of Banco Sabadell, is five million EUR per annum. This maximum limit includes the additional remuneration corresponding to the Chairman for his non-executive functions. The remuneration is set on an annual basis within this limit by the Board of Directors following a favourable report from the Remuneration Committee.

In order to determine the remuneration of the Board of Directors, the Reports on the Remuneration of Directors in Spain published by KPMG and Spencer Stuart have been taken into account for financial year 2022.

The Directors' remuneration for their functions as members of the Board of Directors in 2022 is broken down as follows:

- Fixed remuneration for membership of the Board of Directors.
- Attendance fees, with a maximum of 11 fees corresponding to ordinary meetings and the possibility of delegating the representation without the loss of the fee for justified reasons at most twice a year. No amounts are payable for attendance at the extraordinary meetings of the Board of Directors.
- Additional remuneration is collected for performing the functions of Deputy Chairman, Lead Independent Director and chairmanship or membership of the different Committees of the Board of Directors, as well as, as appropriate, membership of any of Banco Sabadell's Advisory Boards.
- Additional fixed remuneration for the Chairman to remunerate the functions he performs as Chairman of the Bank and the Board of Directors, as Chairman of the General Meeting of Shareholders and as the highest representative of the Bank and for the special engagement involved in exercising the function of Chairman under the terms established in the Capital Companies Law and the Articles of Association and by the Board of Directors in a group such as Banco Sabadell.

These functions, due to their organic or representative nature, cannot be regarded as executive, but, nevertheless, from a quantitative point of view they entail a great deal of dedication with much higher intensity than the other non-executive members of the Board of Directors.

The non-executive Directors do not qualify for the remuneration items or benefits that apply to the Bank's employees, the Group's Identified Staff or the Bank's Senior Management, nor are they included in the social welfare plans or the long-term incentive programmes approved by the General Meeting of Shareholders, nor the long-term remuneration.

2.2.2. Expected remuneration

The following table summarises the remuneration expected to be paid in 2022 for their functions as members of the Board of Directors:

	remuneration 2022 (in euros)	Attendance fees 2022 (euros per meeting)
Members	75,000	2,272
In addition:		
— Chairman	1,500,000	
— Deputy Chairman	107,000	
— Lead Independent Director	22,000	

In addition, the non-executive Directors receive certain amounts for chairing or being members of the different Board Committees.

Committee	Position	Amount (in euros)
Strategy and Sustainability Committee	Chairman	—
	Member	40,000
Credit Delegated Committee	Chairman	70,000
	Member	40,000
Audit and Control Committee	Chairman	40,000
	Member	20,000
Appointments and Corporate Governance Committee	Chairman	40,000
	Member	20,000
Remuneration Committee	Chairman	40,000
	Member	20,000
Risk Committee	Chairman	70,000
	Member	20,000

For the position of members of the Board of Directors of Sabadell Information Systems, S.A., Mr Manel Valls Morató and Ms Aurora Catá Sala will receive a maximum of €30,000.

It is not envisaged that the non-executive Directors shall collect any supplementary remuneration from the Institution or any other Group institution in 2022 as consideration for services rendered other than those inherent to their position, or any other remuneration items such as those resulting from the awarding of advances, loans or guarantees, or any other additional remuneration not included in this Report.

Finally, it is hereby stated that both the Chairman Mr Josep Olliu Creus and the Director Ms María José García Beato may continue to receive the deferred amounts of the short and long-term variable remuneration generated in whole or in part while they performed their executive functions.

2.2.3. Conditions of the contracts

With the exception of the Chairman, the non-executive Directors are not under contract to the Bank by virtue of their status as members of the Board of Directors and no indemnities have been agreed upon in the event of the termination of their positions as Directors.

As established in the Articles of Association of Banco de Sabadell, S.A., the Chairman is the Bank's highest representative and he has the rights and obligations inherent to such representation, including the power to sign on behalf of the company. In the discharging of his functions the Chairman is the person with principal responsibility for the effectiveness of the Board of Directors and, as such, in any event, he represents the Bank, holds the power to sign on behalf of the company and convenes and chairs the meetings of the Board of Directors, setting the agenda, directing the debates and deliberations during the meetings of the Board of Directors and being responsible for ensuring compliance with the decisions reached by the Board of Directors.

Due to the scope and particular nature of the assigned functions, the contract of the Chairman in his non-executive capacity provides for fixed remuneration in addition to that corresponding to his membership of the Board, as explained above, and it incorporates an early termination clause of two years' salary in non-voluntary cases, linked to non-competition.

3. Directors Remuneration Policy applicable to 2021

The remuneration accrued in 2021 has abided by the terms of the Remuneration Policy for Directors of Banco Sabadell, S.A. approved as binding by the General Meeting of Shareholders held on 26 March 2021, in accordance with the provisions of article 529 nineteenth of the Capital Companies Law.

It is hereby stated that there has been no deviation from the procedure for the application of the remuneration policy, nor have any temporary exceptions to it been applied.

In this respect, the remuneration accrued in 2021 by the Executive Directors and Non-Executive Directors has been made up of the same items as those outlined in relation to the Remuneration Policy currently in force in 2022.

A detailed description of the Directors' remuneration system in 2021 was included in sections 3.2, 4.2, 5.2 and 5.3 of the Directors' Remuneration Report corresponding to 2020.

This report obtained the following results at the General Meeting of Shareholders held on 26 March 2021:

- the number of shares for which valid votes were cast was 3,440,374,631, which were distributed as indicated below:
- 5,663 abstentions, corresponding to 5,665,497 shares owned by 32 shareholders representing 0.16% of the total share capital present and represented with voting rights;
- 347,535 votes against, corresponding to 347,541,567 shares owned by 142 shareholders representing 10.10% of the total share capital present and represented with voting rights and,
- 3,087,152 votes in favour, corresponding to 3,087,167,567 shares owned by 108,793 shareholders representing 89.74% of the total share capital present and represented with voting rights.

It has been considered appropriate to introduce improvements to the structure of the Annual Report Directors' Remuneration corresponding to 2021 and to incorporate the new features introduced in Notice 3/2021 of 28 September of the CNMV (National Securities Market Commission).

The Remuneration Policy approved by the General Meeting of Shareholders on March 28, 2019, applied to those members of the Board of Directors who performed executive functions until March 26, 2021. In this respect, in addition to the current Chief Executive Officer and the CRO Director, the following persons performed executive functions as members of the Board of Directors in 2021:

- The Chairman, Mr Josep Olliu Creus performed executive functions until 26 March 2021.
- The Director Ms María José García Beato performed executive functions until 31 March 2021.
- Mr Jaime Guardiola Romojaro resigned as CEO on 18 March 2021. His remuneration was the same as in 2020 until the date of the termination.

This section includes the payments for 2021 of everyone who has been a member of the Board of Directors during this year. Some of the amounts correspond to the extraordinary events that happened during 2021 concerning the Executive Directors who make the bases non comparable to 2020 and present significant differences. These events are the consolidation of economic rights of long-term savings plans whose contributions have been made during

the previous years and the severance pay amounts for the Executive Directors, in the terms of this section 3. If these events did not happen and only the amounts arising from the regular activity were considered, the amount of the remuneration accrued in companies of the group in 2021 would amount to 7,179 thousand of euros instead of the 44,604 thousand euros contained in table c.i) of section 7. Statistical annex.

Additionally, in 2020, as a responsibility measure against the crisis brought by COVID-19, the Chairman and the Executive Directors voluntarily waived their variable annual remuneration for 2020. If this had not happened, the amount of the remuneration accrued in companies of the group in 2020 would amount to 7,644 thousand of euros.

3.1. Remuneration of the Executive Directors

3.1.1. Details of the items of remuneration

The individual remuneration comprising the remuneration for 2021 for the Executive Directors is detailed below:

Position	Fixed salary	Benefits and remuneration in kind	Contributions to social welfare plans	Short-term variable remuneration	Long-term variable remuneration
Chief Executive Officer César González-Bueno Mayer ⁽¹⁾	€1,576,921	€20,506	—	€ 557,777 (fulfilment of objectives 117.41%)	€ 557,777 (fulfilment of objectives 117.41%)
CRO Director	€493,749	€41,043	€94,631	€ 99,680 (fulfilment of objectives 99.68%)	€ 112,138 (fulfilment of objectives 99.68%)

⁽¹⁾ Corresponds to the remuneration allocated since 18 March 2021, the date from which he has held the position of Chief Executive Officer.

Position	Fixed salary	Benefits and remuneration in kind	Contributions to social welfare plans	Short-term variable remuneration	Long-term variable remuneration
Chairman Mr Josep Olliu Creus ⁽¹⁾	€451,948	€15,698	€819	€ 355,447 (fulfilment of objectives 117.41%)	€ 139,526 (fulfilment of objectives 117.41%)
Outgoing Chief Executive Officer Jaime Guardiola Romojaro ⁽²⁾	€300,358	€3,193	€1,342,421	€ 264,375 (fulfilment of objectives 113.93%)	€ 97,337 (fulfilment of objectives 113.93%)
Other external Director Ms María José García Beato ⁽³⁾	€135,268	€9,926	€2,943,597		

⁽¹⁾ Remuneration in respect of 1 January 2021 until 26 March 2021.

⁽²⁾ Remuneration in respect of 1 January 2021 until 18 March 2021.

⁽³⁾ Remuneration in respect of 1 January 2021 until 31 March 2021.

A) Fixed remuneration

Fixed salary

- The fixed salary is intended to remunerate the full range of functions and responsibilities of the positions held and acknowledges the contribution of the Executive Directors within those positions for as long as they remain in them.

Social benefits and remuneration in kind

- Social benefits and remuneration in kind: In 2021 the Executive Directors have been beneficiaries of Group Life Insurance and Absolute Permanent Disability Insurance (both applicable to all the Entity's employees), as well as the assignment of use of a vehicle.

Chairman

Mr Josep Oliu Creus

- A defined contribution Group insurance policy for the Board of Directors, which shall pay out in the form of a lump sum from the moment at which each of the beneficiaries cease to be Directors, except in the event that they provide services to any other bank as an advisor or member of the Board of Directors, in which case all the economic rights they are entitled to would be lost. It is compatible with potential termination indemnities and is currently applicable only to the Chairman. The cumulative amount is €1,484,612.
- Executive Group insurance policy, with a fixed contribution, which materialised in 2021 due to a retirement contingency. The consolidated rights as of the retirement date were in the amount of €7,462,000.
- Group B company pension plan with a fixed contribution, which materialised due to a retirement contingency. The consolidated rights on the retirement date were €26,724; the contribution in 2021 was €818.95.

Outgoing Chief Executive Officer Mr Jaime Guardiola Romojaro

- Executive insurance carried out in two policies, whose beneficiary was the outgoing Chief Executive Officer, Mr Jaime Guardiola Romojaro.
- The first was a defined-benefit policy with 50% spousal reversion. The contribution in 2021 due to the adjustment of variables and the rent base was €1,341,599. This policy materialised in 2021 due to a retirement contingency. Consolidated rights at retirement amounted to €23,867,882. Additionally, €1,072,474 in respect of the contributions made considered discretionary pension benefits, have been retained in Banco de Sabadell, S.A. shares for a period of 5 years from the date of retirement.
- The second was a defined contribution insurance policy which paid out in some of the contingencies of retirement, death or total permanent disability in the form of a lump sum, except in the event of resignation from the position of Chief Executive Officer of the Bank before the age of 63, a breach of the no-compete condition within one year of stepping down as the Bank's Chief Executive Officer and or breach of fiduciary duty until the date of expiry of the period of the no-compete condition, in which case all the economic rights to which he was entitled would have been forfeited. The accumulated amount at the retirement date amounted to €2,616,439 and will only be consolidated when compliance with non-competition is verified during the established period of 1 year.

Contributions to long-term saving systems

- Contributions to social welfare schemes:
 - These amounts include the part regarded as a "discretionary pension benefit", which, as explained above, is regarded as variable remuneration for regulatory purposes.
 - These amounts include contributions to other policies held by the Executive Directors as is the case with other employees. Specifically, the defined contribution Group B company pension plan, which shall materialise upon their effective retirement as employees.
 - The Chief Executive Officer and the CRO Director have participated in the social welfare plans outlined in section 2.1.2.A) of this Report.
 - The features of the social welfare plans in which the other Directors who performed executive functions in 2021 participated are listed below:

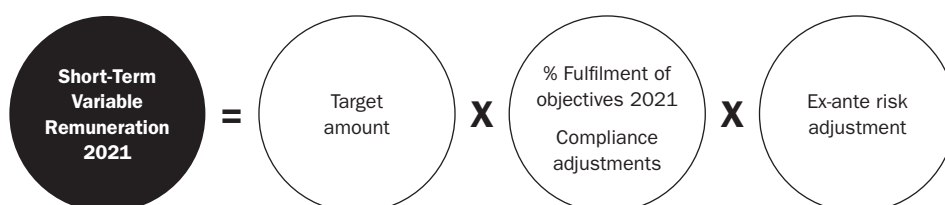
- Group B company pension plan, defined contribution that has materialised due to retirement contingency. The consolidated rights on the retirement date were in the amount of €14,382; the contribution in 2021 was €818.95.

Other external Director
Ms Maria José García Beato

- During 2021, she was the beneficiary of an Executive Collective insurance policy, with a defined benefit indexed to the annual pensionable fixed salary, which could become effective upon reaching 60 years of age, and carried out in two policies:
 - One of early retirement from the age of 60, in which the accumulated amounts are considered variable remuneration, for which they are affected by the maximum limit of 200% of fixed remuneration in variable remuneration, as approved by the General Meeting of Shareholders held on 26 March 2021. No accrual for this item having the employment relationship that occurred on 31 March 2021, proceeding to the cancellation of said policy, allowing the bank to exercise the right of redemption on the accumulated mathematical provision, amounting to 615,839 euros.
 - Another retirement plan from effective retirement, death or permanent and absolute disability, with provision for the possibility of redemption in the form of capital in accordance with current legal regulations. The contributions in respect of 2021 amounted to €2,942,776, of which €2,689,829 have been consolidated on the occasion of the termination of the employment relationship that occurred on 31 March 2021, leaving an amount of €252,947, in respect of the amounts contributed that are considered discretionary pension benefits, in accordance with Circular 2/2016, of 2 February of the Bank of Spain, to credit institutions, on supervision and solvency, retained for a period of five years from the date of termination of the employment relationship, in shares of Banco de Sabadell, S.A. The accumulated amount at the termination date of the work relationship amounted to 4,676,738 euros, which include the contributions for 2021 indicated above. This amount of the mathematical provision corresponding to the amounts that are considered discretionary pension benefits amounted to 726,693 euros at 31 december 2021, which include the 525,947 euro mentioned above, and which have been retained in shares of Banco de Sabadell, S.A. for a period of five years from the date of termination.
- Group B company pension plan, with a defined contribution that has materialised due to the contingency of termination of the employment relationship that occurred on 31 March 2021. The consolidated rights on the retirement date were in the amount of €16,503; the contribution in 2021 was €818.95.

B) Short-term variable remuneration 2021

The short-term variable remuneration relating to 2021 was as follows:



% Fulfilment of objectives

On 26 January 2022 the Board of Directors determined the degree of fulfilment of the following Group objectives in accordance with the weightings established at the beginning of the year:

Metric	Definition	Weighting	% Compliance
ROE (Return on Equity)	Banco Sabadell's ROE (excluding corporate operations) forecast in the 2021 budget	20%	125.61
Core revenue	Banco Sabadell's consolidated net interest income plus net fees and commissions forecast in the 2021 budget	17.5%	125.92
Group expenses	Budget for the sum of consolidated personnel and general expenses and those derived from real estate activities not included in the first two (personnel and general)	17.5%	126.63
Cost of Risk	Budget for loan-loss provisions and other financial assets / Gross customer loans + Non-performing properties, ex portfolio sales	25%	100.05
NPS (synthesis of Group)	A synthetic indicator of customers' appraisal of the Entity, distinguishing between business units (Commercial Banking, Private Banking, Corporate Banking EMEA and TSB), weighted by the strategic focus of each segment	10%	105.21
Sustainability (Synthetic Group)	A synthetic appraisal indicator comprising environmental, social, diversity and gender equality indicators	10%	125.60
TOTAL			117.41 %

The Chief Executive Officer had 100% of his objectives linked to the Group's objectives. In the case of the CRO Director, this percentage fell to 20%, taking into account the control functions he performs.

In relation to the level of fulfilment of objectives of the CRO Director, which includes both the fulfilment of group objectives and the fulfilment of its functional objectives, the Board of Directors set it at 99.68%.

The information used to calculate the financial indicators is derived from audited data in the Annual Accounts, maintaining the definition established when they were first set.

Assessment methods were established consisting of defining attainment parameters between 50% and 150% for each of the objectives, based on a non-linear scale of attainment pre-established by the Remuneration Committee. Attainment of under 50% was regarded as 0% for the purposes of the calculation of the general attainment.

In order to qualify for the variable remuneration, the overall attainment of the objectives had to exceed 60%. No variable remuneration was received under 60% and no additional variable remuneration would have been generated above 150%.

Compliance adjustments

The Board of Directors did not regard it as necessary to make any adjustments to the level of fulfilment of the objectives outlined above, as the Bank's capital (CET1) and liquidity (*Liquidity Coverage Ratio*) levels complied with the limits set in the *Risk Appetite Statement* (RAS).

In this regard, at its meeting held on 24 January 2022, the Risk Committee of Banco Sabadell analysed the applicability of the Risk Correction Factor ("RCF"). In accordance with the capital and liquidity objectives,

metrics, scales of achievement and payment curves of the RCF approved by the Board of Directors on 26 January 2022, the Risk Committee determined that the thresholds required in the RAS to generate the right to the full variable remuneration corresponding to the fulfilment of the objectives set in this respect have been met.

Ex ante risk adjustments

Upon the basis of the information provided by Internal Control, the Remuneration Committee has not considered proposing any additional individual or collective ex-ante adjustments for 2021 insofar as:

- The Group and/or the credit institution subsidiaries have reached the MDA (Maximum Distributable Amount) level determined by the current regulations.
- According to the reports received by Regulatory Compliance, Internal Audit, Finance and the Internal Control management itself, the short-term remuneration for 2021 is aligned with the risk and control levels such as regulatory and normative non-compliance, breaches of risk limits (e.g., RAS (solvency, liquidity) and breaches of expected loss thresholds in terms of operational risk) and/or internal control indicators (e.g. results of internal audits) and similar items.

Short-term variable remuneration generated in 2021

Once the fulfilment of the objectives at Group, unit or country and individual levels has been calculated and ex-ante adjustments have not been deemed necessary, the variable remuneration to be granted individually to each of the members of the Identified Staff has been determined, based on the individual target bonus figure allocated to the evaluation of the fulfilment of individual performance objectives, as approved by the Remuneration Committee at its meeting held on 25 January 2022 and by the Board of Directors on the motion of the Remuneration Committee at its meeting held on 26 January 2022, the variable remuneration in respect of the Executive Directors and the members of the Bank's Senior Management.

In accordance with the applicable regulations, these amounts are paid in the following manner:

- 40% shall be received in 2022, with 50% of the resulting amount being paid in cash and the other 50% in Banco Sabadell shares (valued at the closing price of the last meeting of the month in 2022 in which the non-deferred part is paid) and the shares shall be subject to a one-year lock-up.
- 60% shall be deferred over a five-year period, with one-fifth being paid in each of the years 2023, 2024, 2025, 2026 and 2027. 45% of the resulting amount shall be paid in cash and the other 55% in Banco Sabadell shares (whose number shall be determined in accordance with the closing price of the last meeting of the month in 2022 in which the non-deferred part is paid) and the shares shall be subject to a one-year lock-up.

Director	Up-front payment		Deferred payment			
	2022	2023	2024	2025	2026	2027
Chief Executive Officer	€111,555	€30,120	€30,120	€30,120	€30,120	€30,120
Mr César González-Bueno	190,043 shares	62,714 shares	62,714 shares	62,714 shares	62,714 shares	62,714 shares
CRO Director	€19,936	€5,383	€5,383	€5,383	€5,383	€5,383
Mr David Vegara Figueras	33,962 shares	11,207 shares	11,207 shares	11,207 shares	11,207 shares	11,207 shares

Director	Up-front payment		Deferred payment			
	2022	2023	2024	2025	2026	2027
Chairman	€71,089	€19,194	€19,194	€19,194	€19,194	€19,194
Mr Josep Olliu Creus	121,106 shares	39,965 shares	39,965 shares	39,965 shares	39,965 shares	39,965 shares
(remuneration in respect of the period as Executive Director)						
Outgoing Chief Executive Officer	€52,875	€14,276	€14,276	€14,276	€14,276	€14,276
Mr Jaime Guardiola Romojaró (remuneration until the date of his resignation)	90,076 shares	29,725 shares	29,725 shares	29,725 shares	29,725 shares	29,725 shares

The external Director Ms M^a José García Beato did not accrue any short-term variable remuneration in 2021 as she has reached the maximum threshold of the variable remuneration, limited to two annuities of fixed remuneration, as detailed in section 3.1.2.

The amounts and deferred shares are subject to the malus and clawback clauses outlined in section 2.1.4 of this Report.

In accordance with the instructions of Notice 4/2013 of 12 June of the CNMV (Spanish National Securities Market Commission), Statistical Schedule C.1.a.i) includes the non-deferred amount paid in 2022. Table C.1.a.ii) includes both the delivered shares (“financial instruments accrued in 2021”) and the deferred shares (“financial instruments at 2021 year-end”).

C) Long-term remuneration

This section includes the information on long-term remuneration schemes whose objective measurement periods have ended in 2021.

Complementary Long-Term Incentive (SLTI) 2018- 2021 based on the share price appreciation, which takes into account attainment of multi-year objectives, as approved by the General Meeting of Shareholders on 19 April 2018.

The 2018 SLTI consisted of the allocation of a certain number of rights to the beneficiaries for participation in the increase in value of the same number of Banco Sabadell shares.

The number of rights was subsequently adjusted in the first quarter of 2019 upon the basis of the individual achievement of the annual objectives allocated for 2018.

Position	Number of initial rights	Number of adjusted rights
Chairman	1,700,000	1,250,000
Outgoing Chief Executive Officer	1,500,000	1,125,000
Other external Director	800,000	720,000

The multi-year period for measuring the increase in the value of the Bank's share that would determine the value of the allocated rights covered the years 2018, 2019 and 2020. During this period, objectives related to Shareholder profitability (25%), Liquidity (25%), Solvency CET1 (25%) and RoRAC (25%) were also measured on whose achievement the final number of rights to be received depended.

However, the incentive would have value insofar as there was a revaluation of the Bank's share price over the 2018-2020 period. In this respect:

- The arithmetic mean rounded up to the third decimal point of the closing prices of the Banco Sabadell share in the first 20 trading sessions of 2018 was taken as the initial reference value, resulting in a value of €1.841.
- The arithmetic mean rounded up to the third decimal point of the closing prices of the Banco Sabadell share in the first 20 trading sessions of March 2021 was taken as the final value, resulting in a value of €0.456.

The value of the 2018 SLTI has therefore been zero, as the final value of the Bank's share has been lower than the reference value.

Long-term remuneration 2019-2021

The 2019-2021 long-term remuneration scheme is similar to that outlined for the 2020, 2021 and 2022 long-term variable remuneration (see section 2.1.2.c).

This is an incentive based on the fulfilment of annual and multi-year (three-year) objectives, whereby a reference long-term remuneration amount (the amount to be received in the event of 100% fulfilment of both the annual and the multi-year objectives) is established at the beginning of the cycle.

After the end of 2019, the reference amount was adjusted in the first quarter of 2020 upon the basis on the degree of fulfilment of the 2019 short-term variable remuneration objectives. When it came to determining the adjusted reference amount, the applicability of the ex-ante adjustments established in the variable remuneration, which have already been outlined in this Report, was also analysed.

Director	Initial reference amount	Adjusted reference amount (EUR)
Chairman	€510,300	€442,323
Outgoing Chief Executive Officer	€405,000	€351,256
Other external Director	€125,000	€115,662
CRO Director	€112,500	€102,751

In accordance with the Directors Remuneration Policy, the adjusted reference amounts have been specified as a cash amount (45%) and a number of shares (55%) which were determined with the weighted average price of the last 20 sessions in December 2019, resulting in the following:

Director	Amount in EUR	Number of shares
Chairman	€ 99,523	11,735
Outgoing Chief Executive Officer	€79,033	91,906
Other external Director	€26,024	30,262
CRO Director	€51,148	26,765

The payment of the adjusted reference amount has been subject to the following multi-year objectives set for the 2019-2021 period:

Objective	Weighting
Shareholder profitability (Relative Total Shareholder Return)	25%
Liquidity (Liquidity Coverage Ratio)	25%
Solvency (CET 1)	25%
Return on Risk Adjusted Capital (RoRAC)	25%

The main features of each of these metrics and the degree of fulfilment of the objectives are outlined below:

Shareholder profitability (relative TSR)

Definition:

The TSR has been taken as the sum of the dividends paid and the increase in the share value has been taken as the difference between the arithmetic mean of the closing share price, rounded up to the third decimal point, of the first 20 sessions later than 1 January 2019 and 31 December 2021.

The TSR of Banco Sabadell has been compared with the TSR of the following companies:

Peer group

ABN AMRO Group NV	Société Générale, S.A.
Caixabank S.A.	Intesa Sanpaolo SpA
Banco Santander, S.A.	KBC Groep NV
Mediobanca Banca di Credito Finanziario SpA	Banco Bpm SpA
Bankinter S.A.	Nordea Bank AB
BBVA, S.A.	Swedbank
Skandinaviska Enskilda Banken AB	
Credit Agricole, S.A.	

Scale of achievement:

Position of Banco Sabadell's TSR within the peer group	% of achievement
Between the 1st and the 8th	100%
Between the 9th and the 10th	75%
Between the 10th and the 13th	50%
Between the 14th and the 15th	0%

Percentage of compliance:

Bearing in mind that Banco Sabadell's position within the peer group is 14th, the percentage of compliance is 0%.

Liquidity (Liquidity Coverage Ratio)

Definition:

The level established in the Bank's RAS (Risk Appetite Statement) has been taken into account for the calculation of the fulfilment of the Liquidity Coverage Ratio indicator. This indicator has been measured by taking into account the average for October, November and December 2021.

Scale of achievement:

If the LCR is higher than the early warning indicator (EWI), the objective shall be deemed to have been achieved in full; if it is below that threshold, the attainment shall be rated 0%.

Percentage of compliance:

Given that the average LCR for October, November and December 2020 was above the early warning indicator (EWI), 100% compliance has been confirmed.

Solvency (CET1)

Definition:

The level established in the Bank's RAS (Risk Appetite Statement) has been taken into account for the calculation of the fulfilment of the Solvency (CET1) indicator. This indicator has been measured by taking into account the average for October, November and December 2021.

Scale of achievement:

If the Solvency is higher than the early warning indicator (EWI), the objective shall be deemed to have been achieved in full; if it is below that threshold, the attainment shall be rated 0%.

Percentage of compliance:

Given that the average Solvency (CET1) indicator for October, November and December 2020 was above the early warning indicator (EWI), 100% compliance has been confirmed.

Return on Risk Adjusted Capital (RoRAC)

Definition:

The level of the cost of equity has been taken into account for the calculation of the fulfilment of the RoRAC risk indicator. This indicator has been measured by taking into account the average for October, November and December 2021.

Scale of achievement:

If the Cost of Equity is exceeded, the fulfilment of the indicator shall be deemed to be 100%. If it is not reached, the fulfilment of the indicator shall be deemed to be 0%.

Percentage of compliance:

Given that the average RoRAC for October, November and December 2021 was below the Cost of Equity threshold, 0% compliance has been confirmed.

Taking into account the percentages of fulfilment of the objectives and their weightings, the final percentage of fulfilment of the 2019-2021 long-term remuneration objectives is 50%. The Remuneration Committee has verified that no adjustments to this percentage are appropriate, resulting in the following distribution:

Director	Final incentive in EUR	Final incentive in shares
Chairman	€121,638	116,401
Outgoing Chief Executive Officer	€96,595	92,436
Other external Director	€31,807	30,437
CRO Director	€28,256	27,040

The calendar for payment of said incentive, in compliance with the corresponding regulatory requirements, is as follows:

	2023 (60%)	2024 (20%)	2025 (20%)
Chairman	€72,983	€24,327	€24,327
	69,840	23,280	23,280
	shares	shares	shares
Outgoing Chief Executive Officer	€57,957	€19,319	€19,319
	5,461	18,487	18,487
	shares	shares	shares
Other external Director	€19,084	€6,361	€6,361
	18,262	6,087	6,087
	shares	shares	shares
CRO Director	€16,953	€5,651	€5,651
	16,223	5,407	5,407
	shares	shares	shares

Notes:

- These amounts shall be subject to the malus and clawback clauses set out in the Directors Remuneration Policy.
- The shares that are received are subject to the lock-up requirements outlined in the section on long-term remuneration.

Long-term remuneration 2021–2023

The long-term remuneration for 2021 was approved in the same terms as for 2020, based on the fulfilment of annual and multi-year objectives, establishing a reference amount for the long-term remuneration (the amount to be received in the event of fulfilling 100% of the objectives) equivalent to a percentage of the fixed salary (25% or 30%, depending on the case). (see section 2.1.2.c).

After the end of 2021, the reference amount was adjusted in the first quarter of 2022 upon the basis on the degree of fulfilment of the 2021 short-term variable remuneration objectives.

Director	Initial reference amount	Adjusted reference amount (value)
Chairman (for the period as Executive Director)	€118,837	€139,526
Chief Executive Officer	€475,068	€555,777
Outgoing Chief Executive Officer	€85,438	€97,337
CRO Director	€112,500	€112,138

3.1.2. Terms and conditions of the Executive Directors' contracts, including payments in the event of termination of employment

The conditions of the contracts of the current Executive Directors have been included in section 2.1.3 above.

On 31 March 2021, the employment relationship of Ms. María José García Beato was terminated, with the same right to receive the amount of €1,032,038 as legal severance pay.

Additionally, and in accordance with the termination clause included in her contract, Ms. María José García Beato was entitled to receive €1,274,229, an amount considered variable remuneration and which has been reduced to the amount of €816,390, set as a limit of two years of fixed remuneration in variable remuneration, a limit approved at the General Meeting of Shareholders

held on 26 March 2021. The said amount has been paid applying the schedules for deferral, payment in shares and subsection to malus and clawback clauses explained in the section on short-term variable remuneration generated in 2021, in chapter 3.1 B) of this Report.

Taking into account that, in accordance with the applicable regulations, some of these amounts are regarded as variable remuneration, their payment must comply with the requirements regarding, inter alia, payment in shares and deferral.

The following table details the compensation amounts, as well as the deferral schedule established for them.

Director	Up-front payment		Deferred payment			
	2021	2022	2023	2024	2025	2026
Other external Director	€1,195,424	€ 44,114	€ 44,114	€ 44,114	€ 44,114	€ 44,114
	309,795	102,232	102,232	102,232	102,232	102,232
	shares	shares	shares	shares	shares	shares

The shares that are received shall be subject to a one-year lock-up.

The "compensation" column of Statistical Schedule C.1.a.i) includes the cash amount paid in 2021. Section C.1.a.i) includes both the delivered shares and those that have been deferred.

3.1.3. Malus and clawback clauses

As stated in section 3.1.1 in relation to short and long-term variable remuneration, the amounts pending collection (up to 100% of the amount) are subject to malus (reduction or cancellation of the deferred amounts) and clawback (recovery of the received amounts) clauses.

The causes that would activate these clauses are outlined in section 2.1.4 above; none of them occurred in 2021.

3.2 Directors' remuneration for their functions as members of the Board of Directors

The reports on director remuneration in Spain published by KPMG and Spencer Stuart were taken into account to determine the remuneration of the Board of Directors, as well as the remunerations of the Boards and Committees of Spain's main financial institutions.

The Directors' remuneration in 2021, until the approval of the new Directors Remuneration Policy on 26 March 2021, consisted of the following annual amounts:

	remuneration 2021 (in euros)	Attendance fees 2021 (euros per meeting)
Chairman	175,650	5,273
Deputy Chairman	95,250	2,886
Other members	75,000	2,272
Lead Independent Director	22,000 (additional)	

In addition, the non-executive Directors received the following amounts per year for membership of different Board Committees:

Committee	Position	Amount (in euros)
Audit and Control Committee	Chairman	40,000
	Member	20,000
Appointments Committee	Chairman	20,000
	Member	10,000
Remuneration Committee	Chairman	40,000
	Member	20,000
Risk Committee	Chairman	70,000
	Member	20,000
Delegated Committee	Member	80,000

Following the approval of the new Directors Remuneration Policy, the remuneration scheme has been modified to adapt it to the Chairman's new role, in keeping with what has already been mentioned in section 2.2.2 of this Report. Moreover, the remuneration of the Deputy Chairman has been updated and, at the same time, the specific Board attendance fees for this position have been eliminated. The remuneration of the ordinary members and the Lead Independent Director has remained unchanged:

	Remuneration 2021 (in euros)	Attendance fees 2021 (euros per meeting)
Members	75,000	2,272
In addition:		
— Chairman	1,500,000	
— Deputy Chairman	107,000	
— Lead Independent Director	22,000	

In addition, the amounts for chairmanship or membership of the different Board Committees have been adapted, taking into account the changes that took place in the Bank's delegated and consultative committees in 2021:

Committee	Position	Amount (in euros)
Strategy and Sustainability Committee	Chairman	—
	Member	40,000
Credit Delegated Committee	Chairman	70,000
	Member	40,000
Audit and Control Committee	Chairman	40,000
	Member	20,000
Appointments and Corporate Governance Committee	Chairman	40,000
	Member	20,000
Remuneration Committee	Chairman	40,000
	Member	20,000
Risk Committee	Chairman	70,000
	Member	20,000

Taking into account the above, the total amount actually received by the members of the Board of Directors in 2021 has been:

Directors	Director category	Board of Directors	Allowances	Risk Committee	Appointments and Corporate Governance Committee	Remuneration Committee	Audit and Control Committee	Credit Delegated Committee	Delegated Committee	Strategy and Sustainability Committee
Josep Oliu Creus	Chairman	1,225	34	0	0	0	0	0	0	0
Javier Echenique Landiribar	Deputy Chairman	100	23	0	0	0	0	12	35	15
Pedro Fontana Garcia	Deputy Chairman	120	25	0	0	0	20	33	34	25
Jaime Guardiola Romojaro	CEO	12	5	0	0	0	0	0	0	0
César González Bueno Mayer Wittgenstein	CEO	63	20	0	0	0	0	0	0	0
Anthony Frank Elliott Ball	Lead Independent Director	97	25	0	20	20	0	0	0	0
Aurora Catá Sala	Independent Director	75	25	18	20	40	0	0	0	0
Luis Deulofeu Fuguet	Independent Director	18	7	0	0	0	0	7	0	7
María José García Beato	Other External Director	75	25	0	0	0	0	22	14	30
Mireya Giné Torrens	Independent Director	75	25	0	15	0	35	0	0	0
George Donald Johnston	Independent Director	75	25	70	0	18	0	0	0	0
David Martínez Guzmán	Proprietary Director	75	25	0	0	0	0	0	0	0
José Manuel Martínez Martínez	Independent Director	75	25	0	40	0	0	0	0	27
José Ramón Martínez Sufategui	Independent Director	75	25	0	0	15	20	0	0	0
Alicia Reyes Revuelta	Independent Director	75	25	15	0	0	0	23	26	0
Manuel Valls Morató	Independent Director	75	25	20	0	0	25	0	0	0
David Vegara Figueras	Executive director	75	25	0	0	0	0	0	0	0

For the position of Chairman of the Advisory Boards of Sabadell Guipuzcoano, Mr. Javier Echenique Landiribar received €20,400; Mr. Manel Valls Morató, Ms. Aurora Catá Sala for the position of members of the Board of Directors of Sabadell Information Systems, S.A. received an amount of €25,000, with €5,000 euros for the same office for Mr. Luis Deulofeu Fuguet.

The amounts actually received depended on the date of the appointment and the attendance and they are itemised in the statistical schedule of this document.

The Directors have not collected any supplementary remuneration from the Institution or any other Group institution in 2021 as consideration for services rendered other than those inherent to their position, nor any other remuneration items resulting from the awarding of advances, loans or guarantees, nor remunerations by virtue

of payments to a third-party institution made by the Bank or any other additional remuneration items not included in this Report.

4. Procedures and bodies involved in determining and approving the Remuneration Policy

4.1. General framework

The Articles of Association of Banco Sabadell set out the competences of the Board of Directors and its Committees. The Regulation of the Board of Directors set out the principles of action for the Board of Directors and its Committees, establishing their powers and the basic rules of functioning and organisation, in keeping with the applicable regulations to listed companies and credit institutions, as implemented and complemented in the Regulations of the Board of Directors. The Articles of Association and the Regulations of the Board of Directors and its Committees are available on the Banco Sabadell corporate website.

In accordance with the provisions of the Capital Companies Law, the Board of Directors is vested with non-delegable power to determine the company's general policies and strategies and to make decisions regarding the remuneration of the Directors within the statutory framework and, as appropriate, the Directors Remuneration Policy.

The Remuneration Committee is entrusted with making proposals to the Board of Directors regarding the Directors Remuneration Policy and the individual remuneration and other contractual conditions of the Executive Directors while overseeing their compliance, in accordance with the Regulation of the Board of Directors and the Committee itself.

Similarly, the Remuneration Committee has, at least, the following basic responsibilities, as outlined in article 18 of the Regulation of the Board of Directors and further implemented in the Regulations of the Remuneration Committee:

- a) Proposing the Director Remuneration Policy to the Board of Directors.
- b) Proposing to the Board of Directors the remuneration policy for the General Managers or others who perform the bank's senior management functions reporting directly to the Board, the Delegated Committee or the CEOs, as well as the individual remuneration and other contractual conditions of the Executive Directors while overseeing their compliance.
- c) Regularly reviewing the remuneration policy.
- d) Reporting on the share-based and/or option-based remuneration programmes
- d) Periodically reviewing the general principles in terms of remuneration, as well as the compensation programmes of all employees, weighting their compliance with these principles.
- f) Ensuring that the remuneration is transparent.
- g) Ensuring that any potential conflicts of interest do not impair the independence of the external advice

- h) Verifying the information on remuneration contained in the different corporate documents, including the Report on Director Remuneration.

The Remuneration Committee complies with the principles, good practices and criteria for its proper functioning established by Technical Guide 1/2019 on nomination and remuneration committees of 20 February published by the National Securities Market Commission.

In accordance with the provisions of article 62 of the Articles of Association, at the end of 2021 Banco Sabadell's Remuneration Committee comprised four non-executive Directors, all of whom were Independent Directors, as follows:

Composition:

Chairman

Ms Aurora Catá Sala

Members

Mr Anthony Frank Elliott Ball

Mr. George Donald Johnston III

Mr José Ramón Martínez Sufrategui

Non-member Secretary

Mr Gonzalo Barettino Coloma

In accordance with the provisions of article 19 of the Regulation of the Board of Directors and its own Regulations, the Risk Committee is responsible for informing the Remuneration Committee as to whether the employee compensation programmes are consistent with the Group's risk, capital and liquidity.

In accordance with article 16 of the Regulation of the Board of Directors and its own Regulations, the Audit and Control Committee is responsible for supervising the process of drafting and presenting the regulated financial information, including that related to remuneration, verifying compliance with the regulatory requirements and the correct application of the accounting criteria. In particular, an annual audit of the Remuneration Policy is performed, whose conclusions are submitted to the Remuneration Committee.

The proposals by the Remuneration Committee are submitted to the Board of Directors for its consideration and, as appropriate, approval.

In its meeting on 26 January 2022, in accordance with the Directors Remuneration Policy currently in force and within the limits established therein, the Board of Directors determined the amount of the remuneration of the Directors for the current financial year. Specifically, it determined the remuneration corresponding to the Chairman during the year and that of the other Directors in their capacity as members of the Board of Directors. In addition, it determined the remuneration corresponding to the Executive Directors for the performance of their executive functions, as outlined in the corresponding sections above.

Moreover, several divisions of the Bank participate in the application and supervision of the Remuneration

Policy. These include the Human Resources Division, which draws up an annual report on remuneration whose purpose is to provide the Remuneration Committee with the basic elements to enable it to perform the functions entrusted to it in connection with the review of the general principles of the Banco Sabadell Remuneration Policy and the supervision of the remuneration of the Executive Directors, the Bank's senior management and other persons who, due to their level of responsibility, risk-taking capacity and remuneration status, form part of the Group's Identified Staff, in accordance with the provisions of Law 10/2014 and Delegated Regulation 923/2021/EU or any regulation that replaces it.

4.2. Remuneration benchmarking and external advisors

The Remuneration Committee, in addition to relying on the internal advice of the Bank's own services, is advised by the specialist Willis Towers Watson firm, which collaborates with the Remuneration Committee in identifying market trends and regulatory developments in remuneration matters, and by the EY People Advisory Services

firm, which specialises in the implementation of integrated business strategies. Furthermore, specialised consulting firm Mercer Consulting S.L. issued an independent assessment of the implementation of the remuneration policy applicable to the members of the Identified Staff and the remuneration policy of the Directors, whose conclusions confirmed their proper application; the report was submitted to the Risk Committee and the Remuneration Committee in January 2021.

In addition, with a view to establishing a Remuneration Policy consistent with comparable companies, each year Banco Sabadell uses the Spencer Stuart Board Index 2020 and the report titled "The remuneration of the board members of IBEX 35 companies" produced by the KPMG consulting firm, as well as the advice of the Willis Towers Watson consulting firm, to perform comparative analyses of the remuneration of the Board of Directors, the members of the Bank's Senior Management and the members of the Identified Staff with respect to the market.

Two groups of companies have been used as benchmarking to set the remuneration of the Chief Executive Officer in 2022. As outlined in the following table, the first peer group is made up of 17 banks from Spain and other European countries (the European benchmark), while the second peer group is made up of 13 IBEX-35 companies (the domestic benchmark).

Companies used as benchmarks

Banks included in the European benchmark		Companies included in the domestic benchmark	
Raiffeisen	CaixaBank	Santander	Amadeus
Erste Group	KBC Groep	Mapfre	Bankinter
BBVA	Swedbank	CaixaBank	Enagas
Intesa San Paolo	BPER Banca	Abanca	Fluidra
Banco BPM	Mediobanca	Acciona	Grifols
Skandinaviska Enskilda Banken	Bankinter	Endesa	Merlin Properties
ABN Amro Group		Siemens Gamesa	
Standard Chartered Bank		BBVA	
Virgin Money		Ferrovial	

To set the remuneration of the CRO Director, the information comparable to his functions among the group of European and Spanish companies outlined above has been taken into account.

5. Measures to reduce the exposure to excessive risks and contribute to sustainable performance

The Banco Sabadell Remuneration Policy is aligned with the shareholders' interests, the Banco Sabadell Group strategy and the creation of long-term value and promotes appropriate risk management.

Without prejudice to the supervision exercised by the Bank's governing bodies and management (outlined in section 4 of this Report), the directors Remuneration Policy includes several elements that reduce the exposure to excessive risks, many of which have already been outlined in previous sections. These elements also apply to the professionals who have a material impact on the Bank's risk profile (the "members of the Group Identified Staff").

The main elements of the Remuneration Policy that make it possible to reduce the exposure to excessive risk and align the remuneration with the Bank's objectives, values and long-term interests are listed below:

Objectives established in the variable remuneration

The corporate objectives set in the short-term variable remuneration in 2021 and 2022 measure the Bank's prudential performance from financial and non-financial perspectives. In this respect, 80% of the objectives are linked to financial metrics related to profitability (ROE), results (Core Revenue), expense control (Group Expenses) and the cost of risk. The remaining 20% is linked to non-financial metrics which are key to the Group's value creation, such as customer ratings (NPS - Group synthetic) and ESG progress (Sustainability - Group synthetic).

In addition, taking into account the functions performed by the CRO Director, in accordance with the provisions of the applicable regulations to credit institutions, it has been established that the weight of the corporate objectives in this individual case should be limited to 20% and the remaining 80% should be linked to his own objectives.

In the case of long-term remuneration, in addition to the annual objectives set for short-term remuneration, the multi-year objectives linked to the creation of shareholder value (relative TSR) and the main indicators of the Risk Appetite Framework (Liquidity Coverage Ratio, CET 1 and RoRAC) must be fulfilled.

Adjustments to the fulfilment of objectives

As mentioned in previous sections, both the short and the long-term remuneration are subject to a risk correction factor that includes capital (CET1) and liquidity (Liquidity Coverage Ratio) indicators in relation to the limits set in the RAS. Failure to attain any of these indicators shall result in a reduction of the remuneration.

Moreover, no short-term or long-term variable remuneration is accrued if the overall fulfilment of the objectives (mix of Group and individual objectives) is less than 60%.

Ex ante risk adjustments

The amount of any variable remuneration item is subject to a potential disposal adjustment, as determined by the Board of Directors on the motion of the Remuneration Committee, which may reach zero depending on the parameters outlined in section 2.1.2.b) of this Report, including:

- Risk and control factors such as regulatory and normative non-compliance, breaches of risk limits (e.g., RAS (solvency, liquidity) and breaches of expected loss thresholds related to operational risk) and/or internal control indicators (e.g. results of internal audits) and similar items.
- Maximum Distributable Amount (MDA) lower than that required by the regulations.

Taking the above into account, the final amount of the short-term variable remuneration accrued on an annual basis (subject to ex post adjustments) shall be determined by the Board of Directors, following a recommendation by the Remuneration Committee, based on the individual assigned short and/or long-term variable remuneration figure, the evaluation of the degree of fulfilment of the individual performance objectives allocated to the Executive Directors and the application of the variable remuneration adjustment.

Deferral and payment

The short-term variable remuneration is subject to a deferral scheme, the main features of which are as follows:

- A timeline for the deferral of at least five years for the Executive Directors and the other members of the Bank's senior management and at least three years for the other members of the Identified Staff.
- Deferral of at least 60% in the case of the Executive Directors and the members of the Identified Staff whose variable remuneration exceeds 1,500,000 EUR and 40% for the other members of the Identified Staff.
- The deferred remuneration shall be paid in the form of Banco Sabadell shares in a proportion of 55% to the Executive Directors and the other members of the Bank's senior management and at least 50% to the rest of the Identified Staff.
- The variable remuneration paid in shares is subject to one-year lock-up. In line with recommendation 62 of the Good Governance Code, unless the Executive Directors own shares amounting to the equivalent of twice their annual fixed remuneration, they may not transfer the shares they receive until at least three years have elapsed from the time of their delivery. The above condition shall not apply to any shares that must be disposed of, as appropriate, to cover the tax obligations arising from their delivery.

- The use of personal hedges with financial products or any mechanism that guarantees collection of part or all of the variable remuneration is not permitted.

The specific payment schedule of the short-term variable remuneration for 2021 and 2022 can be viewed in sections 3.1.1.b) and 2.1.2.b) respectively.

The long-term remuneration shall also be paid in the form of Banco Sabadell shares in a proportion of 55% to the Executive Directors and the other members of the Bank's senior management and at least 50% to the rest of the Identified Staff. The time horizon from the measurement of the annual objectives determining the adjusted reference amount until the last payment date is five years, excluding the lock-up period applicable to any shares that are delivered. Information on the payment schedules for the long-term remuneration in force in 2021 and 2022 is included in sections 3.1.1.c) and 2.1.2.c).

Malus and clawback clauses

The short-term variable remuneration and long-term remuneration that has not yet been collected (up to 100% of the amount) shall be subject to malus (reduction or cancellation of the deferred amounts) and clawback (recovery of the received amounts) clauses in the event of a poor financial performance by the Bank as a whole or a specific division or area or the exposures generated by the member of the members of the Group Identified Staff that are applicable. These clauses do not require malice or negligence. For these purposes the performance assessment shall be compared with the subsequent performance of the variables that contribute to achieving the objectives. The factors outlined in section 2.1.4 shall be taken into account.

Control by certain bodies and divisions of the Institution

Without prejudice to the functions mentioned above and those corresponding to the Institution's Remuneration Committee and Board of Directors, the functions of other governing bodies and divisions of the Institution entrusted with control over the remuneration are listed below:

- The Risk Committee checks to ensure that the employee remuneration programmes are consistent with the Bank's risk, capital and liquidity and provides advice in this respect to the Remuneration Committee.
- The Audit and Control Committee supervises the process of drafting and presenting the regulated financial information, including that relating to remuneration, and reviews compliance with the regulatory requirements and proper application of accounting criteria.
- The Internal Audit Division, within the framework of its functions, carries out an independent examination, at least once per annum, of the definition and application of the institution's Remuneration Policy and its effects on its risk profile and the way in which these effects are managed. In addition, the report on the Prudential Evaluation of the Remuneration drawn

up by the specialised Mercer Consulting, S.L. firm for the Remuneration Committee assesses and guarantees that the delimitation of the Group's Identified Staff and the remuneration practices and policies conform to the requirements established in the regulations and interpretations of the EBA and the Bank of Spain.

- Each year the Risk Regulation and Control Division (CRO) submits to the Remuneration Committee a proposal for the adjustment of the variable remuneration, which may be at a Group, unit, country or even individual level, to be applied at year-end, depending on the risk profile and the evolution of the results.

This Annual Report on Directors' Remuneration was approved by Banco Sabadell's Board of Directors at its meeting held on:

17/02/2022

No Directors who voted abstained or voted against the approval of this Report.

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.

6. Reconciliation with the CNMV Annual Report on Remuneration of Directors of Listed Limited Liability Companies

Below is a table of equivalences detailing the location, in this Report, of the content established in the official form of the CNMV's Report on Remuneration of Directors of Listed Limited Companies, approved by Notice 3/2021.

**Report on
Remuneration
of the Directors
of Banco Sabadell**

Content of the form per Notice 3/2021

A. Company's remuneration policy for the current financial year

A.1.

Describe the current Directors Remuneration Policy applicable to the current year. To the extent relevant, include disclosures relating to the remuneration policy approved by the General Meeting of Shareholders, provided that these references are clear, specific and concrete. Describe the specific decisions taken by the Board that apply to this financial year, relating to both directors' remuneration for their functions as such and for executive functions, as provided in the contracts signed with the executive directors, and to the general remuneration policy approved by the General Meeting of Shareholders. In any event, the following aspects must be disclosed:

Sections 1 & 4.

- Description of the company's procedures and the bodies involved in determining and approving the remuneration policy and its terms and conditions.
- Indicate, where applicable, whether the company's remuneration policy was benchmarked against other companies and give details.
- Information as to whether any external advisors were involved in this process and, if so, their institution.
- Procedures set out in the current remuneration policy for directors to apply temporary exceptions to the policy, conditions under which these exceptions can be used and components that may be subject to exception according to the policy.

Relative importance of variable remuneration and fixed remuneration items (remuneration mix) and the criteria and objectives used to determine and ensure an appropriate balance between the fixed and variable components of remuneration. In particular, state the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and adjust it to the company's long-term objectives, values and interests, including references to any measures to guarantee that the company's long-term results are taken into account in the remuneration policy, the measures taken in relation to those categories of staff whose work has a material impact on the company's risk profile and any measures to avoid conflicts of interest. Also disclose if the company has established a period for the accrual or vesting of certain variable remuneration items, whether in cash, shares or other financial instruments, any period of deferral of the payment of amounts or the delivery of accrued or vested financial instruments, any clause that reduces the invested deferred remuneration or that obliges the director to refund remuneration already received, where such remuneration was based on figures that have subsequently been clearly shown to be inaccurate.

Sections 2.1 & 5.

- Amount and nature of fixed components that are expected to be accrued by directors during the financial year for membership of the Board of Directors as such. **Section 2.2.**

- Amount and nature of fixed components that are to be accrued during the financial year for the performance of the Bank's senior management functions by executive directors. **Section 4.2.**

- Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director. **Section 2.1.**

- Amount and nature of variable components, differentiating between short and long term. **Sections 2.1 & 5.**
 Financial and non-financial parameters, including social, environmental and climate change, selected to determine variable remuneration in the current year, describing the extent to which these parameters are related to performance, both of the director and of the company, together with their risk profile, and the methodology, necessary period and the techniques established to determine the degree of fulfilment of the parameters used in the design of the variable remuneration at the end of the year, and describe in detail the criteria and factors applied in terms of the time required and methods for verifying that the performance conditions or any other type of conditions to which the accrual and vesting of each component of variable remuneration was linked were actually fulfilled. State the range, in monetary terms, of the variable components according to the degree of fulfilment of the objectives and established parameters, and whether there is any absolute cap in monetary terms.

- Main characteristics of long-term savings systems. Among other information, state the contingencies covered by the system, whether it is defined-contribution or defined-benefit, the annual contribution to be made to the defined-contribution system, the benefits directors are entitled to under defined-benefit systems, the conditions under which economic rights vest for directors and their compatibility with any other type of payment or severance pay as resolution for the early termination or dismissal of the director or deriving from the termination of the contractual relation, in the terms provided, between the company and the director. **Section 2.1.**

 State if the accrual or vesting of any of the long-term savings plans is linked to achieving certain objectives or parameters related to the director's short- or long-term performance.

- Any type of payment or severance pay for resolution or early termination or dismissal of the director, or deriving from the termination of the contractual relationship between the company and the director, in the terms provided, whether by voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement, such as exclusivity, post-contractual non-competition, permanence or loyalty, which entitle the director to any type of remuneration. **Sections 2.1 and 3.1.**

- State the conditions that contracts for executive directors' bank senior management functions must comply with. Among other aspects, give information on the term, limits to the amounts of severance pay, permanence clauses, notice periods and payment in lieu of notice, and any other clauses regarding hiring bonuses, as well as severance payments or golden handshakes for early resolution or termination of the contractual relationship between the company and the executive director. Include, among others, any no-compete, exclusivity, permanence and loyalty, and post-contractual non-competition pacts or agreements, except where they have already been explained in the previous section. **Section 2.1.**

- The nature and estimated amount of any other supplementary remuneration accrued by directors in the year as consideration for services rendered other than those inherent to their position as directors. **Sections 2.1 & 3.1.**

- Other remuneration items, such as those arising from the company granting the director advance payments, loans, guarantees or any other remuneration **Sections 2.1 & 3.1.**

— The nature and estimated amount of any other planned supplementary remuneration that is not included in the preceding sections, whether paid by the institution or by another institution in the Group, which will be earned by directors during the current financial year. **Sections 2.1 & 3.1.**

A.2.

Describe any material change in the remuneration policy applicable in the current financial year resulting from: **Section 2.**

- A new policy or an amendment of the policy already approved by the General Meeting.
- Material changes in the specific determinations established by the board for the current year regarding the remuneration policy in force, in comparison with those applied in the previous financial year.
- Proposals that the board of directors has resolved to submit to the General Meeting of Shareholders to which this annual report will be submitted and which are proposed to be applicable to the current financial year.

A.3.

Identify the direct link to the document where the current company remuneration policy is posted, which must be available on the company's website. **Section 2.**

A.4.

Explain, considering the data provided in Section B.4, how the outcome of the consultative vote at the General Meeting of Shareholders on the previous year's annual report on remuneration was taken into account. **Section 3.**

B. Overall summary of how the remuneration policy was applied during the reporting year

B.1.

Explain the process used to apply the remuneration policy and to determine the individual remuneration set out in Section C of this report. This information must include the role played by the remuneration committee, the decisions taken by the Board of Directors and, where applicable, the institution and the role of any external advisers engaged for the process of applying the remuneration policy in the reporting year. **Section 3.**

B.1.2.

Explain any deviation from the established procedure for the application of the remuneration policy that has occurred during the financial year. **Section 3.**

B.1.3.

Indicate whether any temporary exception to the remuneration policy has been applied and, if applied, explain the exceptional circumstances that led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the institution considers that those exceptions were necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its viability. Furthermore, quantify the impact that the application of these exceptions has had on the remuneration of each director in the financial year. **Section 3.**

B.2.

Explain the actions taken by the company in relation to the remuneration system and how they contributed to reducing exposure to excessive risks and adapting it to the company's long-term objectives, values and interests, including a reference to any measures that have been adopted to ensure that the company's long-term results were taken into consideration in setting the remuneration actually earned and that a suitable balance was attained between the fixed and variable components of remuneration, any measures adopted in relation to those categories of staff whose professional activities have a material repercussion on the company's risk profile and any measures that have been adopted to avoid conflicts of interest. **Section 3.1.**

— The nature and estimated amount of any other planned supplementary remuneration that is not included in the preceding sections, whether paid by the institution or by another institution in the Group, which will be earned by directors during the current financial year. **Sections 2.1 & 3.1.**

B.3.

Explain how the remuneration accrued and consolidated in the year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the sustainable and long-term performance of the company. Also, report on the relationship between the remuneration obtained by the directors and the company's results or other performance metrics, in the short and long term, detailing how any variations in the company's performance influenced changes in director remuneration, including remuneration accrued but payment deferred, and how they contribute to the company's short- and long-term results. **Sections 1, 2.1 & 5.**

B.4.

Describe the outcome of the consultative vote at the general meeting on the Annual Remuneration Report for the previous year, indicating the number of votes cast for, against, and abstentions if any. Number % of votes cast Number % of negative votes compared with votes cast Votes in favour Blank votes Abstentions Remarks **Sections 2 & 3.**

B.5.

Describe how the fixed components of remuneration earned and vested during the year by the directors in their capacity as such were determined, their relative proportion for each director, and how they changed with respect to the previous financial year. **Section 3.2.**

B.6.

Describe how the salaries earned and vested by each of the executive directors in the last year for performing executive functions were determined, and how they changed with respect to the previous financial year. **Section 3.1.**

Explain the nature and give the main features of the variable components of the remuneration systems earned and vested in the reporting year. In particular:

a) Identify each of the remuneration plans that determined the various types of variable remuneration earned by each of the directors in the reporting year, including information on their scope, approval date, implementation date, any vesting conditions, the periods of accrual and validity, the criteria used to assess performance and how this affected the establishment of the variable amount that accrued, as well as the measurement criteria that were applied and the period that must elapse in order to be in a position to suitably measure all the applicable conditions and criteria, and describe in detail the criteria and factors applied in terms of the time required and methods for verifying that the performance conditions or any other type of conditions to which the accrual and vesting of each component of variable remuneration was linked were actually fulfilled.

b) In the case of stock options and other financial instruments, the general characteristics of each plan must contain information on the conditions required both to achieve unconditional ownership (vesting) and to exercise such options or financial instruments, including the strike price and exercise period.

c) Name and category (executive director, proprietary external director, independent external director and other external director) of each of the directors who are beneficiaries of remunerations systems or plans that include variable remuneration.

d) Where applicable, disclose any accrual, vesting or deferral periods that were applied to the payment of vested amounts and/or any periods of lock-up/non-provision for shares or other financial instruments.

Explain the short-term variable components of the remuneration systems.
Explain the components.

B.7.

Explain the nature and give the main features of the variable components of the remuneration systems earned and vested in the reporting year. In particular:

Sections 3.1 & 5.

- Identify each of the remuneration plans that determined the various types of variable remuneration earned by each of the directors in the reporting year, including information on their scope, approval date, implementation date, any vesting conditions, the periods of accrual and validity, the criteria used to assess performance and how this affected the establishment of the variable amount that accrued, as well as the measurement criteria that were applied and the period that must elapse in order to be in a position to suitably measure all the applicable conditions and criteria, and describe in detail the criteria and factors applied in terms of the time required and methods for verifying that the performance conditions or any other type of conditions to which the accrual and vesting of each component of variable remuneration was linked that were actually fulfilled.
- In the case of stock options and other financial instruments, the general characteristics of each plan must contain information on the conditions required both to achieve unconditional ownership (vesting) and to be able to exercise such options or financial instruments, including the strike price and exercise period.
- Each of the directors and their category (executive directors, proprietary external directors, independent external directors and other external directors) who are beneficiaries of remunerations systems or plans that include variable remuneration.
- Where applicable, disclose any accrual, vesting or deferral periods that were applied to the payment of vested amounts and/or any periods of lock-up/non-provision for shares or other financial instruments.

B.8.

Indicate whether any accrued variable components were reduced or clawed back after deferral of unvested amounts (in the former case) or vesting and payment (in the latter case) on the basis of data which were subsequently shown to be manifestly inaccurate. Describe the amounts reduced or clawed back through the application of the malus or clawback clauses, why they were implemented and the financial years to which they refer.

Section 3.1.**B.9.**

Describe the main characteristics of the long-term savings systems where the amount or equivalent per annum cost appears in the tables in Section C, including retirement and any other survivorship benefits that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is defined-contribution or defined-benefit, the contingencies covered, the conditions for the economic rights to vest for directors, and their compatibility with any type of severance pay for early resolution or termination of the contractual relationship between the company and the director.

Section 3.1.**B.10.**

Describe any termination indemnities or other payment arising from early dismissal or early resignation, or from the termination of the contract, in its own terms, that were accrued and/or received by directors during the reporting year.

Section 3.1.**B.11.**

Indicate whether there were any significant changes in the contracts of persons performing bank senior management functions, such as executive directors, and, if applicable, describe them. Additionally, describe the main conditions of new contracts signed with executive directors during the financial year, unless already described in Section A.1.

Section 3.1.**B.12.**

Describe any additional remuneration paid to directors like consideration for services rendered other than those inherent to their directorship.

Sections 3.1 and 3.2.

B.13.

Describe any remuneration deriving from advance payments, loans or guarantees granted, indicating the interest rate, the main features and any amounts that were repaid, as well as any collateral obligations assumed on their behalf as a guarantee.

Sections 3.1 and 3.2.**B.14.**

Detail any remuneration in kind earned by the directors in the financial year, briefly indicating the nature of the various salary components.

Section 3.1.**B.15.**

Describe any remuneration accrued by directors in the form of payments settled by the listed company with third parties where the director renders services, where such payments are intended to compensate the director's services to the company.

Sections 3.1 and 3.2.**B.16.**

Explain and detail the amounts accrued in the financial year in relation to any other remuneration item other than the above, whatever its nature or the group entity that pays it, including all benefits in any of their forms, such as when considered a related party transaction or, especially, when it significantly affects the true and fair view of the total remuneration accrued by the director, and the amount granted or pending payment must be explained, the nature of the consideration received and the reasons why it would have been considered, if applicable, that it does not constitute remuneration to the director for his/her status as such or in consideration for the performance of his/her executive functions, and whether or not it has been considered appropriate to include it among the amounts accrued in the "other concepts" section of section C.

Sections 3.1 and 3.2.

C. Itemised individual remuneration in respect of each director

Statistical annex

Section 7

7. Statistical annex

ISSUER IDENTIFICATION DATA

Date of end of reference year: [31/12/2021]

Tax ID Number (CIF): [A-08000143]

Company name:

[**BANCO DE SABADELL, S.A.**]

Registered office:

[AV. ÓSCAR ESPLÁ No.37 (ALICANTE)]

B. OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE REPORTING YEAR

B.4. Describe the outcome of the consultative vote at the general meeting on the Annual Remuneration Report for the previous year, indicating the number of votes cast for, against, and abstentions if any:

	Number	% of total
Votes cast	3,440,350	62.00
	Number	% of votes cast
Votes against	347,535	10.10
Votes in favour	3,087,152	89.74
Blank votes		0.00
Abstentions	5,663	0.16

C. ITEMISED INDIVIDUAL REMUNERATION IN RESPECT BY EACH DIRECTOR

Name	Type	Accrual period in 2021
Mr JOSEP OLIU CREUS	Other External Chairman	From 01/01/2021 to 31/12/2021
Mr JOSE JAVIER ECHENIQUE LANDIRIBAR	Independent Deputy Chairman	From 01/01/2021 to 28/07/2021
Mr PEDRO FONTANA GARCIA	Independent Deputy Chairman	From 01/01/2021 to 31/12/2021
Mr JAIME GUARDIOLA ROMOJARO	CEO	From 01/01/2021 to 18/03/2021
Mr CESAR GONZALEZ BUENO MAYER WITIGENSTEIN	CEO	From 18/03/2021 to 31/12/2021
Mr ANTHONY FRANK ELLIOTT BALL	Lead Director	From 01/01/2021 to 31/12/2021
Ms AURORA CATA SALA	Independent Director	From 01/01/2021 to 31/12/2021
Mr LUIS DEULOFEU FUGUET	Independent Director	From 26/10/2021 to 31/12/2021
Ms MARIA JOSE GARCIA BEATO	Other External Director	From 01/01/2021 to 31/12/2021
Ms MIREYA GINE TORRENS	Independent Director	From 01/01/2021 to 31/12/2021
Mr GEORGE DONALD JOHNSTON III	Independent Director	From 01/01/2021 to 31/01/2021
Mr DAVID MARTÍNEZ GUZMAN	Proprietary Director	From 01/01/2021 to 31/12/2021
Mr JOSE MANUEL MARTÍNEZ MARTÍNEZ	Independent Director	From 01/01/2021 to 31/12/2021
Mr JOSE RAMON MARTÍNEZ SUFRATEGUI	Independent Director	From 01/01/2021 to 31/12/2021
Ms ALICIA REYES REVUELTA	Independent Director	From 01/01/2021 to 31/12/2021
Mr MANUEL VALLS MORATO	Independent Director	From 01/01/2021 to 31/12/2021
Mr DAVID VEGARA FIGUERAS	Executive Director	From 01/01/2021 to 31/12/2021

C.1. Complete the following tables with data on the individual remuneration accrued during the year by each of the directors (including remuneration for performing executive functions).

a) Remuneration from the reporting company:

i) Remuneration in cash (thousand euro)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other items	2021 Total	2020 Total
Mr JOSEP OLIU CREUS	1,225	34		452	71			16	1,798	1,986
Mr JOSE JAVIER ECHENIQUE LANDIRIBAR	100	23	62					20	205	227
Mr PEDRO FONTANA GARCIA	120	25	112						257	198
Mr JAIME GUARDIOLA ROMOJARO	12	5		301	53			3	374	1,463
Mr CESAR GONZALEZ BUENO MAYER WITTTGENSTEIN	63	20		1,577	112			20	1,792	
Mr ANTHONY FRANK ELLIOTT BALL	97	25	40						162	150
Ms AURORA CATA SALA	75	25	78						178	166
Mr LUIS DEULOFEU FUGUET	18	7	14						39	
Ms MARIA JOSE GARCIA BEATO	75	25	66	135			1,196	10	1,507	610
Ms MIREYA GINE TORRENS	75	25	50						150	39
Mr GEORGE DONALD JOHNSTON III	75	25	88						188	188
Mr DAVID MARTÍNEZ GUZMAN	75	25	25						100	100
Mr JOSE MANUEL MARTÍNEZ MARTÍNEZ	75	25	67						167	138
Mr JOSE RAMON MARTÍNEZ SUFRATEGUI	75	25	35						135	140
Ms ALICIA REYES REVUELTA	75	25	64						164	
Mr MANUEL VALLS MORATO	75	25	45						145	160
Mr DAVID VEGARA FIGUERAS	75	25	25	494	19			41	654	555

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Plan	Financial instruments at the beginning of 2021		Financial instruments granted during the year 2021		Financial instruments accrued in the year				Instruments vested but not exercised	Financial instruments at the end of 2021	
		No. of instruments	No. Equivalent shares	No. of instruments	No. Equivalent shares	No. of instruments	No. of equivalent/vested shares	Price of vested shares	Gross profit on vested shares or financial instruments (thousand euro)		No. of instruments	No. Equivalent shares
Mr JOSEP OLIU CREUS	ICLP 2018-2021	1,275,000	461,550					0.00		1,275,000		
Mr JOSEP OLIU CREUS	RLP 2019-2021	231,472	231,472					0.00		115,736	115,736	115,736
Mr JOSEP OLIU CREUS	RLP 2020-2022							0.00				
Mr JOSEP OLIU CREUS	RLP 2021-2023			130,731	130,731			0.00			130,731	130,731
Mr JOSEP OLIU CREUS	RV 2021			320,931	320,931	121,106	121,106	0.58	71		199,825	199,825
Mr JAIME GUARDIOLA ROMOJARO	ICLP 2018-2021	1,125,000	407,250					0.00		1,125,000		
Mr JAIME GUARDIOLA ROMOJARO	RLP 2019-2021	183,816	183,816					0.00		91,908	91,908	91,908
Mr JAIME GUARDIOLA ROMOJARO	RLP 2020-2022	288,819	288,819					0.00			288,819	288,819
Mr JAIME GUARDIOLA ROMOJARO	RLP 2021-2023			91,202	91,202			0.00			91,202	91,202
Mr JAIME GUARDIOLA ROMOJARO	RV 2021			238,701	238,701	90,076	90,076	0.58	53		148,625	148,625
Mr CESAR GONZALEZ-	RLP 2021-2023			522,619	522,619			0.00			522,619	522,619

Name	Plan	Financial instruments at the beginning of 2021		Financial instruments granted during the year 2021		Financial instruments accrued in the year				Instruments vested but not exercised		Financial instruments at the end of 2021	
		No. of instruments	No. Equivalent shares	No. of instruments	No. Equivalent shares	No. of instruments	No. of equivalent/vested shares	Price of vested shares	Gross profit on vested shares or financial instruments (thousand euro)	No. of instruments	No. of instruments	No. of instruments	No. Equivalent shares
BUENO MAYER WITIGENSTEIN													
MR CESAR GONZALEZ-BUENO MAYER WITIGENSTEIN	RV 2021			503,613	503,613	190,043	190,043	0.58	112			313,570	313,570
Ms MARIA JOSE GARCIA BEATO	ICLP 2018-2021	720,000	260,640					0.00		720,000			
Ms MARIA JOSE GARCIA BEATO	RLP 2019-2021	60,527	60,527					0.00		30,264		30,263	30,263
Ms MARIA JOSE GARCIA BEATO	RLP 2020-2022	95,983	95,983					0.00				95,983	95,983
Ms MARIA JOSE GARCIA BEATO	Severance pay			820,955	820,955	309,755	309,755	0.52	163			511,160	511,160
Mr DAVID VEGARA FIGUERAS	RLP 2019-2021	53,770	53,770					0.00		27,004		26,766	26,766
Mr DAVID VEGARA FIGUERAS	RLP 2020-2022	120,553	120,553					0.00				120,553	120,553
Mr DAVID VEGARA FIGUERAS	RLP 2021-2023			105,070	105,070			0.00				105,070	105,070
Mr DAVID VEGARA FIGUERAS	RV 2021			89,997	89,997	33,962	33,962	0.58	20			56,035	56,035

iii) Long-term savings systems.

Name	Remuneration from vesting of rights within savings systems
Mr JOSEP OLLU CREUS	7,489
Mr JOSE JAVIER ECHENIQUE LANDIRIBAR	
Mr PEDRO FONTANA GARCIA	
Mr JAIME GUARDIOLA ROMOJARO	23,882
Mr CESAR GONZALEZ BUENO MAYER WITTGENSTEIN	
Mr ANTHONY FRANK ELLIOTT BALL	
Ms AURORA CATA SALA	
Mr LUIS DEULOFEU FUGUET	
Ms MARIA JOSE GARCIA BEATO	4,693
Ms MIREYA GINE TORRENS	
Mr GEORGE DONALD JOHNSTON III	
Mr DAVID MARTÍNEZ GUZMAN	
Mr JOSE MANUEL MARTÍNEZ MARTÍNEZ	
Mr JOSE RAMON MARTÍNEZ SUFRATEGUI	
Ms ALICIA REYES REVUELTA	
Mr MANUEL VALLS MORATO	
Mr DAVID VEGARA FIGUERAS	2

Name	Company's contribution for the year (thousand euro)				Amount of accumulated funds (thousand euro)			
	Saving plans with vested economic rights		Saving plans with unvested economic rights		Saving plans with vested economic rights		Saving plans with unvested economic rights	
	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020
Mr JOSEP OLLIU CREUS	1			36	7,489		1,485	8,720
Mr JAIME GUARDIOLA ROMOJARO	1,240		102	1,225	23,882		3,689	25,516
MR CESAR GONZALEZ-BUENO MAYER WITTGENSTEIN								
Ms MARIA JOSE GARCIA BEATO	2,691		253	796	4,693		727	2,685
Mr DAVID VEGARA FIGUERAS	1		94	118	2		260	163

iv) Details of other items

Name	Item	Remuneration amount
Mr JOSEP OLLIU CREUS		
Mr JOSE JAVIER ECHENIQUE LANDIRIBAR		
Mr PEDRO FONTANA GARCIA		
Mr JAIME GUARDIOLA ROMOJARO		
Mr CESAR GONZALEZ BUENO MAYER WITTGENSTEIN		
Mr ANTHONY FRANK ELLIOTT BALL		
Ms AURORA CATA SALA		

Name	Item	Remuneration amount
Mr LUIS DEULOFEU FUGUET		
Ms MARIA JOSE GARCIA BEATO		
Ms MIREYA GINE TORRENS		
Mr GEORGE DONALD JOHNSTON III		
Mr DAVID MARTÍNEZ GUZMAN		
Mr JOSE MANUEL MARTÍNEZ MARTÍNEZ		
Mr JOSE RAMON MARTÍNEZ SUFRATEGUT		
Ms ALICIA REYES REVUELTA		
Mr MANUEL VALLS MORATO		
Mr DAVID VEGARA FIGUERAS		

b) Remuneration of directors of the listed company for their membership of the administrative bodies of its subsidiaries:

i) Remuneration in cash (thousand euro)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other items	2021 Total	2020 Total
Mr JOSEP OLIU CREUS										
Mr JOSE JAVIER ECHENIQUE LANDIRIBAR										
Mr PEDRO FONTANA GARCIA										
Mr JAIME GUARDIOLA ROMOJARO										
Mr CESAR GONZALEZ BUENO MAYER WITIGENSTEIN										

Name	Fixed remuneration	Attendance fees	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other items	2021 Total	2020 Total
Mr ANTHONY FRANK ELLIOTT BALL										
Ms AURORA CATA SALA		25							25	
Mr LUIS DEULOFEU FUGUET		5							5	
Ms MARIA JOSE GARCIA BEATO										
Ms MIREYA GINE TORRENS										
Mr GEORGE DONALD JOHNSTON III										
Mr DAVID MARTÍNEZ GUZMAN										
Mr JOSE MANUEL MARTÍNEZ MARTÍNEZ										
Mr JOSE RAMON MARTÍNEZ SUFRATEGUI										
Ms ALICIA REYES REVUELTA	49								49	
Mr MANUEL VALLS MORATO		25							25	
Mr DAVID VEGARA FIGUERAS										

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Plan	Financial instruments at the beginning of 2021		Financial instruments granted during the year 2021		Financial instruments accrued in the year				Instruments vested but not exercised	Financial instruments at the end of 2021		
		No. of instruments	No. Equivalent shares	No. of instruments	No. Equivalent shares	No. of instruments	No. equivalent/vested shares	Price of vested shares	Gross profit on vested shares or financial instruments (thousand euro)		No. of instruments	No. of instruments	No. Equivalent shares
Mr JOSEP OLIU CREUS													
Mr JAIME GUARDIOLA ROMOJARO													
Ms MARIA JOSE GARCIA BEATO													
Mr DAVID VEGARA FIGUERAS													

iii) Long-term savings systems.

Name	Remuneration from vesting of rights within savings systems
Mr JOSEP OLIU CREUS	
Mr JOSE JAVIER ECHENIQUE LANDIRIBAR	

Name	Remuneration from vesting of rights within savings systems
Mr PEDRO FONTANA GARCIA	
Mr JAIME GUARDIOLA ROMOJARO	
Mr CESAR GONZALEZ BUENO MAYER WITIGENSTEIN	
Mr ANTHONY FRANK ELLIOTT BALL	
Ms AURORA CATA SALA	
Mr LUIS DEULOFEU FUGUET	
Ms MARIA JOSE GARCIA BEATO	
Ms MIREYA GINE TORRENS	
Mr GEORGE DONALD JOHNSTON III	
Mr DAVID MARTÍNEZ GUZMAN	
Mr JOSE MANUEL MARTÍNEZ MARTÍNEZ	
Mr JOSE RAMON MARTÍNEZ SUFRATEGUI	
Ms ALICIA REYES REVUELTA	
Mr MANUEL VALLS MORATO	
Mr DAVID VEGARA FIGUERAS	

Name	Company's contribution for the year (thousand euro)				Amount of accumulated funds (thousand of euro)			
	Saving plans with vested economic rights		Saving plans with unvested economic rights		Saving plans with vested economic rights		Saving plans with unvested economic rights	
	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020
Mr JOSEP OLIU CREUS								

Name	Company's contribution for the year (thousand euro)				Amount of accumulated funds (thousand euro)			
	Saving plans with vested economic rights		Saving plans with unvested economic rights		Saving plans with vested economic rights		Saving plans with unvested economic rights	
	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020
Mr JAIME GUARDIOLA ROMOJARO								
Ms MARIA JOSE GARCIA BEATO								
Mr DAVID VEGARA FIGUERAS								

iv) Details of other items

Name	Item	Remuneration amount
Mr JOSEP OLIU CREUS		
Mr JOSE JAVIER ECHENIQUE LANDIRIBAR		
Mr PEDRO FONTANA GARCIA		
Mr JAIME GUARDIOLA ROMOJARO		
Mr CESAR GONZALEZ BUENO MAYER WITTINGSTEIN		
Mr ANTHONY FRANK ELLIOTT BALL		
Ms AURORA CATA SALA		
Mr LUIS DEULOFEU FUGUET		
Ms MARIA JOSE GARCIA BEATO		
Ms MIREYA GINE TORRENS		

Name	Item	Remuneration amount
Mr GEORGE DONALD JOHNSTON III		
Mr DAVID MARTÍNEZ GUZMAN		
Mr JOSE MANUEL MARTÍNEZ MARTÍNEZ		
Mr JOSE RAMON MARTÍNEZ SUFRATEGUI		
Ms ALICIA REYES REVUELTA		
Mr MANUEL VALLS MORATO		
Mr DAVID VEGARA FIGUERAS		

c) Summary of remuneration (thousand euro):
Summarise the amounts corresponding to all the remuneration items included in this report that have accrued to the director, in thousand euro.

Name	Remuneration accrued in the company					Remuneration accrued in group companies					2021 total Company + Group
	Total cash remuneration	Gross profit on vested shares or financial instruments	Remuneration under savings systems	Remuneration under other headings	2021 total Company	Total cash remuneration	Gross profit on vested shares or financial instruments	Remuneration under savings systems	Remuneration under other headings	2021 total Group	
Mr JOSEP OLIU CREUS	1,798	71	7,489		9,358						9,358
Mr JOSE JAVIER ECHENIQUE LANDIRIBAR	205				205						205
Mr PEDRO FONTANA GARCIA	257				257						257

Name	Remuneration accrued in the company					Remuneration accrued in group companies				
	Total cash remuneration	Gross profit on vested shares or financial instruments	Remuneration under savings systems	Remuneration under other headings	2021 total Company	Total cash remuneration	Gross profit on vested shares or financial instruments	Remuneration under savings systems	Remuneration under other headings	2021 total Group
Mr JAIME GUARDIOLA ROMOJARO	374	53	23,882		24,309					24,309
MR CESAR GONZALEZ-BUENO MAYER WITTGENSTEIN	1,792	112			1,904					1,904
Mr ANTHONY FRANK ELLIOTT BALL	162				162					162
Ms AURORA CATA SALA	178				178	25				203
Mr LUIS DEULOFEU FUGUET	39				39	5				44
Ms MARIA JOSE GARCIA BEATO	1,507	163	4,693		6,363					6,363
Ms MIREYA GINE TORRENS	150				150					150
Mr GEORGE DONALD JOHNSTON III	188				188					188
Mr DAVID MARTÍNEZ GUZMAN	100				100					100
Mr JOSE MANUEL MARTÍNEZ MARTÍNEZ	167				167					167

Name	Remuneration accrued in the company					Remuneration accrued in group companies					2021 total Company + Group
	Total cash remuneration	Gross profit on vested shares or financial instruments	Remuneration under savings systems	Remuneration under other headings	2021 total Company	Total cash remuneration	Gross profit on vested shares or financial instruments	Remuneration under savings systems	Remuneration under other headings	2021 total Group	
Mr JOSE RAMON MARTÍNEZ SUFRATEGUI	135				135						135
Ms ALICIA REYES REVUELTA	164				164	49				49	213
Mr MANUEL VALLS MORATO	145				145	25				25	170
Mr DAVID VEGARA FIGUERAS	654	20	2		676						676
TOTAL	8,015	419	36,066		44,500	104				104	44,604

C.2. Indicate the changes over the last five years in the amount and percentage change in the remuneration accrued by each of the listed company's directors during the year, in the consolidated results of the company and in the average remuneration on a full-time equivalent basis of the employees of the company and its subsidiaries who are not directors of the listed company.

	Total amounts accrued and % of change per annum									
	Year 2021	% Change 2021/2020	Year 2020	% Change 2020/2019	Year 2019	% Change 2019/2018	Year 2018	% Change 2018/2017	Year 2017	
Executive Directors										
Mr JAIME GUARDIOLA ROMOJARO	427	-70.81	1,463	-39.34	2,412	64.64	1,465	-42.86	2,564	

Total amounts accrued and % of change per annum										
	Year 2021	% Change 2021/2020	Year 2020	% Change 2020/2019	Year 2019	% Change 2019/2018	Year 2018	% Change 2018/2017	Year 2017	
Mr CESAR GONZALEZ BUENO MAYER WITGENSTEIN	1,904	-	0	-	0	-	0	-	0	
Mr DAVID VEGARA FIGUERAS	674	21.44	555	-6.41	593	220.54	185	7.56	172	
External directors										
Mr JOSEP OLIU CREUS	1,869	-5.89	1,986	-35.81	3,094	56.82	1,973	-45.99	3,653	
Ms MARIA JOSE GARCIA BEATO	311	-49.02	610	-25.06	814	206.02	266	-	0	
Mr JOSE JAVIER ECHENIQUE LANDIRIBAR	205	-9.69	227	-3.81	236	0.00	236	14.56	206	
Mr PEDRO FONTANA GARCIA	257	29.80	198	1.54	195	52.34	128	n.k.	8	
Mr ANTHONY FRANK ELLIOTT BALL	162	8.00	150	7.14	140	10.24	127	252.78	36	
Ms AURORA CATA SALA	203	9.14	186	16.25	160	0.00	160	15.94	138	
Mr LUIS DEULOFEU FUGUET	44	-	0	-	0	-	0	-	0	
Ms MIREYA GINE TORRENS	150	284.62	39	-	0	-	0	-	0	
Mr GEORGE DONALD JOHNSTON III	188	0.00	188	1.08	186	35.77	137	552.38	21	
Mr DAVID MARTÍNEZ GUZMAN	100	0.00	100	0.00	100	0.00	100	49.25	67	
Mr JOSE MANUEL MARTÍNEZ MARTÍNEZ	167	21.01	138	-25.41	185	2.78	180	16.13	155	
Mr JOSE RAMON MARTÍNEZ SUFRATEGUI	135	-3.57	140	8.53	129	7.50	120	16.50	103	
Ms ALICIA REYES REVUELTA	213	-	0	-	0	-	0	-	0	

	Total amounts accrued and % of change per annum										
	Year 2021	% Change 2021/2020	Year 2020	% Change 2020/2019	Year 2019	% Change 2019/2018	Year 2018	% Change 2018/2017	Year 2017		
Mr MANUEL VALLS MORATO	170	-5.56	180	12.50	160	0.00	160	31.15	122		
Consolidated results of the company											
	619,990	-	-120,830	-	951,076	127.06	418,865	-50.62	848,255		
Average employee remuneration											
	59	9.26	54	-1.82	55	5.77	52	0.00	52		



D. OTHER USEFUL INFORMATION

This Annual Remuneration Report was approved by the company's Board of Directors at a meeting on:

[17/02/2022]

Indicate whether any board members voted against or abstained with respect to the approval of this report.

[] Yes

[] No