



ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER IDENTIFICATION DATA

Reporting Year Ended

[31/12/2019]

Tax ID Number:

[A-08000143]

Company name:

[**Banco de Sabadell, S.A.**]

Registered office:

[AV. OSCAR ESPLÁ N.37 (ALICANTE)]

A. OWNERSHIP STRUCTURE

A.1. Complete the next table about the company's ownership structure:

Date of last change	Share capital (€)	No. of shares	No. of voting rights
16/11/2017	703,370,587.63	5,626,964,701	5,626,964

Indicate whether there are different classes of shares, with different associated rights:

Yes
 No

A.2. Detail direct and indirect owners of significant stakes at year-end, excluding directors:

Name of shareholder	Voting rights attributed to the shares (%)		Voting rights through financial instruments (%)		Total voting rights (%)
	Direct	Indirect	Direct	Indirect	
BLACKROCK INC.	0.00	5.08	0.00	0.13	5.21
FINTECH EUROPE, S.À.R.L.	3.49	0.00	0.00	0.00	3.49
COLTRANE MASTER FUND,L.P.	0.00	0.00	1.07	0.00	1.07

Detail the indirect holding:

Full name/corporate name of indirect owner	Full name/corporate name of direct owner	Voting rights attributed to the shares (%)	Voting rights through financial instruments (%)	Total voting rights (%)
BLACKROCK INC.	Subsidiaries of BLACKROCK, INC.	5.08	0.13	5.21

Indicate significant changes in the ownership structure in the year:

Main changes

NORGES BANK 07/01/2019. Fell below 3% of voting rights attributed to shares.
 BLACKROCK INC. 01/02/2019. Fell below 5% of voting rights attributed to shares.
 BLACKROCK INC. 04/02/2019. Exceeded 5% of voting rights attributed to shares.
 BLACKROCK INC. 05/02/2019. Fell below 5% of voting rights attributed to shares.
 BLACKROCK INC. 26/02/2019. Fell below 5% of voting rights attributed to shares and financial instruments.
 BLACKROCK INC. 28/02/2019. Exceeded 5% of voting rights attributed to shares and financial instruments.
 BLACKROCK INC. 03/05/2019. Fell below 5% of voting rights attributed to shares and financial instruments.
 BLACKROCK INC. 07/05/2019. Exceeded 5% of voting rights attributed to shares and financial instruments.
 BLACKROCK INC. 08/05/2019. Fell below 5% of voting rights attributed to shares and financial instruments.
 BLACKROCK INC. 23/05/2019. Exceeded 5% of voting rights attributed to shares and financial instruments.
 BLACKROCK INC. 10/06/2019. Fell below 5% of voting rights attributed to shares and financial instruments.
 BLACKROCK INC. 11/06/2019. Exceeded 5% of voting rights attributed to shares and financial instruments.
 BLACKROCK INC. 15/08/2019. Fell below 5% of voting rights attributed to shares and financial instruments.
 BLACKROCK INC. 19/08/2019. Exceeded 5% of voting rights attributed to shares and financial instruments.
 BLACKROCK INC. 23/08/2019. Fell below 5% of voting rights attributed to shares and financial instruments.
 BLACKROCK INC. 20/11/2019. Exceeded 5% of voting rights attributed to shares and financial instruments.
 BLACKROCK INC. 28/11/2019. Exceeded 5% of voting rights attributed to shares.
 BLACKROCK INC. 16/12/2019. Fell below 5% of voting rights attributed to shares and financial instruments.

BLACKROCK INC. 20/12/2019. Exceeded 5% of voting rights attributed to shares and financial instruments.
BLACKROCK INC. 30/12/2019. Fell below 5% of voting rights attributed to shares.
BLACKROCK INC. 31/12/2019. Exceeded 5% of voting rights attributed to shares.

Mr. David Martínez Guzmán is the indirect holder of the voting rights attributed to the shares of FINTECH EUROPE, S.À.R.L.

A.3. Complete the next tables regarding the members of the company's board of directors who hold voting rights in the company:

Name of director	Voting rights attributed to the shares (%)		Voting rights through financial instruments (%)		Total voting rights (%)	Voting rights that may be transferred through financial instruments (%)	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr. JOSÉ OLIU CREUS	0.01	0.11	0.03	0.00	0.15	0.00	0.00
Mr. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr. JAIME GUARDIOLA ROMOJARO	0.03	0.00	0.02	0.00	0.05	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. PEDRO FONTANA GARCIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ms. MARÍA JOSÉ GARCÍA BEATO	0.00	0.00	0.01	0.00	0.01	0.00	0.00
Ms. MARIA TERESA GARCIA-MILÀ LLOVERAS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr. GEORGE DONALD JOHNSTON	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr. DAVID MARTÍNEZ GUZMÁN	0.00	3.49	0.00	0.00	3.49	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
Mr. JOSÉ LUIS NEGRO RODRÍGUEZ	0.05	0.00	0.01	0.00	0.06	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total % of voting rights held by the board of directors	3.78
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Detail the indirect holding:

Name of director	Full name/ corporate name of direct owner	Voting rights attributed to the shares (%)	Voting rights through financial instruments (%)	Total voting rights (%)	Voting rights that may be transferred through financial instruments (%)
Mr. DAVID MARTÍNEZ GUZMÁN	FINTECH EUROPE, S.À.R.L.	3.49	0.00	3.49	0.00

The percentage of voting rights through financial instruments reflects the rights attributed to the long-term supplementary incentives for the years 2017 and 2018, which have not vested.

A.4. Indicate any family, commercial, contractual or business relationships among owners of significant stakes, insofar as they are known to the company, unless they are not material or are derived from ordinary commercial transactions, except those disclosed in section A.6:

Name of related parties	Relationship type	Brief description
No data		

A.5. Indicate any commercial, contractual or corporate relationships between owners of significant stakes and the company and/or its group, unless they are not material or are derived from ordinary commercial transactions:

Name of related parties	Relationship type	Brief description
No data		

A.6. Indicate any relationships between significant shareholders or shareholders with board representation and the directors, or their representatives, in the case of natural persons representing directors that are legal persons, except where such relations are non-material for the two parties.

Indicate how the significant shareholders are represented. Specifically, identify any directors who were appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are related to significant shareholders and/or entities in their group, indicating the nature of the relationship. In particular, disclose the existence, identity and position of directors, or representatives of directors, of the listed company who are, in turn, members of the board, or their representatives, in companies that hold significant stakes in the listed company or in entities of such significant shareholders' group:

Full name/corporate name of related director or representative	Name of related significant shareholder	Corporate name of the significant shareholder's group company	Description of relationship/position
Mr. DAVID MARTÍNEZ GUZMÁN	FINTECH EUROPE, S.À.R.L.	NOT APPLICABLE	-

Fintech Europe S.A.R.L. is owned 100% by Fintech Investment Ltd., the investment fund managed by Fintech Advisory Inc. (FAI). FAI is owned 100% by Mr. David Martínez Guzmán.

A.7. Indicate whether shareholders' agreements that affect the company have been notified to the company as provided in articles 530 and 531 of the Capital Companies Act. If so, briefly describe the agreements and list the shareholders involved:

Yes
 No

Indicate if the company is aware of any concerted actions among its shareholders. If so, give a brief description:

Yes
 No

If the shareholders' agreements or concerted actions have been amended or terminated in the year, indicate this expressly.

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A.8. Indicate if any natural or legal person exercises or can exercise control over the company in accordance with article 5 of the Securities Market Act. If so, identify that person:

Yes
 No

A.9. Complete the next tables about the company's own shares:

At year-end:

No. of direct shares	No. of indirect shares (*)	Total % of share capital
6,006,864	10,155,636	0.287

(*) Through:

Name of direct owner of holding	No. of direct shares
BANCO SANTANDER S.A.	10,155,636
Total	10,155,636

Describe the main changes in the year:

Describe the main changes

See detail in table.

A.10. Detail the conditions and term of the current authorisation that the Shareholders' Meeting has given to the Board of Directors to buy or sell own shares:

The current mandate was granted by a resolution of the General Meeting of Shareholders of Banco de Sabadell, S.A. on 28 March 2019, under item 8 on the agenda, for five years, in the following terms:

"Revoke the delegation granted under resolution six adopted at the General Meeting on 19 April 2018 in the part not executed, and authorise Banco de Sabadell, Sociedad Anónima so that, either directly or through any of its subsidiaries, and within a maximum period of five years as from the date of this General Meeting, it may, subject to obtaining prior authorisation from the European Central Bank, acquire, at any time and as often as it sees fit, shares of Banco de Sabadell, Sociedad Anónima by any of the means admitted by law, including against profit for the year and/or unrestricted reserves, and that it may subsequently sell or cancel any shares thus acquired or, as appropriate, deliver them to employees or directors of Banco de Sabadell, Sociedad Anónima as part of their remuneration or as a result of the exercise of stock options which they hold, all in accordance with the provisions of articles 146, 509 and matching articles of the Capital Companies Act.

Approve the limits or conditions of these acquisitions, as follows:

- The par value of the shares thus acquired, directly or indirectly, in addition to any shares already held by Banco de Sabadell, Sociedad Anónima and its subsidiaries, must not exceed, at any time, the legal limit established at any time by the legislation in force (currently ten per cent of share capital), complying in all cases with all the limits for acquisition of own shares established by the stock market regulators in the markets on which the shares of Banco de Sabadell, Sociedad Anónima are listed.
- The acquisition, including any shares previously acquired by Banco de Sabadell, Sociedad Anónima (or by a person acting in their own name but on the bank's behalf) and held by it, must not lead to equity being less than the amount of capital plus legal reserves and reserves that are designated as restricted under the Articles of Association.
- The shares acquired must have been fully paid.
- The acquisition price must be no less than par value and no higher than 20 per cent above the stock market price or any other price whereby the shares may be valued as of the date of their acquisition. All acquisitions of own shares must be made in accordance with general stock market rules and regulations."

A.11. Estimated free float:

	%
Estimated free float	90.84

A.12. Indicate whether there are any restrictions (under the Articles of Association, the law or any other type) on the transfer of securities and/or any restriction on voting rights. In particular, disclose the existence of any restrictions that might hamper the acquisition of control of the company by purchasing its shares in the market, and the requirements as to prior authorisation or disclosure of the acquisition or disposal of the company's financial instruments that are applicable in its industry.

[v] Yes

No

Description of the restrictions

The only existing restrictions are those established in Spanish law applying to all credit institutions. Act 10/2014, of 26, June, on ordering, supervision and solvency of credit institutions, establishes that in any acquisition of at least 10 percent of the capital or of the voting rights of the institution, 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 the acquisition of 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 the stake below those thresholds must be notified by the seller to the Bank of Spain.

A.13. State whether the General Meeting adopted measures to neutralise a takeover bid under the provisions of Act 6/2007.

Yes
 No

A.14. Detail any such methods that have been approved and the terms in which the restrictions will be rendered ineffective:

A.15. Indicate whether the company has issued securities that are not listed in a regulated market in the European Union.

Yes
 No

If so, state the classes of shares and, for each class of shares, their corresponding rights and obligations:

B. GENERAL MEETING

B.1. Indicate whether there are differences with respect to the minimum requirements set out in the Capital Companies Act in connection with the quorum for a General Meeting of Shareholders, and describe any such differences:

Yes
 No

B.2. Indicate and, if applicable, explain whether there are differences with respect to the rules provided by the Corporations Law for the adoption of corporate resolutions:

Yes
 No

- B.3.** Describe the rules that apply to amendments of the company's Articles of Association. In particular, indicate the majorities required to amend the Articles of Association and any rules for safeguarding shareholders' rights in the event of an amendment of the Articles.

Amendments of the Bank's Articles of Association are governed by the Capital Companies Act and the Bank's own Articles of Association; where required by law, it is also necessary to obtain authorisation from the Bank of Spain under the powers assigned to it by article 10 of Royal Decree 84/2015, of 13 February, implementing Act 10/2014, of 26, June, on ordering, 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.

In accordance with the provisions of the Capital Companies Act, where amendments are approved by the General Meeting, the following requirements must be met:

- The directors or shareholders proposing the amendment must provide a written report justifying the proposed amendment.
- The proposed amendments must be clearly set out in the notice of the General Meeting.
- The notice of the General Meeting must state that all shareholders are entitled to inspect the full text of the proposed amendment and accompanying explanations at the Company's registered office and to request that those documents be provided or sent to them free of charge.

The resolutions must be adopted by the Shareholders' Meeting in accordance with Article 43 of the Articles of Association:

Article 43.

In order for an Ordinary or Extraordinary Shareholders' Meeting to validly adopt a resolution to issue bonds that are convertible into shares or that grant entitlement to participate in the company's earnings, to reduce or increase the share capital, to change the legal form of the Company, to merge or de-merge the Company or, generally, to make any amendment to the Articles of Association, the Meeting, if at first call, must be attended, in person or by proxy, by shareholders holding not less than 50 per cent of the subscribed voting shares.

If at second call, 25 per cent of capital will suffice.

Where those present represent less than 50 per cent of the subscribed voting shares, any of the resolutions referred to in the preceding paragraph requires a majority of two-thirds of the capital in attendance, whether in person or by proxy.

- B.4.** Indicate the attendance at the shareholders' meetings held in the reporting year and the two preceding years:

Date of General Meeting	Attendance data				
	% in attendance	% by proxy	% remote voting		Total
			Electronic 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
19/04/2018	0.78	60.57	0.00	0.00	61.35
Of which free float:	0.66	60.38	0.00	0.00	61.04
30/03/2017	0.68	63.30	0.00	0.00	63.98
Of which free float:	0.55	62.92	0.00	0.00	63.47

The estimated percentages of free float may include significant holdings held through international custodians.

B.5. Indicate whether any item on the agenda of the general meetings held during the year was not approved by the shareholders, for any reason:

- Yes
 No

B.6. Indicate whether there are any restrictions in the Articles requiring a minimum number of shares to attend the General Meeting or to vote by distance means:

- Yes
 No

Number of shares required to attend the General Meeting.	1,000
Number of shares required to vote by distance means	-

B.7. Indicate whether there are rules requiring that certain decisions, other than those established by law, involving the acquisition, transfer, contribution to another company of essential assets or other similar corporate operations must be submitted for the approval of the general meeting:

- Yes
 No

B.8. Give the address of the company's website and the way to access the information about corporate governance and other information about General Meetings that must be placed at shareholders' disposal via the company's website:

The information about corporate governance is available on the Group's corporate website (www.grupobancosabadell.com) directly in the section entitled "Corporate governance and remuneration policy". The information about General Meetings is available on the Group's corporate website (www.grupobancosabadell.com) directly in the section entitled "Shareholder and investor information".

C. THE COMPANY'S GOVERNANCE STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors envisaged in the Articles, and the number established by the general meeting:

Maximum number of directors	15
Minimum number of directors	11
Number of directors established by the general meeting	15

C.1.2 Complete the next table with the members of the board:

Name of director	Representative	Director category	Board position	Date of first appointment	Date of latest appointment	Election procedure
Mr. JOSÉ OLIU CREUS		EXECUTIVE	CHAIRMAN	29/03/1990	28/03/2019	GENERAL MEETING DECISION
Mr. JOSÉ JAVIER ECHENIQUE LANDIRIBAR		INDEPENDENT	DEPUTY CHAIRMAN	18/09/2010	28/03/2019	GENERAL MEETING DECISION
Mr. JAIME GUARDIOLA ROMOJARO		EXECUTIVE	MANAGING DIRECTOR	27/09/2007	19/04/2018	GENERAL MEETING DECISION
Mr. ANTHONY FRANK ELLIOTT BALL		INDEPENDENT	LEAD INDEPENDENT DIRECTOR	30/03/2017	30/03/2017	GENERAL MEETING DECISION
Ms. AURORA CATÁ SALA		INDEPENDENT	DIRECTOR	29/01/2015	28/03/2019	GENERAL MEETING DECISION
Mr. PEDRO FONTANA GARCIA		INDEPENDENT	DIRECTOR	27/07/2017	19/04/2018	GENERAL MEETING DECISION
Ms. MARÍA JOSÉ GARCÍA BEATO		EXECUTIVE	DIRECTOR	24/05/2018	28/03/2019	GENERAL MEETING DECISION
Ms. MARIA TERESA GARCIA-MILÀ LLOVERAS		OTHER EXTERNAL	DIRECTOR	29/03/2007	30/03/2017	GENERAL MEETING DECISION
Mr. GEORGE DONALD JOHNSTON		INDEPENDENT	DIRECTOR	25/05/2017	19/04/2018	GENERAL MEETING DECISION
Mr. DAVID MARTÍNEZ GUZMÁN		PROPRIETARY	DIRECTOR	27/03/2014	19/04/2018	GENERAL MEETING DECISION

Mr. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ		INDEPENDENT	DIRECTOR	26/03/2013	19/04/2018	GENERAL MEETING DECISION
Mr. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI		INDEPENDENT	DIRECTOR	18/09/2010	28/03/2019	GENERAL MEETING DECISION
Mr. JOSÉ LUIS NEGRO RODRÍGUEZ		EXECUTIVE	DIRECTOR	31/05/2012	30/03/2017	GENERAL MEETING DECISION
Mr. MANUEL VALLS MORATÓ		INDEPENDENT	DIRECTOR	22/09/2016	30/03/2017	GENERAL MEETING DECISION
Mr. DAVID VEGARA FIGUERAS		EXECUTIVE	DIRECTOR	28/05/2015	28/03/2019	GENERAL MEETING DECISION

Total number of directors	15
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Indicate any directors who stepped down in the reporting period, due to resignation, removal or any other reason:

Name of director	Director's category at time of removal	Date of last appointment	Date of removal	Specialised committees of which he/she was a member	Indicate whether the director stepped down before the end of his/her tenure
No data					

Reason for stepping down, and other comments

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C.1.3 Complete the next tables with the members of the board and their category:

EXECUTIVE DIRECTORS		
Name of director	Position in the company's organisation chart	Profile
Mr. JOSÉ OLIU CREUS	CHAIRMAN	BANKING / RETAIL & CORPORATE BANKING / FINANCE/ ACADEMIC/INTERNATIONAL. He holds a degree in economics from the University of Barcelona and a PhD in Economics from the University of Minnesota (USA). He was appointed Director-General Manager of Banco Sabadell in 1990 and has been Chairman of Banco Sabadell since 1999. Non-

		executive Chairman of Exea Empresarial and the latter's representative on the board of Puig, S.L. Member of FEDEA (Fundación de Estudios de Economía Aplicada), and a member of the Board of Trustees of the Princess of Asturias Foundation and the Princess of Girona Foundation.
Mr. JAIME GUARDIOLA ROMOJARO	MANAGING DIRECTOR	BANKING / RETAIL & CORPORATE BANKING / FINANCE. He graduated in Law from University of Barcelona and holds a degree in Business and an MBA from ESADE. He commenced working at BBVA in 1990, where he reached the position of General Manager for Spain and Portugal (2006-2007). He has been managing director of Sabadell since 2007. Member of the Board of Trustees of Fundación ESADE, representative of Banco Sabadell on the Board of Barcelona Chamber of Commerce, and a member of the Board of Círculo de Economía.
Mr. JOSÉ LUIS NEGRO RODRÍGUEZ	DIRECTOR - GENERAL MANAGER	BANKING /FINANCE/AUDITOR/RISKS. Diploma in General Management from IESE. In the course of his career at Banco Sabadell, he has held a number of positions, such as General Secretary - Control (2000-2001) and Controller General (2001-2012), and Vice-Secretary of the Board of Directors (2006-2012). Director of Banco Sabadell since 2012 and Director-General Manager since 2013. Director of BancSabadell d'Andorra, S.A. since 2019. Director of Sociedad Rectora de la Bolsa de Valores de Barcelona and Vice-Chairman of Barcelona Centro Financiero Europeo.
Ms. MARÍA JOSÉ GARCÍA BEATO	DIRECTOR SECRETARY GENERAL	BANKING / LAW / REGULATORY. Degree in Law and Diploma in Criminology. Spanish State Attorney since 1991. She was appointed Chief of Staff of the Minister of Justice in 2000, and Under-Secretary of Justice in 2002. General Counsel of Banco Sabadell (2005-2008). Secretary General of Banco Sabadell since 2008, and Director and Secretary General of Banco Sabadell since 2018. Independent director at listed company Red Eléctrica Corporación, S.A., member of the Boards of Trustees of Fundación Banco Sabadell and Fundación de la Asociación Española de Banca.
Mr. DAVID VEGARA FIGUERAS	DIRECTOR - GENERAL MANAGER	FINANCIAL / RISKS / ACADEMIC / REGULATORY. A graduate in Economics and Business Studies, major in General Economics (Applied Economics) from the Autonomous University of Barcelona, he holds a Master in Economics, major in Capital Markets and Political Science, from London School of Economics. Formerly Secretary of State for the Economy in the Spanish government (2004-2009), Deputy Managing Director, Banking, European Stability Mechanism (ESM) (2012-2015), and Associate Professor in the Department of Economics, Finance and Accounting at ESADE (until 2018). Independent director of Banco Sabadell (2015-2019). Director and Chief Risk Office of Banco Sabadell since 2019. Member of the Supervisory Board of Hellenic Corporation of Assets and Participations, S.A.

Total number of executive directors	5
% of total Board	33.33

PROPRIETARY EXTERNAL DIRECTORS		
Name of director	Name of the significant shareholder whom the director represents or who proposed his/her appointment	Profile
Mr. DAVID MARTÍNEZ GUZMÁN	FINTECH EUROPE, S.À.R.L.	BUSINESS / FINANCE / INTERNATIONAL Degree in Electrical/Mechanical Engineering from the National Autonomous University of Mexico, and MBA from Harvard Business School. Founder in 1987 of Fintech Advisory, which manages the Fintech Investments Limited fund (New York and London). Proprietary director of Banco Sabadell since 2014. Director of listed companies Alfa, S.A.B., Vitro, S.A.B. and Cemex, S.A.B.

Total number of proprietary directors	1
% of total Board	6.67

INDEPENDENT EXTERNAL DIRECTORS	
Name of director	Profile
Mr. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	BANKING / RETAIL & CORPORATE BANKING / BUSINESS. Holds a degree in Economics and Actuarial Science from the University of the Basque Country. Formerly Director and General Manager of Allianz-Ercos (1982-1990), General Manager of BBVA Group (1992-2001) and Chairman of Banco Guipuzcoano (2009-2012). Formerly a director of many companies in the energy and construction industries and the media. Independent director of Banco Sabadell since 2010 and Vice Chairman of the Board since 2013. Proprietary director of listed company ACS, Actividades de la Construcción y Servicios, S.A. and of ACS, Servicios, Comunicaciones y Energía, S.L., both belonging to the same group, of listed company Ence, Energía y Celulosa, S.A., and independent director of listed company Telefónica, S.A. (since 2019: Vice-Chair and Lead Independent Director), director of Telefónica Móviles México, S.A. de C.V. and Telefónica Audiovisual Digital, S.L.U., all belonging to the same group. He is also a trustee of Fundación Novia Salcedo.
Mr. ANTHONY FRANK ELLIOTT BALL	BUSINESS/INTERNATIONAL. Chartered Engineer; MBA from Kingston Business School, Kingston University (London). Honorary Doctorate from the Kingston University Faculty of Business and Law. Formerly Chairman and CEO of Fox Sports International (1995-1996), CEO of Fox Liberty Networks LLC. (1996-1999), CEO of BSKyB Plc.(1999-2004) and Chairman of Kabel Deutschland GmbH (2005-2013), and independent director of BT Group (2009-2018). Independent director of Banco Sabadell since 2017, and Lead Independent Director of Banco Sabadell since March 2019. Chairman of Ambassadors Theatre Group Ltd and of Bité Group, both part-owned by Providence Equity Partners LLC.

<p>Ms. AURORA CATÁ SALA</p>	<p>BUSINESS / CONSULTING / FINANCE / HUMAN RESOURCES. Holds a degree in Industrial Engineering (major in Industrial Organisation) from the Polytechnic University of Catalonia and an MBA and PADE from IESE Barcelona. Formerly CFO of Nissan Motor Ibérica, S.A. (1991-1996), Managing Director of Planeta 2010 (1999-2002), Founder of ContentArena (2002-2003), General Manager of Audiovisual Media at Recoletos Grupo de Comunicación (2003-2008) and member of the Governing Board of Institut Català de Finances (2014). Formerly held a number of directorships. Independent director of Banco Sabadell since 2015. Partner of Seeliger y Conde, S.L., director of listed company Atresmedia Corporación de Medios de Comunicación, S.A., member of the Executive Committee of IESE and member of the Board of Barcelona Global.</p>
<p>Mr. PEDRO FONTANA GARCIA</p>	<p>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. 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), and Deputy General Manager of Elior Group, S.A. (2017-2018), and representative of EMESA Corporación Empresarial, S.L. on the board of listed company Elior Group, S.A (2018-2019). Independent director of Banco Sabadell since 2017. Independent director of Grupo Indukern, S.L. and of Pax Equityco, S.à.R.L., President of Asociación para el Progreso de la Dirección, Member of the Board of Trustees of Fundació Privada Cercle d'Economia and of Fundació Barcelona Mobile World Capital, and a director of Fira Internacional de Barcelona.</p>
<p>Mr. GEORGE DONALD JOHNSTON</p>	<p>BANKING / CORPORATE BANKING / INTERNATIONAL. BA in Political Science from Middlebury College, Vermont; MA in International Economics and Latin American Studies from Johns Hopkins University. 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 of Deutsche Bank (2005-2010), Director of SCi Entertainment Plc (Eidos) (2007-2009). Independent director of Banco Sabadell since 2017. Independent director of listed companies Acerinox, S.A. and Merlin Properties, SOCIMI, S.A.</p>
<p>Mr. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ</p>	<p>BUSINESS / INSURANCE / FINANCE / INTERNATIONAL. A Public Works Engineer, he obtained a degree in Economics and Actuarial Science at the University of Madrid. Formerly Chairman of MAPFRE (2001-2012), President of Fundación MAPFRE (2007-2012) and member of the Board of Directors of Consorcio de Compensación de Seguros and the International Insurance Society. Independent director of Banco Sabadell since 2013. Honorary Chairman of MAPFRE.</p>
<p>Mr. JOSÉ RAMÓN MARTÍNEZ SUFREGUÍ</p>	<p>BANKING / BUSINESS. An architect specialised in urban development, he holds an Executive MBA from IE Business School. Formerly director of Banco Guipuzcoano (1990-2010). Independent director of Banco Sabadell since 2010. Owner and Chairman of an extensive group of companies, he is currently Chairman of Centro Fuencarral, S.A., Comercial del Campo, S.A., Edificios Cameranos, S.A., Inversiete, S.A., Producción y Desarrollo, S.A., Títulos e Inversiones, S.A., and Villa Rosa, S.A.</p>
<p>Mr. MANUEL VALLS MORATÓ</p>	<p>AUDITOR/FINANCE. Degree in Economics and Business Studies from the University of Barcelona and a post-graduate qualification in Business Administration from IESE/University of Navarra: he is a registered auditor and a member of Spain's official register of auditors since its creation. Partner of PwC (1988-2013), Head of the Audit Division at PwC (2006-2013) and Chairman of PwC Auditores (2006-2011). Independent member of the Governing Board of Institut Català de Finances (2015-2016). Independent director of Banco Sabadell since 2016. Independent director of listed company Renta Corporación Real Estate, S.A.</p>

Total number of independent directors	8
% of total Board	53.33

Indicate whether any director classified as independent receives, from the company or the same group, any amount or benefit under a heading other than director remuneration, or holds or has held, during the last year, a business relationship with the company or any other company in its group, either in his/her own name or as a significant shareholder, director or senior manager of an institution that holds or has held such a relationship.

If yes, give the reasons why it is considered that the director qualifies as an independent director.

Name of director	Description of the relationship	Disclosure with rationale
No data		

OTHER EXTERNAL DIRECTORS

Identify the other external directors and detail the reasons why they cannot be classified as proprietary or independent, and any relations they have with the company, its executives or its shareholders.

Name of director	Reason	Company, executive or shareholder with which he/she is related	Profile
Ms. MARIA TERESA GARCIA-MILÀ LLOVERAS	Twelve years elapsed since first appointment on 29 March 2007.	N.A.	ACADEMIC/AUDITOR/FINANCE. She has a Degree in Economics from the University of Barcelona and a PhD in Economics from the University of Minnesota, and has been a senior lecturer at the Department of Economics and Business at Pompeu Fabra University since 1995. Formerly held a number of directorships. Independent director of Banco Sabadell (2007-2019) and Lead Independent Director (2016-2019). Classified as an Other external director since April 2019. Independent director at listed company Repsol, S.A. Director of the Barcelona Graduate School of Economics, and a researcher and Board member of the International Economics Research Centre (CREI).

Total number of other external directors	1
% of total Board	6.67

Indicate any changes in each director's status in the period:

Name of director	Date of change	Previous category	Current category
Mr. DAVID VEGARA FIGUERAS	31 January 2019	Independent director	Executive director
Ms. MARIA TERESA GARCIA-MILÀ LLOVERAS	25 April 2019	Independent director	Other external director

C.1.4 Complete the following table with information on the number of female directors at the end of the last four years, and their category:

	Number of female directors				% of total directors in each category			
	2019	2018	2017	2016	2019	2018	2017	2016
Executive	1	1			20.00	25.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	1	2	2	2	12.50	20.00	20.00	28.57
Other external	1				100.00	0.00	0.00	0.00
Total	3	3	2	2	20.00	20.00	13.33	14.29

C.1.5 Indicate whether the company has diversity policies in relation to the board of directors with regard to issues such as age, gender, ability, or professional training and experience. Small and medium-sized undertakings, as defined the Audit Act, must disclose at least the policy they have established in relation to gender diversity.

Yes

No

Partial policies

If yes, describe the diversity policies, their objectives, the measures and the way in which they have been applied and their results in the year. Also disclose specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to achieve balance and diversity on the Board of Directors.

If the company does not apply a diversity policy, give the reasons.

Description of the policies, objectives, measures and manner in which they were applied, as well as the results obtained

In general Banco Sabadell has policies governing diversity, age, gender, ability, and professional training and experience.

The Banco Sabadell Policy for the Selection of Candidates for Directorship, which was approved by the Board of Directors on 25 February 2016 and amended on 28 March 2019, establishes criteria to be considered in the process of selecting new members and re-appointing incumbent members of the Board of Directors.

The candidate selection process pursues an appropriate balance in the composition of the Board of Directors, which, as a whole, enriches decision-making and contributes plural viewpoints to the discussion of matters

within its remit.

In particular, the Appointments Committee must ensure that candidates for directorships of Banco Sabadell meet the following parameters established in the Policy:

- (i) Professional competence, by selecting persons who have achieved recognition in their profession; particular value is attached to experience in banking or finance that enables the candidate to contribute a strategic and business vision.
- (ii) Diversity, selecting a variety of profiles within the Board of Directors (business, banking, academic, financial, legal, consultants, ...) and a diversity of experience, origin, nationality, and, in particular, gender, ensuring that there is a sufficient number of female directors. The committee also seeks to ensure that there is a sufficient representation of directors with banking experience in areas such as retail banking, business banking, corporate banking, or investment banking, in Spain or in other countries; and
- (iii) Fitness and suitability, which are to be found in persons evidencing an appropriate track record and personal, commercial and professional conduct that does not cast doubt on their ability to exercise healthy prudent management of the bank.

The Appointments Committee fulfils its function of overseeing the qualitative composition of the Board of Directors, as set out in the Articles of Association and the Board of Directors Regulation; it oversees the application of, and compliance with, the Banco Sabadell Policy for the Selection of Candidates for Directorship, and by ensuring that the selection procedures, when filling vacancies on the Board or appointing new directors, favour a diversity of experience and knowledge, facilitate the selection of female directors and, in general, do not have any implicit biases that might entail discrimination of any kind.

In fulfilment of its function of making proposals to the Board of Directors for amendments to the selection and diversity policies, the Appointments Committee advised the Board on the amendment that was approved on 28 March 2019, to expressly state that, in connection with candidates' professional competence, particular value would be attached to experience in banking and finance and that, in selecting profiles, care would be taken to ensure that there is a sufficient representation of directors with knowledge of banking in such areas as retail banking, business banking, corporate banking and investment banking, both in Spain and in other countries.

On 27 June 2019, the Appointments Committee advised the Board of Directors on the approval of a Matrix of competencies and diversity of the members of the Board of Directors of Banco Sabadell, defining directors' abilities and knowledge. In connection with competencies, the matrix describes the professional profiles and industry-specific and horizontal competencies required to maintain the collective fitness of the Board of Directors. Regarding diversity, the diversity of directors' gender and geographical origin is taken into account, as well as their seniority in the position.

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 that 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.

- C.1.6** Describe any measures adopted by the Appointments Committee to ensure that the selection procedure is free of any implicit bias that might prevent the selection of women, and that the company deliberately seeks female candidates with the necessary professional profile, enabling it to attain a balance of women and men:

Detail such measures

The Board of Directors has adopted active policies to promote gender equality within the institution. Specifically, at a meeting on 17 February 2016, the Appointments Committee issued a favourable report to the Board of Directors on the approval of the Banco Sabadell Policy for the Selection of Candidates for Directorship, in compliance with Recommendation 14 of the Code of Good Governance for Listed Companies.

As indicated in section C.1.5 above, the Policy sets out the criteria to be applied in the process of selecting new members of the Board of Directors and in the re-appointment of directors, under the provisions of the

applicable laws and recommendations, and establishes that those selection procedures must facilitate the selection of female directors and, generally, must not have any implicit biases that might hamper the appointment of female directors. The Policy goal is that the under-represented gender accounts for at least 30% of the Board by 2020.

In particular, the Appointments Committee ensures that the director selection process fulfils the requirements as to professional competency, integrity, suitability and diversity and, specifically, seeks to ensure that there is a sufficient number of female directors. To this end, during the director selection process, the Committee focuses particularly on ensuring gender diversity on the Board of Directors, ensuring that the candidates for directorships include women with the necessary professional profile, for which purpose it can be assisted by an external consulting firm in order to obtain a diversity of profiles for analysis.

In compliance with that Policy, the Appointments Committee advised on the proposal to ratify and appoint a director who had been appointed by the Board of Directors in 2018, in the category of executive director, and it proposed the re-appointment of an independent director.

At 2019 year-end, the bank's Board of Directors comprised 3 female directors out of a total of 15, one of them an independent director, one of them in the category of Other external, and one of them an executive director. Accordingly, women made up 20% of the Board of Directors.

The female independent director is the Chair of the Appointments Committee and of the Remuneration Committee, and the female other external director is a member of the Audit and Control Committee, the Appointments Committee and the Risk Committee. Consequently, women chair two of the Board committees and are present in four of the five Board committees. Women account for 25% of the Audit and Control Committee, 33.33% of the Risk Committee, 25% of the Remuneration Committee and 50% of the Appointments Committee.

Where, despite such measures, there are few or no female directors, indicate the reasons for this situation:

Detail the reasons

-

C.1.7 Detail the conclusions reached by the Appointments Committee in assessing compliance with the director selection policy. In particular, indicate how this policy promotes the objective that, by 2020, women account for at least 30% of the Board.

In compliance with the Banco Sabadell Policy for the Selection of Candidates for Directorship, the Appointments Committee checked that the policy was complied with in the motions passed in 2019 by the General Meeting of Shareholders in connection with ratifying, appointing or re-appointing directors, which conformed to the parameters and requirements of both the Policy and the existing regulations governing directorships at credit institutions, and whose selection was based on the pursuit of an appropriate balance in the Board of Directors such as to enrich decision-making and provide a plurality of viewpoints in debates. A Matrix of competencies and diversity of the members of the Board of Directors of Banco Sabadell was approved that defines directors' abilities and knowledge. The matrix describes the professional profiles and industry-specific and horizontal competencies required to maintain the collective fitness of the Board of Directors, and it takes account of diversity of gender and geographical origin, as well as directors' seniority in the position.

Specifically, with regard to gender diversity, the General Meeting of Shareholders on 28 March 2019 ratified and appointed executive director Ms. María José García Beato, who had been appointed by the Board on 24 May 2018, as her banking, regulatory and legal profile complements the diversity of knowledge and experience of the Board of Directors, and it approved the proposal by the Appointments Committee for the re-appointment of independent director Ms. Aurora Catá Sala, who contributes a suitable combination of

financial, business, consulting and human resources knowledge that which contributes to the diversity of competencies in the Board of Directors and to its collective suitability.

Both motions for the appointment and re-appointment of directors that were approved by the General Meeting of Shareholders comply with the mandate to the Board of Directors and to the Appointments Committee itself to contribute to maintaining gender diversity within the Board, as the percentage of gender diversity attained in 2018, when the presence of women in the Board was increased significantly with respect to previous years, was maintained in 2019. The Bank maintains its goal of increasing the number of female directors and executives.

C.1.8 Indicate any reasons for which proprietary shareholders were appointed at the proposal of a shareholder owning less than 3% of capital:

Name of shareholder	Justification
No data	

Disclose any rejection of a formal request for a board seat from shareholders whose equity stake is equal to or greater than that of others which applied successfully for a proprietary directorship. Detail the reasons for any such rejection:

Yes
 No

C.1.9 Disclose any powers or faculties delegated by the Board of Directors to directors or committees of the Board:

Name of director or committee:	Brief description
Mr. JOSÉ OLIU CREUS	Has general powers to exercise all the functions of Chairman of the Board of Directors and Chairman of the Delegated Committee, and to oversee supervision and drive the Bank's strategy, communication and performance.
Mr. JAIME GUARDIOLA ROMOJARO	All the powers of the Board, except those that may not by law be delegated, and those powers that are necessary for him to manage the institution effectively as its chief executive.
Mr. JOSÉ LUIS NEGRO RODRÍGUEZ	The general powers that are necessary to perform his functions in the institution.
Ms. MARÍA JOSÉ GARCÍA BEATO	The general powers that are necessary to perform her functions in the institution.
DELEGATED COMMITTEE	It has been expressly delegated with all the powers corresponding to the Board of Directors, except the powers that the law or the Articles reserve exclusively for the Board.

C.1.10 Identify any board members who are directors, representatives of directors, or executives in other companies that form part of the listed company's group:

Name of director	Name of Group company	Position	Does he/she have executive functions?
Mr. JOSÉ OLIU CREUS	SABADELL CONSUMER FINANCE S.A.U.	CHAIRMAN	No
Mr. JAIME GUARDIOLA ROMOJARO	SABADELL CONSUMER FINANCE S.A.U.	DIRECTOR	No
Mr. JAIME GUARDIOLA ROMOJARO	BANCO SABADELL, S.A. I.B.M. (MEXICO)	CHAIRMAN	No
Mr. JAIME GUARDIOLA ROMOJARO	SABCAPITAL, S.A. de C.V., SOFOM, E.R. (MEXICO)	CHAIRMAN	No
Mr. JOSÉ LUIS NEGRO RODRÍGUEZ	SABADELL CONSUMER FINANCE S.A.U.	DIRECTOR	No
Mr. JOSÉ LUIS NEGRO RODRÍGUEZ	BANSABADELL FINANCIACIÓN, E.F.C., S.A.	CHAIRMAN	No
Mr. JOSÉ LUIS NEGRO RODRÍGUEZ	BANCSABADELL D'ANDORRA, S.A.	DIRECTOR	No

C.1.11 Detail any directors of the company, or representatives of directors that are legal persons, who are members of the board of directors, or representatives of directors that are legal persons, of other companies listed on official stock markets, other than group companies, of which the company has been notified:

Name of director	Name of listed company	Position
Mr. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS, S.A.	DIRECTOR
Mr. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	ENCE ENERGÍA Y CELULOSA, S.A.	DIRECTOR
Mr. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	TELEFONICA, S.A.	DIRECTOR
Ms. AURORA CATÁ SALA	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	DIRECTOR
Ms. MARÍA JOSÉ GARCÍA BEATO	RED ELÉCTRICA CORPORACIÓN, S.A.	DIRECTOR
Ms. MARIA TERESA GARCÍA-MILÀ LLOVERAS	REPSOL, S.A.	DIRECTOR
Mr. GEORGE DONALD JOHNSTON	ACERINOX, S.A.	DIRECTOR
Mr. GEORGE DONALD JOHNSTON	MERLIN PROPERTIES, SOCIMI, S.A.	DIRECTOR
Mr. DAVID MARTÍNEZGUZMÁN	ALFA, S.A.B.DE C.V.	DIRECTOR
Mr. DAVID MARTÍNEZGUZMÁN	CEMEX, S.A.B.DE C.V.	DIRECTOR
Mr. DAVID MARTÍNEZGUZMÁN	VITRO, S.A.B.DE C.V.	DIRECTOR
Mr. MANUEL VALLS MORATÓ	RENTA CORPORACION REAL ESTATE, S.A.	DIRECTOR

C.1.12 Indicate whether the company has established rules about the maximum number of directorships that board members can hold; describe any such rules and detail their location:

Yes
 No

Banco Sabadell is bound by article 26 of Act 10/2014, of 26, June, on ordering, supervision and solvency of credit institutions, which establishes the maximum number of directorships that directors of credit institutions may hold, in transposition of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, and specifically by article 91, which establishes the following maximum combination of positions: i) one executive position with two non-executive positions, ii) four non-executive positions. Executive and non-executive positions in the same group or in companies in which the institution holds a significant stake count as one position. Also applicable are the European Central Bank's Guide to fit and proper assessments, updated in May 2018, and the Guidelines to assess the suitability of members of management bodies and key function holders (EBA/GL/2017/12) dated 12 March 2018, which came into force on 30 June 2018.

The Banco Sabadell Policy for the Selection of Candidates for Directorship, which was approved by the Board of Directors on 25 February 2016 and amended on 28 March 2019, refers to the applicable legislation with regard to the criteria and requirements that directors must fulfil.

C.1.13 Indicate the amounts of the following items of the overall remuneration for the Board of Directors:

Remuneration earned by the Board of Directors in the year (thousand euro)	9,674
Amount of accumulated pension rights held by current directors (thousand euro)	40,907
Amount of accumulated pension rights held by former directors (thousand euro)	

C.1.14 Indicate senior management members who are not executive directors and the total remuneration accrued to them in the year:

Name	Position(s)
Mr. MIQUEL MONTES GÜELL	GENERAL MANAGER
Mr. TOMÁS VARELA MUIÑA	GENERAL MANAGER
Mr. CARLOS VENTURA SANTAMANS	GENERAL MANAGER
Mr. RAFAEL JOSÉ GARCÍA NAUFFAL	DEPUTY GENERAL MANAGER
Mr. JAIME MATAS VALLVERDÚ	DEPUTY GENERAL MANAGER
Mr. JOSÉ NIETO DE LA CIERVA	DEPUTY GENERAL MANAGER
Mr. RAMÓN DE LA RIVA REINA	DEPUTY GENERAL MANAGER
Mr. ENRIC ROVIRA MASACHS	DEPUTY GENERAL MANAGER
Mr. MANUEL TRESÁNCHEZ MONTANER	DEPUTY GENERAL MANAGER
Ms. NURIA LÁZARO RUBIO	DEPUTY GENERAL MANAGER - HEAD OF INTERNAL AUDIT
Total remuneration of senior management (in thousand euro)	
	7,022

C.1.15 Indicate whether there were any amendments to the board regulation in the year.

- Yes
 No

At a meeting on 21 February 2019, in accordance with the procedure established in article 3 of the Board of Directors Regulation, the Board of Directors resolved to amend articles 5, 11, 12, 14 bis, 17, 23 and 24 of the aforementioned Board of Directors Regulation, subject to approval of the amendment of the Articles of Association that was proposed to the General Meeting of Shareholders on 28 March 2019 and approved by the latter, which also took cognizance of the aforementioned amendment of the Board Regulation. The amendment to the Board of Directors Regulation is a direct consequence of the amendment to the Articles of Association that was proposed to the General Meeting of Shareholders to adapt its wording to the new name of the Executive Committee, which is now called the Delegated Committee.

C.1.16 Indicate the procedure for appointing, re-appointing, assessing and removing directors. Indicate the competent bodies, the process and the criteria for each procedure.

In accordance with the provisions of Articles 50, 53, 55 and 61 of the Articles of Association, articles 14, 19 and 20 of the Board of Directors Regulation, the Banco Sabadell Policy for the Selection of Candidates for Directorship, approved by the Board of Directors on 25 February 2016, and the procedure for assessing the suitability of the members of the Board of Directors and key function holders of Banco Sabadell, the procedures for appointment, reappointment, evaluation and removal of directors are as follows:

Selection

The Appointments Committee is responsible for analysing the competencies and diversity of the Board of Directors in order to determine the profile of candidates for director of Banco Sabadell, for which purpose it relies on the Matrix of competencies and diversity of the members of the Board of Directors, which was approved by the Board of Directors based on a report by the Appointments Committee. In compliance with the Banco Sabadell Policy for the Selection of Candidates for Directorship, it is responsible for performing a prior assessment to ensure that candidates for directorship possess the necessary competencies, knowledge and experience; to that end, it is necessary to consider the balance of knowledge, skills, diversity and experience of the members of the Board of Directors and, for this purpose, to define the roles and capabilities required of the candidates to fill each vacancy and to evaluate the time and dedication needed for them to effectively perform their duties.

To select candidates, the Appointments Committee may, if deemed necessary, engage a prestigious consultant in the field of personnel selection to initiate a process of finding candidates that fit the desired profile. Additionally, any director may suggest candidates for director provided they meet the requirements of the Banco Sabadell Policy for the Selection of Candidates for Directorship.

Suitability assessment

Once a candidate has been selected, the procedure for assessing the suitability of Board members and key personnel must be applied; on this basis, the Appointments Committee will analyse the information about the candidates and the reports presented by the Board Secretary, drawn up by the Bank's Senior Counsel, as to their commercial and professional integrity, knowledge and experience and their willingness to provide good governance, by application of the requirements set out in Act 10/2014, of 26 June, on ordering, supervision and solvency of credit institutions, and having regard to the criteria for assessing the suitability of the members of the Board of Directors as set out in Royal Decree 84/2015, of 13 February, implementing the aforementioned Act 10/2014, of 26 June, and the European Central Bank guidelines on fit and proper assessments dated 15 May 2017, as well as the Guidelines to assess the suitability of members of management bodies and key function holders (EBA/GL/2017/12) dated 21 March 2018, which came into force on 30 June 2018. The Appointments Committee will check that candidates meet the requirements as to integrity, knowledge, experience and governance envisaged in the applicable legislation and will draw up a candidate suitability assessment report. In addition, candidates for directorships must be vetted by the European Central Bank.

The Appointments Committee is also entrusted with assessing director suitability on an ongoing basis, and evaluating the profile of the persons most suited to being members of the various committees, and making proposals in this

regard to the Board of Directors; in particular, it must seek to ensure that the rules on the qualitative composition of the Board of Directors are complied with.

Appointment

After assessing the suitability of candidates for director, the Appointments Committee is entrusted, among its basic responsibilities in accordance with Article 61 of the Articles of Association, with making proposals to the Board for the appointment of independent directors either by co-optation or for submission to a vote at the General Meeting of Shareholders, and must advise on the proposals to appoint other director categories by co-optation or by referral to the General Meeting of Shareholders.

Ordinary members of the Board of Directors are appointed by the General Meeting of Shareholders. Any vacancies arising on the Board of Directors are filled by the General Meeting unless the Board decides, in the interests of the bank, to act in accordance with the Capital Companies Act. Directors appointed by co-optation hold office until the next General Meeting of Shareholders.

Re-appointment

Directors are appointed for a term of at most four years and they can be re-appointed one or more times for periods of the same maximum duration.

Removal

Directors must step down when their term ends if they are not re-appointed, or when the General Meeting of Shareholders or the Board of Directors so decides using the powers conferred on them by law or the Articles of Association. The Appointments Committee is empowered to make proposals for the removal of independent directors by the General Meeting of Shareholders, and to advise on proposals to remove directors in other categories. The Board does not currently have any powers in this respect under the law or the Articles of Association. The General Meeting of Shareholders may remove directors at any time, as provided in article 50 of the Articles of Association.

Restrictions

The following may not hold office as members of the Board of Directors:

- a) Minors.
- b) Persons disqualified by law, undischarged bankrupts or insolvents, those under convictions involving disqualification from holding public office, and those convicted of serious breaches of the Spanish Corporations Act or Company regulations, or who are prevented from engaging in trade by reason of their office.
- c) Government officials whose duties are related to, or have a bearing on, the business of the Bank.
- d) Those in default with respect to any obligation to the Bank.
- e) Persons in any of the situations of incompatibility or limitation on holding office as provided by law.

C.1.17 Describe the extent to which the annual evaluation of the Board led to significant changes in its internal organisation and the procedures applicable to its activities:

Description of changes

Each year since 2007, the Bank assesses the performance of the Board of Directors and of its sub-committees (Delegated Committee, Audit and Control Committee, Appointments Committee, Remuneration Committee and Risk Committee).

In compliance with Recommendation 36 of the Good Governance Code of Listed Companies, every three years the Board of Directors engages an external facilitator to aid in the evaluation process. This facilitator's independence is verified by the appointments committee.

The report on the assessment of the Board of Directors and the Committees of Banco Sabadell for 2018 was approved by the Board of Directors at its meeting on 31 January 2019, after a favourable report from the Appointments Committee.

The aforementioned Report confirms that the Board functions properly and, on the basis of the self-assessment

carried out by each sub-committee and submitted to the Board, the sub-committees' performance is also satisfactory. Nevertheless, the Report established an Action Plan for 2019 consisting of measures aimed at improving Banco Sabadell's corporate governance and the workings of both the Board of Directors and of its sub-committees. In line with those measures, the following actions were taken:

- With regard to sending documentation to directors sufficiently in advance, internal procedures and technology systems at directors' disposal were strengthened, as was the structure of supporting documentation, to include an executive summary, background, the purpose of the document, and suggested talking points.
- Establishment of procedures and controls through the Risk Control Department to ensure that its supervisory function is performed effectively; to this end, policies were developed including a specific procedure for approving material amendments and exceptional transactions that involves the second line of defence by requiring it to issue a reasoned written report. Participation by the second line of defence has also been increased as the Chief Risk Officer and other executives in the second line are present in the decision-making committees as members or attendees.
- Enhancement of the director training programme. The programme was expanded to address specific needs of the directors; one advantage is that the training is given by Banco Sabadell executives.
- To encourage and monitor compliance with the specific action plans approved by the Committees for 2019, and by the Board itself, Banco Sabadell undertook measures in addition to those covered by the 2019 Action Plan, by adapting the composition and structure of the Delegated Committee with respect to the Board of Directors, amending the Articles of Association and Board of Directors Regulation to change the name of the Executive

Committee to that of Delegated Committee in order to lend more visibility to its function as a body with all the faculties delegated by the Board of Directors, and the approval of policies aimed at achieving more effective control of such issues as remuneration in the Group and risk control and management in Banco Sabadell.

Additionally, Banco Sabadell drew up a Plan to make the Board's supervisory function more effective and, in particular, to ensure that new Board members have solid experience in the banking business, that all strategic issues are included in the Agenda in a timely manner and discussed with priority, that decisions by the Board are solidly grounded and well informed, that the documents and information are received sufficiently in advance of the meetings and that, in exercising its supervisory function, the Board constructively questions and critically reviews not only proposals and decisions but also the information provided to the members of the Board. The Board of Directors approved that Plan at a meeting on 27 June 2019, and all the measures set out in the Plan had been completed by the end of 2019.

Among the measures provided for in that Plan, the Appointments Committee resolved that the evaluation of the performance of the Board of Directors and its Committees for the year 2019 be carried out by an independent external consultant, Deloitte Legal, S.L.P., in order to ensure and review the effectiveness of the measures and improvements provided for in the Plan. The external consultant's assessment was performed earlier than the minimum three-year frequency recommended in the Good Governance Code, as the previous evaluation in which the Board was assisted by an external consultant referred to 2017.

Describe the evaluation process and the areas assessed by the Board of Directors with the assistance of an external consultant, if any, with regard to the performance and composition of the Board and its committees, and any other area or aspect that was assessed.

Description of the assessment process and the areas that were

In accordance with article 529 nonies of the Capital Companies Act, the Code of Good Governance for Listed Companies and the Board of Directors Regulation, the Board of Directors assessed its own performance and that of its sub-committees in 2018.

In line with the recommendations in the Code of Good Governance for Listed Companies, the evaluation of the performance of the Board of Directors and its committees was organised and coordinated by the Chairman of the Board of Directors, as the person with responsibility for the Board's effective performance, with the assistance of the Secretary and the participation of all directors and, as needed, of the Lead Independent Director. It incorporated the conclusions of the self-assessments carried out by the Board Committees. The Appointments

Committee also reported favourably on the performance assessment of the Board and of the Chairman and Managing Director.

The regular performance evaluation of the Chairman of the Board of Directors was directed by the Lead Independent Director in accordance with article 529 septies of the Capital Companies Act and with article 55 of the Articles of Association and article 8 of the Board of Directors Regulation; the assessment of the Managing Director's performance was organised and coordinated by the Chairman of the Board.

The assessment of Board committee performance covered the following areas: committee quality and efficiency, operation, composition and functions, matters discussed at the meetings, and performance of the committee chair and secretary. The corresponding reports contain a review of the implementation of the 2018 Action Plan and specific recommendations and proposals for the 2019 Action Plan.

The assessment of the Board of Directors analysed the areas covered by Recommendation 36 of the Code of Good Governance: quality and efficiency of the Board of Directors' performance; the performance and composition of its committees; diversity in the composition and competencies of the Board; the performance of the Chairman of the Board and the Managing Director; and the performance and contribution by each director. The report also describes the measures implemented to fulfil the 2018 Action Plan for the Board of Directors, and the 2019 Action Plan was developed including proposals to improve corporate governance at Banco Sabadell and Sabadell and the functioning of the Board of Directors.

The methodology applied in the assessment is based on three main elements:

- Input from the directors. The perception of the members of the Board of Directors and its committees is a key component of the analysis, since they know how it works and are a source of essential information for diagnostic purposes.
- Analysis of significant corporate documentation of Banco Sabadell relating to key aspects of the corporate governance system. The documentation and information that were reviewed were the agendas and minutes of the Board of Directors and sub-committee meetings, as well as records of member attendance at meetings, the self-assessment report for 2017 and the action plan for 2018, the institution's internal regulations (Articles of Association, Board of Directors Regulations, Regulations of the Audit and Control Committee, and the Code of Conduct in relation to the securities market), and the bank's policies, and other information such as the Annual Corporate Governance Report for 2017.
- Review of the 2018 Reports on the activities of the Appointments Committee, the Remuneration Committee and the Risk Committee. Analysis of these documents provided greater insight into the actions of the committees in 2018, giving a broader vision of their performance and the fulfilment of the duties assigned to them.

Analysis of the information and documentation from Banco Sabadell made it possible to assess the performance of the Board of Directors, the degree of participation by its members and key position holders, the efficiency of its committees, the matters that were reported and debated, and other additional information that is germane to the performance assessment and the identification of potential areas for improvement on which to design the action plan for 2019.

The assessment for 2019 is being conducted in 2020 with the assistance of an independent external consultant, Deloitte Legal, S.L.P., in accordance with a decision adopted by the Appointments Committee in November 2019 as one of the measures in the aforementioned plan to enhance the Board's effectiveness in the performance of its supervisory function.

C.1.18 In years where the assessment was performed with the support of an external consultant, detail the business relations between the consultant and any company in its group with the company and any company in its group.

Deloitte Legal, S.L.P. advised Banco Sabadell in the assessment for 2017 and is doing so for the assessment in connection with 2019.

The business relations with the external consultant and any company in its group are within the ordinary course of business. Deloitte Legal, S.L.P. has provided advice on matters of criminal liability. Other companies in the Deloitte group have provided advisory services to the Banco Sabadell group, particularly in the field of information technology and security.

C.1.19 Indicate the reasons for which directors may be forced to resign.

Under article 20 of the Banco Sabadell Board of Directors Regulation, directors may be removed:

- a) If they meet any of the conditions of incompatibility or prohibition envisaged in the law or the Articles of Association.
- b) If they are arraigned for a crime or are the subject of disciplinary proceedings by the supervisory authorities for a serious or very serious violation.
- c) Where their continuance on the Board may jeopardise the company's interests.

C.1.20 Is a supermajority, other than the legal majority, required in some decisions?

- Yes
- No

Describe the differences, if any.

-

C.1.21 Detail whether there are specific requirements, other than those relating to directors, for appointing the Chairman of the Board of Directors.

- Yes
- No

Description of requirements

Those established in the Succession Plan for the Chairman and Managing Director of Banco Sabadell, approved by the Board of Directors on 21 July 2016.

In general, the Chairman of the Board of Directors must be of acknowledged commercial and professional fitness, have suitable knowledge and experience to perform the duties of the office, and be willing to exercise good governance of the Bank. In particular, they must have proven experience in the financial sector and/or in senior management functions, have sufficient technical training in the fields of finance and/or business management and administration for the performance of the executive functions inherent to their position, and they must accredit a professional career that demonstrates leadership and/or entrepreneurship, in addition to meeting the conditions of suitability required of a director of a credit institution in accordance with the applicable regulations.

C.1.22 Indicate if the articles or board regulation establish an age limit for directors:

- Yes
- No

C.1.23 Indicate if the articles or board regulation establish a term limit for independent directors or other requirements for them that are stricter than those provided by law, other than those provided in the regulations:

- Yes
- No

C.1.24 Indicate whether or not the Articles of Association or the Board Regulation set out specific rules for directors to grant proxy to other directors in Board of Directors meetings, the method of doing so and, more specifically, the maximum number of proxies that a director can hold, as well as whether or not a limitation has been set with regard to the categories to which proxy may be granted, above and beyond the limitations imposed by law. Give a brief description of any such rules.

Directors must attend Board of Directors meetings in person. However, when they can not attend in person, they may grant proxy to another director. Article 56 of the Articles of Association establishes that non-executive directors may grant proxy only to another non-executive director.

Additionally, the Director Remuneration Policy for 2019, 2020 and 2021, approved by the Shareholders' Meeting on 28 March 2019, which establishes the system of remuneration for directors for their functions as members of the Board of Directors, breaks down their fixed remuneration under this heading, establishing, 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.

C.1.25 Indicate the number of board of directors meetings held in the year. Also, state the number of times that the Chairman did not attend Board meetings. Proxies granted with specific instructions are not counted as absences:

Number of Board meetings	13
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Number of Board meetings held without the chairman	
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Indicate the number of meetings held by the lead director with the other directors, without any executive director being present.

Number of meetings	2
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Indicate the number of meetings held by board sub-committees in the year:

Number of Delegated Committee meetings	36
Number of Audit and Control Committee meetings	11
Number of Appointments Committee meetings	11
Number of Remuneration Committee meetings	11
Number of Risk Committee meetings	10

C.1.26 Indicate the number of board of directors meetings held in the year, and give data on attendance by members:

Number of Board meetings held with at least 80% of directors in attendance	13
Attendance in person as a % of the total number of votes during the year	97.95

Number meetings attended by all directors in person or by proxy with specific instructions	13
Votes cast with all directors actually present or having granted proxy with specific instructions, as a % of total votes in the year	100.00

C.1.27 Indicate whether the separate and consolidated financial statements that are presented for board approval are certified beforehand:

Yes
 No

Identify the person(s) that certified the company's separate and consolidated financial statements for board authorisation:

Name	Position
Mr. JOSÉ OLIU CREUS	CHAIRMAN
Mr. JAIME GUARDIOLA ROMOJARO	MANAGING DIRECTOR
Mr. TOMÁS VARELA MUIÑA	GENERAL MANAGER— CHIEF FINANCIAL OFFICER

C.1.28 Detail whether the board of directors has established any mechanisms to ensure that the separate and consolidated financial statements authorised by it are presented to the Shareholders' Meeting without audit qualifications.

The Bank's internal units draw up financial statements clearly such as to present a true and fair view of the company's net worth, financial situation and results, to which end they must apply generally accepted accounting principles to all the financial and accounting information.

The Audit and Control Committee reviews the company's financial statements, both separate and consolidated, before referring them to the Board, and exercises vigilance to ensure compliance with the law and the proper application of generally-accepted accounting principles. To this end, it holds regular meetings with the external auditors in order to be informed punctually about the audit process and to be aware sufficiently in advance of any discrepancies or differences of opinion that might arise. In the event of a discrepancy that might lead to a qualification in the auditors' report, the committee seeks to resolve it before the financial statements are authorised.

If the discrepancy cannot ultimately be resolved before the financial statements are authorised, the annual report of the Audit and Control Committee must expressly describe the discrepancies and its position in connection with them.

The auditors' reports on the separate and consolidation financial statements for 2019 were unqualified.

C.1.29 Is the board secretary a director?

Yes
 No

If the secretary is not a director, complete the following table:

Name of secretary	Representative
Mr. MIQUEL ROCA JUNYENT	

C.1.30 Describe the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including details of how the legal requirements are implemented in practice.

In general, in connection with the external auditors, article 60 of the Articles of Association provides that the Audit and Control Committee has the following competencies:

(...)

4. Proposing to the Board of Directors, for submission to the General Meeting, the appointment of the external auditor, establishing the engagement conditions, the scope of the professional mandate, and revocation or non-renewal, if appropriate; reviewing compliance with the audit contract, striving to ensure that the opinion on the financial statements and the main content of the auditors' report are drafted clearly and accurately.

(...)

6. Establishing the appropriate relations with external auditors to receive information about any issues that might jeopardise their independence, to be reviewed by the Committee, and any others related to the process of performing the audit functions and in the audit rules."

The Board of Directors Regulation expresses itself in similar terms: article 30 provides that:"Relations between the Board and the company's external auditors will be conducted through the Audit and Control Committee."

Specifically, in 2019, to preserve the independence of the external auditor, Banco Sabadell adopted resolutions to rotate the auditor in compliance with current legislation; based on a reasoned recommendation from the Audit and Control Committee, the Board of Directors proposed that the General Meeting of Shareholders appoint KPMG Auditores, S.L. as auditors of Banco Sabadell and of the consolidated annual accounts of the Banco Sabadell Group for the years 2020, 2021 and 2022; that motion was approved by the General Meeting of Shareholders on 28 March 2019. In addition, the Audit and Control Committee monitored the handover between the outgoing auditor and the incoming auditor to ensure proper transfer of knowledge and compliance with restrictions during the 'cooling in' period.

During 2019, the Audit and Control Committee was composed of four directors, all of whom were independent until 25 April 2019, when a female member changed category, from independent director to other external director. That Committee's Regulation, which was current in 2019, includes the provisions of the Articles of Association and the Board of Directors Regulation; article 21.3 provides that, as directors and members of the Committee, those members must act with independence of opinion and action with respect to the rest of the organisation (...)

On 19 April 2016, in conformity with Act 22/2015, of 20 July, on Auditing, and Regulation (EU) No 537/2014, of 16 April, the Audit and Control Committee approved the Group policy for safeguarding auditor independence. The policy is implemented through procedures that contemplate measures to preserve the auditor's independence by monitoring possible incompatibilities arising from personal circumstances, prohibited services, rotation requirements and fee limits, as well as measures in the processes of auditor selection, appointment, reappointment or replacement, and processes for authorising all the auditor's services, particularly in connection with non-audit services that the auditor is not prohibited from providing.

Additionally, based on information received from the auditors, the Committee vetted the procedures and tools used by the firm to ensure compliance with the auditor independence requirements. Written confirmation of the firm's independence with respect to the Banco Sabadell Group was received on 22 July 2019 and 28 January 2020. 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.

The institution complies with the principles of transparency and non-discrimination set out in the current legislation with respect to other market players. Specifically, the institution: 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 the bank receives advice from investment banks in certain transactions and, in the course of providing those services, such investment banks become privy to inside information, the institution includes the persons who become privy to such information in its internal control systems, and expressly notifies such persons of the obligation to fulfil their duty of confidentiality and comply with any trading restrictions, and ensure that others comply with them too.

Additionally, the bank conforms to the rules set out in its General Policy on Conflicts of Interest that was approved by the Board of Directors, whose ultimate and fundamental objective is that the persons who are bound by it should act in accordance with the ethical norms and principles that govern the bank's activities, based on the following guidelines:

- Existence of measures to prevent conflicts of interest from arising.
- Where conflicts of interest arise or are going to arise, existence of measures that enable them to be detected for the purpose of registering them and addressing them immediately.
- Where conflicts arise, they must be eliminated; otherwise, steps must be taken to reveal their nature and origin to the customer or the decision-making bodies, as appropriate, for the appropriate decisions to be made.

The bank also acts in accordance with the principles established in the Banco Sabadell Policy on Outsourcing of Functions, approved by the Board of Directors.

C.1.31 State whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditor:

- Yes
 No

Although the external auditor was not changed in 2019, the Board of Directors, based on a reasoned recommendation from the Audit and Control Committee, resolved at a meeting on 20 December 2018, as disclosed via regulatory disclosure no. 273.045, to appoint KPMG Auditores, S.L. as auditors of the financial statements of Banco Sabadell and the consolidated financial statements of the Banco Sabadell Group for the years 2020, 2021 and 2022. This decision was adopted in compliance with current legislation on auditor rotation and as a result of a selection process performed in accordance with the provisions of Regulation (EU) 537/2014 of 16 April, on specific requirements regarding statutory audit of public-interest entities. Based on a proposal by the Board of Directors, the General Meeting of Shareholders approved that appointment on 28 March 2019.

If there was a disagreement with the outgoing auditor, describe it:

- Yes
 No

C.1.32 Indicate whether the audit firm performs work for the company and/or its group other than auditing and, if so, state the fees received for such work and those fees as a percentage of the total fees billed to the company and/or its group:

Yes
 No

	Company	Group companies	Total
Fees for work other than auditing (thousand euro)	95	39	134
Fees for work other than auditing/Total audit fees (%)	6.28	0.72	1.94

The amount of fees for non-audit work does not include audit-related services for a total of 992 thousand euros (671 thousand euros corresponding to the Company and 321 thousand euros corresponding to Group subsidiaries), since they are independent assurance services, some of which are required by law.

C.1.33 State whether or not the auditors' report on the previous year's financial statements was qualified. If it was, state the reasons given by the Chairperson of the Audit Committee to the shareholders at the General Meeting of Shareholders to explain the content and scope of the qualification or exception.

Yes
 No

C.1.34 Indicate the number of consecutive years that the current audit firm has been auditing the financial statements of the company and/or the consolidated financial statements of its group. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Separate	Consolidated
Number of consecutive years	37	35

	Separate	Consolidated
No. of years audited by the current audit firm/No. of years that the company or its group has been audited (%)	94.87	100.00

C.1.35 State and detail any procedures in place to ensure that directors can obtain the information they need to prepare in good time for meetings of the Board and committees:

- Yes
 No

Detail the procedure

Article 17.1 of the Board of Directors Regulation establishes that the notice of meeting must always include the Agenda, which must contain, among other items, information about subsidiaries and Board sub-committees, and proposals and suggestions by the Chairman and other Board members and the bank's General Managers, to be received no less than five days in advance of the Board meeting; such proposals must be accompanied by the appropriate material for distribution to the directors.

Additionally, article 21 provides that:

1. Directors are vested with the broadest powers to be informed about any aspect of the company, to examine its books, records, documents and other background information on the company's transactions and to inspect all of its installations. The right to information extends to subsidiaries, both domestic and foreign.
2. So as not to disturb the ordinary running of the company, requests by directors for information must be channelled through the Chairman or the Secretary to the Board, 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 formal 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 sub-committees in a confidential and encrypted way, using the Diligent Boards software running on iPads. Information for Board meetings is circulated to the directors one week in advance, and it is elaborated upon or updated in the boardbook as needed; hence, they are duly informed.

In accordance with the Action Plan for 2019 established in the Board performance assessment for 2018 and the Plan to enhance the effectiveness of the Board's supervisory function, internal procedures and the technology systems at directors' disposal were strengthened in terms of the advance notice with which documentation is circulated to the directors, and improvements were made to the structure of supporting documentation, to include an executive summary, background, the purpose of the document, and suggested talking points

C.1.36 State and detail any rules in place that oblige the directors to report any circumstances that might jeopardise the company's credit and reputation and, if appropriate, resign:

- Yes
 No

The rules in the Capital Companies Act, in the chapter on directors' duties, are applicable: Specifically, under article 50 of the Articles of Association and article 23 of the Board of Directors Regulation, and in compliance with the Banco Sabadell Group Code of Conduct and its Policy on Conflicts of Interest of Directors and Senior Executives, 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.

Additionally, article 20 of the Board of Directors Regulation provides that directors will be removed:

- a) If they meet any of the conditions of incompatibility or prohibition envisaged in the law or the Articles of Association.
- b) If they are arraigned for a crime or are the subject of disciplinary proceedings by the supervisory authorities for a serious or very serious violation.
- c) Where their continuance on the Board may jeopardise the company's interests.

All the foregoing is without prejudice to the application of the rules on the fitness assessment to be performed by the bank in line with the procedure approved by the Board of Directors, which requires that any potential conflicts of interest or special situations be checked and assessed.

C.1.37 State whether any member of the Board of Directors has informed the company that he/she has faced criminal charges or has been arraigned for any of the offences listed in Article 213 of the Capital Companies Act:

- Yes
 No

C.1.38 Detail any significant agreements entered into by the company 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.

C.1.39 Identify and detail, individually, in the case of directors, and in overall terms, in other cases, any agreements between the company and its directors and senior executives or employees that contain indemnities, guarantees or severance clauses in the event of their resignation or unfair dismissal or if the contractual relationship is terminated due to a takeover bid or other transaction.

Number of beneficiaries	45
Type of beneficiary	Description of agreement
CHAIRMAN, MANAGING DIRECTOR, DIRECTOR - GENERAL MANAGER, DIRECTOR - SECRETARY GENERAL, DIRECTOR - CHIEF RISK OFFICER, OTHER BENEFICIARIES	<p>CHAIRMAN, MANAGING DIRECTOR, DIRECTOR-GENERAL MANAGER, AND DIRECTOR-SECRETARY GENERAL - Clause providing indemnity in the amount of 2 years' remuneration for cases of unfair dismissal and some limited cases of change of control.</p> <p>DIRECTOR - CHIEF RISK OFFICER: Clause providing indemnity in the amount of 1 year's fixed remuneration for cases of unfair dismissal or some limited cases of change of control, in the first year of his contract, and a post-contractual non-compete clause for a duration of 2 years from the date of unfair dismissal or change of control in some limited cases, applicable from the first year of the contract and at most up to the first date of ordinary retirement, in the amount of two years' fixed remuneration.</p> <p>OTHER BENEFICIARIES - 21 executives have a clause providing indemnity in the amount of 2 years' fixed remuneration for cases of unfair dismissal and some limited cases of change of control.</p> <p>16 executives have a post-contractual non-compete clause for a duration of 2 years from the date of unfair dismissal and some limited cases of change of control, lasting at most until the first date of ordinary retirement, in the amount of two years' fixed remuneration.</p>

State whether, outside the cases provided for in the regulations, such contracts must be reported and/or approved by the decision-making bodies of the company or group. If so, specify the procedures, cases and nature of the parties responsible for approving or disclosing:

	Board of Directors	General Meeting
Body that authorises the clauses	√	

	Yes	No
Is the General Meeting informed of the clauses?	√	

C.2. Board of Directors Committees

C.2.1 Give details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other non-executive directors in their composition:

Delegated Committee		
Name	Position	Category
Mr. JOSÉ OLIU CREUS	CHAIRMAN	Executive
Mr. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	MEMBER	Independent
Mr. JAIME GUARDIOLA ROMOJARO	MEMBER	Executive
Mr. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	MEMBER	Independent
Mr. PEDRO FONTANA GARCÍA	MEMBER	Independent

% executive directors	40.00
% proprietary directors	0.00
% independent directors	60.00
% other external directors	0.00

Detail the functions assigned to this committee, and describe its procedures and rules of organisation and operation. For each of these functions, describe the most salient actions during the year and how it exercised, in practice, each of the functions attributed to it, whether by the law, the Articles or other corporate resolutions.

The Delegated Committee is regulated by article 59 of the Articles of Association and article 12 of the Board of Directors Regulation, and it has its own terms of reference approved by the Board of Directors on 24 October 2019 that regulate its organisation and functioning.

The Delegated Committee must consist of a maximum of six directors, to be appointed by the Board with the favourable vote of two-thirds of its members, with a composition similar to that of the Board in terms of categories; the Chairman of the Board must act as its Chair. The resolutions of the Committee must be entered in a minutes book, and the minutes must be signed by the Chairman and the Secretary or, where applicable, by those who played those roles at the meeting in question.

It must meet whenever convened by its Chairman or by the Vice-Chairman standing in for the former, and its meetings may be attended by any person, whether related to the Company or otherwise, who is invited to attend, by a decision of the Committee itself or the Chairman of same, for the purposes to be determined on the basis of the matter in question; such persons may speak but not vote.

The Committee Secretary, who need not be a director, must be designated by the Board of Directors, which must also designate a substitute secretary for cases of illness or absence.

On 31 January 2019, independent director Mr. Pedro Fontana García was appointed as a member of the Delegated Committee to replace Mr. José Luis Negro Rodríguez.

The Delegated Committee is responsible for the coordination of the Bank's executive management, adopting any resolutions and decisions to this end under the scope of the powers granted to it by the Board of Directors, and for overseeing the Bank's ordinary activities; it must report the decisions adopted at its meetings to the Board of Directors, without prejudice to the other functions attributed to it by the Articles of Association and the Board of Directors Regulation. Under Article 4 of its own terms of reference, the Delegated Committee also has information, consultative and advisory functions in relation to all the powers that vested in the Board of Directors, as well as the power to coordinate the executive functions of the Bank's executives, the power to decide on which lies with the executive bodies. The Delegated Committee is also empowered to make decisions within the limits established by the Bank's policies, particularly risk decisions, in accordance with the delegations scheme approved by the Board of Directors.

In 2019, the Delegated Committee monitored the ordinary activities of the Bank, oversaw Bank management, adopted resolutions and decisions falling within the scope of the powers that the Board of Directors delegated to it, and analysed and reviewed other issues, providing favourable reports to the sub-committees with competency in those areas and to the Board of Directors for the adoption of the appropriate resolutions.

The most salient actions undertaken in 2019 by the Delegated Committee in carrying out its functions and discharging its functions and responsibilities included tracking and analysing the financial information and results of the Bank and its group; analysing the reaction of markets and investors to the institution's results; being apprised of the strategic plan and tracking strategic issues appropriately; and tracking business performance and trends in own stock and the share price. The Committee also analysed and, as appropriate, approved transactions in connection with the Group's corporate development. It was informed of new developments in legislation, of relations with the supervisors and of regulatory matters, and adopted the pertinent decisions for action. It was also informed of the Group's risks, deciding on the risk operations that fell under its remit due to their amount or relevance. It issued favourable reports to the Board of Directors on the incorporation and/or dissolution and liquidation of subsidiaries and investees, as well as changes in capital and other amendments to the articles of association; it informed the Appointments Committee and the Board of Directors of changes in the composition of such institutions' governing bodies. The Delegated Committee also performed a self-assessment of its performance in 2018, and the assessment of its performance in 2019 is being conducted in 2020 with the assistance of an independent external consultant.

Audit and Control Committee		
Name	Position	Category
Mr. MANUEL VALLS MORATÓ	CHAIRMAN	Independent
Mr. PEDRO FONTANA GARCIA	MEMBER	Independent
Ms. MARIA TERESA GARCIA-MILÀ LLOVERAS	MEMBER	Other external
Mr. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	MEMBER	Independent

% executive directors	0.00
% proprietary directors	0.00
% independent directors	75.00
% other external directors	25.00

Detail the functions assigned to this committee, including any that are additional to those established by law, and describe its procedures and terms of reference. For each of these functions, describe the most salient actions during the year and how it fulfilled, in practice, each of the functions attributed to it, whether by the law, the Articles or other corporate resolutions.

The Audit and Control Committee is regulated by article 60 of the Articles of Association and article 13 of the Board of Directors Regulation, and it has its own terms of reference that regulate its organisation, functioning and governance.

The Audit Committee must comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least a majority of them must be independent directors, and one must be appointed on the basis of his/her knowledge and experience of accounting and/or auditing. The Board of Directors must appoint the committee's Chair from among the members who are independent directors, with the favourable vote of two-thirds of its members, and the committee secretary, who must not be a director. The Secretary must take minutes of every meeting, which must be approved at the end of the meeting itself or at the next meeting. The business transacted at Committee meetings must be reported to the Board of Directors at the next meeting by means of a reading of the minutes.

The Committee must meet at least once every three months, and whenever convened by the Chair at his/her own initiative or at the request of any Committee member, or at the request of the Chairman of the Board of Directors or of the external auditors, to discharge the duties assigned to it.

The purpose of the Audit and Control Committee is to exercise oversight to ensure good banking and accounting practices in the various echelons of the organisation, as well as to ensure that suitable measures are taken to address improper conduct or methods. It is also a watchdog, ensuring that the measures, policies and strategies defined by the Board are duly implemented.

The Audit and Control Committee has the responsibilities established by law, including:

a) Reporting to the General Meeting on all issues raised by shareholders that are within its remit.

- When notice is given of a General Meeting of Shareholders, the Committee makes the report on its activities during the year available to shareholders so as to inform them of the issues and actions under its area of competence.

b) Supervising the effectiveness of the company's internal control, internal audit and risk management systems, including those relating to tax risk, as well as discussing with the auditors or audit firms any significant weaknesses in the internal control system that were detected in the course of the audit.

- During the year, the Committee reviewed the Group's risk management and control systems using reports prepared by the Risk, Finance and Internal Audit Departments.

In compliance with the requirements as to disclosures to the markets in the framework of the provisions of Part Eight: "Disclosure by Institutions" of Regulation (EU) 575/2013 of the European Parliament and the Council, of 26 June 2013, (hereinafter, the Capital Requirements Regulation - CRR), the Committee reviewed the contents of the "Pillar III disclosures" and analysed the information in connection with the group's computable equity and capital and the degree to which it conformed to the criteria defined in the CRR and the risk management and control objectives set out in group policies. The Committee also carried out a detailed review of all financial data to be relied on as a basis for characterising the group's risk profile as conservative in the various categories of risk for which disclosure was required.

The Committee also reviewed the Internal Capital Adequacy Assessment Process (ICAAP) for 2018 in connection with risk governance, management and control systems, and concluded that they conformed to the institution's risk profile and reached a favourable conclusion as to the Banco Sabadell Group's consolidated capital, which assures coverage of the regulatory requirements. It also reviewed Internal Liquidity Adequacy Assessment Process (ILAAP). Based on the contents of the report, the Commission was able to conclude that the Banco Sabadell Group has a liquidity position that enables it to meet payment commitments at a reasonable cost, either under normal conditions or in a situation of stress, that the group has a stable and balanced funding structure, in line with the risk appetite and the defined risk management strategy, and that a robust governance framework is in place for managing and

controlling liquidity and funding risk.

Regarding tax risks, in 2019 the Committee supervised and tracked tax management by the Banco Sabadell Group and, in particular, the application of the tax strategy and its guiding principles of efficiency, prudence, transparency and minimisation of tax risk, and it reviewed the actions and horizontal projects that were implemented for an appropriate analysis of the Group's tax issues.

In connection with its function of overseeing the internal audit units, on 24 May 2018, following a favourable report by the Appointments Committee, the Board of Directors resolved unanimously to ratify that the Internal Audit Department reports directly to the Board of Directors' Audit and Control Committee. This reinforced its hierarchical and functional independence from the rest of the institution's departments and positions the function at an appropriate level of the organisation.

On the basis of its policy, which was approved by the Board of Directors, the functions of the Internal Audit Department include supporting the Audit and Control Committee in supervising the proper design, implementation, and effective functioning of the risk management and control systems.

The Overall Audit Plan that the Board of Directors approved at a meeting on 31 January 2019, based on a recommendation by the Audit and Control Committee dated 28 January 2019, determined the priorities of the Internal Audit activity, using a risk-based approach. During 2019, the Committee received information about the execution of the planned actions; in some cases, it reviewed the control environment and, in particular, evaluated the proper identification of risks in processes, and the sufficiency, design, implementation and effective functioning of existing controls. The committee evaluated the results of each internal audit and prioritised and monitored corrective actions.

In addition, during 2019, the Committee checked the independence and objectivity of the internal audit function, checking that it has sufficient resources and access to information to fulfill its tasks, in accordance with the professional standards that apply to internal auditors. On 28 January 2020, the Committee received the Annual Report on Internal Audit Activities, which includes the report of the Internal Audit Quality Assurance and Improvement Programme with the internal evaluations carried out on its function to assess its effectiveness, as well as the performance of the head of that unit.

In 2019, the Committee also received information about the conclusions of the reports issued by the external auditors and the supervisory authorities and on the proper implementation of the improvement measures proposed by the regulatory bodies.

c) Overseeing the drafting and presentation of regulated financial information.

- During the year, the Audit and Control Committee supervised the internal control model established in the institution with respect to the process of preparing and presenting regulated financial and regulated non-financial disclosures. To this end, it received information from the Finance Department, the Internal Audit Department and the External Auditors regarding the risks relating to financial and non-financial reporting processes and the adequacy and effectiveness of the controls that mitigate them, as well as aspects that may give rise to changes in the internal control model, including regulatory changes, the incorporation of new products or the modification of Banco Sabadell's processes.

d) Proposing to the Board of Directors, for submission to the General Meeting, the appointment of the external auditor, establishing the engagement conditions, the scope of the professional mandate, and revocation or non-renewal, if appropriate; reviewing compliance with the audit contract, striving to ensure that the opinion on the financial statements and the main content of the auditors' report are drafted clearly and accurately.

- With regard to the external auditor, the Committee reviewed the criteria and conditions of engagement and, as a result, proposed to the Board that the firm of PricewaterhouseCoopers Auditores, S.L. be re-appointed as auditors of the Bank's separate and consolidated accounts for the year 2019. The Board of Directors resolved to submit the Committee's recommendation to the General Meeting of Shareholders, which approved it on 28 March 2019. That same General Meeting of Shareholders approved the appointment of KPGM Auditores, S.L. for the years 2020 to 2022, based on a proposal by the Board of Directors, which was based on a reasoned recommendation from the Audit and Control Committee made following a selection process performed in accordance with the provisions of Regulation (EU) 537/2014 of 16 April, on specific requirements regarding statutory audit of public-interest entities.

In the course of the audit, the Committee remained in contact with the external auditor constantly to be apprised of the scope and schedule and the resources assigned to the work, the determination of materiality and the auditors' opinion on any material accounting or financial reporting issues arising in the course of the audit work. The Committee also reviewed in depth the contents of the audit report, as well as the Additional Report presented by the auditors to the Audit and Control Committee in connection with the audit of the year ended 31 December 2019, required to comply with the provisions of article 36 of Act 22/2015, of 20 July 2015, on Auditing and with article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities.

e) Advising on the annual, quarterly and half-yearly financial statements and the prospectuses that must be submitted to the regulatory or supervisory bodies, exercising vigilance to ensure compliance with the requirements of the law and the proper application of generally accepted accounting principles, and advising on proposals to amend those principles.

- In the course of the year, the Committee paid particular attention to reviewing the financial statements and the quarterly and half-yearly trading and financial reports as well as other information disclosed to the market, including the Share Registration Document, before they were released for publication. In order to carry out these reviews, the Finance Department and the External Auditor participated in meetings of the Committee to present matters relating to the financial disclosures.

f) Establishing the appropriate relations with external auditors to receive information about any issues that might jeopardise their independence, to be reviewed by the Committee, and any others related to the process of performing the audit functions and in the audit rules.

- In order to comply with the requirements for the engagement of non-audit services from audit firms and their networks, as established in the Banco Sabadell Group Policy to safeguard auditor independence, approved by the Audit and Control Committee on 19 April 2016, the Audit and Control Committee reviewed the main non-audit services provided by PricewaterhouseCoopers during 2019. The objective of these reviews was to ensure that all that work fulfilled the independence requirements established in Act 22/2015, of 20 July, on Auditing and in Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

Additionally, based on information received from the auditors, the Committee vetted the procedures and tools used by the firm to ensure compliance with the auditor independence requirements. Written confirmation of the firm's independence with respect to the Banco Sabadell Group was received on 22 July 2019 and 28 January 2020.

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.

g) Advising on any issues referred to the Committee by the Board of Directors that are within its remit.

- In the course of its duties as assigned by the law, the Articles of Association and the Board of Directors Regulation and its own terms of reference, the Audit and Control Committee reviewed all the reports under its remit, including the annual assessment of its performance, as well as a report on the issues it dealt with and the activities it performed in discharging its duties.

h) Any other matters for which the Committee is responsible by law or under the Articles of Association or any regulations made in accordance therewith, or under any generally applicable rules on corporate governance.

- In pursuit of good governance of the Bank's business, the Committee decided to recommend that the Board of Directors give its approval to a report submitted by the Executive Committee on the corporate governance structure and practices at Banco Sabadell in the year.

The Committee also examined half-yearly reports from the Group's Corporate Ethics Committee on action taken to ensure compliance with the Banco Sabadell Group Code of Conduct in relation to the securities market, the Group's Code of Conduct, initiatives undertaken in the area of Corporate Social Responsibility and other key aspects.

By reviewing these reports, the Committee also received information on the performance of the whistleblower

channel, including the number of notifications received, their origin and types, the results of the investigations and the proposals for action.

In connection with related-party transactions as referred to in recommendation 6 of the Good Governance Code of Listed Companies approved by the National Securities Market Commission (CNMV) on 18 February 2015, the Committee verified that the related-party transactions performed during the year fulfilled the terms and conditions established in current legislation such as not to require authorisation from the governing bodies or had obtained such authorisation based on a recommendation by the Committee, after it had checked that the consideration and other proposed conditions were in line with market parameters. The Committee also reviewed the information on related-party transactions that was disclosed in the financial statements.

Additionally, in conformity with the recommendations contained in a document published by the CNMV on 18 July 2013 entitled "Recommendations by the Comisión Nacional del Mercado de Valores for securities issuers and financial intermediaries acting on their behalf in discretionary transactions with own shares", the Audit and Control Committee received regular briefings from the Director-General Manager and the head of treasury share management on trading in the Bank's own shares and on compliance with the regulator's recommendations.

Identify the members of the audit committee who were appointed on the basis of their knowledge and experience in accounting, auditing or both, and state the date of appointment of the Chairman of this committee.

Name of directors with experience	Mr. MANUEL VALLS MORATÓ
Date of appointment as Chairman	30/03/2017

Appointments Committee		
Name	Position	Category
Ms. AURORA CATÁ SALA	CHAIRMAN	Independent
Mr. ANTHONY FRANK ELLIOTT BALL	MEMBER	Independent
Ms. MARIA TERESA GARCIA-MILÀ LLOVERAS	MEMBER	Other External
Mr. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	MEMBER	Independent

% executive directors	0.00
% proprietary directors	0.00
% independent directors	75.00
% other external directors	25.00

Detail the functions assigned to this committee, including any that are additional to those established by law, and describe its procedures and terms of reference. For each of these functions, describe the most salient actions during the year and how it fulfilled, in practice, each of the functions attributed to it, whether by the law, the Articles or other corporate resolutions.

The Appointments Committee is regulated by article 61 of the Articles of Association and article 14 of the Board of Directors Regulation, and it has its own terms of reference approved by the Board of Directors on 24 October 2019 that regulate its organisation and functioning.

The Appointments Committee must comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. The Committee will have a Chair, appointed by the Board of Directors with a two-thirds majority from among the independent

directors who are members of the Committee.

The Board of Directors will also appoint the Committee Secretary and, in the event, a Vice-Secretary, neither of whom need be a member of the Board of Directors.

The Appointments Committee meets as often as necessary, and at least once every three months, when convened by its Chairman, at his/her own initiative or at the request of any member of the Committee, or whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and, in any event whenever it is advisable in order to properly discharge its duties. In any case, it must meet once per year to provide advice in advance on the Board's performance evaluation.

On 28 March 2019, Mr. José Manuel Martínez Martínez was appointed as a member of the Appointments Committee in place of Mr. Pedro Fontana García.

Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors, the Board of Directors Regulation or its own terms of reference, the Appointments Committee has the following basic duties:

a) Making proposals to the Board of Directors as to the appointment of independent directors, for co-optation or for referral to the General Meeting, and as to the re-appointment or removal of such directors;

- In fulfilment of its functions, it made a proposal to the Board of Directors that it refer to the General Meeting of Shareholders the re-appointment of independent directors, and ratify their fitness and suitability.

b) Advising on proposals to appoint other directors — proprietary, other external and executive — by co-optation or for referral to the General Meeting, and on proposals to re-appoint or remove them;

- In fulfilment of its functions, it advised the Board of Directors on proposals for the re-appointment of two executive directors, ratifying their fitness and suitability, for submission to the General Meeting of Shareholders, and it advised on the proposal, which was referred to the General Meeting of Shareholders, to ratify and appoint a female executive director, ratifying her fitness and suitability.

c) Ensuring that the qualitative composition of the Board of Directors complies with the provisions of article 53 of the Articles of Association, by assessing the balance of knowledge, capacity, diversity and experience among its members. To this end, it must define the necessary functions and skills to be possessed by candidates for each vacancy, as well as the time that it considers needs to be dedicated to properly discharge the duties;

- The Committee exercised oversight to ensure compliance with the qualitative composition of the Board in all its proposals for the re-appointment of independent directors, as well as advising on the Board's proposals with respect to the other directors. It also verified compliance with the Banco Sabadell Policy for the Selection of Candidates for Directorship, in accordance with Recommendation 14 of the Code of Good Governance of Listed Companies, and analysed and advised the Board on the composition of the Board, the categories of directors, and the approval of the Annual Corporate Governance Report.

d) Striving to ensure that selection procedures for filling vacancies or appointing new directors favour a diversity of experience and knowledge, facilitate the selection of female directors and, generally, do not suffer from implicit biases that might result in discrimination of any type;

e) Evaluating to ensure that the members of the Board of Directors are suitable and have the requisite competency, knowledge and experience, and assessing their ability to devote the necessary time, with a view to referring their candidacy to the competent authorities;

- During 2019, it analysed the powers and diversity of the Board of Directors to determine the profiles of the candidates for directorships and assessed the suitability of the directors presented for appointment and/or re-appointment. It also performed a supplementary fitness assessment for one director as a result of the changes of functions and positions in the Banco Sabadell Group.

f) Advising on proposals for the appointment and removal of senior executives and other Group's identified staff, and assessing their fitness and suitability;

- The Committee fulfilled its function of advising the Board of Directors on proposals for the appointment of senior executives, having assessed their suitability. It also reviewed the list of Group's identified staff of the Bank, the

group and the subsidiaries, and advised the Board of Directors on proposals to amend the list of Group's identified staff.

g) Advising on the basic contractual conditions for executive directors and, as appropriate, on their specific contracts, which must be approved by the Board of Directors and be attached to its minutes as an annex;

- The Appointments Committee issued a favourable report to the Board of Directors on the contractual terms and conditions under which the director appointed as Chief Risk Officer will perform executive functions, having switched category from independent to executive director.

h) Examining and organising succession plans for the Chairman of the Board of Directors and the Bank's Managing Director, and, as appropriate, raising proposals to the Board and implementing the provisions of any duly approved and published Succession Plan in the event;

- The Succession Plan for the Chairman and Managing Director of Banco Sabadell was approved by the Board of Directors on 21 July 2016.

i) establishing a target for representation of the gender that is less represented on the Board of Directors and drawing up guidelines on how to achieve that target;

- That target is set in the Banco Sabadell Policy for the Selection of Candidates for Directorship, which was approved by the Board of Directors at a meeting on 25 February 2016 and amended by the Board of Directors on 28 March 2019. The Appointments Committee verified compliance with this Policy in the resolutions adopted in 2019 regarding the re-appointment, ratification and/or appointment of directors, which conformed to the diversity parameters and requirements set out in the Policy and in the current regulations governing directorships of credit institutions and, in particular, with a view to achieving the objectives as to the weighting in the Board of the under-represented gender.

j) Evaluating regularly, and at least once per year, the structure, size and composition of the Board of Directors and its Committees, and advising the Board on the most appropriate configuration, as well as advising on proposals regarding the appointment or removal of their members;

- The Committee evaluated the structure, size and composition of the Board and its committees and advised the Board of Directors on the most appropriate configuration, also providing advice on proposals for re-appointment and appointment of directors, and on changes in the composition of the Board Committees.

k) Making proposals to the Board of Directors for the assignment of directors to the appropriate category, their continuance in that category in the event of re-appointment, and changes of category where necessary;

- The Committee analysed the implications of the change of category of two directors and submitted its conclusions to the Board for it to take cognizance and adopt the appropriate resolutions.

l) Reviewing directors' categories each year and informing the Board of Directors for inclusion in the Annual Corporate Governance Report;

- The Committee reviewed the directors' categories and informed the Board for inclusion in the Annual Corporate Governance Report.

m) Advising the Board of Directors on proposals for the appointment of the Vice-Chairman or Vice-Chairmen, as applicable;

n) Advising the Board of Directors on proposals regarding the appointment of the Secretary and, as appropriate, the Vice-Secretary of the Board of Directors, neither of whom need be a director.

o) Making proposals to the Board of Directors for the appointment, removal or re-appointment of the Lead Independent Director;

- In 2019, there was a change in the person acting as Lead Independent Director after three years in the position, to which end the Committee issued a favourable report to the Board of Directors on the appointment of a new Lead Independent Director.

p) Producing and regularly updating a matrix of competencies in the Board of Directors, evaluating the knowledge, skills and experience of the members of the Board of Directors and of the Board as a whole, for approval by the Board of Directors;

- The Committee drew up the Matrix of competencies and diversity of the members of the Board of Directors and provided advice to the Board in this connection; the matrix defines the skills and knowledge of the directors in accordance with the criteria of Technical Guide 1/2019 on Nominations and Remuneration Committees, issued by the Spanish National Securities Market Commission (CNMV) on 20 February 2019, and of the EBA Guidelines on the assessment of suitability of members of the management body and key function holders (EBA-GL-2017-12). The Committee issued a recommendation to the Board on the approval of the Competence Matrix at a meeting of 27 June 2019.

q) Periodically reviewing and making proposals to the Board for the amendment of the policies regarding the selection and diversity of the members of the Board of Directors, and verifying compliance with them annually, informing the Board of Directors as to the degree of compliance;

- At a meeting on 27 March 2019, the Committee amended the Policy for the Selection of Candidates for Directorship to expressly state that, in the area of candidates' professional competence, particular value will be attached to experience in banking and finance. It also checked compliance with the policy.

r) Providing advice each year on performance reviews for the Board of Directors and for the Chairman of the Board of Directors and the Managing Director;

- The Appointments Committee provided advice on the annual performance review of the Board of Directors, its Chairman and the Managing Director. The performance review for 2019 is being conducted in 2020 with the assistance of an independent external consultant.

s) Referring to the Board of Directors the assessments of the Board Committees with the results of the assessment and a proposal for an action plan or recommendations to correct any deficiencies detected or improve the functioning of the Board or its Committees;

- The Appointment Committee issued a favourable report to the Board on the annual performance review of the Committee itself for 2018, as well the performance reviews for the other Board committees (Delegated Committee, Audit and Control Committee, Appointments Committee, Remuneration Committee and Risk Committee), which included, depending on the outcome, an action plan to correct any deficiencies that had been detected.

t) Designing and organising regular refresher courses for directors;

- At a meeting on 31 January 2019, the Appointments Committee issued a favourable report to the Board of Directors on the 2019 Director Training Programme, with special emphasis on updating the skills and knowledge of the Bank's directors in specific issues related to the institution.

u) Reviewing, at least once per year, the execution and quality of the initial training and onboarding and the Director Training Programme, and informing the Board of Directors;

- At a meeting on 27 March 2019, the Appointments Committee advised the Board on the amendment to the 2019 Director Training Programme approved on 31 January 2019 in order to reinforce training in the banking business, by modifying the content of the planned training sessions to this end.

Remuneration Committee		
Name	Position	Category
Ms. AURORA CATÁ SALA	CHAIRMAN	Independent
Mr. ANTHONY FRANK ELLIOTT BALL	MEMBER	Independent
Mr. GEORGE DONALD JOHNSTON	MEMBER	Independent
Mr. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	MEMBER	Independent

% proprietary directors	0.00
% independent directors	100.00
% other external directors	0.00

Detail the functions assigned to this committee, including any that are additional to those established by law, and describe its procedures and terms of reference. For each of these functions, describe the most salient actions during the year and how it fulfilled, in practice, each of the functions attributed to it, whether by the law, the Articles or other corporate resolutions.

The Remuneration Committee is regulated by article 62 of the Articles of Association and article 14 bis of the Board of Directors Regulation, and it has its own terms of reference approved by the Board of Directors on 24 October 2019 that regulate its organisation and functioning.

The Remuneration Committee must comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. The Committee will have a Chair, appointed by the Board of Directors with a two-thirds majority from among the independent directors who are members of the Committee. The Board of Directors will also appoint the Committee Secretary and, in the event, a Vice-Secretary, neither of whom need be a member of the Board of Directors.

The Remuneration Committee meets as often as necessary, and at least once every three months, when convened by its Chairman, at his/her own initiative or at the request of any member of the Committee, or whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and, in any event, whenever it is advisable in order to properly discharge its duties. In any event, the Committee must meet once per year to prepare the information on directors' remuneration that the Board of Directors must approve and include in its annual public documentation.

On 28 March 2019, Mr. José Ramón Martínez Sufrategui was appointed as a member of the Remuneration Committee in place of Ms. Maria Teresa Garcia-Milà Lloveras.

Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors, the Board of Directors Regulation or its own terms of reference, the Remuneration Committee has the following basic duties:

a) Making proposals to the Board of Directors in connection with the director remuneration policy;

- The Remuneration Committee issued a favourable report to the Board of Directors on the proposal to the Ordinary General Meeting of Shareholders to approve the Banco Sabadell Director Remuneration Policy for the years 2019, 2020 and 2021, which was approved by the General Meeting of Shareholders on 28 March 2019.

b) Proposing, to the Board of Directors, the remuneration policy for general managers and others performing senior management functions who report directly to the Board of Directors, the Delegated Committee or the Managing Directors, and the individual remuneration and other contractual conditions for executive directors, exercising oversight to ensure that they are complied with;

- To perform this function, it cross-checked the compensation benchmark for the executive directors and senior management and internal audit with reports from external consultants; it issued a favourable report to the Board of Directors in connection with the degree of fulfilment of the 2017 objectives for executive directors, senior management and internal audit, as well as their fixed and variable remuneration for 2019.

- c) Advising on remuneration programmes based on shares and/or options;
- d) Periodically reviewing the general principles of remuneration and the remuneration programmes for all employees, and considering whether they conform to those principles;

- The Remuneration Committee examined the independent assessment of remuneration policy and practices produced by an external consultant, which analysed whether Banco Sabadell's remuneration policy and practices conform to the regulators' requirements and recommendations. It also reviewed the report produced each year by the Human Resources Department in order to provide the Remuneration Committee with the essential information to enable it to perform the functions entrusted to it in relation to reviewing the general principles of Banco Sabadell's remuneration policy and exercising oversight of the remuneration of the bank's executive directors, senior management and other members of the identified staff;

It also reported favourably to the Board of Directors on the fixed remuneration for group's entire workforce and an increase in the total salary expense for the year 2019.

- e) Reviewing the remuneration policy each year to ensure that it is aligned with the institution's situation and short-, medium- and long-term strategy and with market conditions and to assess whether it contributes to the creation of long-term value and to appropriate risk control and management;

- In 2019, the Remuneration Committee analysed an independent report by an external consultant evaluating remuneration policy and practices; and it reviewed the remuneration policies of Banco Sabadell and reported favourably on this matter to the Board of Directors.

- f) Ensuring that the institution's remuneration policy and practices are up to date, by proposing any necessary changes, and ensuring that they are subject to a central, independent internal review at least once per year;

- The Remuneration Committee analysed the Internal Audit Report on the Remuneration Policy of the Group and Subsidiaries, whose objective was to review the degree to which the institution's remuneration policies conform to the EBA/ESMA guidelines.

- g) Verifying that the remuneration policy is properly applied and that directors do not receive remuneration outside the policy;

- The Remuneration Committee analysed the Independent performance evaluation report in connection with oversight over variable remuneration that was produced by an external consultant, which concluded that the Remuneration Committee, the second and third line of defence and the annual independent external evaluation comply with the provisions of the regulations and with the corporate governance recommendations regarding the control of variable remuneration, and that they conform to market best practices in this area.

- h) Assessing the mechanisms and systems adopted to ensure that the remuneration system duly takes account of all types of risks and liquidity and capital levels, and that the remuneration policy promotes and is consistent with adequate, effective risk management, and that it is in line with the institution's business strategy, objectives, culture and corporate values and long-term interests;

- At a meeting on 29 January 2019, the Remuneration Committee examined the independent report on the evaluation of the remuneration policy and practices prepared by an external consultant, which concluded that Banco Sabadell has in place criteria for analysing risk in managing remuneration, and that the criteria used in the objective assessment systems consider present and future risks;

The Risk Committee also informed the Remuneration Committee about the coherence between the remuneration programmes and the Bank's risk, capital and liquidity levels, ensuring that its objectives are set in alignment with the Risk Appetite Statement (RAS). The report also concluded that the Remuneration Policy aligned to Risk conforms to the institution's business strategy and long-term objectives, values and interests, is consistent with the principles relating to the protection of customers, investors and shareholders, and does not encourage excessive risk-taking.

- i) Reviewing the various possible scenarios to analyse how remuneration policies and practices react to internal and external events, and considering retrospective evidence of the criteria used to determine remuneration and the ex-ante adjustment to risk based on actual risk outcomes;

j) Reviewing the conditions of the contracts with executive directors and senior management and providing advice in this connection to the Board of Directors, and verifying that they are consistent with the current remuneration policy;

- The Committee analysed and approved the amendment or adjustment of the senior management contracts, verifying that they conform to the remuneration policy.

k) Evaluating the degree of compliance with the criteria and objectives established in relation to the previous year, which is what must determine the proposal for the individual remuneration for directors, particularly executive directors, senior management and other members of the identified staff, including the short-, medium- and long-term variable components, with the participation of the external advisor where appropriate;

- The Committee informed the Board about the degree of attainment of the 2018 objectives by the executive directors, and its proposal for fixed remuneration for 2019 and the establishment of objectives and the proposal for variable remuneration for 2019. It also issued a favourable report to the Board of Directors on the long-term remuneration target for executive directors. The committee also ratified the attainment of the 2018 objectives by senior management and the head of Internal Audit and gave advice to the Board on the payment of their variable remuneration, and it also advised on the establishment of senior management's objectives for 2019.

In connection with the identified staff, the Committee ratified the attainment of their objectives and their salary review, and provided advice on the variable remuneration target for 2019.

l) Proposing the determination of remuneration earned by the directors and senior management;

- The Remuneration Committee reported favourably to the Board of Directors on the fixed remuneration and short- and long-term variable remuneration for 2019 for executive directors and senior management.

m) Proposing the determination of the bonus for senior management at the Bank and its subsidiaries;

- The Remuneration Committee issued a favourable report to the Board of Directors on the 2019 variable remuneration for senior management at the Bank and its subsidiaries;

n) Verifying whether circumstances have arisen that justify triggering the malus or clawback clauses governing variable remuneration, and proposing the appropriate measures to recover any amounts due in that event;

o) Approving the appointment of external consultants on remuneration that the Board decides to hire to provide advice or support;

- It approved the hiring of remuneration advisers for 2020.

p) Ensuring that any conflicts of interests are not detrimental to the independence of external advisors;

q) Ensuring that remuneration is transparent;

- It cooperated actively in the Corporate Governance Road Show held at the beginning of February 2019 for proxy advisors and significant shareholders, in which it detailed the most salient aspects of the remuneration policy.

r) Verifying the information on remuneration contained in the various corporate documents, including the Report on Director Remuneration.

- The Remuneration Committee vetted and cleared the information on remuneration to be included in the Annual Corporate Governance Report, and recommended that the Board of Directors approve the Annual Report on Director Remuneration, and it exercised oversight to ensure that they were publicised properly on Banco Sabadell's corporate website.

s) Preparing the information on directors' remuneration that the Board of Directors must approve and include in its annual public documentation.

- The Remuneration Committee determined and reviewed the information on director remuneration that the Board must approve and disclose in the annual public documentation.

t) Reviewing to ensure that the information that the institution divulges via its website on matters that are the competence of the Committee in connection with directors and senior management is sufficient and adequate and conforms to the applicable corporate governance recommendations.

- The Remuneration Committee ensured the proper dissemination of the information on remuneration through the corporate website, in accordance with the applicable regulations and corporate governance recommendations.

The Remuneration Committee also approved, and resolved to submit to the Board of Directors, the Report on the assessment of the Remuneration Committee for 2018 and the proposal for the action plan for 2019. The performance review for 2019 is being conducted in 2020 with the assistance of an independent external consultant. It also reported favourably to the Board of Directors on the submission to the General Meeting of Shareholders of the maximum limit on variable remuneration for the Group's identified staff at an amount equivalent to 2 years' remuneration, i.e. 200% of the fixed annual remuneration assigned to each one of them.

Risk Committee		
Name	Position	Category
Mr. GEORGE DONALD JOHNSTON	CHAIRMAN	Independent
Ms. MARIA TERESA GARCIA-MILÀ LLOVERAS	MEMBER	Other external
Mr. MANUEL VALLS MORATÓ	MEMBER	Independent

% executive directors	0.00
% proprietary directors	0.00
% independent directors	66.66
% other external directors	33.33

Detail the functions assigned to this committee, and describe its procedures and rules of organisation and operation. For each of these functions, describe the most salient actions during the year and how it exercised, in practice, each of the functions attributed to it, whether by the law, the Articles or other corporate resolutions.

The Risk Committee is regulated by article 63 of the Articles of Association and article 15 of the Board of Directors Regulation, and it has its own terms of reference approved by the Board of Directors on 24 October 2019 that regulate its organisation and functioning.

It comprises at most five directors, appointed by the Board of Directors, none of whom may be an executive director; they must have the appropriate knowledge, skill and experience to fully understand and oversee the Bank's risk strategy and risk appetite; at least two of them must be independent directors. The Board of Directors appoints its Chairman from among the members who are independent directors, with the favourable vote of two-thirds of its members.

In the exercise of its functions, the Risk Committee may directly request the information it sees fit from both the director who is Chief Risk Officer and the Risk Control Manager.

The Risk Committee meets as often as necessary, and at least once every two months, when convened by its Chairman, at his/her own initiative or at the request of any member of the Committee, or at the instance of Board or its Chairman.

On 31 January 2019, Mr. George Donald Johnson was appointed Chairman of the Risk Committee in place of Mr. David Vegara Figueras.

Its functions are focused on supervising and exercising oversight to ensure that all the risks of the bank and its consolidated group are accepted, controlled and managed appropriately, and reporting to the Board on the performance of the functions corresponding to it, in accordance with the law, the Articles of Association, the Board of Directors Regulation and its own terms of reference. The main functions of the Risk Committee are as follows:

- a) Supervising implementation of the Overall Risk Policy;
- b) Reporting each quarter to the full Board about the levels of risk assumed, investments made and their performance, and the potential repercussions on Group revenues of variations in interest rates, and the degree to which they conform to the VAR levels approved by the Board of Directors;
- c) Monitoring and detecting any excess above the approved tolerance thresholds, and overseeing the activation of the contingency plans established for this purpose;
- d) Advising the Remuneration Committee as to whether the employee compensation programmes are coherent with the Bank's levels of risk, capital and liquidity.
- e) Advising and supporting the Board of Directors in connection with tracking the institution's risk appetite and general risk strategy, taking into account all types of risks, to ensure that they are in line with the institution's business strategy, objectives, corporate culture and values.
- f) Assisting the Board of Directors in monitoring the application of the institution's risk strategy and established limits.
- g) Monitoring implementation of the capital and liquidity management strategies, as well as all the institution's other material risks, in order to assess their conformity to the approved risk strategy and appetite.
- h) Providing recommendations to the Board of Directors on such adjustments to the risk strategy as may be considered necessary as a result of, inter alia, changes in the institution's business model, market performance or recommendations made by the risk control function.
- i) Advising on the appointment of external consultants in connection with overseeing the institution's activities.
- j) Analysing a series of possible scenarios, including stress scenarios, to assess how the institution's risk profile would react to external and internal events.
- k) Monitoring the degree to which the major financial products and services offered to customers conform to the institution's business model and risk strategy. The Risk Commission will assess the risks associated with the offered financial products and services and will take into account how the prices of those products and services relate to the rewards obtained.
- l) Assessing internal or external auditors' recommendations and verifying proper implementation of any measures that are adopted.
- m) Reporting to the full Board regarding the performance of its functions under this article and other applicable legislation and the provisions of the Articles of Association;

For each of the functions of the Risk Committee listed in the preceding paragraphs, items a) through m), the most salient actions carried out by the Committee during the year were as follows:

In relation to Governance functions, as referred to in items a), e), f), g), h), i), j), l) and m), the Risk Committee analysed and reviewed matters that required it to issue a recommendation for subsequent approval by the Board of Directors, including notably the Global Risk Framework, the Risk Appetite Framework (RAF), Risk Appetite Statement (RAS) and IFRS 16, as well as the Risk Policies. In this same area, as part of the development of the Global Risk Framework, the Risk Committee also analysed, and subsequently submitted to the Board of Directors for approval, the risk policies relating to credit, concentration and operational risk, IRRBB, CSRBB and liquidity, market, counterparty, exchange rate, actuarial, model and compliance risk, which set out the core principles and procedures governing the management and control of all the Group's material risks, incorporating the requirements established by the regulations.

Additionally, in 2019 the Risk Committee reviewed: the capital adequacy and liquidity adaptation processes (ICAAP and ILAAP reports), which assess the Group's capital and liquidity situation; it participated in the analysis of risks associated with the new preliminary projections for 2020-2024 and reviewed the Recovery Plan, as well as the internal crisis management framework.

In connection with its function of assessing the recommendations by internal and external auditors, the Risk Commission is informed about the results of the various audits and oversight of proper implementation of the recommendations.

Regarding the functions referred to in items b), c) and k) of the list of functions, the Risk Committee regularly monitored the Risk Appetite Statement during the year, including the following actions:

- Regularly reviewing a scorecard that reflects trends in the main metrics and variables associated with material risks in accordance with the existing risk taxonomy, and ensuring that they conform to the established risk appetite.
- Monographic analyses of market, operational, country and financial institution risk and certain portfolio risks, among others.
- Reporting and proposing the appropriate action (activating protocols, changing guidelines, etc.) as a result of analysing risk trends.
- Tracking risk-adjusted pricing trends and the degree to which prices conform to the related risks.
- Monitoring exposure to large groups that are reviewed by the Delegated Committee.
- Monitoring quarterly NPA performance.

Additionally, the Risk Committee took action in connection with the risk models. In this regard, during 2019 the Risk Committee reviewed the risk management and control model that covers IRB (Internal Rating Based), provisioning models, models for projecting fees, revenues and expenses, credit risk management models and models affecting the Interest Rate Risk in the Banking Book (IRRBB), in order to propose that the Board of Directors approve them.

Regarding the function of informing the Compensation Committee about the coherence of the employee remuneration programmes with the Bank's risk, capital and liquidity levels, as indicated in item d), the Risk Committee reviewed the analysis carried out on the composition of the Group's identified staff and the alignment of its objectives with the Bank's risk, capital and liquidity levels, and issued a favourable report to the Remuneration Committee. Finally, the Risk Committee reviewed the appropriateness of the Group's remuneration policies, verifying that they comply with the regulatory parameters applicable to credit institutions and that they are aligned to risk.

C.2.2 Complete the following table with information on the number of female directors in the Board sub-committees at the end of the last four years:

	Number of female directors							
	2019		2018		2017		2016	
	Number	%	Number	%	Number	%	Number	%
Delegated Committee		0.00		0.00		0.00		0.00
Audit and Control Committee	1	25.00	1	25.00	1	20.00	1	33.33
Appointments Committee	2	50.00	2	50.00	2	66.67	1	33.33
Remuneration Committee	1	25.00	2	50.00	2	50.00	2	66.66
Risk Committee	1	33.33	1	25.00	1	25.00	1	33.33

- C.2.3** Indicate if there are any Board sub-committee regulations, where they can be consulted, and amendments made in the year. Also, indicate if an annual report on each committee's activities has been drafted voluntarily.

Section C.2.1 details the articles of the Articles of Association and the Board of Directors Regulation that contain the rules governing the workings and competencies of the Board's sub-committees.

The current texts of the Articles of Association and Board of Directors Regulation, and the terms of reference of the Board Committees, are available on the website (www.grupobancosabadell.com) in the section on "Corporate governance and remuneration policy".

The Audit and Control Committee has an Internal Regulation setting out its functions and procedures. This Regulation has been filed with the Mercantile Register and is accessible on the website (www.grupobancosabadell.com – in the section entitled "Corporate governance and remuneration policy" - Board of Directors Regulation).

All Board sub-committees draw up an annual self-assessment report on their activities, which is submitted to the Bank's Board of Directors for evaluation. Additionally, the Audit and Control Committee, Appointments Committee, Remuneration Committee and Risk Committee draw up annual reports on their functions and activities, which are available on the website (www.grupobancosabadell.com) in the section on "Corporate governance and remuneration policy".

D. RELATED-PARTY AND INTERCOMPANY TRANSACTIONS

- D.1.** State, where applicable, the procedure for the approval of related-party and intercompany transactions, and the bodies empowered for this purpose.

The Audit and Control Committee vets any related-party transaction before it is approved by the Board of Directors.

- D.2.** Give details of any transactions that are material, because of their size or nature, between the company or any group undertakings and significant shareholders of the company:

Name of significant shareholder	Name of group company or institution	Nature of relationship	Type of transaction	Amount (thousand euro)
No data				N.A.

- D.3.** Give details of any transactions that are material, because of their size or nature, between the company or any group undertakings and the company's directors or executives:

Name of director or executive	Name of related party	Relationship	Nature of transaction	Amount (thousand euro)
No data				N.A.

- D.4.** Detail the material transactions between the company and other companies in the group, except those that are eliminated in consolidation and do not form part of the company's normal operations with regard to their purpose and conditions:

In any event, provide details of any intercompany transactions carried out with organisations based in countries or territories that are considered to be tax havens:

Name of the group institution	Brief description of transaction	Amount (thousand euro)
No data		N.A.

- D.5.** Give details of any material transactions between the company or any group undertakings and other related parties that are not disclosed in the preceding sections:

Name of related party	Brief description of transaction	Amount (thousand euro)
No data		N.A.

- D.6.** Detail the 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.

1. The General Policy on Conflicts of Interest of the Banco Sabadell Group and of Banco Sabadell are internal regulations approved by the Board of Directors of Banco Sabadell, which were adapted in 2019 to the EBA's Guidelines on Internal Governance, and their purpose is to be effective in identifying, evaluating, managing, mitigating, preventing or, ultimately, revealing potential or actual conflicts of interest. The Compliance Department is responsible for correctly applying those policies and, when necessary, it will urge the other departments in the group to which they apply to take the necessary action.
2. The Policy on Conflicts of Interest of Directors and Senior Executives, approved by the Board of Directors on 28 January 2016 and amended by the Board of Directors on 8 March 2018, establishes the necessary measures for managing conflicts of interest of directors and senior executives and their related parties in connection with corporate transactions or non-bank activities and also with ordinary banking business.

The Credit Transactions Committee analyses all credit operations carried out by directors, senior executives and their related parties and makes proposals to the Board of Directors for their approval.

Royal Decree 84/2005, implementing Act 10/2014, of 26 June, on Ordering, 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. The Banco Sabadell Group's Code of Conduct provides a set of rules for the guidance of all persons employed by the group and its stakeholders (customers, suppliers, shareholders, authorities and the local community) based on principles which we consider fundamental to carrying on our business.

It expressly contemplates rules applicable to possible conflicts of interest with customers and suppliers and sets out guidelines for such cases.

4. Banco Sabadell Group's Internal Rules of Conduct in connection with the securities markets (IRC), approved by the Board of Directors on 24 May 2018, are applicable to the members of the Bank's Board of Directors, and to all executives and employees whose work is directly or indirectly related to activities and services in the field of the stock markets or who have frequent or habitual access to price-sensitive

information related to the Bank itself or group companies.

Section 4 of the IRC sets out the mechanisms for identifying, preventing and resolving possible conflicts of interest that are detected by bound persons, 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. The 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 to the corporate and business units on decisions involving issues that might lead to conflicts of interest.

The Committee is also responsible for overseeing the group's compliance with its obligations as set out in the Code of Conduct and in the Internal Rules of Conduct in connection with the securities market.

To achieve its objectives, the Corporate Ethics Committee can call upon the resources of the Compliance Department, and has been given extensive powers by the Board to gain access to all the documents and information it requires to perform its supervisory function.

6. Under the Board of Directors Regulation, all Board members are bound by a duty of loyalty and confidentiality and are required to disclose any interest they may have in the company itself or in other companies outside the group.

Specifically, Article 25 of the Regulation states that a director may not provide professional services to Spanish companies whose corporate purpose coincides wholly or partly with that of the company. An exception is made for offices they hold in companies in the group. Directors must notify the Appointments Committee before accepting any executive appointment in another company or institution.

Article 27 of the Board of Directors Regulation states that directors must inform the company of any company shares which they own directly or through companies in which they hold a significant stake.

It is also necessary to disclose any shares held, directly or indirectly, by their close relatives. Directors must also inform the company of all positions that they hold and activities that they perform in other companies or entities and, generally, of any fact or situation that may be material in connection with their performance as directors of the company.

7. The Capital Companies Act 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.

D.7. Is more than one company in the Group listed in Spain?

- Yes
 No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Describe the scope of the company's Risk Control and Management System, including that relating to tax risks:

For risk management and control, the Banco Sabadell Group has defined a Global Risk Framework that is formalised in the form of a set of principles, embodied in policies and deployed in procedures, strategies and processes that seek to increase the likelihood of achieving the strategic goals of the Group's various activities by facilitating management in a context of uncertainty.

The Group's Global Risk Framework includes, among other aspects, all those actions associated with the identification, decision-making, measurement, evaluation, monitoring and control of the risks to which the Group is exposed, including tax risk. These activities include the functions performed by the overall Group's areas and business units.

The Global Risk Framework comprises the Global Risk Framework Policy, the Risk Appetite Framework (RAF), the Risk Appetite Statement (RAS) and the set of policies for each of the risks, together with the operating and conceptual Procedures and Manuals that make up the regulations of the Group and its subsidiaries.

The Board of Directors of Banco Sabadell has approved the group's tax strategy. That strategy is governed by the principles of efficiency, prudence, transparency and minimisation of tax risk, it is broadly aligned with the Banco Sabadell Group's business strategy, and it is applied in all the companies controlled by the group, regardless of their geographical location.

E.2. Identify the bodies of the company responsible for drawing up and executing the Risk Control and Management System, including tax risk:

The functions of Banco Sabadell's Board of Directors include identifying the Group's main risks and implementing and monitoring the appropriate internal control and information systems, including challenges and tracking and strategic planning of the Group and oversight of management of the material risks and their alignment with the profile defined by the Group. To this end, it participates directly (or through the Bank's Risk Committee) in monitoring the risk strategy, including the definition of risk appetite, RAF, RAS and policies; in monitoring the implementation of the risk culture throughout the organisation, and in reviewing the adequacy of the organisational structure to that strategy.

The Board of Directors is the body responsible for establishing the general guidelines on the organisational distribution of the risk management and control functions and for determining the main lines of strategy in this respect, ensuring their consistency with the Group's short- and long-term strategic objectives, as well as with the business plan, capital and liquidity planning, risk capacity and remuneration programs and policies.

The Board of Directors has indelegable responsibility for: (i) determining the tax strategy; (ii) approving investments or operations considered strategic by virtue of their amount or special characteristics, strategic nature or particular tax risks, unless their approval corresponds to the General Meeting; (iii) approving the creation of special-purpose vehicles or entities resident in jurisdictions considered tax havens, or the acquisition of shares in such undertakings; and (iv) the approval of any other transactions or operations of a comparable nature whose complexity might impair the transparency of Banco Sabadell and its group.

Additionally, the Delegated Committee, the Risk Committee, the Remuneration Committee and the Audit and Control Committee are involved in the Group's Global Risk Framework and, therefore, in risk management and control. Moreover, a number of Committees and Departments have a significant involvement in the risk function.

Specifically, the following committees have been created and have risk control and management functions within the Global Risk Appetite Framework:

- Technical Risk Committee (CTR), which holds meetings on a monthly basis and has the following functions: (i) supporting the Risk Committee in performing its functions (including the determination, proposal, review and monitoring of the body of regulations related to risk, the Risk Appetite Statement and the frameworks associated with each portfolio and/or risk, global monitoring of material risks, monitoring of the RAS tolerance threshold metrics according to established governance and of adaptation plans, where appropriate); (ii) tracking, analysing and, as appropriate, approving matters in the Committee's remit

(approving the limits of certain RAS metrics according to the established governance, making proposals to the Risk Committee regarding material changes in internal models for referral to the Board for approval, and approving asset allocation); (iii) tracking management of doubtful assets and foreclosed assets that together make up the Non-Performing Assets (NPAs), and reporting on this to the Risk Committee; (iv) analysing specific ad-hoc issues for specific portfolios or risk classes, for referral and inclusion in risk management.

- Credit Transactions Committee (COC), which holds meetings on a weekly basis and has the following functions: (i) approval of credit 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 in accordance with the established delegation of powers, monitoring their use, and referring proposals for changes to the Delegated Committee; and (iii) monthly reporting to the Delegated Committee of the transactions approved and performed in the previous month.
- Asset and Capital Transactions Committee (COAC), which holds meetings every two weeks and has the following functions: (i) approval of asset management transactions in accordance with the established delegation of powers; (ii) monthly reporting to the Delegated Committee of the transactions approved and performed in the previous month.
- 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 Banco Sabadell Group's structural risks; (ii) approving and tracking management of the structural risks in the balance sheet by the Balance Sheet Management unit at BS Spain (UGB BS) and the Group, including liquidity risk, IRRBB, CSRBB and currency risk; (iii) optimising the balance sheet structure vis-à-vis those structural risks in accordance with the guidelines, goals and policies defined by the Board of Directors; (iv) monitoring and defining management guidelines in relation to the structural liquidity position, securities issues, interest rate risk, the ALCO portfolio and the structural currency position; (v) 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);(vi) activating and, as appropriate, closing down the Liquidity Contingency Plan, with the possibility of delegating management of a liquidity crisis situation to the Investment and Liquidity Committee.
- Internal Control Body (OCI): The management body responsible for implementing the policies and procedures established in the Law on the prevention of money laundering and terrorist finance, with the following functions: (i) deciding whether to notify the Spanish government's anti-money laundering agency (SEPBLAC) of transactions or events likely to be related to money laundering or terrorist financing; (ii) approving files arising from alerts raised by employees which, after analysis by DPBCFT, it is decided not to notify to SEPBLAC; (iii) approving or rejecting proposals for responses to requests by SEPBLAC for information about customers and/or transactions; (iv) deciding on whether to maintain or terminate business relationships with customers that are analysed, on the basis of the established procedure; (v) authorising or rejecting proposals for the establishment of commercial relations with financial institutions resident in high-risk countries and/or sanctioned countries and the establishment and/or maintenance of commercial relations with politically exposed persons or their related parties; (vi) approving or rejecting requests to create exceptions for certain customers with respect to sending alerts of unusual transactions, requests from customers that operate with countries where there are certain international restrictions, requests to exempt customers with transactions that require prior authorisation, and proposals for corporate transactions, in accordance with the section of Group manual 4815 on Money Laundering Prevention; (vii) approving the annual training plan on the prevention of money laundering and terrorist financing; (viii) approving updates to the internal regulation manuals on the prevention of money laundering and terrorist financing of the bank and the domestic group companies that are subject to the Law; (ix) designating the members of the internal control body (OCI) to perform the functions delegated to them with respect to any decision that cannot wait until the OCI's next schedule 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.

E.3. Describe the main risks, including tax risks, and corruption-related risks, to the extent that they are material (within the scope of Royal Decree-Act 18/2017), that may affect attainment of the business targets:

The Group has established a taxonomy of risks that includes the risks to which it is exposed in the performance of its activities. Specifically, it identifies the following first-tier and second-tier risks:

Strategy risk

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

- **Solvency risk:** the risk of not having sufficient capital, in terms of quality or quantity, to achieve the strategic and business objectives, withstand operating losses or fulfil regulatory requirements and/or the expectations of the market where it operates.
- **Business risk:** the possibility of incurring losses as a result of adverse events with a negative impact on the capacity, strength and recurrence of the income statement, whether its viability (short term) or its sustainability (long term).
- **Reputational risk:** the risk of losses derived from failures in processes, operations, strategy or corporate governance that produce a negative perception among customers, counterparties, shareholders, investors or regulators that can negatively affect the Group's capacity to maintain its business relationships or establish new ones, and to continue accessing funding sources.
- **Environmental risk:** the risk associated with either factors in the physical environment related to adverse climate events (such as floods or heat waves) or long-term changes in climate (such as rising sea levels) or environmental transition factors derived from the transition towards a low-emission economy (such as regulatory changes, the emergence of disruptive technologies, etc.).

Credit risk:

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

- **Borrower default risk:** the risk that borrowers fail to honour their payment obligations in a timely manner; it also includes the risk of fraud in applications for credit.
- **Concentration risk:** complementary to credit risk, concentration risk refers to exposures that can potentially generate losses large enough to threaten the institution's financial solvency or the viability of its ordinary business activity.
- **Counterparty risk:** exposure to certain financial contracts (derivatives and repos) where the exposure does not match the notional value of the contract. A distinction is made between counterparty risk, settlement risk and delivery risk.
- **Country risk:** the risk arising in the debts of a country, taken as a whole, as a result of reasons inherent to the country's sovereignty and economic and political situation, i.e. for circumstances other than regular credit risk. It manifests itself in a debtor's potential inability to honour their foreign currency payment obligations to external creditors due, among other reasons, to the country preventing access to foreign currency, the inability to transfer it, or the non-enforceability of legal action against borrowers for reasons of sovereignty, war, expropriation or nationalisation. Country risk affects not only debts contracted with a State or entities guaranteed by it but also all private debtors that belong to such State and who, for reasons outside their control and not at their volition, generally find themselves unable to honour debts.
- **Non-performing asset (NPA) risk:** the risk of incurring higher costs or losses associated with managing doubtful assets and/or foreclosed assets.
- **Equity risk:** the risk of incurring losses as a result of adverse changes in the value of an equity instrument. It refers basically to the Group's portfolio of unlisted equity holdings and the portfolio of listed shares.

Finance risk:

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

- **Liquidity risk:** the possibility of incurring losses as a result of the Bank being unable, albeit temporarily, to honour payment commitments due to a lack of liquid assets, or of it being unable to access the markets to obtain finance at a reasonable price. This risk may be associated with factors of a systemic nature or specific to the institution itself.
- **Exchange rate risk:** risk arising from changes in exchange rates between different currencies and the possibility that these movements may result in losses in the P&L on financial investments and on permanent investments in foreign branches and subsidiaries.
- **Interest Rate Risk in the Banking Book (IRRBB):** the risk of incurring losses as a result of the impact caused by interest rate fluctuations on the income statement (revenues and expenses) and on an entity's equity structure (current value of assets, liabilities and off-balance sheet positions sensitive to interest rates).
- **Market risk:** arising from the possibility of loss in the market value of financial asset positions due to variations in risk factors with an impact on their market prices or volatility or the correlation between them.
- **Insurance risk:** arising from the institution's equity holdings in insurance companies, basically from actuarial risks as well as other risks (market, counterparty, operational, etc.).
- **Credit Spread Risk in the Banking Book (CSRBB):** any credit spread risk on credit instruments not attributable to structural interest rate risk or default risk.

Operational risk

Operational risk is defined as the risk of loss resulting from failures or inadequacies in people, processes, and systems or from unforeseen external events. This risk includes:

- **Fraud risk:** the possibility of losses arising from actions, performed by employees or by third parties, with the intent to defraud, usurp ownership or evade regulations, laws or company policies.
- **Conduct risk:** the possibility of losses derived from inadequate provision of financial services, including cases of malice or negligence.
- **Process risk:** the possibility of incurring losses due to failures in process management, execution or delivery.
- **Technology risk:** current or future risk of losses due to the inadequacy or failures in the hardware and software of technical infrastructures that may compromise the availability, integrity, accessibility and security of the infrastructures and data.
- **Outsourcing risk:** the risk of losses arising from the use of a third party's resources on a normalised stable, permanent basis to perform processes of the principal, which inherently entails exposure to a series of underlying risks, such as: reputational, compliance, operational (including technology and business continuity risk), legal, supplier replacement strategic risks, as well as counterparty, country, access and concentration risk.
- **Talent/management risk:** the risk of incurring losses due to events with an impact on employees, e.g. non-availability of suitable profiles, staff rotation and replacement, dissatisfaction among employees, etc.
- **Property risk:** the risk of incurring material losses on buildings and other tangible assets.
- **Model risk:** risk of losses derived from errors in the use of models for decision making, such as product pricing, valuation of financial instruments (or their hedges), measurement of credit risk and the monitoring of risk limits.
- **Data aggregation risk:** the risk associated with the accuracy, preparation, dissemination and, where appropriate, publication of internal and external reporting, including regulatory and financial reporting.
- **Compliance risk:** the current or future risk of losses arising from legal or administrative penalties, significant financial losses or an impairment of reputation due to a breach of laws, regulations, rules, self-regulation codes or codes of conduct applicable to the banking business.
- **Legal risk:** the risk of incurring losses or other negative consequences due to being sanctioned, fined, convicted or obliged to pay damages as a result of a breach of rules or regulations, directly or due to derivative liability. This risk also includes crime risk, including that arising from corruption. To this end, for the purposes of identifying and controlling corruption-related risk, the institution has a Criminal Liability Prevention Programme with a specific section related to combating corruption, and it also has a specific anti-corruption policy.
- **Tax risk:** the probability of failing to comply with the objectives set out in the institution's tax strategy from a dual perspective due to either internal or external factors:

- 1) On one hand, the probability of failing to comply with tax obligations that may result in a failure to pay taxes that are due or the occurrence of any other event that impairs attainment of the institution's goals.
- 2) On the other hand, the probability of paying taxes not actually due under tax obligations, thus impairing the position of shareholders or other stakeholders.

E.4. Identify whether the institution has levels of tolerance to risk, including tax risk:

The Group has a Risk Appetite Framework (RAF) that establishes the structure and mechanisms associated with the governance, definition, disclosure, management, measurement, monitoring and control of the group's Risk Appetite. In addition to the Group's RAF, each subsidiary has a Local RAF which, based on the principle of proportionality, is adapted to the local situation but is aligned at all times with the Group RAF.

The Group also has a Risk Appetite Statement, which is a written declaration of the level of risk that the Group is willing to accept, or wishes to avoid, in order to achieve its business objectives. Therefore, depending on the nature of each risk, the RAS includes both qualitative and quantitative metrics. Consequently, the RAF is a key element in setting the risk strategy, since it determines the scope.

In addition to the Group's RAF, each subsidiary has a Local RAF which, based on the principle of proportionality, is adapted to the local situation but is aligned at all times with the Group RAF.

As for tax risk, one of the main principles of the tax strategy referred to in section E1 above is to minimise tax risk.

This statement applies to all risks identified in section E3 above.

E.5. State what risks, including tax risks, materialised during the year:

The Group provides detailed information of the risks in the Annual Report, which is available on the corporate website (www.grupobancosabadell.com – section Information for shareholders and investors – Financial information – Annual Reports), specifically under section 4 of the consolidated directors' report.

E.6. Describe the response and supervision plans for the company's main risks, including tax risks, as well as the procedures applied by the company to ensure that the Board of Directors responds to emerging challenges:

In accordance with the provisions of the Risk Appetite Framework (RAF), the Group's Risk Appetite Statement (RAS) has a solid governance process which ensures its proper deployment to all participants in the decision-making process. Consequently, the RAS follows a set of guidelines for approval/review, regular monitoring and oversight (including notification of breaches) and deployment to Group subsidiaries.

Specifically, the mechanisms for regular tracking of the RAS ensure a high degree of involvement at all times by the Group's governing bodies, which must have an updated vision of compliance and adaptation to the Risk Appetite defined for the Group, making it possible to make informed decisions. Accordingly, depending on their nature and hierarchy, the metrics in the Group RAS are reported regularly to different echelons (including the Board of Directors and the Risk Committee) and committees, and there is a procedure for giving notice of breaches.

In the event of a breach, the RAF identifies the Governing Bodies and Committees that must receive notice of the breach, as well as the need to define an Adaptation Plan, and defines its main characteristics, such as the parties responsible for approving it, deadlines, and mandatory content.

The main mechanisms implemented by the Group for monitoring and supervising risks are the following:

- Risk governance through the definition of the Risk Appetite in the RAS (through quantitative metrics and qualitative aspects) and the set of risk policies.
- Evaluation of the risk profile through a systematic process that provides a holistic view of the risks and risk tracking.
- Regular reporting of risks (including tax risk), mainly via the Risk Committee scorecard, which facilitates risk

tracking. Specifically, that reporting covers at least the principal risks, maintaining a balance between qualitative data and comments, and, where possible, it incorporates prospective measures, information on risk appetite limits and emerging risks. It also exercises oversight to ensure a homogeneous vision that provides an integrated perspective at Group level, without prejudice to including the local perspective.

- Forward-looking risk management by using stress scenarios in cases where this is considered to be meaningful, which also makes it possible to identify new risks.

More information regarding the systems for controlling the risks to which the group is exposed can be found in the Annual Report, available on the corporate website: www.grupobancosabadell.com – Shareholder and Investor Information – Financial Information – Annual Reports.

F. INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms that comprise the systems for Internal Control over Financial Reporting (ICFR).

F.1. The organisation's control environment.

Provide details, highlighting the main characteristics of, at least:

- F.1.1** Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

The Group's Finance Department contributes to implementing the general framework of the internal control systems that are rolled out across the entire organisation.

Part of that contribution materialises in responsibility for designing and implementing internal control systems for financial information that ensure the accuracy of the financial information that is generated.

Article 5 of the Board of Directors Regulation states that the Board of Directors is an instrument of supervision and control whose responsibility is identifying the company's and the consolidated group's main risks and implementing and monitoring suitable internal control and reporting systems, as well as setting policies on the reporting and disclosure of information to shareholders, the markets and the general public.

In addition, as provided in Article 13 of its Regulation, the Board of Directors delegates supervision of internal control systems to the Audit and Control Committee.

The functions of the group's Internal Audit Department include supporting the Audit and Control Committee in supervising the proper design and implementation and effective functioning of the risk management and control systems, which include ICFR.

- F.1.2** The following elements, if any, with regard to the process in which the financial reporting is formulated:

- Departments and/or mechanisms entrusted with: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring that there are sufficient procedures for proper dissemination within the institution:

The design and review of the organisational structure is the responsibility of the Global Organisation and Corporate Projects Department which, based on the Banco Sabadell Group Master Plan, analyses each Division's needs and assesses the need to modify the structure to facilitate attainment of the established priorities and goals. This review is carried out periodically and modifications to the organisation structure of members of the Management Committee are submitted to the Delegated Committee for approval, while modifications 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 Department showing all the modifications that have been made, so as to equip them with the resources considered necessary to perform their duties.

The organisation chart of the Banco Sabadell Group arising from the above process addresses all the departments, areas and divisions into which the Banco Sabadell Group is divided. This organisation chart is complemented by the policies, procedures and functions of each Division, which determine the framework for action and the responsibilities of each unit of the Bank.

- Code of Conduct, approval body, degree of distribution and instruction, principles and values (indicating whether there are specific references to the recognition of transactions and production of financial information), the body entrusted with analysing non-compliance and with proposing corrective actions and sanctions.

The Banco Sabadell Group has a Code of Conduct, approved by the Board of Directors and available via the corporate intranet, whose fundamental principles include a commitment to transparency and, in particular, a commitment to place all the financial and corporate information at shareholders' disposal. The purpose is to comply strictly with the Banco Sabadell Group's obligation to offer reliable financial reporting prepared in accordance with the regulations so as to present a true and fair view of the company. It also includes the responsibilities of its employees and executives to ensure this is so, via both proper discharge of their duties and notification to the governing bodies of any circumstance which might affect this commitment.

There is a Corporate Ethics Committee, whose functions include fostering ethical behaviour throughout the organisation, making proposals and advising both the Board of Directors and the various corporate and business units in connection with decisions that refer to issues that may lead to conflicts of values.

Among the tasks carried out by the Corporate Ethics Committee is the analysis of compliance with the Code of Conduct or any other code or self-regulation that exists. In order to perform its functions, it has access to the human and material resources of the Compliance Department. If, as a consequence of exercising its functions, it detects any non-compliance, it must advise the Human Resources Department for the application of corrective actions and sanctions.

- A whistle-blower channel, that allows reporting to the audit committee of any irregularities of a financial or accounting nature, as well as cases of non-compliance with the code of conduct and irregular activities in the organisation, indicating if the matter is of a confidential nature.

The Banco Sabadell Group has, and encourages the use of, a whistleblower channel to report all types of irregularities, particularly possible 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 0901CEC@bancsabadell.com.

- Training programmes and regular updating for staff involved in the preparation and review of financial information, as well as in the evaluation of ICFR, and which cover at least accounting standards, auditing, internal control and risk management.

As regards training and refresher programmes and particularly regarding the financial reporting process, the Banco Sabadell Group's Finance Department has an on-site training plan that basically addresses areas such as the company's internal accounting/finance procedures, analysis of current regulations and drafts of new domestic and international accounting standards, analysis of the domestic and international economic situation, together with training in the use of software to facilitate management and oversight of the financial reporting process.

These training sessions are programmed based on two criteria:

- Sessions scheduled at the start of the year by selecting the areas considered of greatest interest by the Finance Department.
- Sessions scheduled during the current year when an issue arises that is believed to warrant prompt distribution

(drafts of new accounting standards, changes in the economic situation, etc.).

The on-site training is taught chiefly by internal professionals of the Banco Sabadell Group and by external experts who are specialists in the subject area.

In addition, the Human Resources Department places at the disposal of Banco Sabadell Group employees a series of financial training courses which they can take online. The most notable courses refer to IFRS (International Financial Reporting Standards), financial mathematics, financial analysis, Spain's General Accounting Plan and general tax matters.

The Internal Audit Department has a training plan in place for all management professionals which includes a University Specialist Programme in Bank Internal Auditing (PSAI) at a prestigious academic institution. The course covers areas such as accounting principles and financial reporting, the basics of auditing, and financial risk monitoring and management. In the 2019-2020 academic year, eight audit professionals were taking this programme, and 74 members of the Internal Audit Department hold PSAI certificates. Additionally, during 2019, the members of the Internal Audit Department participated in workshops on new regulatory impacts, including new accounting and financial reporting, and 50 of them obtained certification in the COSO Integrated Framework for Internal Control.

F.2. Evaluation of financial reporting risks.

Provide information on, at least:

F.2.1 What are the chief characteristics of the process for identifying risk, including error or fraud, in relation to:

- Whether the process exists and is documented:

The Banco Sabadell Group's process of identifying the risk of error or the probability of fraud in financial reporting is documented in a procedure which sets out the frequency, methods, types of risks and other basic features of the process.

- Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; valuations; presentation, itemisation and comparability; and rights and obligations), and if it is updated and how often:

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 an annual basis. If (i) circumstances not previously identified reveal possible errors in the financial information, or (ii) material changes to the operations of the Banco Sabadell Group arise during the year, the Finance Department evaluates the risks to be added to those already identified.

The process is structured such that, on a half-yearly basis, an analysis is conducted to identify in which areas or processes material transactions arise and in which 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.

- The existence of a process for identifying the consolidation scope, taking into account, among others, whether there are complex corporate structures, instrumentality companies or special purpose vehicles:

The process for identifying the scope of consolidation is described in section F.3.1. of this document.

- If the process takes into account the effects of other types of risks (operational, technology, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements:

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, the Banco Sabadell Group has the control activities described in section F.3.1. 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.

- What governing body of the institution supervises the process:

The aforementioned process is conducted and documented by the Banco Sabadell Group's Finance Department and is supervised ultimately by the Audit and Control Committee.

F.3. Control activities.

State whether the company has at least the following, and describe their characteristics:

- F.3.1** Review and authorisation procedures for financial reporting and description of the ICFR, to be published in the securities markets, indicating those responsible, together with documentation describing the flows of activities and controls (including those related to the risk of fraud) of the various types of transactions that may have a significant effect on the financial statements, including the accounting close procedure and specific review of the judgements, estimations, evaluations and major projections.

The procedure for reviewing and authorising the Banco Sabadell Group's financial reporting to the markets commences with a review by the Finance Department. In accordance with the Board of Directors Regulation, the separate and consolidated financial statements and half-yearly summary consolidated financial statements are reviewed by the Audit and Control Committee prior to being authorised by the Board of Directors. In accordance with the provisions of its terms of reference, the Audit and Control Committee reads and discusses the information with the heads of the Finance and Internal Audit departments and with the external auditors prior to submission to the Board of Directors.

Once the Audit and Control Committee has vetted the information and either approved it or attached its comments, the CFO, the Chairman and the Managing Director of the Banco Sabadell Group sign the accounts and submit them to the Board of Directors for authorisation. Although it is not obligatory, the mid-year summary consolidated financial statements are audited by the external auditor.

The Audit and Control Committee reviews the quarterly financial disclosures (income statement and trend of the main balance sheet items) before they are submitted to the Board of Directors.

With regard to the activities and controls directly relating to transactions that may have a significant impact on the financial statements, the 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 the Banco Sabadell Group, special emphasis is placed on developing solid descriptions of the flows of activities and controls, which cover, among others:

- Loans and advances
- Fixed-income portfolio and issuance
- Equity securities
- Customer deposits
- Derivatives
- Foreclosed real estate

These descriptions contain information on what form the control activity should take, its purpose (risk to be mitigated), the party responsible for executing it and the frequency. The descriptions cover controls on the proper accounting, measurement, presentation and disclosure of these areas.

The Banco Sabadell Group also has procedures for mitigating the risk of error in processes not related to specific transactions. In particular, there are procedures defined for the accounting close which include the consolidation process and specific review procedures for material judgements and estimates, which are escalated to senior management when appropriate.

With regard to the consolidation process within the accounting close, procedures have been implemented to ensure proper identification of the consolidation scope. In particular, for example, the Banco Sabadell Group conducts a monthly analysis of the consolidation scope, requesting the necessary information from all the 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 the Banco Sabadell Group describes the most important areas in which judgements and estimates are made, together with the key assumptions made in this connection. It also has procedures for reviewing accounting estimates. The main estimates relate to impairment losses on certain financial assets, actuarial calculations of pension liabilities and obligations, the useful life of tangible and intangible assets, measurement of goodwill, and the fair value of unlisted financial assets and of real estate.

- F.3.2** Internal control policies and procedures on security, the information systems (among others, access control, change control, operation, operational continuity and segregation of functions) that support the institution's major processes with regard to the formulation and publication of financial reporting.

The 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, the 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 IT Risk & Security Department and the Banco Sabadell Group Business Continuity Department have policies aimed at covering access security by segregating functions and defining virtual roles and resources, and the continuity of operations by creating BRS centres, and performing periodic operating tests.

- F.3.3** Internal control policies and procedures for managing outsourced activities, and measurement, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The 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, the Banco Sabadell Group has not outsourced processes with a material impact on financial reporting. However, the Banco Sabadell Group regularly uses reports from independent experts for measuring transactions that may materially affect the financial statements.

In 2019, the activities outsourced to third parties (appraisals and calculations by independent experts) were connected with real estate valuations, measuring post-employment benefits for employees, and reviewing goodwill.

The units of the 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 section F.3.1.

F.4. Information and reporting.

State whether the company has at least the following, and describe their characteristics:

- F.4.1** A specific function responsible for defining the accounting policies and keeping them up to date (accounting policies department or area) and for resolving doubts or conflicts arising from their interpretation, maintaining regular communication with the persons responsible for operations within the organisation, together with an updated accounting policies manual distributed to all the bank's operating units.

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 the Banco Sabadell Group and for responding to queries concerning accounting from the subsidiaries and business units.

The Financial Reporting Department is responsible for informing Senior Management of the Banco Sabadell Group regarding new accounting standards, the results of their implementation and their impact on the financial statements of the Banco Sabadell Group.

The functions of the Technical Committee on Accounting and Financial Disclosures include identifying transactions that, in accordance with established procedures, must be cross-checked by an independent accounting expert, determining accounting issues to be referred to the Audit and Control Committee for approval, approving accounting procedures, and overseeing and checking the conclusions provided by the work groups that analyse one-off transactions, as well as any accounting treatment that has a material impact and involves a significant judgement and estimate component.

The Banco Sabadell Group has guides on accounting procedure that conform to the needs, requirements and dimension of the Banco Sabadell Group; they set out and explain the rules for preparing financial reporting and describe how to apply the rules to the bank's specific operations. These documents not only explicitly refer to the standards applied to each type of transaction but also elaborate upon and interpret them so as to adapt exactly to each transaction type.

These documents are updated regularly, and at least once per year. Significant modifications are notified to the dependent companies to which they are applicable.

- F.4.2** Mechanisms using standard forms for gathering and preparing financial information, for application and use by all units in the bank or group, to support the main financial statements and notes as well as detailed disclosures on ICFR.

The chief IT systems and applications used in generating financial reporting by the Banco Sabadell Group are centralised and interconnected. There are procedures and controls that ensure proper development and maintenance of those systems, as well as their proper performance, continuity and security.

During the consolidation and preparation of the financial reporting, inputs such as the financial statements issued by the 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.

The 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.

The Banco Sabadell Group also has a computer application for producing full-year and mid-year accounts. The application makes it possible to add checks to ensure that the information in the accounts is internally coherent and that the arithmetic totals of the financial statements and the tables contained in the notes to financial statements are correct.

F.5. Supervision of system operation.

Report on at least the following, giving details of their main features:

- F.5.1** Supervision of ICFR by the Audit Committee, and whether the institution has an internal audit function with the duty of supporting the committee in supervising the internal control system, including ICFR. Also provide information on the scope of the evaluation of ICFR carried out during the year and the procedure by which the person assigned to perform the assessment reports the results, whether the institution has an action plan setting out corrective measures and whether its impact on financial reporting has been considered.

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 Department 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, identifying the risks associated with them and designing controls to mitigate them; it also reviews the criticality of the controls and the changes in the materiality of processes with an accounting impact.

In accordance with the Board of Directors Regulation, the Audit and Control Committee is entrusted with oversight of Internal Audit. Additionally, the Audit and Control Committee's functions include approving the Internal Audit plan, assessing the outcome of each audit, and prioritising and tracking corrective measures.

The Bank's Internal Audit Department reports directly to the Audit and Control Committee, which grants it hierarchical and functional independence from the rest of the institution's departments and positions the function at an appropriate level of the organisation.

On the basis of its policy, which was approved by the Board of Directors, the functions of the Internal Audit Department include supporting the Audit and Control Committee in supervising the proper design, implementation, and effective functioning of the risk management and control systems.

The Overall Audit Plan that the Board of Directors Committee approved at a meeting on 31 January 2019, based on a favourable report by the Audit and Control Committee, set out, inter alia, the actions to be implemented with respect to the areas or processes considered to have the highest residual risk on the basis of a risk assessment exercise. The actions set out in the plan were performed in 2019; in some cases, the control environment was reviewed and, in particular, the proper identification of risks in processes was assessed, along with the sufficiency, design, implementation and effective functioning of existing controls. The general controls on reporting systems indicated in section F.3.2 are reviewed every year.

In addition to the aforementioned supervisory activities carried out by the ICFR Department, the Audit and Control Committee and the Internal Audit Department, in 2019 the external auditor reviewed the information relating to the ICFR, with no adverse findings.

- F.5.2** Is there a discussion procedure through which the auditor (in accordance with the provisions of the Audit Technical Standards), the internal audit function and other experts can report to senior management and to the audit committee or company directors on any significant internal control weaknesses identified during the review of the financial statements, or any other entrusted to them? Also report on whether there is an action plan to remedy or mitigate identified weaknesses.

The Audit and Control Committee meets at least once every three months (prior to the publication of the regulated disclosures) in order to obtain and analyse the necessary information to fulfil the functions entrusted to it by the Board of Directors in connection with supervision of the process of producing and presenting the mandatory financial disclosures.

These meetings carry out an in-depth review of the annual and half-yearly accounts and the interim financial statements of the company together with the rest of the information made available to the market. To carry out this process, the Audit and Control Committee first receives all the documentation and meets with the Director - General Manager, the Internal Audit Department and the external auditor (in the case of the annual and half-yearly accounts) in order to ensure proper application of the current accounting standards and the reliability of the financial reporting. In addition, this discussion process assesses any ICFR weaknesses that were identified, the proposals to correct them and the status of any actions that have been taken.

The group's auditor has direct access to the group's senior management and holds regular meetings to obtain the necessary information and to report on control weaknesses detected during the audit. With regard to the latter, each year the external auditor submits a report to the Audit and Control Committee detailing any internal control weaknesses that were detected or certifying that there were none. This report incorporates comments by group management and any action plans implemented to remedy internal control weaknesses.

F.6. Other material information

The Banco Sabadell Finance Department has implemented a software application that includes and formalises all the ICFR controls, while at the same time ensuring ongoing identification of new risks to be considered and updates to mitigating controls in each accounting close. This application enables the controls to be validated on time and properly with the aim of guaranteeing the reliability of the financial reporting. The software features are designed to take account of the recommendations in the CNMV's guide entitled "Internal Control over Financial Reporting in Listed Companies," based on the principles and good practices contained in the COSO report (Committee of Sponsoring Organisations of the Treadway Commission).

F.7. External auditor report.

Report on:

- F.7.1** State whether the ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, give the reasons for the absence of this review.

The Banco Sabadell Group submitted the ICFR information supplied to the markets for 2019 to the external auditor for review. The report by the external auditor (PricewaterhouseCoopers) will be attached as an annex to this annual report on corporate governance once it is available.

The scope of the auditor's review is determined by "Guía de Actuación y Modelo de Informe del Auditor referidos a la Información relativa al Sistema de Control Interno sobre la Información Financiera (SCIIF) de las Entidades Cotizadas", issued by means of Circular E14/2013, dated 19 July 2013, of the Instituto de Censores Jurados de Cuentas de España.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code for Listed Companies.

If any recommendation is not followed or is followed only in part, give a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to be able to evaluate the company's course of action. Explanations of a general nature will not be sufficient.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies [X] Explain []

2. When a dominant and a subsidiary company are both listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.
- b) The mechanisms in place to resolve possible conflicts of interest.

Complies [] Partially complies [] Explain [] Not applicable [X]

3. During the Annual General Meeting, in addition to the written corporate governance annual report, the Chairman of the Board of Directors should verbally inform the shareholders, providing sufficient detail, of the most significant aspects of the company's corporate governance and, in particular:

- a) Any changes since the last ordinary General Meeting.
- b) The specific reasons for which the company does not follow one or more of the recommendations of the Code of Corporate Governance and, if any, alternative rules that are of application in this matter.

Complies [X] Partially complies [] Explain []

4. The company defines and promotes a communication and contact policy with shareholders, institutional investors and proxy advisors that fully complies with the standards to combat market abuse and that gives similar treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those entrusted with its implementation.

Complies [X] Partially complies [] Explain []

5. The Board of Directors should not submit proposals to the General Meeting to grant powers to issue shares or convertible securities while overriding pre-emptive subscription rights for an amount greater than 20% of capital at the time of granting of these powers.

Whenever the Board of Directors approves an issue of shares or convertible securities that overrides pre-emptive subscription rights, the company should immediately publish on its website the reports required in company law in connection with overriding pre-emptive rights.

Complies [X] Partially complies [] Explain []

6. Although not expressly required by company law, listed companies that have prepared the reports listed below, either obligatorily or voluntarily, should publish them on their website sufficiently in advance of the Ordinary General Meeting:

- a) Report on the auditor's independence.
- b) Reports on the operation of the Audit Committee and the Appointments and Remuneration Committees.
- c) Report by the Audit Committee on related-party transactions.
- d) Report on the company's corporate social responsibility policy.

Complies [X] Partially complies [] Explain []

7. The company should broadcast its general meetings live on the corporate website.

Complies [X] Explain []

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies [X] Partially complies [] Explain []

9. The company should disclose its conditions and procedures for accrediting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies [X] Partially complies [] Explain []

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Re-issue the attendance card or proxy appointment or remote voting form in a duly modified form so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies [X] Partially complies [] Explain [] Not applicable []

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies [] Partially complies [] Explain [] Not applicable [X]

12. The Board of Directors should perform its duties with unity of purpose and independence, granting the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interests, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself in accordance with principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies [X] Partially complies [] Explain []

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is between five and fifteen members.

Complies [X] Explain []

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published upon convening the general meeting that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies [X] Partially complies [] Explain []

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be as low as is practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies [X] Partially complies [] Explain []

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies [X] Explain []

17. Independent directors should account for at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, one-third of board places.

Complies [X] Explain []

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Professional experience and background.
- b) Directorships held in other companies, listed or otherwise, and other remunerated activities they engage in, of any type.
- c) Statement of the director category to which they belong, indicating, in the case of proprietary directors, the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on same.

Complies [X] Partially complies [] Explain []

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the instances of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others who applied successfully for a proprietary directorship.

Complies [] Partially complies [] Explain [] Not applicable [X]

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. The appropriate number of such shareholders should also resign if that shareholder reduces its stake to a level requiring a reduction in the number of its proprietary directors.

Complies [X] Partially complies [] Explain [] Not applicable []

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the articles, except where there is just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them from allocating sufficient time to their duties as board members, or are in breach of their fiduciary duties or come under one of the cases enumerated in the applicable legislation that disqualify a person from being classified as independent.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership arise from the proportionality criterion set out in recommendation 16.

Complies [X] Explain []

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's good name or reputation and, in particular, to inform the board if they are investigated by the police and, and the progress of any subsequent court proceedings.

As soon as a director is indicted or arraigned for any of the offences listed in company law, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not the director should be called on to resign. The Board of Directors should give a reasoned report on this in the annual report on corporate governance.

Complies [X] Partially complies [] Explain []

23. Directors should express clear opposition when they feel a proposal submitted for the board's approval might be detrimental to the company's interests. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that might harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies [] Partially complies [] Explain [] Not applicable [X]

24. Directors who step down before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed in the form of a regulatory disclosure, the reasons should be set out in the annual corporate governance report.

Complies [X] Partially complies [] Explain [] Not applicable []

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should establish the maximum number of company boards on which directors can serve.

Complies [X] Partially complies [] Explain []

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies [X] Partially complies [] Explain []

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of unavoidable absence, directors should grant proxy with the appropriate instructions.

Complies [X] Partially complies [] Explain []

28. When directors or the secretary express concerns about a motion or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be entered in the minute book if the person expressing them so requests.

Complies [] Partially complies [] Explain [] Not applicable [X]

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies [X] Partially complies [] Explain []

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies [X] Explain [] Not applicable []

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so that they can study the matter or gather the material they need beforehand.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies [X] Partially complies [] Explain []

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies [X] Partially complies [] Explain []

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's articles, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular assessments of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues; and approve and review refresher courses for each director, when circumstances so advise.

Complies [X] Partially complies [] Explain []

34. When a lead independent director has been appointed, the articles or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice-chairmen; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially related to the company's corporate governance; and coordinate the chairman's succession plan.

Complies [] Partially complies [X] Explain [] Not applicable []

In line with Recommendation 34 of the Good Governance Code, article 54 of the Articles of Association and article 8 of the Board of Directors Regulation expressly give the Lead Independent Director the power to convene a meeting of the Board of Directors, add items to the agenda of meetings, coordinate and arrange meetings of the non-executive directors, convey the opinions of the external directors, direct the regular performance review of the Chairman and Vice-Chairman, and chair the Board of Directors.

Banco Sabadell considers that the wording of article 54 of the Articles of Association and article 8 of the Board of Directors Regulation is not restrictive and that the powers established therein are complemented by those that the Lead Independent Director has in practice and that do not require specific empowerment, such as those expressly established in the Succession Plan for the Chairman and Managing Director, which is published on the Banco Sabadell website.

In relation to contacts with investors and shareholders, in addition to regular contacts when necessary, the Lead Independent Director headed the annual corporate governance roadshow held with institutional investors and proxy advisors in both 2018 and 2019. In 2018, the roadshow was held in London and Barcelona (with telephone links to New York and Brussels) on 6 and 7 February. The Lead Independent Director reported to the Appointments Committee and the Board of Directors, as evidenced in the minutes dated 8 March 2018.

The Succession Plan for the Chairman and Managing Director assigns the Lead Independent Director functions of planning, promoting and coordinating the process for the succession of the Chairman and of the Managing Director.

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the recommendations of the Good Governance Code that are applicable to the company.

Complies [X] Explain []

36. The board in full should conduct an annual assessment, adopting, where necessary, an action plan to correct weaknesses detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairs of board committees.

The evaluation of board committees should start from the reports they send to the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies [X] Partially complies [] Explain []

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary of the executive committee.

Complies [] Partially complies [X] Explain [] Not applicable []

In accordance with article 59 of the Articles of Association, the Delegated Committee will comprise at most 6 directors. At the end of 2019, the Delegated Committee comprised 2 executive directors and 3 independent directors. The Chairman of the Board of Directors is a member of the Delegated Committee and also its Chairman, and the Secretary, who is not a member of the Delegated Committee, is an executive director and Vice-Secretary of the Board of Directors, with the same powers as the Secretary of the Board of Directors.

The Appointments Committee has sought to ensure that the composition of the Delegated Committee is similar to that of the Board of Directors, with both executive directors and independent directors. Consequently, Banco Sabadell understands that the composition of the Delegated Committee in terms of the categories of directors who are represented is similar to that of the Board of Directors itself, in line with the principles of the Code of Good Governance.

Independent directors account for 53.33% of the Board of Directors and 60% of the Delegated Committee.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies [X] Partially complies [] Explain [] Not applicable []

39. All members of the audit committee, particularly its chairman, should be appointed on the basis of their knowledge and experience in accounting, auditing and risk management. A majority of committee places should be held by independent directors.

Complies [X] Partially complies [] Explain []

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies [X] Partially complies [] Explain []

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation, and submit an activities report at the end of each year.

Complies [X] Partially complies [] Explain [] Not applicable []

42. The audit committee should have the following functions over and above those assigned to it by law:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information relating to the company and, as appropriate, the group, checking for compliance with legal provisions, accurate demarcation of the consolidation scope, and proper application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) In the event of resignation by the external auditor, investigate the reasons.
- b) Ensure that the remuneration of the external auditor does not compromise their quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a regulatory disclosure, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for same.
- d) Ensure that the external auditor holds an annual meeting with the full Board of Directors to report on the work carried out and on the evolution of the accounting situation and the company's risks.

- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies [X] Partially complies [] Explain []

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another executive.

Complies [X] Partially complies [] Explain []

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so that the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the proposed exchange ratio.

Complies [X] Partially complies [] Explain [] Not applicable []

45. Risk control and management policy should identify at least:

- a) The types of financial and non-financial risk the company is exposed to (including operational, technology, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) Measures in place to mitigate the impact of risk events should they occur.
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies [X] Partially complies [] Explain []

46. Companies should establish a risk control and management function and assign it to one of the company's internal department or units, reporting directly to the audit committee or another dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies [X] Partially complies [] Explain []

47. Appointees to the nomination and remuneration committee — or the nomination committee and remuneration committee, if separate — should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies [X] Partially complies [] Explain []

48. Large cap companies should have separate nomination and remuneration committees.

Complies [X] Explain [] Not applicable []

49. The appointments committee should advise company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Complies [X] Partially complies [] Explain []

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior executive contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior executives, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior executives in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advisory services engaged by the committee.
- e) Verify the information on director and senior executive remuneration contained in corporate documents, including the annual report on director remuneration.

Complies [X] Partially complies [] Explain []

51. The remuneration committee should advise the company's chairman and chief executive, especially on matters relating to executive directors and senior executives.

Complies [X] Partially complies [] Explain []

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) Committees should be chaired by an independent director.
- c) The board should appoint the members of such committees on the basis of the directors' knowledge, skills and experience and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary meeting following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

Complies [X] Partially complies [] Explain [] Not applicable []

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, such as the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee

established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the strategy for communication and relations with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of the other stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess the degree of compliance.
- f) Monitor and evaluate the company's interaction with its stakeholders.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technology, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies [X] Partially complies [] Explain []

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Specific practices in matters relating to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and engagement.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies [X] Partially complies [] Explain []

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies [X] Partially complies [] Explain []

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate

the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independence of non-executive directors.

Complies [X] Explain []

57. Variable remuneration linked to the company's and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider share-based remuneration for non-executive directors provided that they must retain such shares until the end of their mandate. The above will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies [X] Partially complies [] Explain []

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's industry, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies [X] Partially complies [] Explain [] Not applicable []

59. A major part of variable remuneration components should be deferred for long enough to ensure that predetermined performance criteria have effectively been met.

Complies [X] Partially complies [] Explain [] Not applicable []

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies [X] Partially complies [] Explain [] Not applicable []

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies [X] Partially complies [] Explain [] Not applicable []

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the stock options or other rights on shares, for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs

related to their acquisition.

Complies [X] Partially complies [] Explain [] Not applicable []

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Complies [X] Partially complies [] Explain [] Not applicable []

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies [X] Partially complies [] Explain [] Not applicable []

H. OTHER INFORMATION.

1. If there is any material issue relating to corporate governance at the company or any of the group companies that has not been disclosed in other sections of this report but whose disclosure is necessary to provide a more comprehensive and fully reasoned picture of the institution's governance structure and practices, describe it briefly.
2. This section may be used to provide further information, clarifications or reservations in relation to the preceding sections of this report, which should be significant and not repetitive.

Specifically, indicate if the company is subject to corporate governance legislation of any jurisdiction other than Spain, and, if so, include the obligatory disclosures that differ from those required in this report.

3. The company may also indicate whether it has voluntarily adopted any other codes of ethics or good practices, whether international, industry-wide or otherwise. Identify any such code and the date on which it was adopted. In particular, disclose whether the company has adopted the Code of Good Tax Practices of 20 July 2010:

A.2

The information provided is based on communications sent by shareholders to the CNMV or directly to the bank.

A.9

See table.

B.6

In accordance with article 38 of the Articles of Association of Banco de Sabadell, S.A., in order to attend and vote at a General Meeting, shareholders must accredit that they possess or hold proxies for one thousand (1,000) shares. Shareholders whose holdings fail to reach that minimum may group together to attain the minimum and grant proxy to one of their number or to another shareholder who is entitled to attend in accordance with the provisions of the Articles of Association.

C.1.2

Mr. Miquel Roca i Junyent was appointed as Secretary of the Board of Directors (not a director) on 13 April 2000.

C.1.13

The amount of pension rights vested in directors includes the amounts accumulated since 2000 and, therefore, does not refer only to the amount contributed in the year.

C.1.14

In application of the standard, this section includes the 9 members of senior management, plus the Internal Auditor.

There were changes in the composition of senior management in 2019 due to the inclusion of the Deputy General Manager, Mr. Jaime Matas Vallverdú.

The total remuneration of senior management does not include the combined contributions to pension plans, structured through insurance policies, in the year 2019, which amounted to 2,333 thousand euro.

This annual corporate governance report was approved by the company's Board of Directors at a meeting on:

[30/01/2020]

Indicate whether any board members voted against or abstained with respect to the approval of this report.

[] Yes
[v] No

A.9 See table

Date of disclosure	Total number of direct shares acquired	Total number of indirect shares acquired	Total % of share capital
04/02/2019	95.406.123	10.155.636	1,876
09/05/2019	83.274.219	10.155.636	1,66
08/07/2019	92.770.392	10.155.636	1,829
08/10/2019	95.764.987	10.155.636	1,882
24/12/2019	5.552.105	10.155.636	0,279

BANCO DE SABADELL, S.A.

Auditor's report on "Information regarding the
Internal Control System over Financial Reporting (ICSFR)"
of Banco de Sabadell, S.A. for the 2019 financial year



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Auditor's report on "Information Regarding the Internal Control System over Financial Reporting (ICSFR)" of Banco de Sabadell, S.A. for the 2019 financial year

To the Board of Directors of Banco de Sabadell, S.A.,

In accordance with the request of the Board of Directors of Banco de Sabadell, S.A. and its subsidiaries ("the Group") and our engagement letter dated 14 November 2019, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in Annual Corporate Governance Report in section F for listed companies of Group Banco de Sabadell for the 2019 financial year, which includes a summary of the Group's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Group in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Group's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Group's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Group's annual financial information for the 2019 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

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In addition, provided that this special work neither constitutes an account audit it is not even submitted to the Law of Account audit, we do not express an opinion of audit in the terms foreseen in the mentioned regulation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Group in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular n° 7/2015 of the National Securities Market Commission dated December 22, 2015 and in Circular n° 2/2018 of the National Securities Market Commission dated June 12, 2018.
2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Group.
3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.
4. Comparison of the information described in point 1 above with our knowledge of the Group's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.
5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Group, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.
6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.



This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular nº 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular nº 7/2015 of the National Securities Market Commission, dated December 22, 2015 and by Circular nº 2/2018 of the National Securities Market Commission dated June 12, 2018, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Raúl Ara Navarro

30 January, 2020