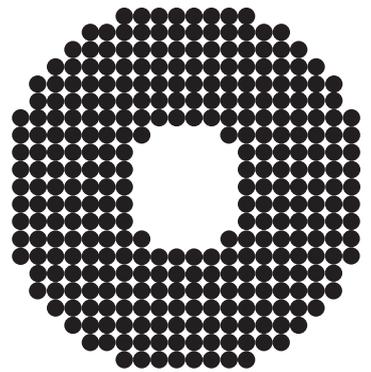
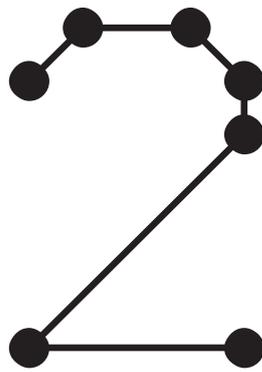
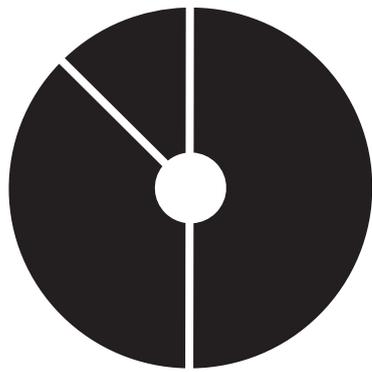
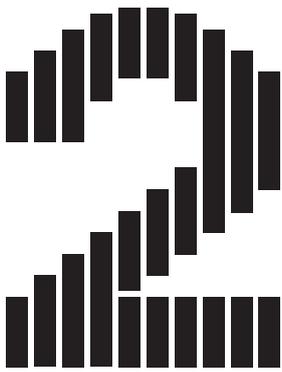


# Banco Sabadell Annual Corporate Governance Report



# Banco Sabadell Annual Corporate Governance Report 2020

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<sup>1</sup> The letters shown in the headings of each section of this report refer to the corresponding sections of the standard form of the Annual Corporate Governance Report issued by the Spanish National Securities Market Commission (CNMV).

Banco de Sabadell, S.A. (hereinafter, Banco Sabadell, the Bank or the Institution) is firmly committed to strengthening and continuously improving its corporate governance, on which it has been working steadily in recent years.

The Annual Corporate Governance Report is drawn up with the information from the Bank at year-end 2020, and it forms part of the Directors' Report attached to the separate and consolidated financial statements; it was approved unanimously by the Board of Directors at a meeting on 29 January 2021, in compliance with the provisions of article 540 of the Capital Companies Law and Circular 5/2013, of 12 June, of the of the Spanish National Securities Market Commission (CNMV).

The preparation and format of the Report is governed by the provisions of CNMV Circular 5/2013, as amended by CNMV Circular 2/2018 of 12 June and CNMV Circular 1/2020 of 6 October. Following the amendment introduced by Circular 2/2018, of 12 June, the Annual Corporate Governance Report may be submitted in any PDF format provided that it contains the disclosures defined in the regulations in force. Banco Sabadell has decided to adopt this format for the first time in order to explain and disclose the main aspects of its corporate governance with the utmost transparency. This document is available in the "Corporate Governance and Remuneration Policy" section of the Bank's corporate website [www.grupobancosabadell.com](http://www.grupobancosabadell.com).

## Corporate Governance of Banco Sabadell in 2020

During 2020, Banco Sabadell continued the process initiated in previous years of improving and reinforcing corporate governance, in line with best practices and, in particular, with the Good Governance Code for listed companies issued by the Spanish National Securities Market Commission (CNMV), revised in June 2020.

### 1. Board of Directors

In 2020, a preferential goal of the Board of Directors of Banco Sabadell and, in particular, its Appointments Committee was to increase of diversity within the Board by increasing the number of independent directors, the percentage of women and the diversity of knowledge and experience, in line with the recommendations of the CNMV.

Additionally, in 2020, the Appointments Committee, with the active participation of the Lead Independent Director, took the steps envisaged in the Succession Plan for the Chairman and Chief Executive Officer, approved by the Board of Directors on 21 July 2016, which resulted in the appointment of a Chief Executive Officer to replace Mr. Jaime Guardiola Romojaro, which will be effective once clearance has been obtained from the European Central Bank.

#### 1.1. Changes in the composition of the Board of Directors

The following changes were made in the Board of Directors in 2020:

- Ms. Maria Teresa Garcia-Milà Lloveras tendered her resignation as a member of the Board of Directors with effect from 26 March 2020, as the twelve-year period during which she could be considered an independent director had elapsed.
- Ms. Mireya Giné Torrens was appointed as an independent director, at the proposal of the Appointments Committee, by the General Meeting of Shareholders on 26 March 2020.
- Mr. José Luis Negro Rodríguez tendered his resignation as executive director of Banco Sabadell due to his retirement and to facilitate the renewal of the Board, effective 24 September 2020.
- Ms. Alicia Reyes Revuelta was appointed as an independent director, at the proposal of the Appointments Committee, by the Board of Directors on 24 September 2020.
- Mr. César González-Bueno Mayer was appointed Chief Executive Officer, to replace the current Chief Executive Officer, Mr. Jaime Guardiola Romojaro, by the Board of Directors on 17 December 2020; he will take office as soon as the corresponding regulatory authorisations have been received.

Following these changes, the Board of Directors of Banco Sabadell is composed of its Chairman, ten independent directors, three executive directors and one proprietary director.

In addition, Banco Sabadell plans to propose that the forthcoming General Meeting of Shareholders in 2021 amend the Articles of Association so that the Chairman is classified as a non-executive director and as an "other external director"

## 1.2. Changes in the Composition of the Board Committees

Based on a favourable report from the Appointments Committee and in order to enhance the diversity of views that the Committees contribute to the Board, the Board of Directors made changes in their composition aimed at increasing the differentiation in the composition of the Committees, especially the differentiation between the Audit and Control Committee and the Risk Committee, and between the Appointments Committee and the Remuneration Committee.

As a result of Ms. Maria Teresa Garcia-Milà Lloveras ceasing to form part of the Board of Directors on 26 March 2020, and, consequently, of the Audit and Control Committee, the Appointments Committee and the Risk Committee.

The current composition of the Board Committees is as follows:

Committee	Name	Position
<b>Delegated</b>	Josep Oliu Creus	Chairman
	Jaime Guardiola Romojaro	Member
	José Javier Echenique Landiribar	Member
	Pedro Fontana García	Member
	María José García Beato	Non-member Secretary
<b>Audit and Control</b>	Manuel Valls Morató	Chairman
	Pedro Fontana García	Member
	Mireya Giné Torrens	Member
	José Ramón Martínez Sufrategui	Member
	Miquel Roca i Junyent	Non-member Secretary
<b>Appointments</b>	José Manuel Martínez Martínez	Chairman
	Anthony Frank Elliott Ball	Member
	Aurora Catá Sala	Member
	Miquel Roca i Junyent	Non-member Secretary
<b>Remuneration</b>	Aurora Catá Sala	Chair
	Anthony Frank Elliott Ball	Member
	George Donald Johnston III	Member
	José Ramón Martínez Sufrategui	Member
	María José García Beato	Non-member Secretary
<b>Risk</b>	George Donald Johnston III	Chairman
	Aurora Catá Sala	Member
	Manuel Valls Morató	Member
	María José García Beato	Non-member Secretary

### 1.3. Matrix of competencies and diversity in the Board of Directors

Since 2019, Banco Sabadell has had a Matrix of competencies and diversity, which was reviewed by the Board of Directors on 29 January 2021, on the occasion of the appointments and changes that occurred within the Board in 2020. These appointments increased the diversity of the Board, in terms of director category, gender, knowledge, skills and experience.

These appointments strengthen the knowledge, skills and experience in the following areas: banking, retail and corporate; financial and capital markets; finance; insurance; other financial competencies; accounting and auditing; risk management; planning and strategy; governance; risk control; legal; digital and IT (digital transformation); human resources, culture, talent and remuneration; responsible business and sustainability; international experience; governing bodies and corporate governance; management and leadership of organisations; business experience; consulting; regulatory and supervisory bodies; academic, and communication and institutional relations.

The appointments of Ms. Mireya Giné Torrens and Ms. Alicia Reyes Revuelta increased gender diversity, so that Banco Sabadell now has four female directors: three independent directors and one executive director. In 2020, the Bank achieved a ratio of 27% of women on the Board, in line with the general 30% target set by the CNMV, and is on track to meet the targets for 2022.

## 2. Strengthening the risk control and management organisation

During 2020, Banco Sabadell undertook an in-depth review of the risk control organisation and made changes in the organisation of the Risk Regulation and Control Division which are intended to contribute to clarifying the roles and responsibilities between and within each of the three Lines of Defence.

Along the same lines, changes were also made in the risk management organisation, given the need to accommodate the functions of the first and second lines of defence, in order to guarantee an adequate response by the Bank to the challenge of the COVID-19 situation so as to predict and avoid situations of default and improve coordination between the risk and commercial areas, thus achieving a greater vision and culture of risk in the business, and vice versa.

## 3. Sustainability as a key component of Corporate Governance

Sustainability has become part of Banco Sabadell's purpose and business strategy and, in this respect, given the importance of the initiatives derived from the transition towards a sustainable economy and sustainable development, it has set up a Sustainability Committee chaired by the Bank's Chief Executive Officer. This top-tier management committee is the body responsible for establishing and promoting the Sustainable Finance Plan approved by the Board of Directors on 25 June 2020 and for monitoring its implementation, as well as defining and disseminating the general principles of action in the area of Sustainability. The Committee reports periodically to the Management Committee, and at least once per year to the Board of Directors, on the progress of the Sustainable Finance Plan.

The Board of Directors has also approved a Sustainability Policy aimed at framing all the Bank's activities and organisation within ESG parameters, by factoring environmental, social and government aspects into decision making and using them as the basis for responding to stakeholders' needs and concerns.

Banco Sabadell's Non-Financial Disclosures Report for 2020, which forms part of the 2020 consolidated Directors' Report, annexed to the consolidated financial statements, which will be submitted for approval by the Ordinary General Meeting of Shareholders as a separate item on the agenda, details the actions implemented in relation to the Sustainable Finance Plan, which incorporates key issues for business continuity, the ESG commitments (Principles for Responsible Banking, Climate Action and the disclosure framework of the Task Force on Climate-related Financial Disclosures — TCFD model) and other material issues for the Bank under the law, as well as the response to the impacts derived from COVID-19, focused on the needs of stakeholders, as well as those of the Group's activity.

# Contents of the Annual Corporate Governance Report

## 1. Ownership structure (A)<sup>2</sup>

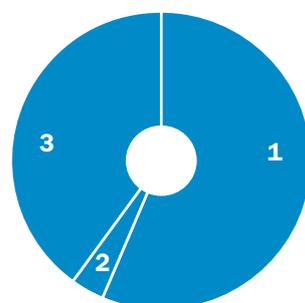
### 1.1. Share capital (A.1)

At 31 December 2020, the share capital of Banco Sabadell was 703,370,587.63 euros, represented by 5,626,964,701 registered shares, with a par value of 0.125 euros each, all fully subscribed and paid up, representing 5,626,964 voting rights, at a ratio of one right for every 1,000 shares. Last amended on 16 November 2017.

The shares of Banco Sabadell are uncertificated and are listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges and on the Spanish "SIBE"/Mercado Continuo stock exchange interconnection system. All shares are of the same class and have the same associated rights.

Banco Sabadell did not issue securities traded on a regulated market in the European Union.

There were 244,225 shareholders at 31 December 2020, distributed as follows:



1	Retail investors	56.5 %
2	Board of Directors	3.7 %
3	Institutional investors	39.8 %

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

### 1.2. Significant shareholders

(A.2, A.4, A.5, A.6, A.7 and A.8)

At 31 December 2020, the direct and indirect owners of significant stakes in Banco Sabadell were:

Name of shareholder	Voting rights attributed to the shares (%)		Voting rights through financial instruments (%)		Total voting rights (%)
	Direct	Indirect	Direct	Indirect	
Blackrock Inc.	0.00	2.89	0.00	0.42	3.31
Fintech Europe, S.A.R.L.	3.45	0.00	0.00	0.00	3.45
Lewis A. Sanders	0.00	3.47	0.00	0.00	3.47
Norges Bank	3.06	0.00	0.00	0.00	3.06

<sup>2</sup> The letters shown in the headings of each section of this report refer to the corresponding sections of the standard form of the Annual Corporate Governance Report issued by the Spanish National Securities Market Commission (CNMV).

BlackRock Inc. holds its indirect stake via a number of subsidiaries.

Mr. David Martínez Guzmán, a proprietary director, is the indirect owner of the voting rights attributed to the shares held by Fintech Europe, S.À.R.L., as the latter is owned 100% by Fintech Investment Ltd., the investment fund managed by Fintech Advisory Inc. (FAI). FAI is owned 100% by Mr. David Martínez Guzmán.

Lewis A. Sanders is the controlling owner of Sanders Capital, LLC, which is a registered US investment advisor that provides discretionary investment management services to clients; in connection with this service, certain clients grant proxy to Sanders Capital, LLC.

The most significant movements in the ownership structure during the year that were reported to the CNMV by the shareholders and whose disclosures are available on the CNMV's website are as follows:

Name of shareholder	Transaction date	Description of change
Blackrock Inc.	14/01/2020, 06/03/2020 30/03/2020, 09/04/2020	Fell below 5% of voting rights attributed to shares
	04/02/2020, 16/03/2020 02/04/2020	Exceeded 5% of voting rights attributed to shares
	16/04/2020, 29/05/2020	Fell below 5% of voting rights attributed to shares and via financial instruments.
	21/05/2020	Exceeded 5% of voting rights attributed to shares and via financial instruments.
	03/06/2020, 06/10/2020 23/10/2020, 09/11/2020 17/11/2020	Fell below 3% of voting rights attributed to shares
	09/06/2020	Fell below 3% of voting rights attributed to shares and via financial instruments
	05/08/2020	Exceeded 3% of voting rights attributed to shares and via financial instruments.
	06/08/2020, 13/10/2020 30/10/2020, 16/11/2020	Exceeded 3% of voting rights attributed to shares
	18/08/2020	Exceeded 1% of voting rights attributed to shares
	15/10/2020	Fell below 1% of voting rights attributed to shares
Citadel Multi-Strategy Equities Master Fund Ltd.	06/03/2020	Fell below 1% of voting rights attributed via financial instruments
Coltrane Master Fund, Lp	05/02/2020	Exceeded 3% of voting rights attributed to shares
Lewis A. Sanders	17/07/2020, 19/11/2020	Exceeded 3% of voting rights attributed to shares
Norges Bank	18/09/2020	Fell below 3% of voting rights attributed to shares

Banco Sabadell is not aware of any family, commercial, contractual or corporate ties between the owners of significant stakes. Moreover, the Bank and the companies that make up Banco Sabadell Group do not have any family, commercial, contractual or corporate ties with the Bank's significant shareholders other than those arising out of ordinary business relations. The Bank has not been notified of any shareholder agreements and is not aware of any concerted action between shareholders.

### 1.3. Board of Directors stake in share capital (A.3)

The members of the Board of Directors own 3.7% of the Bank's total voting rights. This information is detailed and updated on the Bank's website [www.grupobancosabadell.com](http://www.grupobancosabadell.com). The percentage of voting rights through financial instruments reflects the rights attributed to long-term supplementary incentives which have not vested.

The directors' ownership of capital stock is detailed below:

Name of director	Voting rights attributed to shares (%)		Voting rights through financial instruments (%)		Total voting rights (%)	Voting rights that may be transferred through financial instruments (%)	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Josep Oliu Creus	0.01	0.11	0.01	0.00	0.13	0.00	0.00
José Javier Echenique Landiribar	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jaime Guardiola Romojaro	0.04	0.00	0.01	0.00	0.05	0.00	0.00
Anthony Frank Elliott Ball	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Aurora Catá Sala	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pedro Fontana García	0.00	0.00	0.00	0.00	0.00	0.00	0.00
María José García Beato	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Mireya Giné Torrens	0.00	0.00	0.00	0.00	0.00	0.00	0.00
George Donald Johnston III	0.00	0.00	0.00	0.00	0.00	0.00	0.00
David Martínez Guzmán	0.00	3.45	0.00	0.00	3.45	0.00	0.00
José Manuel Martínez Martínez	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Ramón Martínez Sufategui	0.05	0.01	0.00	0.00	0.06	0.00	0.00
Alicia Reyes Revuelta	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Manuel Valls Morató	0.00	0.00	0.00	0.00	0.00	0.00	0.00
David Vegara Figueras	0.01	0.00	0.00	0.00	0.01	0.00	0.00

### 1.4. Own shares (A.9 and A.10)

The Bank is empowered to acquire own shares by a resolution adopted by the Ordinary General Meeting of Shareholders on 28 March 2019, under item Eight on the agenda, within a maximum period of five years as from the date of the resolution, so that, directly or through subsidiaries, subject to obtaining prior authorisation from the European Central Bank, it may acquire, at any time and as often as it sees fit, shares of Banco de Sabadell by any of the means admitted by law, including against profit for the year and/or unrestricted reserves, and that it may subsequently dispose of or cancel any shares thus acquired or, as appropriate, deliver them to employees or directors of Banco Sabadell as part of their remuneration or as a result of the exercise of stock options which they hold, all in accordance with the provisions of articles 146, 509 and matching articles of the Capital Companies Law.

The limits and requirements for such acquisitions are as follows:

- The par value of the shares thus acquired, directly or indirectly, in addition to any shares already held by the Bank and its subsidiaries, may not exceed, at any

time, the legal limit established from time to time by the legislation in force (currently ten per cent of share capital), subject in all cases to all the limits for acquisition of treasury shares established by the stock market regulators in the markets on which Banco Sabadell shares are listed.

- The acquisition, plus any shares previously acquired by Banco Sabadell (or a person acting in their own name but on the Bank's behalf) and held by it, must not lead to equity being less than the amount of capital plus legal reserves and reserves that are designated as restricted under the Articles of Association.
- The shares acquired must have been fully paid.
- The acquisition price must be no less than par value and no higher than 20 per cent above the stock market price or any other price whereby the shares may be valued as of the date of their acquisition. All acquisitions of own shares must be made in accordance with general stock market rules and regulations.

At 2020 year-end, Banco Sabadell directly held 48,560,867 own shares, representing 0.86% of share capital. The Bank reported the following changes in treasury stock to the CNMV:

Transaction date	Total number of direct shares acquired	Total number of indirect shares acquired	Total % of share capital
9/03/2020	42,937,122	10,155,636	0.944
28/05/2020	53,864,603	—	0.957
24/06/2020	63,441,504	—	1.127
27/08/2020	51,917,013	—	0.923
13/10/2020	65,370,995	—	1.162

## 1.5. Estimated free float (A.11)

At 2020 year-end, the estimated free float was 86.01%, i.e. the percentage of share capital not held by significant shareholders, members of the Board of Directors or as treasury stock.

## 1.6. Transferability and exercise of voting rights (A.12, A.13 and A.14)

There are no restrictions on the free transferability of the Bank's shares such as to hamper the acquisition of control of the Bank through the acquisition of its shares in the market. The only existing restrictions are those established in Spanish law applying to all credit institutions.

Specifically, Act 10/2014, of 26, June, on the Regulation, Supervision and Solvency of Credit Institutions, establishes that in any acquisition of at least 10 percent of the capital or of the voting rights, or that, without attaining that percentage, enables significant influence to be exercised over the institution, as well as any increases such as to exceed 20%, 30% or 50%, or to grant control of the institution, the purchaser must give advance notice to the Bank of Spain, which will process the request for approval or denial by the European Central Bank. The reduction of a stake below those thresholds must be notified by the seller to the Bank of Spain.

The General Meeting of Shareholders has not adopted neutralisation measures against takeover bids and no securities traded on a regulated market in the European Union were issued.

## 2. General Meeting of Shareholders (B)

### 2.1. Regulation of the General Meeting of Shareholders (B.1, B.2, B.3, B.6, B.7 and B.8)

The General Meeting of Shareholders is the Bank's main governing body, where the shareholders adopt the resolutions that correspond to them in accordance with the law, the Articles of Association or its own Regulations, and those business decisions that the Board of Directors considers transcendental for the future of the Bank and the corporate interests.

The terms of reference and the basic rules for the conduct of the Banco Sabadell General Meeting of Shareholders, and the system for giving notice and convening meetings and adopting decisions are set out in the Articles of Association and in the Regulation of the General Meeting of Shareholders, which safeguard shareholders' rights and transparency; the system of quora does not differ from that provided in the Capital Companies Law.

This same criterion is applicable to any amendment of the Articles of Association, which is governed by the same principles as established in the Capital Companies Law, both with regard to the requirements for amendment and the required quorum. Additionally, in the cases defined by law, amendments of the Articles of Association require the authorisation of the supervisor exercising the powers assigned to it by article 10 of Royal Decree 84/2015, of 13 February, implementing Act 10/2014, of 26 June, on Regulation, Supervision and Solvency of Credit Institutions, without prejudice to the functions attributed to the European Central Bank in accordance with the provisions of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

Under the Articles of Association, it is necessary to possess at least 1,000 shares to attend the General Meeting

of Shareholders, and shareholders may cast one vote for every thousand shares they own or represent.

In line with best practices in corporate governance, Banco Sabadell transmits the entire General Meeting of Shareholders live via webcast on the corporate website.

The information about General Meetings is available on the Group's corporate website ([www.grupobancosabadell.com](http://www.grupobancosabadell.com)) directly in the section entitled "Shareholders and investors". Additionally, the information about corporate governance is available on the website directly in the section entitled "Corporate Governance and Remuneration Policy".

### 2.2. General Meeting of Shareholders 2020 (B.4 and B.5)

Attendance at the General Meeting of Shareholders in recent years, and the percentages by which the resolutions were adopted, are published on the corporate website [www.grupobancosabadell.com](http://www.grupobancosabadell.com). Below are the attendance figures for the last three General Meetings, at which all items on the agendas were passed by the shareholders:

Date of General Meeting	% in attendance	% represented	% remote voting		Total
			Electronic voting	Other	
26/03/2020	0.18	61.38	0.00	0.00	61.56
Of which free float:	0.01	61.26	0.00	0.00	61.27
28/03/2019	0.40	58.78	0.00	0.00	59.18
Of which free float:	0.25	58.65	0.00	0.00	58.90
19/04/2018	0.78	60.57	0.00	0.00	61.35
Of which free float:	0.66	60.38	0.00	0.00	61.04

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

## 3. Board of Directors (C)

### (C.1.15)

With the exception of matters falling within the sole remit of the Shareholders' Meeting, the Board of Directors is the highest decision-making body in the Bank and its consolidated Group as it is entrusted, under the law and the Articles of Association, with administering and representing the Bank. The Board of Directors acts mainly as an instrument of supervision and control, and it delegates the management of ordinary business matters to the Chief Executive Officer.

The Board of Directors is subject to well-defined, transparent rules of governance, particularly the Articles of Association and the Board's own rules of procedure, and it conforms to best practices in the area of corporate governance.

There were no amendments to the Articles of Association, the General Meeting of Shareholders Regulation or the Board of Directors Regulation in 2020.

### 3.1. Composition of the Board

(C.1, C.1.2, C.1.8 and C.1.29)

At 31 December 2020, the Board comprised 15 members, as follows:

Name of director	Director category	Board committees	Board position	Date of first appointment	Date of last appointment	How appointed
Josep Olli Creus	Executive	● C	Chairman	29/03/1990	28/03/2019	General Meeting decision
José Javier Echenique Landiribar	Independent	●	Deputy Chairman	18/09/2010	28/03/2019	General Meeting decision
Jaime Guardiola Romojaro	Executive	●	Chief Executive Officer	27/09/2007	19/04/2018	General Meeting decision
Anthony Frank Elliott Ball	Independent	● ●	Lead Independent Director	30/03/2017	30/03/2017	General Meeting decision
Aurora Catá Sala	Independent	● ● ● C	Director	29/01/2015	28/03/2019	General Meeting decision
Pedro Fontana García	Independent	● ●	Director	27/07/2017	19/04/2018	General Meeting decision
María José García Beato	Executive		Director	24/05/2018	28/03/2019	General Meeting decision
Mireya Giné Torrens	Independent	●	Director	26/03/2020	26/03/2020	General Meeting decision
George Donald Johnston III	Independent	● ● C	Director	25/05/2017	19/04/2018	General Meeting decision
David Martínez Guzmán	Proprietary		Director	27/03/2014	19/04/2018	General Meeting decision
José Manuel Martínez Martínez	Independent	● C	Director	26/03/2013	19/04/2018	General Meeting decision
José Ramón Martínez Sufrategui	Independent	● ●	Director	18/09/2010	28/03/2019	General Meeting decision
Alicia Reyes Revuelta	Independent		Director	24/09/2020	24/09/2020	Board decision
Manuel Valls Morató	Independent	● ● C	Director	22/09/2016	30/03/2017	General Meeting decision
David Vegara Figueras	Executive		Director	28/05/2015	28/03/2019	General Meeting decision

#### Board of Directors Committees

- Delegated Committee
- Audit and Control Committee
- Appointments Committee
- Remuneration Committee
- Risk Committee
- C Chairman

# 11/15

Directors according to Articles of Association

# 15

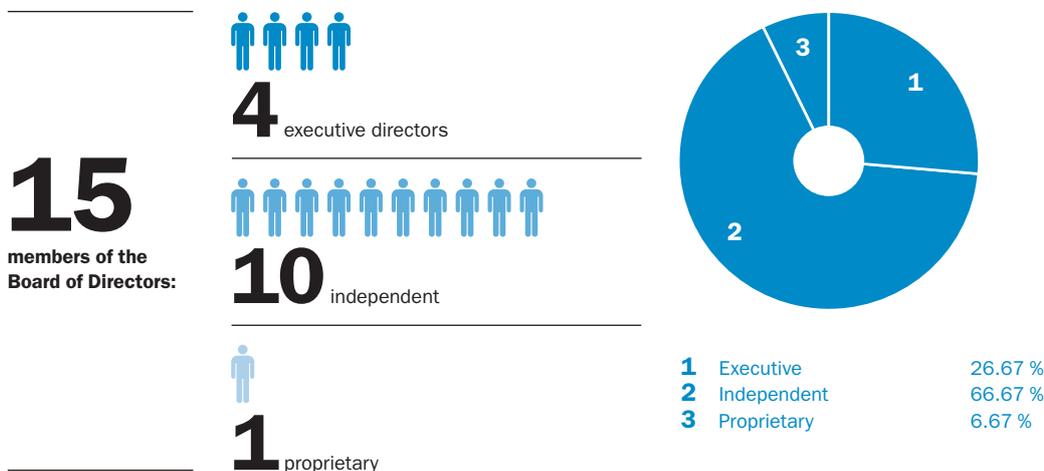
Directors established by the General Meeting of Shareholders

# 15

Members of the Board of Directors

There were no changes in director category in 2020.

Of the fifteen members of the Board of Directors, four are executive directors (26.67% of the total Board) and eleven are non-executive directors: ten independent (66.67% of the total Board) and one proprietary director (6.67% of the total Board).



Mr. Miquel Roca i Junyent, who is not a director, has been Secretary of the Board since 13 April 2000.

There have been no appointments of proprietary directors at the proposal of shareholders owning less than 3% of capital.

Following the process envisaged in the Succession Plan for the Chairman and Chief Executive Officer, on 17 December 2020, the Board of Directors appointed Mr. César González-Bueno Mayer as an executive director and Chief Executive Officer to replace Mr. Jaime Guardiola Romojaro, once the corresponding regulatory authorisations have been received.

The following resignations from the Board of Directors of Banco Sabadell took place in 2020 and have been duly notified to the CNMV in the form of regulatory disclosures:

By means of a letter addressed to all the members of the Board of Directors, Ms. Maria Teresa Garcia-Milà Lloveras presented her resignation from the Board of Directors effective on the date of the General Meeting of Shareholders scheduled for 26 March 2020, at second call, since 13 years had elapsed since her first appointment and, consequently, since she was not classified as an independent director, she wished to favour the appointment of another independent director at that General Meeting of Shareholders.

Mr. José Luis Negro Rodríguez tendered his resignation as executive director on 24 September 2020 by means of a letter addressed to all the members of the Board of Directors, in which he stated that, after a long career at the Bank, he intended to retire before 31 December 2020 and that, for this reason, and in order to facilitate the renewal

of the Board through the incorporation of new members, he was tendering his resignation as from that date.

### 3.2. Director profiles (C.1.3)

The Matrix of competencies and diversity of the members of the Board of Directors is available under “Internal Governance Framework” on the website [www.grupobancosabadell.com](http://www.grupobancosabadell.com), in the section entitled “Corporate Governance and Remuneration Policy”.

<b>Josep Olliu Creus</b> Chairman	<b>Profile</b> Banking / Retail & Corporate Banking / Finance / Academic / International	He holds a degree in economics from the University of Barcelona and a PhD in Economics from the University of Minnesota. Professor of Economic Theory at the University of Oviedo. Appointed Director-General Manager of Banco Sabadell in 1990. Chairman of Banco Sabadell since 1999. Non-executive Chairman of Exea Empresarial and the latter's representative on the board of Puig, S.L. Member of FEDEA (Fundación de Estudios de Economía Aplicada), and a member of the Board of Trustees of the Princess of Asturias Foundation and the Princess of Girona Foundation.
<b>Jaime Guardiola Romojaro</b> Chief Executive Officer	<b>Profile</b> Banking / Retail & Corporate Banking / Finance/ Business / International	He graduated in Law from Barcelona University and holds a degree in Business and an MBA from ESADE. He commenced working at BBVA in 1990, where he reached the position of General Manager for Spain and Portugal (2006-2007). Chief Executive Officer of Sabadell since 2007. Trustee of Fundación ESADE and member of the Board of Círculo de Economía.
<b>María José García Beato</b> Director - Secretary General	<b>Profile</b> Banking / Law / Regulatory / Governance	Degree in Law and Diploma in Criminology. Spanish State Attorney (1991). Former positions include State Attorney at the Madrid High Court of Justice, Legal Counsel at the Data Protection Agency, State Attorney as consultant to the State Legal Service, Head of the General Secretariat of Communications, and State Attorney at the National Court. Chief of Staff and Under-Secretary at the Ministry of Justice (2000-2004). General Counsel of Banco Sabadell (2005-2008). Company secretary of Banco Sabadell since 2008. Independent director at listed company Red Eléctrica Corporación, S.A., member of the Boards of Trustees of Fundación Banco Sabadell and Fundación de la Asociación Española de Banca.
<b>David Vegara Figueras</b> Director - General Manager	<b>Profile</b> Financial / Risks / Academic / Regulatory	A graduate in economics from the Autonomous University of Barcelona, he holds an MA in economics from the London School of Economics. Formerly Secretary of State for the Economy in the Spanish government (2004-2009), and Deputy Chief Executive Officer, Banking, in the European Stability Mechanism (2012-2015). Associate professor in the Department of Economics, Finance and Accounting at ESADE (2015- 2018). Member of the Supervisory Board of Hellenic Corporation of Assets and Participations, S.A.
<b>David Martínez Guzmán</b> Proprietary director	<b>Profile</b> Business / Finance / International	Degree in Electrical & Mechanical Engineering from the National Autonomous University of Mexico, Diploma in Philosophy from Universitas Gregoriana (Italy), and MBA from Harvard Business School. Founder in 1987 of Fintech Advisory, which manages the Fintech Investments Limited fund (New York and London). Director of listed companies Alfa, S.A.B., Vitro, S.A.B. and Cemex, S.A.B.

**José Javier Echenique Landiribar**  
Deputy Chairman  
Independent

**Profile**  
Banking / Retail &  
Corporate Banking  
/Business

Degree in Economics and Actuarial Science from the University of the Basque Country. Director and General Manager of Allianz-Ercos (1982-1990), General Manager of BBVA Group (1992-2001) and Chairman of Banco Guipuzcoano (2009-2012). Formerly a director of many companies in the energy and construction industries and the media. Proprietary director of listed company ACS, Actividades de la Construcción y Servicios, S.A. and of ACS, Servicios, Comunicaciones y Energía, S.L., both belonging to the same group, director (other external) of listed company Ence, Energía y Celulosa, S.A., and Deputy Chairman and Lead independent director of listed company Telefónica, S.A., director of Telefónica Móviles México, S.A. de C.V. and Telefónica Audiovisual Digital, S.L.U., all belonging to the same group. He is also a trustee of Fundación Novia Salcedo.

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**Anthony Frank Elliott Ball**  
Lead Independent  
Director

**Profile**  
Business /  
International

Chartered Engineer; MBA from Kingston Business School, Kingston University (London). Honorary Doctorate from the Kingston University Faculty of Business and Law. Formerly Chairman and CEO of Fox Sports International (1995-1996), CEO of Fox Liberty Networks LLC. (1996-1999), CEO of BSkyB Plc. (1999-2004), Chairman of Kabel Deutschland GmbH (2005-2013), and independent director of BT Group (2009-2018). Chairman of Ambassadors Theatre Group Ltd and of Bité Group, both part-owned by Providence Equity Partners LLC.

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**Aurora Catá Sala**  
Independent director

**Profile**  
Business /  
Consulting /  
Finance / Human  
Resources

Degree in Industrial Engineering (major in Industrial Organisation) from the Polytechnic University of Catalonia and MBA and PADE from IESE Barcelona. Formerly CFO of Nissan Motor Ibérica, S.A. (1991-1996), Chief Executive Officer of Planeta 2010 (1999-2002), Founder of ContentArena (2002-2003), General Manager of Audiovisual Media at Recoletos Grupo de Comunicación (2003-2008) and member of the Governing Board of Institut Català de Finances (2014). Formerly held a number of directorships. Currently a partner of Seeliger y Conde, S.L., independent director of Atresmedia Corporación de Medios de Comunicación, S.A., Chair of Barcelona Global, and member of the Executive Committee of IESE Alumni.

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**Pedro Fontana García**  
Independent director

**Profile**  
Banking / Retail /  
Business

Degree in Business from ESADE and MBA from Harvard Graduate School of Business Administration. General Manager of COOB'92 (1990-1993), General Manager of Turisme de Barcelona (1993-1994), Chairman of Banca Catalana (1994-1999), General Manager of BBVA Catalonia (2000-2009), Executive Chairman of AREAS (Elior Group) (2012-2017), Deputy General Manager of Elior Group, S.A. (2017-2018), and nominee of EMESA Corporación Empresarial, S.L. on the board of listed company Elior Group, S.A (2018-2019). Independent director of Grupo Indukern, S.L. and of Pax Equityco, S.à.R.L., President of Asociación para el Progreso de la Dirección - Catalonia Chapter, Member of the Board of Trustees of Fundació Privada Cercle d'Economia and of Fundació Barcelona Mobile World Capital, and a director of Fira Internacional de Barcelona.

<p><b>Mireya Giné Torrens</b> Independent director</p>	<p><b>Profile</b> Finance / Academic / Governance / Digital &amp; IT (Digital Transformation)</p>	<p>BA and MA (Cum Laude) in Economics from Pompeu Fabra University, and PhD from the University of Barcelona. Director of International Initiatives, Wharton Research Data Services (WRDS) since 2012, and Associate Professor in the Department of Finance at IESE Business School since 2018. Researcher at the European Corporate Governance Institute since 2018, a member of the World Economic Forum's network of experts since 2019, and member of the Center for Economic Policy since 2020. Independent director of Sabadell Asset Management (2018-2020), which is a subsidiary of Banco Sabadell, and Trustee of Fundación Aula Escola Europea.</p>
<p><b>George Donald Johnston III</b> Independent director</p>	<p><b>Profile</b> Banking / Corporate Banking / International</p>	<p>BA in Political Science from Middlebury College, Vermont and MA in International Economics and Latin American Studies from Johns Hopkins University School of Advanced International Studies, Washington DC. Executive Director at Salomon Brothers (1979-1990), Director of Bankers Trust International and member of its Global Executive Committee (1992-1999), Group Head of M&amp;A for Europe and Member of the Europe Executive Committee and of the Global Operating Committee within the investment banking division of Deutsche Bank (1999-2005), Chairman of the M&amp;A Group for Europe at Deutsche Bank (2005-2010). Independent director of listed companies Acerinox, S.A. and Merlin Properties, SOCIMI, S.A.</p>
<p><b>José Manuel Martínez Martínez</b> Independent director</p>	<p><b>Profile</b> Business / Insurance / Finance / International.</p>	<p>A Public Works Engineer, he obtained a degree in Economics and Actuarial Science at the University of Madrid. Formerly Chairman of MAPFRE (2001-2012), President of Fundación MAPFRE (2007-2012) and member of the Board of Directors of Consorcio de Compensación de Seguros and the International Insurance Society. Honorary Chairman of MAPFRE.</p>
<p><b>José Ramón Martínez Sufrategui</b> Independent director</p>	<p><b>Profile</b> Banking / Business</p>	<p>An architect specialised in urban development, he holds an Executive MBA from IE Business School. Formerly director of Banco Guipuzcoano (1990-2010). Owner and Chairman of an extensive group of companies, he is currently Chairman of Centro Fuencarral, S.A., Comercial del Campo, S.A., Edificios Cameranos, S.A., Inversiete, S.A., Producción y Desarrollo, S.A., Títulos e Inversiones, S.A., and Villa Rosa, S.A.</p>
<p><b>Alicia Reyes Revuelta</b> Independent director</p>	<p><b>Profile</b> Banking / Retail &amp; Corporate Banking / Finance / International</p>	<p>Dual degrees in Law and Business Administration from ICADE, Madrid. PhD in Quantitative Methods and Financial markets from ICADE. Formerly held a number of directorships. Country Manager of Bear Stearns for Iberia (2002-2006), Global Head of Structuring of Financial Institutions and Global Head of Insurance Solutions and Strategic Capital Derivatives at Barclays Capital (2010-2014). Partner of Olympo Capital (2014-2015). Independent director (2015-2016), CEO - EMEA (2016-2020) and Acting Chairman (2019) of Wells Fargo Securities International Ltd. Guest lecturer at University College London (UCL) Institute of Finance and Technology, and trustee of NGO Fareshare.</p>

**Manuel Valls Morató**  
Independent director

**Profile**  
Auditor / Finance

Degree in Economics and Business Studies from the University of Barcelona and a post-graduate qualification in Business Administration from IESE/University of Navarra; he is a registered auditor and a member of Spain's official register of auditors since its creation. Partner of PwC (1988-2013), Head of the Audit Division at PwC (2006-2013) and Chairman of PwC Auditores (2006-2011). Independent member of the Governing Board of Institut Català de Finances (2015-2016). Independent director of listed company Renta Corporación Real Estate, S.A. and Chairman of the Audit, Control and Risk Committee at COBEGA.

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Mr. David Martínez Guzmán, a proprietary director, is the indirect owner of the voting rights attributed to the shares held by Fintech Europe, S.à.R.L., as the latter is owned 100% by Fintech Investment Ltd., the investment fund managed by Fintech Advisory Inc. (FAI). FAI is owned 100% by Mr. David Martínez Guzmán.

At a meeting on 17 December 2020, the Board of Directors appointed Mr. César González-Bueno Mayer as Executive Director and Chief Executive Officer to replace Mr. Jaime Guardiola Romojaro, once the corresponding regulatory authorisations have been received. His profile is detailed below:

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**César González-Bueno Mayer**  
Appointment is pending regulatory clearance

**Profile**  
Banking / Retail & Corporate  
Banking / Finance / Regulatory / International / Digital & IT (Digital transformation)

Dual degrees in Law and Business Administration from ICADE, Madrid, and an MBA from Yale School of Management. Founder and CEO of ING Direct, N.V. Branch in Spain (1998-2010), General Manager for Spain, France, Italy and United Kingdom of ING Direct, N.V. (2004-2010), Regional Head of Europe at ING Bank (2010-2011), CEO of Novagalicia Banco (now Abanca) (2011-2013), CEO of Gulf Bank (2014-2016) and CEO of ING Spain and Portugal (2017-2019). Currently, non-executive director of TSB Bank, Plc and TSB Banking Group Plc and Trustee of the Fundación Ciudad Escuela de los Muchachos.

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### 3.3. Positions held by directors in other Banco Sabadell Group companies and other listed companies (C.1.10, C.1.11 and C.1.12)

Mr. Josep Oliu Creus and Mr. Jaime Guardiola Romojaro are, respectively, Chairman and non-executive director of the subsidiary Sabadell Consumer Finance, S.A.U. Mr.

Jaime Guardiola Romojaro is non-executive Chairman of the subsidiaries in Mexico, Banco Sabadell, S.A. I.B.M. and Sabcapital, S.A. de C.V., Sofom, E.R., and Mr. David Vegara Figueras is non-executive director of TSB Bank, Plc. Ms. Aurora Catá Sala and Mr. Manuel Valls Morató are non-executive directors of Sabadell Information Systems, S.A.U. (SABIS).

The members of the Board of Directors hold the following positions in other listed companies:

	Name of company	Position
José Javier Echenique Landiribar	ACS Actividades de Construcción y Servicios, S.A.	Director
	Ence Energía y Celulosa, S.A.	Director
	Telefónica, S.A.	Deputy Chairman
Aurora Catá Sala	Atresmedia Corporación de Medios de Comunicación, S.A.	Director
María José García Beato	Red Eléctrica Corporación, S.A.	Director
George Donald Johnston III	Acerinox, S.A.	Director
	Merlin Properties, Socimi, S.A.	Director
David Martínez Guzmán	Alfa, S.A.B. de C.V.	Director
	Cemex, S.A.B. de C.V.	Director
	Vitro, S.A.B. de C.V.	Director
Manuel Valls Morató	Renta Corporación Real Estate, S.A.	Director

In accordance with article 26 of Act 10/2014, of 26 June, the maximum number of directorships at other companies that members of the Board may hold is as follows:

- one executive directorship and two non-executive directorships.
- four non-executive directorships.

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

### 3.4. Banco Sabadell Diversity Policy (C.1.4, C.1.5, C.1.6, C.1.7, C.1.14, and C.2.2)

Banco Sabadell has policies governing diversity in terms of age, gender, ability, and professional training and experience.

The Banco Sabadell Director Candidate Selection Policy, which was approved by the Board of Directors on 25 February 2016 and amended on 28 March 2019, establishes criteria to be considered in the process of selecting new members and re-appointing incumbent members of the Board of Directors in order to foster diversity. This Policy is available in the "Corporate Governance and Remuneration Policy" section of the Bank's corporate website [www.grupobancosabadell.com](http://www.grupobancosabadell.com).

Under Article 61 of the Articles of Association, the Appointments Committee is entrusted with the function of ensuring compliance with the qualitative composition of the Board of Directors, establishing a target for

representation of the gender that is less represented on the Board of Directors and drawing up guidelines on how to achieve that target.

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

In fulfilling its duties, the Appointments Committee implemented the policy and measures to increase the diversity of gender, age, education, knowledge and experience that contribute to the collective fitness and suitability of the Board, by proposing the appointment in 2020 of two female independent directors who meet all these criteria.

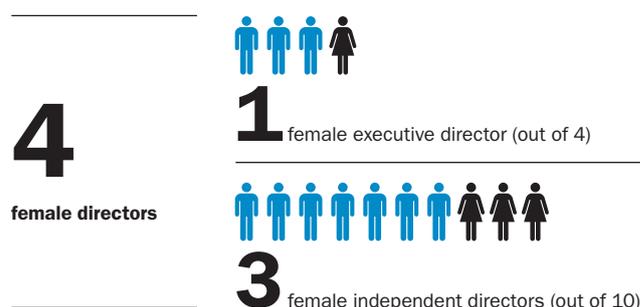
In compliance with Recommendation 14 of the Good Governance Code for listed companies, with the function

assigned in section 4.17 of its Regulations and with the Banco Sabadell Director Candidate Selection Policy, the Appointments Committee verified compliance with the Policy in the appointments made in 2020 by the General Meeting of Shareholders and the Board of Directors, which conformed to the parameters and requirements of both the Policy and the regulations in force for the position of member of the Board of Directors of a credit institution, and concluded that the appointments approved in 2020 favour an appropriate composition of the Board of Directors, by increasing the number of independent directors and also with two women, thus complying with the mandate to the Board of Directors and the Appointments Committee itself to contribute to increasing gender diversity within the Board.

To select candidates, the Appointments Committee relied on the Matrix of competencies and diversity of the members of the Board of Directors of Banco Sabadell, which defines directors' abilities and knowledge. The Committee also relied on external consultants, which provided it with female candidates for director.

At 2020 year-end, there were four female directors; three independent directors out of a total of ten, and one executive director.

The trend in the number of female directors in the Board of Directors and its committees in recent years is as follows:



	Number of female directors				% of total directors in each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive	1	1	1	—	25.00	20.00	25.00	0.00
Proprietary	—	—	—	—	—	—	0.00	0.00
Independent	3	1	2	2	30.00	12.50	20.00	20.00
Other external	—	1	—	—	—	100.00	0.00	0.00
<b>Total</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>26.67</b>	<b>20.00</b>	<b>20.00</b>	<b>13.33</b>

With regard to the presence of women on the Board Committees, the Remuneration Committee is chaired by a female independent director, who is also a member of the Risk Committee and the Appointments Committee, and another female independent director is a member of the Audit and Control Committee. Women chair one of the Board committees and are present in four of the five Board committees. Women account for 25% of the Audit and Control Committee, 33.33% of the Risk Committee, 25% of the Remuneration Committee and 33.33% of the Appointments Committee. The female executive director is also the Secretary (not a member) of the Delegated Committee, the Remuneration Committee and the Risk Committee.

## Number of female directors

	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
Delegated Committee	0	0.00	0	0.00	0	0.00	0	0.00
Audit and Control Committee	1	25.00	1	25.00	1	25.00	1	20.00
Appointments Committee	1	33.33	2	50.00	2	50.00	2	66.67
Remuneration Committee	1	25.00	1	25.00	2	50.00	2	50.00
Risk Committee	1	33.33	1	33.33	1	25.00	1	25.00

In 2020, Banco Sabadell achieved a ratio of 27% of women on the Board, in line with the general 30% target set by the CNMV, and is on track to meet the targets set for 2022.

In addition, Banco Sabadell has a set of policies, internal rules and codes of conduct that guarantee ethical and responsible behaviour throughout the organisation and have an impact on diversity and are equally applicable to the Board of Directors, both in the director selection procedure and in the day-to-day performance of their functions, in matters such as training and professional experience, age, ability and gender. These rules, which are applicable to the entire organisation, guarantee an increase in its diversity.

The percentage of women in senior management is 7.69%. The percentage of female executives at Banco Sabadell is 25.6%, having increased by 2.5% with respect to 2019.

# +2.5%

Increase in the number of female executives

### 3.5. Director Selection (C.1.16, C.1.21, C.1.22 and C.1.23)

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

#### Selection

The Appointments Committee is responsible for analysing the competencies and diversity of the Board of Directors in order to determine the profile of candidates for director, for which purpose it relies on the Matrix of competencies and diversity of the members of the Board of Directors. In compliance with the Policy, it is responsible for performing a prior assessment to ensure that candidates for directorship possess the necessary competencies, knowledge and experience; to that end, it is necessary to consider the balance of knowledge, skills, diversity and experience of the members of the Board of Directors and, for this purpose, to define the roles and

capabilities required of the candidates to fill each vacancy and to evaluate the time and dedication needed for them to effectively perform their duties.

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

#### Suitability assessment

Once a candidate has been selected, the procedure for assessing the suitability of Board members and key personnel must be applied; on this basis, the Appointments Committee analyses the information about the candidates and the reports presented by the Board Secretary, drawn up by the Bank's General Secretariat, as to their commercial and professional integrity, knowledge and experience and their willingness to provide good governance, by application of the requirements defined in Law 10/2014, of 26 June, and having regard to the criteria for assessing the suitability of the members of the Board of Directors as set out in Royal Decree 84/2015, of 13 February, implementing the aforementioned Law 10/2014, of 26 June, and the European Central Bank guidelines on fit and proper assessments updated in May

2018, as well as the Guidelines to assess the suitability of members of management bodies and key function holders (EBA/GL/2017/12) dated 21 March 2018. The Appointments Committee checks that candidates meet the requirements as to integrity, knowledge, experience and governance envisaged in the applicable legislation and draws up a candidate suitability assessment report. In addition, candidates for directorships must be vetted by the European Central Bank.

The Appointments Committee is also entrusted with assessing director suitability on an ongoing basis, evaluating the profile of the persons most suited to being members of the various committees, and making proposals in this regard to the Board of Directors; in particular, it must seek to ensure that the rules on the qualitative composition of the Board of Directors are complied with.

## Appointment

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

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

## Re-appointment

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

The Articles of Association and Board of Directors Regulation do not establish an age or term limit for directors or any other requirements for independent directors that are stricter than those provided by law.

## Specific requirements applicable to the Chairman and Chief Executive Officer

The Succession Plan for the Chairman and Chief Executive Officer of Banco Sabadell establishes the specific requirements for appointment as Chairman of the Board of Directors and Chief Executive Officer; in general, they must be of acknowledged commercial and professional fitness, have suitable knowledge and experience to perform the duties of the office, and be willing to exercise good governance of the Bank.

In particular, they must have proven experience in the financial sector and/or in senior management functions, have sufficient technical training in the fields of finance and/or business management and administration for the performance of the executive functions inherent to their position, and they must accredit a professional career that demonstrates leadership and/or entrepreneurship, in addition to meeting the conditions of suitability required of a director of a credit institution in accordance with the applicable regulations.

## Removal

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

## Restrictions

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

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

## 3.6. Reasons for which a director is obliged to resign (C.1.19, C.1.36 and C.1.37)

Specifically, under article 50 of the Articles of Association and article 23 of the Board of Directors Regulation, and in compliance with the Banco Sabadell Group Code of Conduct and its Policy on Conflicts of Interest of Directors and Senior Executives, directors must disclose any case where there might be a conflict of values or interests

in order to enable the Bank to manage such situations appropriately.

Directors are obliged to resign when they incur in a case of incompatibility, prohibition or limitation as provided for in the applicable regulations.

Additionally, in accordance with article 20 of the Banco Sabadell Board of Directors Regulation, directors must step down when their term ends and when the General Meeting of Shareholders or the Board of Directors so decides using the powers conferred on them by law or the Articles of Association, and;

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

During 2020, the Board of Directors was not informed and did not otherwise become aware of any situation affecting a director, whether or not related to their performance in the Bank itself, that might impair the Bank's credit and reputation; consequently, it was not necessary to minute any such case.

## 3.7. Operation of the Board of Directors

(C.1.9, C.1.20, C.1.24, and C.1.35)

### 3.7.1. Proxies

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

Additionally, the Director Remuneration Policy for 2019, 2020 and 2021, approved by the Shareholders' Meeting on 28 March 2019, which establishes the system of remuneration for directors for their functions as members of the Board of Directors, establishes, in addition to the fixed remuneration for membership of the Board, per diems for meeting attendance, capped at 11 per diems for ordinary meetings; directors may collect per diems for up to two meetings per year missed for just cause provided that they grant proxy.

### 3.7.2. Adopting resolutions

No supermajority is required other than the legal majority.

### 3.7.3. Powers delegated to the Board

The Board of Directors has delegated to the Chairman, Mr. Josep Oliu Creus, general powers to exercise his functions as Chairman of the Board of Directors and Chairman of the Delegated Committee. The Board has delegated to the Chief Executive Officer, Mr. Jaime Guardiola Romojaro, all the powers of the Board, except those that may not by law be delegated, and those powers that are necessary for him to manage the institution effectively as its chief executive. The Director - Secretary General, Ms. María José García Beato, and the Director - Chief Risk Officer, Mr. David Vegara Figueras, have the necessary general powers of attorney to perform their executive duties in the Bank.

All the powers corresponding to the Board of Directors, except the powers that the law or the Articles reserve exclusively for the Board, have been delegated to the Delegated Committee.

### 3.7.4. Information and documentation

The Bank has procedures for providing the directors with the necessary information and material to prepare for meetings of the Board of Directors and its committees in a timely manner.

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

Additionally, article 21 provides that:

- Directors are vested with the broadest powers to be informed about any aspect of the company, to examine its books, records, documents and other background information on the company's transactions and to inspect all of its installations. The right to information extends to subsidiaries, both domestic and foreign.
- So as not to disturb the ordinary running of the company, requests by directors for information must be channelled through the Chairman or the Board Secretary, who must attend to the director's requests by giving the information directly, providing appropriate access to individuals at the relevant level of the organisation, or providing the means by which the director may carry out the desired examination and inspection on site.

Banco Sabadell has a procedure for providing the directors with the necessary material to prepare for meetings of the Board of Directors and its committees in a confidential and encrypted way, using the Diligent Boards software running on iPads. Information for Board meetings is circulated to the directors one week in advance, and it is elaborated upon or updated in the boardbook as needed; hence, they are duly informed.

### 3.8. Number of Board and Committee meetings, and attendance

(C.1.25 and C.1.26)

The following table shows the number of meetings held by the Board of Directors and its Committees in 2020:

#### Number of meetings

<b>19</b>	<b>0</b>	<b>35</b>	<b>12</b>	<b>16</b>	<b>12</b>	<b>14</b>
Board of Directors	Board of Directors meetings not attended by the Chairman	Delegated Committee	Audit and Control Committee	Appointments Committee	Remuneration Committee	Risk Committee

Additionally, the Lead Independent Director held 2 meetings with the other directors which the executive directors did not attend either in person or by proxy.

Attendance at Board of Directors meetings is shown in the following table:

#### Number of meetings

<b>19</b>	<b>18</b>	<b>98.15%</b>	<b>99.63%</b>
Meetings which were attended in person by at least 80% of directors	Meetings at which all the directors were present in person or for which they granted proxy with specific instructions	Attendance in person as a % of the total number of votes during the year	Votes cast with all directors actually present or having granted proxy with specific instructions, as a % of total votes in the year

### 3.9. Takeover bids (C.1.38)

The Bank has not entered into any significant agreements which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

### 3.10. Evaluation of the Board and its Committees (C.1.17 and C.1.18)

Each year since 2007, the Bank assesses the performance of the Board of Directors and of its committees (Delegated Committee, Audit and Control Committee, Appointments Committee, Remuneration Committee and Risk Committee). In compliance with Recommendation 36 of the Good Governance Code of Listed Companies, every three years the Board of Directors of Banco Sabadell engages an external facilitator to aid in the evaluation process. This facilitator's independence is verified by the Appointments Committee.

It was decided that the performance assessment of the Board of Directors and its committees for 2020 would be performed internally by the Bank in the first quarter of 2021. The internal assessment methodology is based on

two main features: (i) input from the directors, and (ii) analysis of significant corporate documentation of Banco Sabadell relating to key aspects of the Bank's corporate governance system.

In line with the recommendations in the Code of Good Governance for Listed Companies, the evaluation of the performance of the Board of Directors and its committees and of the Chief Executive Officer was organised and coordinated by the Chairman of the Board of Directors, while the Lead Independent Director directed the assessment of the Chairman.

The areas to be evaluated are those indicated in the CNMV's Technical Guide on Nomination and Remuneration Committees, which extends the scope of the evaluation provided for in Recommendation 36 of the Good Governance Code of Listed Companies; quality and efficiency of the functioning of the Board and its committees, including the degree of effective performance and contributions of its members; the size, composition and diversity of the Board and its Committees; the performance of the Chairman, the Deputy Chairman, the Chief Executive Officer, the Lead Independent Director and the Secretary of the Board; the performance and contribution of the Directors; the frequency and duration of meetings; attendance; the content of the agenda and whether sufficient time was

devoted to dealing with the issues in accordance with their importance; the quality of the information received; the breadth and openness of the debates; and training.

Following a report from the Appointments Committee, on 26 March 2020 the Board of Directors approved the 2019 evaluation carried out within the recommended 3-year term with the assistance of independent external consultant Deloitte Legal, S.L.P., relations with which are within the ordinary course of business, and which provided advice on criminal liability matters. Other companies in the Deloitte Group have provided advisory services to Banco Sabadell Group, particularly in the field of information technology and security.

The assessment revealed that, in 2020: (i) the format of the documentation available to directors as background for meetings was improved; (ii) gender diversity on the Board was increased with the appointment of two female independent directors, and the diversity of knowledge and experience on the Board was increased with the incorporation of new profiles and increased knowledge in retail banking; and (iii) the Director Training Programme continued.

### 3.11. Remuneration of directors and senior management (C.1.13 and C.1.14)

Further details of director remuneration may be found in the Annual Report on Director Remuneration for 2020, approved by the Board of Directors on the same date as the Annual Report on Corporate Governance, which is published on the website of the CNMV and available on the corporate website of Banco Sabadell, [www.grupobancosabadell.com](http://www.grupobancosabadell.com), under "Corporate Governance and Remuneration Policy".

Remuneration earned by the Board of Directors in 2020 (thousand euro)	6,779
Amount of pension rights accumulated by current directors since 2000 (thousand euro)	37,084

The members of Banco Sabadell's senior management and the Head of Internal Audit, excluding executive directors, are as follows:

#### Senior management:

##### General Manager

Miquel Montes Güell  
Tomás Varela Muiña  
Carlos Ventura Santamans  
José Nieto De La Cierva

##### Deputy General Manager

Rafael José García Nauffal  
Jaime Matas Vallverdú  
Ramón De La Riva Reina  
Enric Rovira Masachs  
Manuel Tresánchez Montaner

##### Assistant General Manager

##### Head of Internal Audit

Nuria Lázaro Rubio

Total remuneration of senior management and the head of internal audit (thousand euro)	5,077
Combined contributions to pension plans, structured through insurance policies, in 2020 (thousand euro)	2,174

### **3.12. Indemnities, guarantees clauses and golden handshakes agreed between the Bank and its directors, executives or employees (C.1.39)**

- 40 beneficiaries
- Description of beneficiaries: Chairman, Chief Executive Officer, Director - Secretary General, Director - Chief Risk Officer, and 36 Executives
- Description of agreements:

The contracts with the Chairman, Chief Executive Officer and Director - Secretary General contain a clause providing indemnity in the amount of 2 years' remuneration for cases of unfair dismissal and some limited cases of change of control. The contract with the Director-Chief Risk Officer has a post-contractual non-compete clause for a duration of 2 years from the date of unfair dismissal and some limited cases of change of control, lasting at most until the first date of ordinary retirement, in the amount of two years' fixed remuneration.

The contracts with 21 executives have a clause providing indemnity in the amount of 2 years' fixed remuneration for cases of unfair dismissal and some limited cases of change of control. The contracts with 16 executives have a post-contractual non-compete clause for a duration of 2 years from the date of unfair dismissal and some limited cases of change of control, lasting at most until the first date of ordinary retirement, in the amount of two years' fixed remuneration.

These contracts have been notified to and/or approved by the Board of Directors, and the General Meeting of Shareholders is informed of these clauses.

### **3.13. Audit of the financial statements**

(C.1.27, C.1.28, C.1.30, C.1.31, C.1.32, C.1.33 and C.1.34)

The separate and consolidated financial statements of Banco Sabadell are certified beforehand by the Chairman of the Board, the Chief Executive Officer and the CFO.

The Bank's internal units draw up the financial statements such as to present a true and fair view of Banco Sabadell's net worth, financial situation and results, by applying generally accepted accounting principles to all the financial and accounting information, so that the financial statements are drawn up in accordance with current accounting standards.

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

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

The auditors' reports on the separate and consolidation financial statements for 2020 were unqualified.

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

- "4. Proposing to the Board of Directors, for submission to the General Meeting, the appointment of the external auditor, establishing the engagement conditions, the scope of the professional mandate, and revocation or non-renewal, if appropriate; reviewing compliance with the audit contract, and striving to ensure that the opinion on the financial statements and the main content of the auditors' report are drafted clearly and accurately.
- 6. Establishing the appropriate relations with external auditors to receive information about any issues that might jeopardise their independence, to be reviewed by the Committee, and any others related to the process of performing the audit functions and in the audit rules."

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

Specifically, in 2020, to preserve the independence of the external auditor, Banco Sabadell was audited for the first time by KPMG Auditores, S.L., upon completion

of the auditor rotation process in compliance with the current legislation; based on a reasoned recommendation from the Audit and Control Committee, the Board of Directors proposed that the General Meeting of Shareholders appoint KPMG Auditores, S.L. as auditors of Banco Sabadell and of the consolidated financial statements of Banco Sabadell Group for the years 2020, 2021 and 2022; that motion was approved by the General Meeting of Shareholders on 28 March 2019.

In 2020, the Audit and Control Committee comprised three independent directors and one other external director until 26 March 2020, when the resignation of the latter presented on 20 February 2020 took effect; the vacancy was filled by the incorporation of a new independent director so that, from 24 September 2020, the Committee comprised four independent directors. The Committee's Regulation, which was current in 2020, includes the provisions of the Articles of Association and the Board of Directors Regulation; article 21.3 provides that, as directors and members of the Committee, those members must act with independence of opinion and action with respect to the rest of the organisation (...)

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

Additionally, based on information received from the auditors, the Committee vetted the procedures and tools used by the firm to ensure compliance with the auditor independence requirements. Written confirmation of the firm's independence with respect to Banco Sabadell Group was received on 29 July 2020 and 26 January 2021. Based on the results of these checks, the Committee issued a report to the Board of Directors giving a favourable opinion on compliance with the auditor independence requirement before the auditor's report on the accounts was issued, and it issued its annual report on that independence.

Banco Sabadell complies with the principles of transparency and non-discrimination set out in the current legislation with respect to other market players. Specifically, Banco Sabadell: i) takes care not to provide financial analysts with any information that might put them in a position of privilege with respect to other market participants, ii) regularly uses the services of four prestigious rating agencies (Fitch, DBRS, Moody's and Standard and Poor's), and iii) where Banco Sabadell receives advice

from investment banks in certain transactions and, in the course of providing those services, such investment banks become privy to inside information, the institution includes the persons who become privy to such information in its internal control systems, and expressly notifies such persons of the obligation to fulfil their duty of confidentiality and comply with any trading restrictions, and ensure that others comply with them too.

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

Existence of measures to prevent conflicts of interest from arising.

Where conflicts of interest arise or are going to arise, existence of measures that enable them to be detected for the purpose of registering them and addressing them immediately.

Where conflicts arise, they must be eliminated; otherwise, steps must be taken to reveal their nature and origin to the customer or the decision-making bodies, as appropriate, for the appropriate decisions to be made.

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

### 3.13.1. Rotation of external auditors

The incoming auditor is KPMG Auditores, S.L. and the outgoing auditor is PricewaterhouseCoopers, S.L. There was no dispute with the outgoing auditor.

The year 2020 was the first year audited by the incoming auditor, after the Board of Directors, based on a reasoned recommendation from the Audit and Control Committee, resolved at a meeting on 20 December 2018, as disclosed via regulatory disclosure no. 273.045, to appoint KPMG Auditores, S.L. as auditors of the financial statements of Banco Sabadell and the consolidated financial statements of Banco Sabadell Group for the years 2020, 2021 and 2022. This decision was adopted in compliance with current legislation on auditor rotation and as a result of a selection process performed in accordance with the provisions of Regulation (EU) 537/2014 of 16 April, on specific requirements regarding statutory audit of public-interest entities. Based on a proposal by the Board of Directors, the General Meeting of Shareholders approved that appointment on 28 March 2019.

The amount of fees for non-audit work does not include audit-related services for a total of 93 thousand euros (65 thousand euros corresponding to the Company and 28 thousand euros corresponding to Group subsidiaries), since they are independent assurance services, some of which are required by law.

## 4. Board of Directors Committees (C) (C.2.1 and C.2.3)

There are currently five operational Board of Directors committees with the functions defined in the Articles of Association and the Board of Directors Regulation, which are elaborated upon and complemented by the committees' specific terms of reference. Those documents are available on the website [www.grupobancosabadell.com](http://www.grupobancosabadell.com), under "Corporate Governance and Remuneration Policy".

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

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

	Separate	Consolidated
Number of consecutive years	1	1
No. of years audited by the current audit firm / No. of years that the company or its group has been audited (%)	2.50	2.78

	Company	Group companies	Total
External auditor's fees for work other than auditing (thousand euro)	214	5	<b>219</b>
Fees for work other than auditing / Total audit fees (%)	10.22	0.09	<b>2.97</b>

## 4.1. Delegated Committee

Chairman	Josep Oliu Creus	
Members	José Javier Echenique Landiribar	Independent
	Jaime Guardiola Romojaro	Executive
	Pedro Fontana García	Independent

The independent director, Mr. José Manuel Martínez Martínez, was appointed as Chairman of the Appointments Committee, and ceased to be a member of the Delegated Committee, on 26 March 2020.

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

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

It must meet whenever convened by its Chairman or by the Deputy Chairman standing in for the former, and its meetings may be attended by any person, whether related to the Company or otherwise, who is invited to attend, by a decision of the Committee itself or the Chairman of same, for the purposes to be determined on the basis of the matter in question; the Board of Directors will designate the Secretary of the Committee, who need not be a director, and will also designate a person to stand in for the Secretary in the event of absence or illness.

The Delegated Committee is responsible for the adopting any resolutions and decisions under the scope of the powers granted to it by the Board of Directors, and for overseeing the Bank's ordinary activities; it must report the decisions adopted at its meetings to the Board of Directors, without prejudice to the other functions attributed to it by the Articles of Association and the Board of Directors Regulation. In accordance with Article 4 of its Regulations, the Delegated Committee also has informative, consultative and advisory functions in relation to all the powers corresponding to the Board of Directors. The Delegated Committee is also empowered to make decisions within the limits established by the Bank's policies, particularly risk decisions, in accordance with the delegations scheme approved by the Board of Directors.

In 2020, the Delegated Committee monitored the ordinary activities of the Bank, adopted resolutions and decisions falling within the scope of the powers established

by the Board of Directors, and analysed and reviewed other issues, providing favourable reports to the committees with competency in those areas and to the Board of Directors for the adoption of the appropriate resolutions.

The most salient actions undertaken in 2020 by the Delegated Committee in carrying out its functions and discharging its duties and responsibilities included tracking and analysing the financial information and results of the Bank and its Group; analysing the reaction of markets and investors to the Bank's results; being apprised of the strategic plan and tracking strategic issues appropriately; and tracking business performance and trends in own shares and the share price. The Committee also analysed and, as appropriate, approved transactions in connection with the Group's corporate development. It was informed of new developments in legislation, of supervisors' activities and of regulatory matters. It was also informed of the Group's risks, and decided on the risk operations that fell under its remit due to their amount or relevance. It issued favourable reports to the Board of Directors on the incorporation and/or dissolution and liquidation of subsidiaries and investees, as well as changes in capital and other amendments to the articles of association; it informed the Appointments Committee and the Board of Directors of changes in the composition of such institutions' governing bodies. The Delegated Committee reported all decisions to the Board of Directors.

During 2020, the Delegated Committee performed a self-assessment of its performance in 2019 with the support of an independent external consultant; the self-assessment for 2020 is expected to be performed in the first quarter of 2021.

## 4.2. Audit and Control Committee

Chairman	Manuel Valls Morató	Independent
Members	Pedro Fontana Garcia	Independent
	Mireya Giné Torrens	Independent
	José Ramón Martínez Sufrategui	Independent



Ms. María Teresa García-Milà Lloveras, who was classified as an Other External Director, ceased to be a member of the Audit and Control Committee on 26 March 2020 as a result of her resignation as a director, and independent director Ms. Mireya Giné Torrens was appointed as a member of the Committee on 24 September 2020.

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

The members of the Audit and Control Committee and, in particular, its Chairman, have knowledge and experience in accounting, auditing or both. Mr. Manuel Valls Morató was appointed Chairman of the Committee on 30 March 2017.

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

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

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

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

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

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

During the year, the Committee carried out a review of the Group's risk management and control functions via reports from the persons in charge of internal control and internal audit at the Bank, and satisfied itself that suitable steps were being taken at General Manager level and by other senior executive functions to ensure that the Group's main risks were being appropriately identified, measured and controlled.

In the context of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) for 2019, the Audit and Control Committee monitored the risk governance, management and control systems implemented by the Group. In addition, in its review of the Pillar III Disclosures for 2019 and the first half of 2020, the Committee assessed the risk management and control objectives contained in the Group's policies.

The Committee also met with the Bank's senior managers in the Finance, Tax, Compliance and Sustainability Departments, among others, to be informed of business trends and the associated risks.

The Audit and Control Committee also evaluated the conclusions of the reviews carried out by Internal Audit of the Bank's risk control and management system.

In connection with its function of overseeing the internal audit units, the Internal Audit Department reports directly to the Board of Directors' Audit and Control Committee, which reinforces its hierarchical and functional independence from the rest of the Bank's departments.

On the basis of its Policy, which was approved by the Board of Directors, the functions of the Internal Audit

Department include supporting the Audit and Control Committee in supervising the proper design, implementation and effective functioning of the risk management and control systems.

At a meeting on 28 January 2020, after a detailed assessment of the plan for 2020 proposed by the Head of Internal Audit, which was based on an update of the Group's strategic objectives as set out in the 2018-2020 Master Plan, the business risks arising from the current economic context and the systems for analysis, measurement and control adopted by the Group, together with the supervisory and regulatory requirements, the Committee resolved to issue a favourable report to the Board of Directors on the Internal Audit Plan for 2020, and it was approved by the Board on 30 January 2020.

As a result of the economic and health crisis created by COVID-19, at a meeting on 27 April 2020, the Committee evaluated in detail the modifications to the Internal Audit Activity Plan proposed by the Head of Internal Audit in response to the new situation, and approved the update to the Plan, as well as the measures for more flexible implementation of audit recommendations as a result of COVID-19.

During 2020, the Committee received information about the execution of the actions in the Plan; in some cases, it reviewed the control environment and, in particular, evaluated the proper identification of risks in processes, and the sufficiency, design, implementation and effective functioning of existing controls. The Committee evaluated the results of each internal audit and prioritised and monitored corrective actions.

In addition, during 2020, the Committee checked the independence and objectivity of the internal audit function, checking that it has sufficient resources and access to information to fulfil its tasks, in accordance with the professional standards that apply to internal auditors. At a meeting on 28 January 2020, the Committee reviewed and decided to recommend that the Board approve the Internal Audit Department budget for 2020.

On 26 January 2021, the Committee received the Annual Report on Internal Audit Activities, which includes the report of the Internal Audit Quality Assurance and Improvement Programme with the internal evaluations of its function and of the implementation of the action plans that arose from the external assessments performed in 2018, to assess their effectiveness, as well as the performance of the head of that unit.

In 2020, the Committee also received information about the conclusions of the reports issued by the external auditors and the supervisory authorities and assessed whether the action plans to fulfil the requirements had been implemented properly.

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

During the year, the Audit Committee supervised the Bank's internal control model for the process of preparing and presenting regulated financial and non-financial information and it supervised and analysed the sufficiency, clarity

and integrity of all the financial and related non-financial information, for the Bank itself and for the Group, that the Bank made public, prior to its presentation to the Board of Directors and its dissemination to the market and supervisory bodies. To this end, it received information from the Finance Department, the Internal Audit Department and the external auditors regarding the risks relating to financial and non-financial reporting processes and the adequacy and effectiveness of the controls that mitigate them, as well as aspects that may give rise to changes in the internal control model, including the situation created by COVID-19, regulatory changes, the incorporation of new products or the modification of Banco Sabadell's processes. It also supervised to ensure that the regulated disclosures conformed to the accounting standards and the criteria established by regulators and supervisors, and supervised updates to the Group's accounting policies, procedures and manuals.

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

On 28 March 2019, the General Meeting of Shareholders approved the appointment of KPMG Auditores, S.L. for the years 2020 to 2022, based on a proposal by the Board of Directors, which was based on a reasoned recommendation from the Audit and Control Committee made following a selection process performed in accordance with the provisions of Regulation (EU) 537/2014 of 16 April, on specific requirements regarding statutory audit of public-interest entities.

With regard to the oversight of compliance with the audit contract and the performance of the audit, throughout the year the Committee liaised constantly with the external auditor to ascertain the progress of the handover from the previous auditor, its strategy and work plan, the team of experts and specialists involved in the audit, the criteria for quantifying materiality, the work schedule, its execution, and the main conclusions of the work performed, focusing on the identified audit risks, as well as on the impact of the COVID-19 health crisis on the audit of the Bank and the Group. The Committee also reviewed in depth the contents of the audit report, as well as the Additional Report presented by the auditors to the Audit and Control Committee in connection with the audit of the year ended 31 December 2020, required to comply with the provisions of article 36 of Act 22/2015, of 20 July 2015, on Auditing and with article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities.

e. Advising on the annual, quarterly and half-yearly financial statements and the prospectuses that must be submitted to the regulatory or supervisory bodies, exercising

vigilance to ensure compliance with the requirements of the law and the proper application of generally accepted accounting principles, and advising on proposals to amend those principles.

In the course of the year, the Committee paid particular attention to reviewing the Bank's financial statements and the quarterly and half-yearly trading and financial reports as well as other information disclosed to the market, to ensure that they conform to generally accepted accounting principles and to the criteria established by regulators and supervisors. It reviewed with particular care, and approved in 2020, the judgements, estimates and valuation approaches used in the preparation of the financial statements that were affected by the uncertainty caused by COVID-19 and the current macroeconomic situation, which has had a fundamental impact on the determination of asset impairment losses. In order to carry out these reviews, the Finance Department and the external auditor participated in meetings of the Committee to present matters relating to the financial disclosures.

The Committee oversaw the Annual Corporate Governance Report and the Pillar III Disclosures, all produced and published in line with the Pillar II requirements, the Bank's Policy on Financial and Non-Financial Disclosures, the ICAAP and ILAAP, and the Universal Share Prospectus, covering specific aspects relating to the impact of the COVID-19 pandemic, before they were released to the market.

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

In order to comply with the requirements for the engagement of non-audit services from audit firms and their networks, as established in the Banco Sabadell Group Policy to Safeguard Auditor Independence, the Audit and Control Committee reviewed the main non-audit services provided by the firm KPMG during 2020. The objective of these reviews was to ensure that all that work fulfilled the independence requirements established in Act 22/2015, of 20 July, on Auditing and in Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

Additionally, based on information received from the auditors, the Committee vetted the procedures and tools used by the firm to ensure compliance with the auditor independence requirements. Written confirmation of the firm's independence with respect to Banco Sabadell Group was received on 29 July 2020 and 26 January 2021.

Based on the results of these checks, the Committee issued a report to the Board of Directors giving a favourable opinion on fulfilment of the auditor independence requirement before the auditor's report on the accounts was issued.

g. Advising on any issues referred to the Committee by the

Board of Directors that are within its remit.

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

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

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

The Committee also examined half-yearly reports from the Group's Corporate Ethics Committee on action taken to ensure compliance with the Banco Sabadell Group Code of Conduct in relation to the securities market, the Group's Code of Conduct, activities in connection with environmental, social and governance (ESG) factors, and other key aspects.

By reviewing these reports, the Committee also received information on the performance of the whistleblower channel, including the number of notifications received, their origin and types, the results of the investigations and the proposals for action.

The Audit and Control Committee also assessed the implications of material corporate transactions performed in 2020.

In connection with related-party transactions, the Committee verified that the related-party transactions performed during the year fulfilled the terms and conditions established in current legislation such as not to require authorisation from the governing bodies, after it had checked that the consideration and other proposed conditions were in line with market parameters. The Committee also reviewed the information on related-party transactions that was disclosed in the financial statements.

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

During 2020, the Audit and Control Committee performed a self-assessment of its performance in 2019 with the support of an independent external consultant; the self-assessment for 2020 is expected to be performed in the first quarter of 2021.

### 4.3. Appointments Committee

Chairman	José Manuel Martínez Martínez	Independent
Members	Anthony Frank Elliot Ball Aurora Catá Sala	Independent Independent



The independent director, Mr. José Manuel Martínez Martínez, was appointed Chairman of the Appointments Committee, of which he was already a member, on 26 March 2020, replacing Ms. Aurora Catá Sala, who continues as a member; Ms. María Teresa García-Milà Lloveras stepped down from the committee as a result of her resignation as a director.

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

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

The Appointments Committee Regulation establishes that the Board of Directors will also appoint the Committee Secretary and, in the event, a Deputy Secretary, neither of whom need be a member of the Board of Directors; the Committee meets as often as necessary, and at least once every three months, when convened by its Chairman, at his/her own initiative or at the request of any member of the Committee, or whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and, in any event, whenever it is advisable in order to properly discharge its duties. In any case, it must meet once per year to provide advice in advance on the Board's performance evaluation.

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

a. Making proposals to the Board of Directors as to the appointment of independent directors, for co-optation or for referral to the General Meeting, and as to the re-appointment or removal of such directors; In fulfilment of its functions, it made a proposal to the Board of Directors that it refer the appointment of an independent director to the General Meeting of Shareholders, and it proposed that the Board appoint an

independent director by co-optation, having assessed their fitness and suitability.

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

To this end, it advised the Board of Directors on a proposal for the appointment by co-optation of an executive director, having assessed their fitness and suitability.

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

In all its proposals for the appointment of independent directors, the Committee exercised oversight to ensure compliance with the qualitative composition of the Board, as well as advising on the proposal for an executive director to replace the Chief Executive Officer. It also verified compliance with the Banco Sabadell Director Candidate Selection Policy, in accordance with Recommendation 14 of the Code of Good Governance of Listed Companies, and analysed and advised the Board on the composition of the Board, the categories of directors, and the approval of the Annual Corporate Governance Report.

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

In the proposals to appoint two female independent directors, it appropriately applied the Selection Policy and relied on the Matrix of Competencies and on external consultants, who provided it with profiles of female candidates for directorships.

e. Evaluating to ensure that the members of the Board of Directors are suitable and have the requisite competency, knowledge and experience, and assessing their ability to

devote the necessary time, with a view to referring their candidacy to the competent authorities;

During 2020, it analysed the powers and diversity of the Board of Directors in order to fill vacancies and it assessed the suitability of the candidates presented for appointment as directors.

f. Advising on proposals for the appointment and removal of senior executives and the Identified Staff, and assessing their fitness and suitability;

The Committee fulfilled its function of advising the Board of Directors on proposals for the appointment of senior executives, having assessed their suitability. It also reviewed the list of the Identified Staff of the Bank, the Group and the subsidiaries, and advised the Board of Directors on proposals to amend the list of the Identified Staff.

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

The Appointments Committee issued a favourable report to the Board of Directors on the contractual terms and conditions under which the Chief Executive Officer will perform executive functions.

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

The Succession Plan for the Chairman and Chief Executive Officer of Banco Sabadell was followed to ensure an orderly succession of the Chief Executive Officer. It interviewed the candidate proposed by the Chairman of the Board, issued a report to the effect that the candidate has the knowledge, skills and experience in accordance with the provisions of article 8 of the Plan, obtained expert advice, and issued suitability assessment reports required by Law 10/2014, of 26 June, and by article 529.decies.6 of the Capital Companies Law.

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

The Appointments Committee proposed the appointment of two female independent directors in order to increase gender diversity. It verified compliance with the Director Candidate Selection Policy in the resolutions adopted in 2020 regarding the appointment of directors, which conformed to the diversity parameters and requirements set out in the Policy and in the current regulations governing directorships of credit institutions and, in particular, with a view to achieving the objectives as to the weighting in the

Board of the under-represented gender.

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

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

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

The Committee analysed the circumstances of the candidates for appointment as independent directors and submitted its proposals to the Board for the appropriate decisions.

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

The Committee reviewed the director categories and informed the Board for disclosure in the Annual Corporate Governance Report.

m. Advising the Board of Directors on proposals for the appointment of the Deputy, as applicable;

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

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

The Appointments Committee did not exercise functions m), n) or o) in 2020 since there were no changes in the persons holding those positions.

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

The Appointments Committee issued a favourable report to the Board of Directors on the revision of the Matrix of competencies, for its approval by the Board of Directors

on 29 January 2021, as a result of the appointments and changes that occurred in the Board in 2020.

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

The committee verified compliance with the Director Candidate Selection Policy.

r. Providing advice each year on performance reviews for the Board of Directors and for the Chairman of the Board of Directors and the Chief Executive Officer;

The Appointments Committee provided advice on the annual performance review of the Board of Directors, its Chairman and the Chief Executive Officer. The performance review for 2019 was conducted in 2020 with the assistance of an independent external consultant.

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

The Appointments Committee issued a favourable report to the Board on the annual performance review of the Committee itself for 2019, as well the performance reviews for the other Board committees (Delegated Committee, Audit and Control Committee, Appointments Committee, Remuneration Committee and Risk Committee), which included, depending on the outcome, an action plan to correct any deficiencies that had been detected.

t. Designing and organising regular refresher courses for directors;

At a meeting on 30 January 2020, the Appointments Committee issued a favourable report to the Board of Directors on the 2020 Director Training Programme, with special emphasis on updating the skills and knowledge of the Bank's directors in specific issues related to the institution.

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

At a meeting on 30 January 2020, the Appointments Committee adopted a favourable assessment of the Director Training Programme conducted in 2019.

During 2020, the Appointments Committee performed a

self-assessment of its performance in 2019 with the support of an independent external consultant; the self-assessment for 2020 is expected to be performed in the first quarter of 2021.

## 4.4. Remuneration Committee

Chairman	Aurora Catá Sala	Independent
Members	Anthony Frank Elliot Ball	Independent
	George Donald Johnston III	Independent
	José Ramón Martínez Sufrategui	Independent



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

In accordance with the Board of Directors Regulation, the Remuneration Committee will comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. The Committee will have a Chairman, appointed by the Board of Directors with a two-thirds majority from among the independent directors who are members of the Committee.

The Remuneration Committee Regulation establishes that the Board of Directors will also appoint the Committee Secretary and, in the event, a Deputy Secretary, neither of whom need be a member of the Board of Directors; the Committee meets as often as necessary, and at least once every three months, when convened by its Chairman, at his/her own initiative or at the request of any member of the Committee, or whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and, in any event, whenever it is advisable in order to properly discharge its duties. In any event, the Committee must meet once per year to prepare the information on directors' remuneration that the Board of Directors must approve and include in its annual public documentation.

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

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

The Remuneration Policy for the directors of Banco Sabadell for the years 2019, 2020 and 2021 was approved by the General Meeting of Shareholders on 28 March 2019.

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

To perform this function, it cross-checked the compensation benchmark for the executive directors and senior management and internal audit with reports from external consultants; it issued a favourable report to the Board of Directors in connection with the degree of fulfilment of the 2019 objectives for executive directors, senior management and internal audit, as well as their fixed and variable remuneration for 2020. It reviewed and issued a favourable report to the Board of Directors on the Remuneration Policy for Senior Management.

c. Advising on remuneration programmes based on shares and/or options;

d. Periodically reviewing the general principles of remuneration and the remuneration programmes for all employees, and considering whether they conform to those principles;

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

It also reported favourably to the Board of Directors on the fixed remuneration for Group's entire workforce and an increase in the total salary expense for the year 2020.

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

In 2020, the Remuneration Committee examined the report by an external consulting firm on the Prudential

Assessment of Remuneration 2019, which was commissioned in order to analyse whether Banco Sabadell's remuneration policy and practices conform to the regulators' requirements and recommendations.

When advising the Board of Directors on the approval of the individual objectives for the Chief Executive Officer, the executive directors, members of Senior Management and members of the Group's Identified Staff, the Remuneration Committee analysed the report of the Risk Committee on the consistency of those objectives with the level of risk appetite.

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

The Remuneration Committee analysed the Internal Audit Report on the Remuneration Policy of the Group and Subsidiaries, whose objective was to review the degree to which the organisation's remuneration policies (Group and subsidiaries) conform to the guidelines of the European Banking Authority (EBA).

The Remuneration Committee reviewed and issued a favourable report to the Board of Directors on Banco Sabadell's remuneration policies, comprising the Remuneration Policy for Banco Sabadell Group, the Remuneration Policy for Senior Executives, the Remuneration Policy for the Group's Identified Staff, and the Remuneration Policy for Banco Sabadell Spain.

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

The Remuneration Committee tracked the recommendations set out in the Internal Audit Report on the Remuneration Policy of the Group and Subsidiaries, whose objective was to review the degree to which the institution's remuneration policies conform to the EBA guidelines and applicable legislation, seeking to ensure their proper application.

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

At a meeting on 29 January 2020, the Remuneration Committee examined the independent report on the evaluation of the remuneration policy and practices prepared by an external consultant, which concluded that the remuneration policy applicable to Banco Sabadell Group's Identified Staff and the Remuneration Policy for Directors that were in force in 2020 are in line with the prevailing prudential regulations on remuneration. With regard to

variable remuneration, the independent report indicated that Banco Sabadell complies with the applicable regulations insofar as the total amount of variable remuneration is based on an evaluation of results within a multi-year framework in which the individual results, assessed in accordance with both financial and non-financial criteria, of the business unit and the overall results are combined, and it contains a general limitation that the total amount of variable remuneration must not limit the Bank's capacity to strengthen its capital base. The independent report also states that Banco Sabadell's Risk Control Department participates in defining the guidelines and objectives of the Identified Staff and submits a report to the Risk Committee on the suitability and coherence of the objectives with the risks assumed.

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

During the year, the Remuneration Committee analysed the prospect of meeting targets and variable remuneration in 2020, particularly taking into account the impact of COVID-19, with a detailed study and analysis of simulations of possible target achievement. The Remuneration Committee also analysed a report by an external consultant on market practices in variable remuneration in 2020, which includes a survey of practices at Spanish banks in the management of objectives and remuneration components in the context of COVID-19, including the metrics published by the main competitors and market intelligence regarding remuneration components.

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

The Committee reviewed and, as appropriate, advised on the terms and conditions of the contracts, and amendments to same, of executive directors and senior management, and/or their removal, verifying that they are consistent with the remuneration policy.

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

The Committee analysed the degree of attainment of the Group's objectives established for the year 2019, advised the Board on approving the percentages of attainment of the objectives for the Group, for the Chairman, Chief

Executive Officer, executive directors, members of senior management and the Audit Manager, as well as for the members of the Group's Identified Staff.

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

The Remuneration Committee reported favourably to the Board of Directors on the fixed remuneration and short- and long-term variable remuneration for executive directors and senior management in 2020.

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

The Remuneration Committee issued a favourable report to the Board of Directors on the 2020 variable remuneration for senior management at the Bank and its subsidiaries;

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

The Remuneration Committee assessed the possible application of ex ante adjustments for risks to the 2019 variable remuneration and the possible application of malus and clawback clauses to the deferred variable remuneration from previous years of the Group's Identified Staff, and found that there were no events triggering their application at Group, unit or individual level.

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

It approved the hiring of remuneration advisors for 2021.

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

q. Ensuring that remuneration is transparent;

The Committee cooperated actively in the Corporate Governance Road Show held at the beginning of February 2020 for proxy advisors and significant shareholders, in which it detailed the most salient aspects of the remuneration policy.

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

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

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

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

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

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

The Remuneration Committee also reported favourably to the Board of Directors on the submission for approval by the General Meeting of Shareholders on 26 March 2020 of the maximum limit on variable remuneration for the Group's Identified Staff in an amount equivalent to 2 years' remuneration, i.e. 200% of the fixed annual remuneration assigned to each one of them.

During 2020, the Remuneration Committee performed a self-assessment of its performance in 2019 with the support of an independent external consultant; the self-assessment for 2020 is expected to be performed in the first quarter of 2021.

## 4.5. Risk Committee

Chairman	George Donald Johnston III	Independent
Members	Aurora Catá Sala	Independent
	Manuel Valls Morató	Independent



Ms. Aurora Catá Sala, an independent director, was appointed as a member of the Risk Committee, and Ms. María Teresa García-Milà Lloveras stepped down as a Member as a result of her resignation as a director on 26 March 2020.

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

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

In the exercise of its functions, the Risk Committee may directly request the information it sees fit from both the Director Chief Risk Officer and from the departments that report to him/her, including notably the Internal Control Department and the Credit Risk Control Department, which was recently created following adoption of the new organisational structure (both were previously part of the Risk Control Department); and in accordance with its Regulations, the Committee meets as often as necessary and at least once every two months, when convened by its Chairman, at his own initiative or at the request of any member of the Committee, or at the request of the Chairman of the Board of Directors.

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

- a. Supervising implementation of the Overall Risk Policy;
- b. Reporting each quarter to the full Board about the levels of risk assumed, investments made and their performance, and the potential repercussions on Group

revenues of variations in interest rates, and the degree to which they conform to the VAR levels approved by the Board of Directors;

- c. Monitoring and detecting any excess above the approved tolerance thresholds, and overseeing the activation of the contingency plans established for this purpose;

- d. Advising the Remuneration Committee as to whether the employee compensation programmes are coherent with the Bank's levels of risk, capital and liquidity.

- e. Advising and supporting the Board of Directors in connection with tracking the institution's risk appetite and general risk strategy, taking into account all types of risks, to ensure that they are in line with the institution's business strategy, objectives, corporate culture and values.

- f. Assisting the Board of Directors in monitoring the application of the institution's risk strategy and established limits.

- g. Monitoring implementation of the capital and liquidity management strategies, as well as all the institution's other material risks, in order to assess their conformity to the approved risk strategy and appetite.

- h. Providing recommendations to the Board of Directors on such adjustments to the risk strategy as may be considered necessary as a result of, inter alia, changes in the institution's business model, market performance or recommendations made by the risk control function.

- i. Advising on the appointment of external consultants in connection with overseeing the institution's activities.

- j. Analysing a series of possible scenarios, including stress scenarios, to assess how the institution's risk profile would react to external and internal events.

- k. Monitoring the degree to which the major financial products and services offered to customers conform to the institution's business model and risk strategy. The Risk Commission will assess the risks associated with the offered financial products and services and will take into account how the prices of those products and services relate to the rewards obtained.

l. Assessing internal or external auditors' recommendations and verifying proper implementation of any measures that are adopted.

m. Reporting to the full Board regarding the performance of its functions under this article and other applicable legislation and the provisions of the Articles of Association.

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

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

Additionally, in 2020 the Risk Committee reviewed: the capital adequacy and liquidity adaptation processes (ICAAP and ILAAP reports), which assess the Group's capital and liquidity situation; it participated in the analysis of risks associated with updating the new preliminary projections for 2021-2026 in the current financial situation, and reviewed the Recovery Plan, and the internal crisis management framework.

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

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

Regularly reviewing a scorecard that reflects trends in the main metrics and variables associated with material risks in accordance with the existing risk taxonomy, and ensuring that they conform to the established risk appetite.

Monographic analyses of market, operational, country, balance sheet and cyber risk and certain portfolio risks, among others.

Reporting and proposing the appropriate action (activating protocols, changing guidelines, etc.) as a result of analysing risk trends.

Tracking risk-adjusted pricing trends and the degree to which prices conform to the related risks.

Monitoring exposure to large groups that are reviewed by the Delegated Committee.

Monitoring quarterly NPA performance.

The Risk Committee also tracked the development of risks associated with COVID-19 from the outset of the crisis. This tracking included an analysis of the deterioration of the economic and industry situation and the potential impact on credit risk. The analysis also included monitoring other risk factors, including notably the potential financial impact and share price performance, as well as the possible reputational impact, together with the appropriate corrective measures.

The Risk Committee also reviewed and, where appropriate, recommended the approval of actions related to the main components of the risk models. In this regard, during 2020 the Risk Committee reviewed the risk management and control model that covers IRB (Internal Rating Based), provisioning models, credit risk management models and models affecting the Interest Rate Risk in the Banking Book (IRRBB), in order to recommend their approval by the Board of Directors.

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

During 2020, the Risk Committee performed a self-assessment of its performance in 2019 with the support of an independent external consultant; the self-assessment for 2020 is expected to be performed in the first quarter of 2021.

## 5. Related party and intragroup transactions (D) (D.1, D.2, D.3, D.4, D.5, D.6 and D.7)

### 5.1. Procedure for the approval of related-party and Intragroup transactions, and the bodies empowered for this purpose (D.1, D.2, D.3, D.4, D.5 and D.7)

The Audit and Control Committee vets any related-party transaction before it is approved by the Board of Directors, except for cases where the law provides an exemption from Board of Directors approval.

Intragroup transactions are subject to the same approval procedures as customer transactions, requiring at least the approval of the Group Risk Transactions Committee and at most the approval of the Board of Directors.

There were no transactions that were material because of their size or nature between the Bank or any Group undertaking and the Bank's significant shareholders.

There were no material transactions with directors or executives of the Bank. Those that did take place were performed in the normal course of the Bank's business or were performed on an arm's-length basis or in the conditions available to any employee. There is no record of any transactions being performed other than on an arm's-length basis with persons or entities related to directors or senior managers.

The balances of transactions with related parties are disclosed in note 40 to the Group's consolidated financial statements and in note 36 to the separate financial statements.

The Bank is not controlled by any other entity, listed or otherwise, in the meaning of article 42 of the Commercial Code.

### 5.2. Mechanisms established for detecting, determining and resolving possible conflicts of interest between the company and/or its group, and its directors, executive or significant shareholders (D.6)

Banco Sabadell has mechanisms for detecting, determining and resolving possible conflicts of interest between the Bank and/or its Group, and its directors, executives or significant shareholders.

1. The General Policy on Conflicts of Interest of Banco Sabadell Group and of Banco Sabadell are internal regulations approved by the Board of Directors of Banco Sabadell, which were adapted in 2019 to the EBA's Guidelines on Internal Governance, and their purpose is to be effective in identifying, evaluating, managing, mitigating, preventing or, ultimately, disclosing potential or actual conflicts of interest. The Compliance Department is responsible for correctly applying those policies and, when necessary, it will urge the other departments in the Group to which they apply to take the necessary action.
2. The Policy on Conflicts of Interest of Directors and Senior Executives, approved by the Board of Directors on 28 January 2016 and amended by the Board of Directors on 30 July 2020, establishes the necessary measures for managing conflicts of interest of directors and senior executives and their related parties in connection with corporate transactions or non-bank activities and also with ordinary banking business.

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

Royal Decree 84/2005, implementing Act 10/2014, of 26 June, on the Regulation, Supervision and Solvency of Credit Institutions, sets out the requirements in connection with disclosure of transactions by directors, senior executives and their related parties to the competent authority and for authorisation by the latter.
3. Banco Sabadell Group's Code of Conduct provides a set of rules for the guidance of all persons employed by the Group and its stakeholders (customers, suppliers, shareholders, authorities and the local community) based on principles which we consider fundamental to carrying on our business.

It expressly contemplates rules applicable to possible conflicts of interest with customers and suppliers and sets out guidelines for such cases.
4. Banco Sabadell Group's Internal Rules of Conduct in connection with the securities markets (IRC), approved by the Board of Directors on 24 May 2018, are applicable to the members of the Bank's Board of Directors, and to all executives and employees whose work is directly or indirectly related to activities and services in the field of the stock markets or who have frequent or habitual access to price-sensitive information related to the Bank itself or Group companies.

Section 4 of the IRC sets out the mechanisms for identifying, preventing and resolving possible conflicts of interest that are detected by persons bound by the code, who are obliged to declare any significant

relations of a financial, family or other nature with customers of the Bank in connection with services related to the securities markets or to companies listed on the Stock Exchange, as well as any other relationships that, in the opinion of an external and neutral observer, might compromise the impartiality of the persons concerned.

5. Banco Sabadell Group's Corporate Ethics Committee is responsible for fostering ethical conduct throughout the organisation and for giving advice to the Board of Directors, via the Audit and Control Committee, and advising the corporate and business units on decisions involving issues that might lead to conflicts of interest.

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

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

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

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

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

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

7. The Capital Companies Law establishes that directors have a duty to avoid conflicts of interest, and it lists the situations in which a director must abstain from acting and, in any case, establishes the duty to notify the other directors and, where appropriate, the Board of Directors of any situation where their interests, or those of their related parties, may be in conflict, directly or indirectly, with the interests of the company.

## 6. Risk control and management systems (E)

### 6.1. Scope of the Bank's Risk Control and Management System, including that relating to tax risks (E.1)

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

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

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

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

### 6.2. Bodies of the Bank responsible for drawing up and executing the Risk Control and Management System, including tax risk (E.2)

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

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

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

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

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

- Technical Risk Committee (CTR), which holds meetings on a monthly basis and has the following functions: (i) supporting the Risk Committee in fulfilling its functions (which include determining, proposing, reviewing and tracking the body of regulations relating to risk, the Risk Appetite Framework and the frameworks associated with each portfolio and/or risk; supervising the institution's risk on an overall level; tracking the tolerance thresholds of first- and second-tier metrics in the RAS on the basis of established governance, and any adaptation plans); (ii) tracking, analysing and, as appropriate, approving matters in the Committee's remit (approving the limits of certain RAS metrics according to the established governance, making proposals to the Risk Committee regarding material changes in internal models for referral to the Board for approval, and approving asset allocation); (iii) tracking management of doubtful assets and foreclosed assets that together make up the Non-Performing Assets (NPAs), and reporting on this to the Risk Committee; (iv) analysing ad-hoc issues in specific portfolios or risk classes, for referral and inclusion in risk management.

- Risk Transactions Committee, with the following functions: (i) approval of credit and asset management transactions, including transactions/limits for countries and banks, and of specific criteria in line with the policies under the established delegation of powers; (ii) establishment of autonomies for risk acceptance by lower committees, and referring proposals to the Delegated Committee on the basis of established delegations; and (iii) monthly reporting to the Delegated Committee of the transactions approved and performed in the previous month.

Committee created at the end of 2020 as a result of the new organisational structure of the risk function. Its functions will be fully deployed during 2021.

- Non-Performing Assets Tracking and Management Committee, with the following functions: (i) monitor the performance of the Bank's loan book, on a sub-portfolio basis, with a focus on forecasting, identifying returns by sector/sub-portfolio, and setting limits in sectors/sub-portfolios with higher risk; (ii) establish management priorities to be communicated to the Business Units based on the portfolios/sectors/exposures to be focused on at any given time in order to anticipate potential default and a potential classification as non-performing; (iii) ensure coordination between the Risk Department and the Business units to reduce the potential for default and delinquency; (iv) monitor the portfolio of non-performing assets and the recovery strategy for those assets; and (v) establish frameworks, tools and/or algorithms to facilitate decision-making for both monitoring sub-portfolios and managing non-performing assets.

Committee created at the end of 2020 as a result of the new organisational structure of the risk function. Its functions will be fully deployed during 2021.

- Assets and Liabilities Committee (ALCO): Management body responsible for optimising and monitoring the management of structural risk in the Group's balance sheet that is assumed in the commercial activity, and the market risk; it has the following functions: (i) approving and tracking macroeconomic and financial scenarios generated by the Group Chief Economist. Additionally, it must be informed regularly of economic, financial, political and geopolitical events and, generally, of other external factors capable of influencing the Group's structural risks; (ii) approving and tracking management of the structural risks in the balance sheet by the Balance Sheet Management unit at Banco Sabadell Spain and the Group, including liquidity risk, IRRBB, CSRBB and currency risk; (iii) delegate monitoring of market risk to the Investment and Liquidity Committee (CIL), and receive regular reports on this issue; (iv) optimise the balance sheet structure vis-à-vis those structural risks in accordance with the guidelines, goals and policies defined by the Board of Directors; (v) monitor and define management guidelines in relation to the structural liquidity

position, securities issues, interest rate risk, the ALCO portfolio, transfer prices and the structural currency position; (vi) functions related to corporate (Group) and local structural risks at the level of UGB BS (centralised coordination and supervision of the corporate management function, monitoring of the Group's financial activity and that of UGB BS, with breakdown of margins, business performance, performance of the various products, and monitoring of hedges arranged to manage the IRRBB at the level of UGB BS); (vii) activate and, as appropriate, close down the Liquidity Contingency Plan, with the possibility of delegating management of a liquidity crisis situation to the Investment and Liquidity Committee.

- Internal Control Body (OCI): The management body responsible for implementing the policies and procedures established in the Law on the prevention of money laundering and terrorist finance, with the following functions: (i) deciding whether to notify the Spanish government's anti-money laundering agency (SEPBLAC) of transactions or events likely to be related to money laundering or terrorist financing; (ii) approving files arising from alerts raised by employees which, after analysis by the Money Laundering and Terrorist Finance Prevention Department (DPBCFT), it is decided not to notify to SEPBLAC; (iii) approving or rejecting proposals for responses to requests by SEPBLAC for information about customers and/or transactions; (iv) deciding on whether to maintain or terminate business relationships with customers that are analysed, on the basis of the established procedure; (v) authorising or rejecting proposals for the establishment of commercial relations with financial institutions resident in high-risk countries and/or sanctioned countries and the establishment and/or maintenance of commercial relations with politically exposed persons or their related parties; (vi) approving or rejecting requests to create exceptions for certain customers with respect to sending alerts of unusual transactions, requests from customers that operate with countries where there are certain international restrictions, requests to exempt customers with transactions that require prior authorisation, and proposals for corporate transactions, in accordance with the section of Group manual 4815 on Money Laundering Prevention; (vii) approving the annual training plan on the prevention of money laundering and terrorist financing; (viii) approving updates to the internal regulation manuals on the prevention of money laundering and terrorist financing of the Bank and the domestic Group companies that are subject to the Law; (ix) designating the members of the internal control body (OCI) to perform the functions delegated to them with respect to any decision that cannot wait until the OCI's next scheduled meeting; any actions they take must be reported to the next meeting; (x) approving special analysis files arising from court orders; and (xi) approving reports regarding material information on possible breaches of the law for the prevention

of money laundering and terrorist financing that have been communicated by the Bank's employees, executives or agents, including anonymous reports.

### 6.3. Main risks (E.3)

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

#### 6.3.1. Strategy risk

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

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

#### 6.3.2. Credit risk

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

- Borrower default risk: the risk that borrowers fail to honour their payment obligations in a timely manner; it also includes the risk of fraud in applications for credit.
- Concentration risk: complementary to credit risk, concentration risk refers to exposures that can potentially generate losses large enough to threaten the institution's solvency or the viability of its ordinary business activity.

- Counterparty risk: counterparty risk arises in the event where, in a transaction involving derivatives or repos with deferred settlement or on margin, the counterparty defaults before the final settlement of the transaction cash flows.
- Country risk: the risk arising in the debts of a country, taken as a whole, as a result of reasons inherent to the country's sovereignty and economic and political situation, i.e. for circumstances other than regular credit risk. It manifests itself in a debtor's potential inability to honour their foreign currency payment obligations to external creditors due, among other reasons, to the country preventing access to foreign currency, the inability to transfer it, or the non-enforceability of legal action against borrowers for reasons of sovereignty, war, expropriation or nationalisation. Country risk affects not only debts contracted with a State or entities guaranteed by it but also all private debtors that belong to such State and who, for reasons outside their control and not at their volition, find themselves generally unable to honour debts.
- Non-performing asset (NPA) risk: the risk of incurring higher costs or losses associated with managing doubtful and/or foreclosed assets.
- Equity risk: the risk of incurring losses as a result of adverse changes in the value of an equity instrument. It refers basically to the Group's portfolio of unlisted equity holdings and the portfolio of listed shares.

#### 6.3.3. Finance risk

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

- Liquidity risk: the possibility of incurring losses as a result of the Bank being unable, albeit temporarily, to honour payment commitments due to a lack of liquid assets, or of it being unable to access the markets to obtain finance at a reasonable price. This risk may be associated with factors of a systemic nature or specific to the institution itself.
- Exchange rate risk: risk arising from changes in exchange rates between currencies and the possibility that these movements may result in losses in the P&L on financial investments and on permanent investments in foreign branches and subsidiaries.
- Interest Rate Risk in the Banking Book (IRRBB): the risk of incurring losses as a result of the impact caused by interest rate fluctuations on the income statement (revenues and expenses) and on an entity's equity structure (current value of assets, liabilities and off-balance sheet positions sensitive to interest rates).
- Market risk: arising from the possibility of loss in the market value of financial asset positions due to variations in risk factors with an impact on their market prices or volatility or the correlation between them. This refers in particular to trading positions.
- Insurance risk: arising from the institution's equity

holdings in insurance companies, basically from actuarial risks as well as other risks (market, counterparty, operational, etc.).

- Credit Spread Risk in the Banking Book (CSRBB): any credit spread risk on credit instruments not attributable to structural interest rate risk or default risk.

#### 6.3.4. Operational risk

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

- Fraud risk: the possibility, present or future, of losses arising from actions, by employees or by third parties, with the intent to defraud, misappropriate, or evade regulations, laws or company policies.
- Conduct risk: the possibility, present or future, of losses derived from inadequate provision of financial services, including cases of malice or negligence.
- Process risk: the possibility of incurring losses due to failures in process management, execution or delivery or to inadequate processes.
- Technology risk (or ICT risk): the risk, present or future, of losses due to inadequacy or failures in the hardware and software of technical infrastructures that may compromise the availability, integrity, accessibility and security of the infrastructures and data.
- Outsourcing risk: the risk, present or future, of losses arising from the use of a third party's resources on a normalised stable, permanent basis to perform processes of the principal, which inherently entails exposure to a series of underlying risks, such as operational risk, including conduct risk, information and communication technology (ICT) risk, legal and compliance risk; reputational risk, concentration risk, step-in risk and country risk.
- Talent/management risk: the risk of incurring losses related to events with an impact on employees, e.g. non-availability of suitable profiles, staff rotation and replacement, dissatisfaction among employees, etc. This category also includes losses arising from actions in breach of legislation or agreements in the area of employment, workplace health and safety, personal injury claims, or diversity/discrimination events.
- Property risk: the risk of incurring material losses on buildings and other tangible assets, including losses arising from incidents in physical security.
- Model risk: the risk, present or future, to an institution as a result of decisions based primarily on the results of internal models, due to errors in the design, application or use of those models.
- Data aggregation risk: the risk associated with the accuracy, preparation, dissemination and, where appropriate, publication of internal and external reporting, including regulatory and financial reporting.
- Compliance risk: the risk, present or future, of losses arising from legal or administrative penalties, significant financial losses or an impairment of reputation due

to a breach of laws, regulations, rules, self-regulation codes or codes of conduct applicable to the banking business.

- Legal risk: the risk of incurring losses or other negative consequences due to being sanctioned, fined, convicted or obliged to pay damages as a result of a breach of rules or regulations, directly or due to derivative liability. This risk also covers crime risk, including that arising from corruption. To this end, for the purposes of identifying and controlling corruption-related risk, Banco Sabadell has a Criminal Liability Prevention Programme with a specific section related to combating corruption, and it also has a specific anti-corruption policy.
- Tax risk: the probability of failing to comply with the objectives set out in the institution's tax strategy from a dual perspective due to either internal or external factors:
  - Firstly, the probability of failing to comply with tax obligations that may result in a failure to pay taxes that are due or the occurrence of any other event that impairs attainment of the institution's goals.
  - Secondly, the probability of paying taxes not actually due under tax obligations, thus impairing the position of shareholders or other stakeholders.

#### 6.4. Levels of risk tolerance, including tax risk (E.4)

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

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

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

As for tax risk, one of the main principles of the tax strategy referred to in section “6.1 Scope of the Bank's Risk Control and Management System, including that relating to tax risks (E1)” above is to minimise tax risk.

This statement applies to all risks identified in section “6.3 Main risks (E3)” above.

## 6.5. Risks, including tax risks, that materialised during the year (E.5)

The Group provides detailed information of the risks in Note 4 “Risk Management” in the Notes to the Consolidated Financial Statements of Banco Sabadell Group, which are available on the corporate website ([www.grupobancosabadell.com](http://www.grupobancosabadell.com) – Information for shareholders and investors – Financial information – Annual Reports).

The pandemic is having a disruptive impact on the economy, by increasing the risks to financial stability, which have been mitigated by the implementation of economic policy measures. Although it should be noted that no material risks of particular importance materialised in 2020, expectations regarding the duration and intensity of the negative impact on economic activity remain highly uncertain.

## 6.6. Response and supervision plans for the Bank's main risks, including tax risks, as well as the procedures applied by the Bank to ensure that the Board of Directors responds to emerging challenges (E.6)

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

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

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

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

- Risk governance through the definition of the Risk Appetite in the RAS (through quantitative metrics and qualitative aspects) and the set of risk policies.
- Evaluation of the risk profile through a systematic process that provides a comprehensive view of the risks and risk tracking.
- Regular reporting of risks (including tax risk), mainly via the Risk Committee scorecard, which facilitates risk tracking. Specifically, that reporting covers at least the principal risks, maintaining a balance between qualitative data and comments, and, where possible, it incorporates prospective measures, information on risk appetite limits and emerging risks. It also exercises oversight to ensure a homogeneous vision that provides an integrated perspective at Group level, without prejudice to including the local perspective.
- Forward-looking risk management by using stress scenarios in cases where this is considered to be meaningful, which also makes it possible to identify new risks.

More information regarding the systems for controlling the risks to which the Group is exposed can be found in the Annual Report, specifically Note 4 “Risk Management” of the Notes to the Consolidated Financial Statements of Banco Sabadell Group, available on the corporate website: [www.grupobancosabadell.com](http://www.grupobancosabadell.com) – Shareholder and Investor Information – Financial Information – Annual Reports.

## 7. Internal Control over Financial Reporting (ICFR) (F)

### 7.1. Control environment (F.1)

#### 7.1.1. Governance and governing bodies

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

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

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

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

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

#### 7.1.2. Positions of responsibility

The design and review of the organisational structure is the responsibility of the Global Organisation and Corporate Projects Department, based on Banco Sabadell Group's Master Plan and current banking regulations. That Department analyses and adapts the functions and organisational structure of each Division to bring it into line with the established objectives and the current regulations. Modifications to the organisational structure of the members of the Management Committee are submitted to the Board of Directors for approval, while modifications to the organisational structure of the reports to the members of the Management Committee are presented to the Management Committee for approval.

At the same time, the details of all the departments/units/offices are sent on a monthly basis to the Human Resources Department showing all the modifications that have been made, so as to equip them with the resources considered necessary to perform their duties.

The organisation chart of Banco Sabadell Group arising from the above process addresses all the departments, areas and divisions into which Banco Sabadell Group is

divided. This organisation chart is complemented by the policies and procedures of each Division, which determine the framework for action and the responsibilities of each unit of the Bank.

#### 7.1.3. Code of conduct

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

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

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

#### 7.1.4. Whistleblower channel

Banco Sabadell Group has, and encourages the use of, an autonomous independent whistleblower channel to report all types of irregularities or crimes, including breaches of the General Code of Conduct. Any reports received are treated confidentially and, once handled by the Corporate Ethics Committee, are referred to the Audit and Control Committee, if appropriate. This channel is managed internally and may be contacted by email at [CanalDenunciasGBS@bancsabadell.com](mailto:CanalDenunciasGBS@bancsabadell.com).

## 7.1.5. Training

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

These training sessions are programmed based on two criteria:

- Sessions scheduled at the start of the year by selecting the areas considered of greatest interest by the Finance Department.
- Sessions scheduled during the current year when an issue arises that is believed to warrant prompt distribution (drafts of new accounting standards, changes in the economic situation, etc.).

Training is taught chiefly by internal professionals of Banco Sabadell Group and by external experts who are specialists in the subject area.

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

The Internal Audit Department has a training plan in place for all management professionals which includes a University Specialist Programme in Bank Internal Auditing (PSAI) at a prestigious academic institution. The course covers areas such as accounting principles and financial reporting, the basics of auditing, and financial risk monitoring and management. In 2020, nine audit professionals were taking this programme, and 83 members of the Internal Audit Department hold PSAI certificates. Additionally, during 2020, the members of the Internal Audit Department participated in workshops on new regulations on risk management and control and on disclosure, including impacts on accounting and financial reporting, and 28 of them obtained certification in the COSO Integrated Framework for Internal Control; a total of 79 internal auditors are now certified.

## 7.2. Evaluation of financial reporting risks (F.2)

Banco Sabadell Group's process of identifying the risk of error or the probability of fraud in financial reporting is documented in a manual which sets out the frequency,

methods, types of risks and other basic features of the process.

The process covers all the financial reporting objectives (existence and occurrence; integrity; valuation; presentation, itemisation and comparability; and rights and obligations) and focuses on identifying risks of material error based on transaction complexity, quantitative and qualitative materiality, complexity of the calculations and application of judgements and estimations, updated on a quarterly basis. If (i) circumstances not previously identified lead to the possibility of errors in the financial information, or (ii) material changes to the operations of Banco Sabadell Group arise during the year, the Finance Department evaluates the risks to be added to those already identified.

The process is structured such that, on a half-yearly basis, an analysis is conducted to identify where material transactions arise, in terms of the areas or processes and the companies and locations.

Once they have been identified, they are reviewed so as to analyse the potential risks of error for these types of transactions in each financial reporting objective. In the case of one-off transactions (i.e. quite complex non-recurring transactions), a specific analysis is performed on a quarterly basis to assess whether new risks have arisen that need to be mitigated.

The process for delimiting the consolidation scope is detailed in section "7.3. Control activities (F.3, F.6)" of this document.

In addition, the process considers the risk of error in certain processes not linked to specific transaction types but which are especially important in view of their impact on financial reporting, such as the process of reviewing judgements and estimates, significant accounting policies and the closing and consolidation process. In this respect, and with a view to covering the risks of these processes, Banco Sabadell Group has the control activities described in the next section "7.3 Control activities (F.3, F.6)" of this document. It should also be noted that the risk identification process takes into account the possible effects of other types of risks (operational, technology, financial, legal, reputational, environmental, etc.), insofar as these may affect the financial statements.

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

## 7.3. Control activities (F.3, F.6)

### 7.3.1. Procedures for reviewing and authorising financial reporting

The procedure for reviewing and authorising Banco Sabadell Group's financial reporting to the markets commences with a review by the Finance Department. In accordance with the Board of Directors Regulation,

the separate and consolidated financial statements and half-yearly summary consolidated financial statements are reviewed by the Audit and Control Committee prior to being authorised by the Board of Directors. In accordance with its terms of reference, the Audit and Control Committee reads and discusses the information with the heads of the Finance and Internal Audit departments and with the external auditors prior to submission to the Board of Directors.

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

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

With regard to the activities and controls directly relating to transactions that may have a significant impact on the financial statements, Banco Sabadell Group has descriptions of the controls in place to mitigate the risk of material error (intentional or otherwise) in the information reported to the markets. For the critical areas of Banco Sabadell Group, special emphasis is placed on developing solid descriptions of the flows of activities and controls, which cover, among others:

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

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

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

With regard to the consolidation process within the accounting close, procedures have been implemented to ensure proper identification of the consolidation scope. In particular, for example, Banco Sabadell Group conducts a monthly analysis of the consolidation scope, requesting the necessary information from all subsidiaries; the analysis covers all types of corporate structures.

The review of judgements and estimates is carried out at different levels by members of the Finance Department.

In addition, in its financial statements Banco Sabadell Group describes the most important areas in which judgements and estimates are made, together with the key assumptions in this connection. It also has procedures for reviewing accounting estimates. The main judgements and estimates made relate to the determination of the business models under which financial assets are managed, the determination of a significant increase in the risk of financial assets, impairment losses on certain financial assets, actuarial calculations relating to pension liabilities and commitments, the useful lives of tangible and intangible assets and their impairment losses, measurement of goodwill, provisions and the classification of contingent assets, the fair value of certain unlisted financial assets, the fair value of real estate assets and the recoverability of non-monetisable deferred tax assets and tax credits.

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

### 7.3.2. Internal control policies and procedures over information systems

Banco Sabadell Group uses information systems to maintain an adequate record and control of its operations and is, consequently, highly dependent on them working properly.

As part of the process to identify risks of error in financial reporting, Banco Sabadell Group identifies which systems and applications are important in each of the areas or processes considered to be material. The identified systems and applications include those used directly in preparing the financial information and those that are important for ensuring that the controls to mitigate the risk of errors are effective.

The design and implementation of the applications define a methodological framework that establishes various points of control to ensure that the solution complies with user requirements and meets the required standards of reliability, efficiency and maintainability.

Any change regarding infrastructures or applications is handled via the change management service, which defines the change approval flow, which may be escalated to the Change Committee, with a definition of the impact and the possibility of roll-back.

The Technological Security Department establishes policies governing measures to protect the information

systems so as to guarantee secure access and combat emerging cyber threats. These measures include role-based access control and periodic recertification of these permissions, two-factor remote access, malware protection systems and a 24x7 cyber incident monitoring and response team. This Department also ensures that there are redundant infrastructures and recovery procedures that are tested periodically to guarantee the continuity of technology services.

### 7.3.3. Internal control policies and procedures for outsourced activities and outsourced appraisals

Banco Sabadell Group regularly examines whether activities carried out by third parties are material to the financial reporting process or might indirectly affect its reliability. To date, Banco Sabadell Group has not outsourced processes with a material impact on financial reporting. However, Banco Sabadell Group regularly uses reports from independent experts for measuring transactions that may materially affect the financial statements.

In 2020, the activities outsourced to third parties (assessments, appraisals and calculations by independent experts) were connected with real estate valuations, valuing equity holdings, checking the accounting treatment of corporate transactions, measuring post-employment benefits for employees, and reviewing goodwill/Cash Generating Units.

The units of Banco Sabadell Group responsible for these operations exercise oversight on the work of the external experts to check their competence, skills, accreditation and independence together with the validity of the data and methods used and the reasonableness of the assumptions applied, as described in the preceding section “7.3.1 Procedures for reviewing and authorising financial reporting”.

## 7.4. Information and reporting (F.4)

### 7.4.1. Function in charge of accounting policies

The Accounting Regulation and Financial Reporting Department (under the Financial Reporting Department) is the unit responsible for identifying and defining the accounting policies that affect Banco Sabadell Group and for responding to accounting queries from the subsidiaries and business units.

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

The functions of the Technical Committee on Accounting and Financial Disclosures include reviewing and updating policies related to financial reporting, approving

the general accounting criteria and procedures, approving and reporting on the accounting treatment adopted by the Management Committee and the Audit and Control Committee, and determining the transactions that, in accordance with the established procedures, need to be cross-checked by an independent accounting expert.

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

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

### 7.4.2. Mechanisms for preparing financial reporting

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

During consolidation and the preparation of the financial reporting, inputs such as the financial statements issued by Group subsidiaries are used in the established formats, together with the rest of the financial information required both for accounting harmonisation and for meeting the disclosure requirements.

Banco Sabadell Group has a software application for consolidation, including a series of controls to ensure the reliability and proper processing of the information received from subsidiaries, notably checks to ensure consolidation entries were posted correctly, an analysis of variations in all balance sheet and income statement items, variations in the results obtained with respect to proper insertion of Group undertakings' financial statements, the monthly and annual budget, and specific Bank of Spain checks on the financial statements, in which the balance sheet and profit and loss account items are cross-checked.

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

## 7.5. Supervision of system operation

(F.5)

### 7.5.1. ICFR supervision

At each financial close, the Financial Department assesses the internal control model, considering its periodicity, the risks in the financial reporting processes, and the adequacy and effectiveness of the controls that mitigate them, and it produces and custodies evidence that each specific control was performed. The Finance Division also continuously evaluates aspects that may lead to changes in the internal control model — including regulatory changes, the introduction of new products and amendments to Banco Sabadell's processes — and identifies the risks associated with them and designs controls to mitigate them; it also reviews the criticality of the controls and the changes in the materiality of processes with an accounting impact.

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

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

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

The Overall Audit Plan that the Board of Directors approved at a meeting on 20 January 2020, based on a favourable report by the Audit and Control Committee, set out, inter alia, the actions to be implemented with respect to the areas or processes considered to have the highest residual risk on the basis of a risk assessment exercise. The actions set out in the plan were performed in 2020; in some cases, the control environment was reviewed and, in particular, the proper identification of risks in processes was assessed, along with the sufficiency, design, implementation and effective functioning of existing controls. The general controls on reporting systems indicated in the preceding section, "7.3.2 Internal control policies and procedures over information systems", are reviewed every year.

In addition to the aforementioned supervisory activities carried out by the ICFR Department, the Audit and Control Committee and the Internal Audit Department, in 2019 the external auditor reviewed the information relating to the ICFR, with no adverse findings in the auditor's report on "Information on ICFR" as indicated in section "7.6 External auditors' report (F.7)" in this report.

### 7.5.2. Detecting and managing weaknesses

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

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

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

## 7.6. External auditors' report (F.7)

Banco Sabadell Group submitted the ICFR information supplied to the markets for 2020 to the external auditor for review. The report by the external auditor (KPMG Auditores, S.L.) will be attached as an annex to this annual report on corporate governance once it is available. The scope of the auditor's review is determined by "Guía de Actuación y Modelo de Informe del Auditor referidos a la Información relativa al Sistema de Control Interno sobre la Información Financiera (SCIIF) de las Entidades Cotizadas", issued by means of Circular E14/2013, dated 19 July 2013, of the Instituto de Censores Jurados de Cuentas de España.

## 8. Degree of compliance with corporate governance recommendations (G)

The degree to which Banco Sabadell complies with the recommendations in the Code of Good Governance for Listed Companies is detailed in section G of the Statistical Annex to the Annual Report on Corporate Governance 2020 attached to this report.

## 9. Other information (H)

Since 2017, Banco Sabadell has adopted the Code of Good Tax Practices approved by the Large Company Forum on 20 July 2010 and applies its recommendations.

Accordingly, Banco Sabadell voluntarily submitted the "Annual Tax Transparency Report" for 2019 to the State Tax Agency.

Additionally, in 2014 Banco Sabadell Group adopted the "Code of Practice on Taxation for Banks" promoted by the UK tax authorities, and is in compliance with its contents.

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

29/01/2021

No directors abstained or voted against the adoption of this Report.

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The English version is a Translation of the original in Spanish and is provided for information purposes only. In case of discrepancy, the original version in Spanish shall prevail.



# Banco de Sabadell, S.A.

Auditor's Report on the "Internal Control over  
Financial Reporting (ICOFR) Information" of Banco  
de Sabadell, S.A. for 2020

*(Translation from the original in Spanish. In the  
event of discrepancy, the Spanish-language  
version prevails.)*



KPMG Auditores, S.L.  
Torre Realia  
Plaça d'Europa, 41-43  
08908 L'Hospitalet de Llobregat  
(Barcelona)

## **Auditor's Report on the “Internal Control over Financial Reporting (ICOFR) Information” of Banco de Sabadell, S.A. for 2020**

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

To the directors of Banco de Sabadell, S.A.,

As requested by the board of directors of Banco de Sabadell, S.A. (the “Company”) and in accordance with our proposal letter dated 3 November 2020, we have applied certain procedures to the “ICOFR information” attached hereto in section F of the Annual Corporate Governance Report (ACGR) of Banco de Sabadell, S.A. for 2020, which summarises the Entity's internal control procedures for annual financial reporting.

The Board of Directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the information concerning the ICOFR attached.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Entity in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Entity's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Entity's annual accounts. Consequently, the scope of our evaluation of internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the effectiveness of this internal control over regulated annual financial reporting.



*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the Guidelines for preparing the auditor's report on the information on the system of internal control over financial reporting of listed companies, published on the website of the Spanish National Securities Market Commission (CNMV), which define the work to be performed, the minimum scope thereof and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness or design or operational efficiency, with respect to the Entity's annual financial reporting for 2020 described in the attached Information concerning the ICOFR. Consequently, had additional procedures been applied other than those established in the aforementioned Guidelines, or had an audit or a review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

As this special work did not constitute an audit of accounts and is not subject to current legislation regulating the audit of accounts in Spain, we do not express an audit opinion under the terms provided in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the entity regarding ICOFR – disclosures included in the directors' report – and an evaluation of whether this information meets all the minimum reporting requirements, taking into account the minimum content described in section F, on the description of ICOFR, of the ACGR template provided in the Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013 and subsequent amendments, the most recent being CNMV Circular 1/2020 of 6 October 2020 (hereinafter the CNMV Circulars).
2. Inquiries of the personnel responsible for drawing up the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the entity.
3. Review of explanatory documentation supporting the information detailed in point 1 above, and which will mainly include that made directly available to those responsible for preparing the descriptive information on ICOFR. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the Audit Committee.
4. Comparison of the information detailed in point 1 above with the understanding of the Entity's ICOFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.
5. Reading of the minutes of the meetings of the board of directors, Audit and Control Committee and other committees of the entity for the purposes of assessing the consistency of the matters discussed at these meetings in relation to ICOFR with the information detailed in point 1 above.



*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.

As a result of the procedures applied to the ICOFR information, no inconsistencies or incidents have been detected that could affect it.

This report has been prepared exclusively within the context of the requirements laid down in article 540 of the Revised Spanish Companies Act and in the CNMV Circulars for the purposes of the description of ICOFR in annual corporate governance reports.

KPMG Auditores, S.L.

*(Signed on original in Spanish)*

Francisco Gibert  
Partner  
4 February 2021

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**ISSUER IDENTIFICATION DETAILS**

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YEAR END-DATE:

[ 31/12/2020 ]

TAX ID (CIF):

[ A-08000143 ]

Company name:

[ BANCO DE SABADELL, S.A. ]

Registered office:

[ AV. OSCAR ESPLÁ N.37 (ALICANTE) ]

**A. OWNERSHIP STRUCTURE**

A.1. Complete the table below with details of the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
16/11/2017	703,370,587.63	5,626,964,701	5,626,964

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

- [ ] Yes  
[ v ] No

A.2. List the company's significant direct and indirect shareholders at year end, excluding director:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BLACKROCK INC.	0.00	2.89	0.00	0.42	3.31
FINTECH EUROPE, S.À.R.L.	3.45	0.00	0.00	0.00	3.45
LEWIS A. SANDERS	0.00	3.47	0.00	0.00	3.47
NORGES BANK	3.06	0.00	0.00	0.00	3.06

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
BLACKROCK INC.	Subsidiaries of BLACKROCK, INC.	2.89	0.42	3.31
LEWIS A. SANDERS	SANDERS CAPITAL, LLC	3.47	0.00	3.47

A.3. Complete the following tables on members of the company's Board of Directors holding voting rights on the company's shares:

Name or company name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
JOSEP OLIU CREUS	0.01	0.11	0.01	0.00	0.13	0.00	0.00
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JAIME GUARDIOLA ROMOJARO	0.04	0.00	0.01	0.00	0.05	0.00	0.00
ANTHONY FRANK ELLIOTT BALL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AURORA CATÁ SALA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PEDRO FONTANA GARCIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MARÍA JOSÉ GARCÍA BEATO	0.00	0.00	0.00	0.00	0.01	0.00	0.00
MIREYA GINÉ TORRENS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GEORGE DONALD JOHNSTON III	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DAVID MARTÍNEZ GUZMÁN	0.00	3.45	0.00	0.00	3.45	0.00	0.00
JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	0.05	0.01	0.00	0.00	0.06	0.00	0.00
ALICIA REYES REVUELTA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

MANUEL VALLS MORATÓ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DAVID VEGARA FIGUERAS	0.01	0.00	0.00	0.00	0.01	0.00	0.00

% total percentage of voting rights held by the Board of Directors	3.7
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Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
DAVID MARTÍNEZ GUZMÁN	FINTECH EUROPE, S.À.R.L.	3.45	0.00	3.45	0.00

**A.7.** Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

[ ] Yes  
[ v ] No

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

[ ] Yes  
[ v ] No

**A.8.** Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them::

[ ] Yes  
[ v ] No

**A.9.** Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
48,560,867	-	0.86

(\*) Through:

Name or company name of direct shareholder	Number of direct shares
Total	-

A.11. Estimated floating capital:

	%
Estimated floating capital	86.01

A.14. Indicate whether the company has issued shares that are not traded on a regulated EU market..

Yes

No

**B. GENERAL SHAREHOLDER'S MEETING**

**B.4.** Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years::

Date of general meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
26/03/2020	0.18	61.38	0.00	0.00	61.56
Of which free float	0.01	61.26	0.00	0.00	61.27
28/03/2019	0.40	58.78	0.00	0.00	59.18
Of which free float	0.25	58.65	0.00	0.00	58.90
19/04/2018	0.78	60.57	0.00	0.00	61.35
Of which free float	0.66	60.38	0.00	0.00	61.04

**B.5.** Indicate whether there has been any item on the agenda at the general meetings held during the year that has not been approved by the shareholders.:

Yes  
 No

**B.6.** Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

Yes  
 No

Number of shares required to attend General Meetings	1,000
Number of shares required for voting remotely	-

**C. STRUCTURE OF COMPANY'S ADMINISTRATION**

**C.1. Board of Directors**

C.1.1 Maximum and minimum number of directors established in the articles of incorporation:

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

C.1.2 Complete the following table on Board members:

Name or company name of director	Representative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure
JOSEP OLIU CREUS		EXECUTIVE	CHAIRMAN	29/03/1990	28/03/2019	GENERAL MEETING DECISION
JOSÉ JAVIER ECHENIQUE LANDIRIBAR		INDEPENDENT	DEPUTY CHAIRMAN	18/09/2010	28/03/2019	GENERAL MEETING DECISION
JAIME GUARDIOLA ROMOJARO		EXECUTIVE	CHIEF EXECUTIVE OFFICERS	27/09/2007	19/04/2018	GENERAL MEETING DECISION
ANTHONY FRANK ELLIOTT BALL		INDEPENDENT	LEAD INDEPENDENT DIRECTOR	30/03/2017	30/03/2017	GENERAL MEETING DECISION
AURORA CATÁ SALA		INDEPENDENT	DIRECTOR	29/01/2015	28/03/2019	GENERAL MEETING DECISION
PEDRO FONTANA GARCIA		INDEPENDENT	DIRECTOR	27/07/2017	19/04/2018	GENERAL MEETING DECISION
MARÍA JOSÉ GARCÍA BEATO		EXECUTIVE	DIRECTOR	24/05/2018	28/03/2019	GENERAL MEETING DECISION
MIREYA GINÉ TORRENS		INDEPENDENT	DIRECTOR	26/03/2020	26/03/2020	GENERAL MEETING DECISION

GEORGE DONALD JOHNSTON III		INDEPENDENT	DIRECTOR	25/05/2017	19/04/2018	GENERAL MEETING DECISION
DAVID MARTÍNEZ GUZMÁN		PROPRIETARY	DIRECTOR	27/03/2014	19/04/2018	GENERAL MEETING DECISION
JOSÉ MANUEL MARTÍNEZ MARTÍNEZ		INDEPENDENT	DIRECTOR	26/03/2013	19/04/2018	GENERAL MEETING DECISION
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI		INDEPENDENT	DIRECTOR	18/09/2010	28/03/2019	GENERAL MEETING DECISION
ALICIA REYES REVUELTA		INDEPENDENT	DIRECTOR	24/09/2020	24/09/2020	BOARD OF DIRECTORS DECISION
MANUEL VALLS MORATÓ		INDEPENDENT	DIRECTOR	22/09/2016	30/03/2017	GENERAL MEETING DECISION
DAVID VEGARA FIGUERAS		EXECUTIVE	DIRECTOR	28/05/2015	28/03/2019	GENERAL MEETING DECISION

Total number of directors	15
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Indicate if any directors, whether through resignation or by agreement of the general meeting, have left the Board during the period subject to this report:

Name or company name of director	Category of the director at the time of cessation	Date of last appointment	Date of cessation	Specialised committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
MARIA TERESA GARCIA-MILÀ LLOVERAS	Other external	30/03/2017	26/03/2020	Risk Committee, Audit and Control Committee, and Appointments Committee.	Yes
JOSÉ LUÍS NEGRO RODRÍGUEZ	Executive	30/03/2017	24/09/2020	-	Yes

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisation chart of the company	Profile
JOSEP OLIU CREUS	CHAIRMAN	BANKING / RETAIL & CORPORATE BANKING / FINANCE / INTERNATIONAL ACADEMIC/INTERNATIONAL. He holds a degree in economics from the University of Barcelona and a PhD in Economics from the University of Minnesota. Professor of Economic Theory at the University of Oviedo. Appointed Director-General Manager of Banco Sabadell in 1990. Chairman of Banco Sabadell since 1999. Non-executive Chairman of Exea Empresarial and the latter's representative on the board of Puig, S.L. Member of FEDEA (Fundación de Estudios de Economía Aplicada) and of the Board of Trustees of the Princess of Asturias Foundation and the Princess of Girona Foundation.
JAIME GUARDIOLA ROMOJARO	CHIEF EXECUTIVE OFFICER	BANKING / RETAIL & CORPORATE BANKING / FINANCE/ BUSINESS / INTERNATIONAL He graduated in Law from Barcelona University and holds a degree in Business and an MBA from ESADE. He commenced working at BBVA in 1990, where he reached the position of General Manager for Spain and Portugal (2006-2007). Chief Executive Officer of Sabadell from 2007. Trustee of Fundación ESADE and member of the Board of Círculo de Economía.
MARÍA JOSÉ GARCÍA BEATO	DIRECTOR SECRETARY GENERAL	BANKING / LAW / REGULATORY / GOVERNANCE. Degree in Law and Diploma in Criminology. Spanish State Attorney (1991). Her positions include State Attorney at the Madrid High Court of Justice, Legal Counsel at the Data Protection Agency, State Attorney as consultant to the State Legal Service, Head of the General Secretariat of Communications, and State Attorney at the National Court. Chief of Staff and Under-Secretary at the Ministry of Justice (2000-2004). General Counsel of Banco Sabadell (2005-2008). Company secretary of Banco Sabadell since 2008. Independent director at listed company Red Eléctrica Corporación, S.A., member of the Boards of Trustees of Fundación Banco Sabadell and Fundación de la Asociación Española de Banca.
DAVID VEGARA FIGUERAS	DIRECTOR-GENERAL MANAGER	FINANCIAL / RISKS / ACADEMIC / REGULATORY. A graduate in economics from the Autonomous University of Barcelona, he holds an MA in economics from the London School of Economics. Formerly Secretary of State for the Economy in the Spanish government (2004-2009), and Deputy Managing Director, Banking, in the European Stability Mechanism (2012-2015). Associate professor in the Department of Economics, Finance and Accounting at ESADE (2015-2018). Member of the Supervisory Board of Hellenic Corporation of Assets and Participations, S.A.

Total number of executive directors	4
Percentage of Board	26.67

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
DAVID MARTÍNEZ GUZMÁN	FINTECH EUROPE, S.À.R.L.	BUSINESS / FINANCE / INTERNATIONAL Degree in Electrical & Mechanical Engineering from the National Autonomous University of Mexico, Diploma in Philosophy from Universitas Gregoriana (Italy), and MBA from Harvard Business School. Founder in 1987 of Fintech Advisory, which manages the Fintech Investments Limited fund (New York and London). Director of listed companies Alfa, S.A.B., Vitro, S.A.B. and Cemex, S.A.B.

Total number of proprietary directors	1
Percentage of Board	6.67

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of director	Profile
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	BANKING / RETAIL & CORPORATE BANKING / BUSINESS. Holds a degree in Economics and Actuarial Science from the University of the Basque Country. Director and General Manager of Allianz-Ercos (1982-1990), General Manager of BBVA Group (1992-2001) and Chairman of Banco Guipuzcoano (2009-2012). Formerly a director of many companies in the energy and construction industries and the media. Proprietary director of listed company ACS, Actividades de la Construcción y Servicios, S.A. and of ACS, Servicios, Comunicaciones y Energía, S.L., both belonging to the same group, director (other external) of listed company Ence, Energía y Celulosa, S.A., and Deputy Chair and Lead independent director of listed company Telefónica, S.A., director of Telefónica Móviles México, S.A. de C.V. and Telefónica Audiovisual Digital, S.L.U., all belonging to the same group. He is also a trustee of Fundación Novia Salcedo.
ANTHONY FRANK ELLIOTT BALL	BUSINESS/INTERNATIONAL. Chartered Engineer; MBA from Kingston Business School, Kingston University (London). Honorary Doctorate from the Kingston University Faculty of Business and Law. Formerly Chairman and CEO of Fox Sports International (1995-1996), CEO of Fox Liberty Networks LLC. (1996-1999), CEO of BSKyB Plc. (1999-2004) and Chairman of Kabel Deutschland GmbH (2005-2013), and independent director of BT Group (2009-2018). Chairman of Ambassadors Theatre Group Ltd and of Bité Group, both part-owned by Providence Equity Partners LLC.
AURORA CATÁ SALA	BUSINESS / CONSULTING / FINANCE / HUMAN RESOURCES. Holds a degree in Industrial Engineering (major in Industrial Organisation) from the Polytechnic University of Catalonia and an MBA and PADE from IESE Barcelona. Formerly CFO of Nissan Motor Ibérica, S.A. (1991-1996), Managing Director of Planeta 2010 (1999-2002), Founder of ContentArena (2002-2003), General Manager of Audiovisual Media at Recoletos Grupo de Comunicación (2003-2008) and member of the Governing Board of Institut Català de Finances (2014). Formerly held a number of directorships. Currently a partner of Seeliger y Conde, S.L., independent director of Atresmedia Corporación de Medios de Comunicación, S.A., Chair of Barcelona Global, and member of the Executive Committee of IESE Alumni.

<p>PEDRO FONTANA GARCIA</p>	<p>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), Deputy General Manager of Elior Group, S.A. (2017-2018), and nominee of EMESA Corporación Empresarial, S.L. on the board of listed company Elior Group, S.A (2018-2019). Independent director of Grupo Indukern, S.L. and of Pax Equityco, S.à.R.L., President of Asociación para el Progreso de la Dirección - Catalonia Chapter, Member of the Board of Trustees of Fundació Privada Cercle d'Economia and of Fundació Barcelona Mobile World Capital, and a director of Fira Internacional de Barcelona.</p>
<p>MIREYA GINÉ TORRENS</p>	<p>FINANCE / ACADEMIC / GOVERNANCE / DIGITAL &amp; IT (Digital Transformation) Holds a bachelor's degree and an MA (Cum Laude) in economics from Pompeu Fabra University, and a PhD from the University of Barcelona. Director of International Initiatives, Wharton Research Data Services (WRDS) since 2012, and Associated Professor in the Department of Finance at IESE Business School since 2018. Researcher at the European Corporate Governance Institute since 2018, a member of the World Economic Forum's network of experts since 2019, and member of the Center for Economic Policy since 2020. Independent director of Sabadell Asset Management (2018-2020), which is a subsidiary of Banco Sabadell, and Trustee of Fundació Aula Escola Europea.</p>
<p>GEORGE DONALD JOHNSTON III</p>	<p>BANKING / CORPORATE BANKING / INTERNATIONAL. BA in Political Science from Middlebury College, Vermont; MA in International Economics and Latin American Studies from Johns Hopkins University School of Advanced International Studies, Washington DC. Executive Director at Salomon Brothers (1979-1990), Director of Bankers Trust International and member of its Global Executive Committee (1992-1999), Group Head of M&amp;A for Europe and Member of the Europe Executive Committee and of the Global Operating Committee within the investment banking division of Deutsche Bank (1999-2005), Chairman of the M&amp;A Group for Europe at Deutsche Bank (2005-2010). Independent director of listed companies Acerinox, S.A. and Merlin Properties, SOCIMI, S.A.</p>
<p>JOSÉ MANUEL MARTÍNEZ MARTÍNEZ</p>	<p>BUSINESS / INSURANCE / FINANCE / INTERNATIONAL. A Public Works Engineer, he obtained a degree in Economics and Actuarial Science at the University of Madrid. Formerly Chairman of MAPFRE (2001-2012), President of Fundación MAPFRE (2007-2012) and member of the Board of Directors of Consorcio de Compensación de Seguros and the International Insurance Society. Honorary Chairman of MAPFRE.</p>
<p>JOSÉ RAMÓN MARTÍNEZ SUFATEGUI</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). Owner and Chairman of an extensive group of companies, he is currently Chairman of Centro Fuencarral, S.A., Comercial del Campo, S.A., Edificios Cameranos, S.A., Inversiete, S.A., Producción y Desarrollo, S.A., Títulos e Inversiones, S.A., and Villa Rosa, S.A.</p>
<p>ALICIA REYES REVUELTA</p>	<p>BANKING / RETAIL &amp; CORPORATE BANKING / FINANCE/ INTERNATIONAL Dual degrees in Law and Business Administration from ICADE, Madrid. PhD in Quantitative Methods and Financial markets from ICADE. Formerly held a number of directorships. Country Manager of Bear Stearns for Iberia (2002-2006), Global Head of Structuring of Financial institutions and Global Head of Insurance Solutions and Strategic Capital Derivatives at Barclays Capital (2010-2014). Partner of Olympo Capital (2014-2015). Independent director (2015-2016), CEO - EMEA (2016-2020) and Acting Chairman (2019) of Wells Fargo Securities International Ltd. Guest lecturer at University College London (UCL) Institute of Finance and Technology, and trustee of NGO Fareshare.</p>

<b>MANUEL VALLS MORATÓ</b>	<b>AUDITOR / FINANCE.</b> Degree in Economics and Business Studies from the University of Barcelona and a post-graduate qualification in Business Administration from IESE/University of Navarra; he is a registered auditor and a member of Spain's official register of auditors since its creation. Partner of PwC (1988-2013), Head of the Audit Division at PwC (2006-2013) and Chairman of PwC Auditores (2006-2011). Independent member of the Governing Board of Institut Català de Finances (2015-2016).Independent director of listed company Renta Corporación Real Estate, S.A. and Chairman of the Audit, Control and Risk Committee at COBEGA.
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Total number of independent directors	10
Percentage of Board	66.67

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship..

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director..

Name or company name of director	Description of the relationship	Reasoned statement
-----		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:			
Name or company name of director	Reasons	Company, manager or shareholder to which or to whom the director is related	Profile
-----			

Total number of other external directors	N.A.
Percentage of Board	N.A.

Indicate any changes that have occurred during the period in each director's category::

Name or company name of director	Date of change	Previous category	Current
-----			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of total directors for each category			
	Year 2020	Year 2019	Year 2018	Year 2017	Year 2020	Year 2019	Year 2018	Year 2017
Executive	1	1	1		25.00	20.00	25.00	0.00
Proprietary						0.00	0.00	0.00
Independent	3	1	2	2	30.00	12.50	20.00	20.00
Other External		1				100.00	0.00	0.00
<b>Total:</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>26.67</b>	<b>20.00</b>	<b>20.00</b>	<b>13.33</b>

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name or company name of director	Company name of the listed entity	Position
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS, S.A.	DIRECTOR
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	ENCE ENERGÍA Y CELULOSA, S.A.	DIRECTOR
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	TELEFONICA, S.A.	DEPUTY CHAIRMAN
AURORA CATÁ SALA	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	DIRECTOR
MARÍA JOSÉ GARCÍA BEATO	RED ELÉCTRICA CORPORACIÓN, S.A.	DIRECTOR
GEORGE DONALD JOHNSTON III	ACERINOX, S.A.	DIRECTOR
GEORGE DONALD JOHNSTON III	MERLIN PROPERTIES, SOCIMI, S.A.	DIRECTOR
DAVID MARTÍNEZ GUZMÁN	ALFA, S.A.B. DE C.V.	DIRECTOR
DAVID MARTÍNEZ GUZMÁN	CEMEX, S.A.B. DE C.V.	DIRECTOR
DAVID MARTÍNEZ GUZMÁN	VITRO, S.A.B. DE C.V.	DIRECTOR
MANUEL VALLS MORATÓ	RENTA CORPORACION REAL ESTATE, S.A.	DIRECTOR

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable::

- Yes  
 No

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

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	6,779
Amount of pension rights accumulated by directors currently in office (thousands of euros)	37,084
Amount of pension rights accumulated by former directors (thousands of euros)	

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position(s)
MIQUEL MONTES GÜELL	GENERAL MANAGER
TOMÁS VARELA MUIÑA	GENERAL MANAGER
CARLOS VENTURA SANTAMANS	GENERAL MANAGER
JOSÉ NIETO DE LA CIERVA	GENERAL MANAGER
RAFAEL JOSÉ GARCÍA NAUFFAL	DEPUTY GENERAL MANAGER
JAIME MATAS VALLVERDÚ	DEPUTY GENERAL MANAGER
RAMÓN DE LA RIVA REINA	DEPUTY GENERAL MANAGER
ENRIC ROVIRA MASACHS	DEPUTY GENERAL MANAGER
MANUEL TRESÁNCHES MONTANER	DEPUTY GENERAL MANAGER
NURIA LÁZARO RUBIO	ASSISTANT GENERAL MANAGER - HEAD OF INTERNAL AUDIT

Number of women in senior management	1
Percentage of total senior management	7.69

Total remuneration of senior management (thousands of euros)	5,077
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C.1.15 Indicate whether the Board regulations were amended during the year:

- Yes  
 No

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors:

- Yes  
 No

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

- Yes  
 No

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended..

Number of board meetings	19
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	2
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Indicate the number of meetings held by each Board committee during the year:

Number of meetings held by the Delegated Committee	35
Number of meetings held by the Audit and Control Committee	12
Number of meetings held by the Nomination Committee	16
Number of meeting held by the Remuneration Committee	12
Number of meetings held by the Risk Committee	14

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings in which at least 80% of directors were present in person	19
Attendance in person as a % of total votes during the year	98.15
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	18
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	99.63

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance::

- Yes  
 No

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
JOSEP OLIU CREUS	CHAIRMAN
JAIME GUARDIOLA ROMOJARO	CHIEF EXECUTIVE OFFICER
TOMÁS VARELA MUIÑA	GENERAL MANAGER— CHIEF FINANCIAL OFFICER

C.1.29 Is the secretary of the Board also a director?

- Yes  
 No

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

Name or company name of the secretary	Representative
MIQUEL ROCA JUNYENT	

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

- Yes  
 No

Outgoing auditor	Incoming auditor
PricewaterhouseCoopers, S.L.	KPMG Auditores, S.L.

If there were any disagreements with the outgoing auditor, explain their content::

- Yes  
 No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

- Yes  
 No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousands of euros)	214	5	219
Amount invoiced for non-audit work/Amount for audit work (in %)	10.22	0.09	2.97

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations..

- Yes  
 No

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

	Individual	Consolidated
Number of consecutive years	1	1

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	2.50	2.78

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

- Yes  
 No

Details of the procedure

The Bank has procedures for providing the directors with the necessary information and material to prepare for meetings of the Board of Directors and its committees in a timely manner.

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

Additionally, article 21 provides that:

1. Directors are vested with the broadest powers to be informed about any aspect of the company, to examine its books, records, documents and other background information on the company's transactions and to inspect all of its installations. The right to information extends to subsidiaries, both domestic and foreign.
2. So as not to disturb the ordinary running of the company, requests by directors for information must be channelled through the Chairman or the Board Secretary, who must attend to the director's requests by giving the information directly, providing appropriate access to individuals at the relevant level of the organisation, or providing the means by which the director may carry out the desired examination and inspection on site.

Banco Sabadell has a procedure for providing the directors with the necessary material to prepare for meetings of the Board of Directors and its committees in a confidential and encrypted way, using the Diligent Boards software running on iPads. Information for Board meetings is circulated to the directors one week in advance, and it is elaborated upon or updated in the boardbook as needed, of which they are duly informed.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	40
Type of beneficiary	Description of the agreement
CHAIRMAN, CEO, DIRECTOR SECRETARY GENERAL, DIRECTOR - CHIEF RISK OFFICER, AND 36 EXECUTIVES	<p>The contracts with the Chairman, CEO and Director Secretary General contain a clause providing indemnity in the amount of 2 years' remuneration for cases of unfair dismissal and some limited cases of change of control.</p> <p>The contract with the Director-Chief Risk Officer has a post-contractual non-compete clause for a duration of 2 years from the date of unfair dismissal and some limited cases of change of control, lasting at most until the first date of ordinary retirement, in the amount of two years' fixed remuneration.</p> <p>The contracts with 21 executives have a clause providing indemnity in the amount of 2 years' fixed remuneration for cases of unfair dismissal and some limited cases of change of control. The contracts with 15 executives have a post-contractual non-compete clause for a duration of 2 years from the date of unfair dismissal and some limited cases of change of control, lasting at most until the first date of ordinary retirement, in the amount of two years' fixed remuneration.</p>

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General Shareholder Meeting
Body that authorises the clauses	√	

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

**C.2. Committees of the Board of Directors**

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

DELEGATED COMMITTEE		
Name	Position	Current
JOSEP OLIU CREUS	CHAIRMAN	Executive
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	MEMBER	Independent
JAIME GUARDIOLA ROMOJARO	MEMBER	Executive
PEDRO FONTANA GARCÍA	MEMBER	Independent

% of executive directors	50.00
% of proprietary directors	0.00
% of independent directors	50.00
% of other external directors	0.00

AUDIT AND CONTROL COMMITTEE		
Name	Position	Current
MANUEL VALLS MORATÓ	CHAIRMAN	Independent
PEDRO FONTANA GARCIA	MEMBER	Independent
MIREYA GINÉ TORRENS	MEMBER	Independent
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	MEMBER	Independent

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

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Names of directors with experience	MANUEL VALLS MORATÓ/PEDRO FONTANA GARCÍA/MIREYA GINÉ TORRENS/JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI
Date of appointment of the chairperson	30/03/2017

APPOINTMENTS COMMITTEE		
Name	Position	Current
JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	CHAIRMAN	Independent
ANTHONY FRANK ELLIOTT BALL	MEMBER	Independent
AURORA CATÁ SALA	MEMBER	Independent

% of proprietary directors	0.00
% of independent directors	100.0
% of other external directors	0.00

REMUNERATION COMMITTEE		
Name	Position	Current
AURORA CATÁ SALA	CHAIRMAN	Independent
ANTHONY FRANK ELLIOTT BALL	MEMBER	Independent
GEORGE DONALD JOHNSTON III	MEMBER	Independent
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	MEMBER	Independent

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

RISK COMMITTEE		
Name	Position	Current
GEORGE DONALD JOHNSTON III	CHAIRMAN	Independent
AURORA CATÁ SALA	MEMBER	Independent
MANUEL VALLS MORATÓ	MEMBER	Independent

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

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years::

	Number of female directors							
	Year 2020		Year 2019		Year 2018		Year 2017	
	Number	%	Number	%	Number	%	Number	%
Delegated Committee	0	0.00	0	0.00	0	0.00	0	0.00
Audit and Control Committee	1	25.00	1	25.00	1	25.00	1	20.00
Appointments Committee	1	33.33	2	50.00	2	50.00	2	66.67
Remuneration Committee	1	25.00	1	25.00	2	50.00	2	50.00
Risk Committee	1	33.33	1	33.33	1	25.00	1	25.00

**D. RELATED PARTY AND INTRAGROUP TRANSACTIONS**

- D.2.** Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name or company name of significant shareholder	Name or company name of the company or entity within its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
-----				N.A.

- D.3.** Describe any transactions that are significant, either because of their amount or the subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name or company name of director(s) or manager(s)	Name or company name of the company or entity within its group	Relationship	Nature of the transaction	Amount (thousands of euros)
-----				N.A.

- D.4.** Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the consolidation process and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Company name of the entity within the group	Brief description of the transaction	Amount (thousands of euros)
-----		N.A.

- D.5.** Report any material transactions carried out by the company or entities belonging to its group with other related parties that have not been reported in the previous sections:

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)
-----		N.A.

**G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Complies [  ]      Explain [  ]

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:
  - a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.
  - b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:
  - a) Changes that have occurred since the last General Shareholders' Meeting.
  - b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any..

Complies [  ]      Complies partially [  ]      Explain [  ]

The 2020 General Meeting of Shareholders was held in exceptional circumstances because of the coronavirus pandemic and since the only recommendations in the Code of Good Governance of listed companies that were partially complied with were numbers 34 and 37, and those issues were considered to be sufficiently addressed in the 2019 Annual Report on Corporate Governance, the Chairman of the Board of Directors concentrated his address to the meeting on the measures adopted to tackle the crisis and the main corporate governance issues.

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it..

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider

appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [ X ]      Complies partially [ ]      Explain [ ]

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies [ X ]      Complies partially [ ]      Explain [ ]

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

- a) Report on the auditor's independence.
- b) Reports on the workings of the audit and nomination and remuneration committees.
- c) Report by the audit committee on related party transactions.

Complies [ X ]      Complies partially [ ]      Explain [ ]

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies [ ]      Complies partially [ X ]      Explain [ ]

Banco Sabadell transmits the entire General Meeting of Shareholders live via webcast on the corporate website.

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and

Complies [ X ]      Complies partially [ ]      Explain [ ]

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [ X ]      Complies partially [ ]      Explain [ ]

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:
- Should immediately distribute such complementary points and new proposals for resolutions.
  - Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
  - Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.
  - That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [ ]      Complies partially [ ]      Explain [ ]      Not applicable [ X ]

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [ X ]      Complies partially [ ]      Explain [ ]

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [ X ]      Explain [ ]

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

- Is concrete and verifiable;
- Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies [  ]      Complies partially [  ]      Explain [  ]

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies [  ]      Complies partially [  ]      Explain [  ]

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

- a) In large-cap companies where very few shareholdings are legally considered significant.
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies [  ]      Explain [  ]

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies [  ]      Explain [  ]

18. That companies should publish the following information on its directors on their website, and keep it up to date:

- a) Professional profile and biography.
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.
- e) Company shares and share options that they own.

Complies [  ]      Complies partially [  ]      Explain [  ]

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies [ X ]      Explain [ ]

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented

Complies [ X ]      Complies partially [ ]      Explain [ ]

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors..

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies [ ]      Complies partially [ ]      Explain [ ]      Not applicable [ X ]

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit..

Complies [ X ]      Complies partially [ ]      Explain [ ]

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies [ X ]      Complies partially [ ]      Explain [ ]

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions..

Complies [ X ]      Complies partially [ ]      Explain [ ]

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies [ ]      Complies partially [ ]      Explain [ ]      Not applicable [ X ]

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [ X ]      Complies partially [ ]      Explain [ ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies [ X ]      Explain [ ]      Not applicable [ ]

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies [ X ]      Complies partially [ ]      Explain [ ]

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [ X ]      Complies partially [ ]      Explain [ ]

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the

company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies [ X ]      Complies partially [ ]      Explain [ ]

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies [ ]      Complies partially [ X ]      Explain [ ]      Not applicable [ ]

Article 54 of the Articles of Association and article 8 of the Board of Directors Regulation expressly give the Lead Independent Director the power to convene a meeting of the Board of Directors, add items to the agenda of meetings, coordinate and arrange meetings of the non-executive directors, convey the opinions of the external directors, direct the regular performance review of the Chairman, and chair the Board of Directors in absence of the Chairman and the Deputy Chairman.

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies [ X ]      Explain [ ]

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies [ X ]      Complies partially [ ]      Explain [ ]

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

The Secretary of the Delegated Committee is the Deputy Secretary of the Board of Directors.

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies [  ]      Complies partially [  ]      Explain [  ]

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [  ]      Complies partially [  ]      Explain [  ]

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational, technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.

d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.

b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.

e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies [ X ]      Complies partially [ ]      Explain [ ]

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies [ X ]      Complies partially [ ]      Explain [ ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

45. That the risk management and control policy identify or determine, as a minimum:

a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.

b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.

c) The level of risk that the company considers to be acceptable.

d) Measures in place to mitigate the impact of the risks identified in the event that they should materialise.

e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies [ 6 ]      Complies partially [ ]      Explain [ ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensuring the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.

b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.

c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies [ X ]      Complies partially [ ]      Explain [ ]

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies [ X ]      Complies partially [ ]      Explain [ ]

48. That large-cap companies have separate nomination and remuneration committees.

Complies [ X ]      Explain [ ]      Not applicable [ ]

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies [ X ]      Complies partially [ ]      Explain [ ]

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Proposing the basic conditions of employment for senior management to the Board of Directors.

b) Verifying compliance with the company's remuneration policy.

c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.

d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.

e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies [ X ]      Complies partially [ ]      Explain [ ]

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies [ X ]      Complies partially [ ]      Explain [ ]

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:
- a) That they be composed exclusively of non-executive directors, with a majority of independent directors.
  - b) That their chairpersons be independent directors.
  - c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
  - d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
  - e) That their meetings be recorded and the minutes be made available to all directors.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies [  ]      Complies partially [  ]      Explain [  ]

In accordance with its terms of reference, the remit of the Audit and Control Committee is to assess the sufficiency and fulfilment of the Regulation of the General Meeting of Shareholders, the Regulation of the Board of Directors, the Company's Code of Conduct and, in particular, the Internal Code of Conduct in connection with the Securities Markets, and to assess the degree of compliance with the company's governance rules and oversee the corporate governance report to be adopted by the Board of Directors.

As part of the Sustainability Policy, the Board of Directors has tasked the Appointments Committee with tracking and overseeing the initiatives and procedures related to the Sustainability Policy and the environment, social and governance rules, in accordance with recommendations 53, 54 and 55 of the CNMV's Code of Good Governance of Listed Companies, as revised in June 2020, except for those functions that correspond to the Audit and Control Committee and the Risk Committee in accordance with the Articles of Association, the Regulation of the Board of Directors, the Regulations of those Committees or a policy approved by the Board of Directors.

54. The minimum functions referred to in the foregoing recommendation are the following:
- a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.
  - b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

- c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.
- d) Supervision of the company's environmental and social practices to ensure they are in alignment with the established strategy and policy.
- e) Supervision and evaluation of the way in which relations with the various stakeholders are handled

Complies [  ]      Complies partially [  ]      Explain [  ]

In accordance with its terms of reference, the remit of the Audit and Control Committee is to assess the sufficiency and fulfilment of the Regulation of the General Meeting of Shareholders, the Regulation of the Board of Directors, the Company's Code of Conduct and, in particular, the Internal Code of Conduct in connection with the Securities Markets, and to assess the degree of compliance with the company's governance rules and oversee the corporate governance report to be adopted by the Board of Directors.

As part of the Sustainability Policy, the Board of Directors has tasked the Appointments Committee with tracking and overseeing the initiatives and procedures related to the Sustainability Policy and the environment, social and governance rules, in accordance with recommendations 53, 54 and 55 of the CNMV's Code of Good Governance of Listed Companies, as revised in June 2020, except for those functions that correspond to the Audit and Control Committee and the Risk Committee in accordance with the Articles of Association, the Regulation of the Board of Directors, the Regulations of those Committees or a policy approved by the Board of Directors.

55. That environmental and social sustainability policies identify and include at least the following:

- a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct
- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [  ]      Complies partially [  ]      Explain [  ]

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies [  ]      Explain [  ]

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies [  ]      Complies partially [  ]      Explain [  ]

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
- b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies  ]      Complies partially  ]      Explain  ]      Not applicable  ]

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies  ]      Complies partially  ]      Explain  ]      Not applicable  ]

Indicate whether any director voted against or abstained from approving this report

]      Yes  
 ]      No

I declare that the details include in this statistical annex coincide and are consistent with the descriptions and details included in the annual corporate governance report published by the Company.