



NATIONAL SECURITIES MARKET COMMISSION

Pursuant to Article 227 of the restated text of the Securities Market Law approved by the Royal Legislative Decree 4/2015, of 23 October (texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre), Banco de Sabadell, S.A. (Banco Sabadell), informs the National Securities Market Commission (Comisión Nacional del Mercado de Valores) of the following:

OTHER RELEVANT INFORMATION

At the meeting of the Board of Directors of Banco Sabadell of 18 November 2021, and following the attached favourable report from the Audit and Control Committee, the Bank approved the following related-party transaction, which has been formalized today and must be reported in accordance with the provisions of article 529 unvicies of the Capital Companies Act, as the transaction amount exceeds 2.5% of turnover as stated in the most recent consolidated annual financial statements of Banco Sabadell:

- Loan to Acerinox, S.A. in the amount of 205 million euros, for a five year term (the first two years being a grace period).

Gonzalo Baretino Coloma
Secretary General

Alicante, 23 December 2021

PRIOR REPORT OF THE BOARD AUDIT AND CONTROL COMMITTEE CONCERNING RELATED-PARTY TRANSACTIONS TO BE SUBMITTED TO THE BOARD OF DIRECTORS FOR APPROVAL PURSUANT TO ARTICLE 529 DUOVICIES 3 OF THE SPANISH CAPITAL COMPANIES ACT.

I. Applicable legislation

Article 529 vicies of Title XIV, referring to the publicly listed companies set out in the Capital Companies Act (hereinafter, LSC, for its acronym in Spanish), defines related-party transactions as those carried out by the company or its subsidiary undertakings with directors, with shareholders who own 10% or more of the voting rights or who are represented on the company's Board of Directors, or with any other persons who should be considered related parties according to International Accounting Standards, adopted pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

The definition of related party that has been applied is the one provided in IAS 24 (9) and Bank of Spain Circular 4/2017 of 27 November, to credit institutions, on rules for the disclosure of regulatory and non-public financial information and templates for financial statements, according to which two entities shall be deemed to be related when they share one director in common, provided that such director exerts significant influence on the financial and operational policies of both entities.

Pursuant to Article 529 duovicies of the LSC, the authority to approve related-party transactions whose value is equivalent to 10% or more of the total sum of headings on the asset side of the last annual balance sheet approved by the company will lie with the Annual General Meeting. The authority to approve the remaining related-party transactions will lie with the Board of Directors.

However, the Board may confer authority for the approval of any related-party transactions arranged under contracts whose standardised terms are applied *en masse* to a large number of customers, which are executed at prices or rates established on a generic basis by the person/entity acting as supplier of the good(s) or service(s) in question, and whose value is no higher than 0.5 per cent of the company's net turnover. Accordingly, at its meeting held on 1 July 2021, the Board of Directors of Banco Sabadell approved the conferral of authority to the Compliance Division, empowering this body to check whether transactions with related parties should qualify as related-party transactions for the purposes of the LSC and, if so, to approve those transactions if they meet certain conditions or, alternatively, to determine whether they should be escalated to the Board of Directors. The foregoing is notwithstanding that set forth in the internal procedure on information and periodic control, in which the Board Audit Committee will intervene and verify the fairness and transparency of the transactions and, where applicable, their fulfilment of legal criteria applicable to the aforesaid exceptions, all in accordance with Article 529 duovicies of the LSC.

Pursuant to Article 529 duovicies 3. "The approval by the General Meeting or by the Board of a related-party transaction must be set out in a prior report from the Board Audit Committee. In this report, the Board Committee should assess whether the transaction is fair and reasonable from the company's standpoint and, where appropriate, from the standpoint of different shareholders of the related party, and it must provide an account of the assumptions on which the assessment is based, as well as the methods used. The directors concerned may not take part in formulating the report".



Furthermore, Article 529 unvicies of the LSC establishes that “Companies must make a public announcement, no later than at the time of their execution, of any related-party transactions executed by such company or by companies within its corporate group whose value is equal to, or more than (a) 5 per cent of the total sum of headings on the asset side of the balance sheet, or (b) 2.5 per cent of the annual turnover”.

II. Transactions

Pursuant to the above legislation, information has been submitted to the Board Audit and Control Committee with regard to the following transaction concerning Acerinox Group:

- Loan in the name of Acerinox, S.A., in the amount of €205m, for a five-year term (the first two years being a grace period).

The above transaction is considered a related-party transaction, given that one of the directors of Banco de Sabadell, S.A. is also an independent director at Acerinox S.A. and holds positions in the latter’s Board Committees (member of Board Executive Committee and Chair of Board Audit Committee).

Pursuant to Article 529 duovicies 4 of the LSC, the above transaction must be approved by the Board of Directors, since its amount exceeds 0.5% of the net turnover and, therefore, falls outside of the scope of the powers conferred to the Compliance Division.

It also exceeds the limit of 2.5% of the annual turnover, established in Article 529 unvicies of the LSC, meaning that the transaction needs to be disclosed in an announcement, which must be posted in an easily accessible location on the company’s website and which will be communicated to the Spanish National Securities Market Commission (CNMV) for public disclosure.

III. Documentation

The Board Audit and Control Committee has analysed the documentation submitted for its information:

- Decision by the Compliance Division regarding the aforementioned related-party transaction (included in the presentation mentioned below).
- Report from the Risk Division (included in the presentation mentioned in the following point).
- Explanatory presentation of the aforesaid related-party transaction.

IV. Assessment

The Board Audit and Control Committee has assessed the transaction, taking into account the information received from the Compliance and Risk Divisions, having based its assessment on the following assumptions and methods used:

- The aforementioned transaction is carried out at the prices and conditions established by the Bank in general for this type of transaction.
- The aforementioned transaction complies with the procedures and controls set forth in the Credit Risk Acceptance Policy and in the Credit Risk Monitoring Policy, both of Banco Sabadell, specifically concerning, among other aspects:

- The collection of the information necessary for the assessment of the customer.
- The completeness and soundness of the analysis of the customer's characteristics (functionality and management capacity, competitive position in the market, analysis of economic and financial aspects, historical performance, analysis of payment capacity, solvency, as well as environmental, social and corporate governance factors).
- Assessment of the coherence of the transaction.
- Verification of the completeness of the information and execution of the transaction.
- Transaction guarantees.
- Monitoring of the governance structure and approval of transactions, as well as the following procedures: the credit risk acceptance procedure for Banco Sabadell Corporate Banking, and the credit risk monitoring procedure for Banco Sabadell Corporate Banking.

The Board Audit and Control Committee considers, in accordance with the assumptions and methods set out above, that the aforesaid transaction of Acerinox, S.A., based on its basic conditions and other information provided (which is deemed sufficient by the Board Committee), is a fair and reasonable transaction from the company's standpoint and, where appropriate, from the standpoint of the various shareholders of the related party. This is based on the fact that it has been carried out at the prices and conditions set forth by the Bank in general for this type of transaction, and in compliance with the procedures and controls outlined in the Credit Risk Acceptance Policy and in the Credit Risk Monitoring Policy, both of Banco Sabadell, which ensures, in this Committee's opinion, that the transaction is being carried out under fair, reasonable and favourable conditions for the Bank and its shareholders.

Therefore, the Board Audit and Control Committee issues a favourable report to the Board of Directors for the approval of the related-party transaction.

Barcelona, 16 November 2021