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1. Introduction

Sustainability is development that meets the needs of the present without compromising the capacity of future generations, ensuring a balance between economic growth, environmental care and social well-being.

The transformation process carried out in recent years based on digitalisation and new information technologies has been accompanied by the changes brought about by the transition to a sustainable economy and sustainable development.

For Banco Sabadell Group, which has been developing its commitment to society since its very foundation, sustainability has become part of the business strategy and its transformation process, and with this, it wants to contribute to this balance, working to overcome the consequences of climate change, generating economic, environmental and social value in the long term.

This document defines the Sustainability Policy of Banco Sabadell Group (hereinafter "the Group"), which has become part of its business purpose and business strategy, establishing the basic principles on which the Group bases its approach to the challenges posed by sustainability, as well as defining the parameters for managing them.

The aim of this policy is to frame the Group's activity and organisation within the ESG (Environmental, Social and Governance) parameters, which incorporate environmental, social and corporate governance factors in decision-making and, at the same time, to respond to the needs and concerns of all its stakeholders.

To this end, Banco Sabadell Group, in addition to the commitments subscribed to at national and international level which are detailed in section 1.4 of the Policy, bases its commitment to society, the environment and the fight against climate change on the Sustainable Development Goals (SDGs), the United Nations Finance Initiative Principles (of which it is a founding signatory), the 2015 Paris Agreement, the Net Zero Banking Alliance (NZBA) and the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

A substantial part of the development of the different tools and initiatives in the area of sustainability is determined in the Sustainability Plan, which is specified in various action plans, including the Sustainable Finance Plan, which has 4 basic pillars:

- Supporting clients in the transition towards a sustainable economy
- Enabling investors to contribute to sustainability
- Adapting the organisation to the new paradigm
- Contributing to the transition to a sustainable society
1.1 Regulatory Framework

This document sets out Banco Sabadell Group's commitment to sustainability, assuming for this purpose the regulatory and supervisory references on sustainability matters in force, both at national and international level, as well as its voluntary adherence to different initiatives and commitments, among which the following are highlighted:

- **The ExCo’s Sustainable Finance Action Plan (2018)** which guides the financial sector’s contribution to the goal of attaining a more sustainable global economy, and which establishes ten goals:
  
  i. Establishing an EU classification system for sustainable activities (Taxonomy);
  ii. Creating standards and labels for green financial products;
  iii. Fostering investment in sustainable projects;
  iv. Incorporating sustainability when providing financial advice;
  v. Developing sustainable benchmarks;
  vi. Better integrating sustainability into ratings and market research;
  vii. Clarifying the duties of institutional investors and asset managers;
  viii. Introducing sustainability into prudential requirements;
  ix. Strengthening sustainability disclosure and accounting rule-making;
  x. Fostering sustainable corporate governance and attenuating short-termism in capital markets.

- **The ECB's “Guide on climate-related and environmental risks”**

- **The European Green Deal (2019)**, which lays out a roadmap with actions to stimulate an efficient use of resources by moving towards a clean and circular economy, as well as restoring biodiversity and reducing pollution.

- **Law 2/2011 of 4 March on Sustainable Economy**

- **General Disability Act**


- **Good Governance Code of Listed Companies** of the National Securities Market Commission (CNMV) revised on 25 June 2020. (in particular with regard to Recommendation 55)


• **Commission Delegated Regulation (EU) 2021/2139** of 4 June 2021 supplementing Regulation (EU) 2020/852 and establishing the technical selection criteria for determining the conditions under which an economic activity is deemed to make a substantial contribution to climate change mitigation or adaptation and for determining whether that economic activity does not cause significant harm to any of the other environmental objectives.

• **Commission Delegated Regulation (EU) 2021/2178** of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by companies subject to Articles 19a or 29a of Directive 2013/34/EU regarding environmentally sustainable economic activities, and specifying the methodology for complying with the disclosure obligation.

• **EBA-Action Plan on Sustainable Finance** (December 2019).

• **ESMA-Sustainable Finance Strategy** (February 2020).

• **The United Nations Global Compact** on human rights, labour, the environment and anti-corruption. (Signatory in 2005)

• **UNEP FI Finance Initiative Principles** (Founding Partner from 2019)

• **UNEP FI's Net Zero Banking Alliance** (Accession in 2021)


• **Equator Principles** (Signatory in 2011)

• **Carbon Disclosure Project** (CDP) (Signatory in 2012)

• **AEB, CECA and ICO's "Collective Commitment to Climate Action"** (Accession in 2019)

• Initiative promoted by the Adecco Foundation and the Spanish Confederation of Employers’ Organisations (CEOE) “**CEO for Diversity**” (Signatory in 2019)

• **Task Force on Climate-related Financial Disclosures** (TCFD) Recommendations (Accession in November 2020)

• **IOSCO-Recommendations** related to sustainable financing (June 2019).
2. Principles and Commitments

2.1 Principles

Through this Policy, Banco Sabadell Group establishes a series of principles to adapt the organisation to the challenges and opportunities derived from sustainability.

*Figure 1: Principles*

- The contribution to sustainable development
  The Group determines the sustainability issues material to the performance of its business and in relation to the expectations of its stakeholders, aligning itself with the Sustainable Development Goals (SDGs) by choosing priority and relevant SDGs

*Figure 2. Commitment to the SDGs*

- Prudence
  The Banco Sabadell Group, consistent with the principle of prudence that governs its activity, takes into consideration the risks and opportunities in the area of sustainability in the different processes it carries out.
• **Transparency**

The Group promotes transparency of information and responsible, simple and close communication with all stakeholders, in particular:

- Clear, balanced, objective and transparent communication on financial products and services promoted.
- Maximum transparency is guaranteed in the **supplier** tendering process, ensuring that supplier tendering processes comply with the values of the GROUP’S CODE OF CONDUCT, available on the corporate website.
- It offers complete, clear and truthful information to all analysts, **investors and shareholders** through the different communication channels available to the Group, which are published in the Policy on Communication and Contact with Shareholders, Investors and Proxy Advisors, available on the corporate website.
- Relevant tax information is transmitted directly, clearly and transparently to the different stakeholders through the different documents accessible on the corporate website, as well as within the scope of the collaborative relationship maintained with the Spanish Tax Authority, in line with the principles of action established in the Group's TAX STRATEGY.

• **Security**

The Group promotes the well-being of its workforce by fostering a healthy and sustainable working environment.

In addition, the Group maintains the highest standards of technological security and, to this end, promotes practices that maximise the security of its products and services, as defined in the Group’s INFORMATION SYSTEMS SECURITY POLICY.

• **Diversity**

The Group promotes diversity, equal opportunities and non-discrimination in the workplace for reasons of gender, race, age, ethnic origin, religion or any other circumstance, both within the Board of Directors of its parent company, Banco Sabadell, and its subsidiaries, as well as among its professionals.

The Group also promotes the integration of people with disabilities in the workplace through direct hiring or through alliances with benchmark organisations specialising in the field of integration.

• **Professional development**

The professional development of all the people who work there is promoted based on meritocratic criteria in the internal selection processes, and favouring the attraction and retention of talent through training to be able to cover the different profiles and groups.

• **Respect for fundamental human rights**

The Group supports, respects and protects internationally recognised fundamental human rights in all the territories where it is present, in accordance with the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and other internationally recognised codes, as set out in the BANCO SABADELL GROUP’S HUMAN RIGHTS POLICY.
In particular, the Group identifies, prevents and mitigates the potential negative human rights impacts of its activities and processes, especially in the granting of financing to companies, in the personnel management model, in supplier contracting processes and in the collaboration with organisations and institutions.

• **Environmental protection**
  The Group strives to prevent and mitigate potential negative environmental and social impacts derived from its activities. To this end, management systems based on internationally accepted regulatory standards and based on the philosophy of continuous improvement are fostered.

In relation to internal environmental management, assumes the following commitments:

- Comply with legal and other requirements that are applicable to the activities, products and services in the different geographies where the Group operates.
- Foster continuous improvement of the management system for the improvement of environmental performance.
- Establish working guidelines and control mechanisms to ensure the protection of the environment and the prevention of pollution in the facilities and internal operations.
- Disseminate these principles among employees and Group companies, and establish fluid communication channels with the various environmental stakeholders.

• **Commitment to society**
  The Group promotes projects that contribute to a sustainable society in particular through:

- Financing renewable energy and social housing management.
- Financial literacy initiatives to facilitate young people's financial decision-making and provide the right knowledge for informed decision-making by **customers and consumers**.
- Corporate volunteering programmes and solidarity initiatives.
2.2 Management parameters

It also highlights the critical management parameters derived from the incorporation of sustainability into the activity and the business.

Figure 3. Management parameters

2.2.1 Inclusion of sustainability risks in the analysis, management and control processes.

The Banco Sabadell Group will take into account the risks in the area of sustainability in its analysis, management and control processes through the activities being carried out with the aim of achieving as a priority the objectives defined within the framework of the Sustainability Plan.

2.2.2 Development of the portfolio of commercial products and services that incorporate sustainability criteria in both financing and investment.

The Group promotes sustainable financing and investment to maximise the creation of value for society, accompanying its customers in the process of transitioning to more sustainable business models and paying attention to the most vulnerable groups, so that they are not discriminated against by supply.

The Group, in its desire to contribute to sustainability, promotes the design and/or distribution of products and services of an environmental and/or social nature with the aim of fostering social and financial inclusion, contributing to environmental conservation and climate change mitigation.

In order to ensure responsible lending and as a mechanism for protecting users of financial services, the Group is strengthening its procedures for providing information on the products and services it offers, as well as for assessing the solvency of borrowers.
2.2.3 Dissemination of Sustainability actions

The Group promotes internal communication and training plans to disseminate the most relevant sustainability principles and initiatives among employees.

The Group promotes transparency in the dissemination of information, adopting responsible communication practices that avoid manipulation of information and protect integrity and fairness, at all times, in accordance with the recommendations of the Code of Good Governance of Listed Companies of the Spanish National Securities Market Commission (CNMV).

The Board of Directors of Banco Sabadell has adopted the recommendations of the TCFD model for the reporting and disclosure of its activity in matters of impact related to climate change, making this information public where appropriate.

Banco Sabadell reports all the actions it carries out in ESG matters at the consolidated group level in the consolidated Non-Financial Disclosures Report, which complies with the general provisions published in Law 11/2018 on non-financial information and diversity, and is submitted each year to the General Meeting of Shareholders for approval.

3. Implementation

The Group has a number of tools to control the operational procedures derived from this Policy:

- The scorecard with the indicators that make up the synthetic sustainability indicator, which is periodically presented to the Sustainability Committee.

- Eligibility Guidance that draws on the EU Taxonomy criteria and the International Capital Markets Association (ICMA) principles on green and social bonds to define their sustainable portfolio.

- The IT systems that will allow the eligibility criteria to be entered, as well as the databases and supporting documentation for the different users and platforms.

- The ESG information database that compiles those indicators that comply with Law 11/2018 on non-financial information and diversity.

- Internal and external communication channels to establish the necessary dialogue to gather the needs and expectations of the different stakeholders: climate surveys, focus group, annual reports, etc.

4. Document Governance

The Group’s Sustainability Policy is approved by the Banco Sabadell Board of Directors, which is the highest authority in the approval of its policies and which comes into effect from that moment on; with its content being subject to review at least once a year.

This policy must be available to all employees through the channel that the Group considers appropriate at any given time; with a summary of it being published on the Banco Sabadell Group corporate website.