



BANCO SABADELL GROUP SUSTAINABILITY POLICY

This document is a translation of a Spanish language document which was approved by the Board of Directors of Banco de Sabadell, S.A. on 28/07/2021. The Spanish version of this document will prevail in the event of any discrepancy or dispute.

1. Introduction

This document defines the Sustainability Policy of Banco Sabadell Group (hereinafter, “the Group”) which has become part of its business purpose and strategy. The transformation process carried out in recent years, based on digitalisation and new information technologies, has incorporated the changes entailed by the transition towards a sustainable economy and sustainable development.

1.1 Definition

Sustainability is development that meets current needs without compromising capacity for future generations, ensuring a balance between economic growth, care for the environment and social welfare. For Banco Sabadell Group, which has been undertaking its commitment to society since its inception, sustainability has become part of the business strategy and its transformation process, and with this, it wishes to contribute to this balance, working to overcome the consequences of climate change, generating long-term economic, environmental and social value.

The Sustainability Policy (hereinafter, the Policy) is aimed at framing the Group’s activities and organisation within ESG (Environmental, Social and Governance) parameters, which incorporate environmental, social and corporate governance factors into decision-making and, at the same time, based on these parameters, address the needs and concerns of all its stakeholders.

Accordingly, Banco Sabadell Group, in addition to the commitments signed at national and international level detailed in Section 1.4 of this Policy, bases its commitment to society, the environment and the fight against climate change on the Sustainable Development Goals (SDGs), the United Nations Principles for Responsible Banking (of which it is a founding signatory), the 2015 Paris Agreement, as well as the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

A substantial part of the development of the various tools and initiatives in the area of sustainability is detailed in the Sustainability Plan which is implemented in different action plans, among them the Sustainable Finance Plan, which is made up of four main pillars:

- Support customers in the transition towards a sustainable economy
- Make it easier for investors to contribute to sustainability
- Adapt the organisation to this new paradigm
- Contribute to the transition towards a sustainable society

1.2 Purpose and unit responsible

This Policy aims to establish the core principles which the Group employs to address the challenges posed by sustainability, to define the management parameters, as well as the organisation and governance structure necessary for its optimal implementation.

This Policy is the responsibility of the Sustainability Division of Banco Sabadell Group.

1.3 Scope of application

This Policy is applicable to Banco Sabadell Group and to each of the Group companies.

1.4 Regulatory framework

1.4.1 Regulatory and supervisory guidelines

Banco Sabadell Group, as a financial institution, is subject to the regulatory and supervisory guidelines on sustainability matters in force, both at national and international level. At the time of approval of this Policy, these were:

- **The EC Sustainable Finance Action Plan (2018)** which guides the financial sector's contribution to the goal of achieving a more sustainable global economy, and which establishes 10 objectives:
 - i. Establish an EU classification system for sustainable activities (taxonomy);
 - ii. Create standards and labels for green financial products;
 - iii. Encourage investment in sustainable projects;
 - iv. Incorporate sustainability in the provision of financial advice;
 - v. Develop sustainable benchmarks;
 - vi. Better integrate sustainability into credit ratings and market research;
 - vii. Clarify the obligations of institutional investors and asset managers;
 - viii. Incorporate sustainability into prudential requirements;
 - ix. Strengthen sustainability disclosure and develop accounting standards;
 - x. Promote sustainable corporate governance and reduce short-termism in capital markets.
- **ECB "Guide on climate-related and environmental risks"**.
- **The European Green Deal (2019)** which sets out a roadmap with actions to boost resource efficiency 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 Law.**
- **Law 11/2018, of 28 December**, which amends the Code of Commerce, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Auditing of Accounts, in matters of non-financial disclosures and diversity (hereinafter, Law 11/2018 on non-financial disclosures and diversity), which transposes Directive 2014/95/EU of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of non-financial information and information on diversity by certain large corporations.
- **Good Governance Code of Listed Companies** of the Spanish National Securities Market Commission (CNMV) revised on 25 June 2020 (in particular with regard to Recommendation 55).
- **EBA-Action Plan on Sustainable Finance** (December 2019).
- **ESMA-Sustainable Finance Strategy** (February 2020).

1.4.2 National and international initiatives and commitments

Banco Sabadell Group's commitment to sustainability also takes the form of its voluntary adherence to various national and international initiatives and commitments:

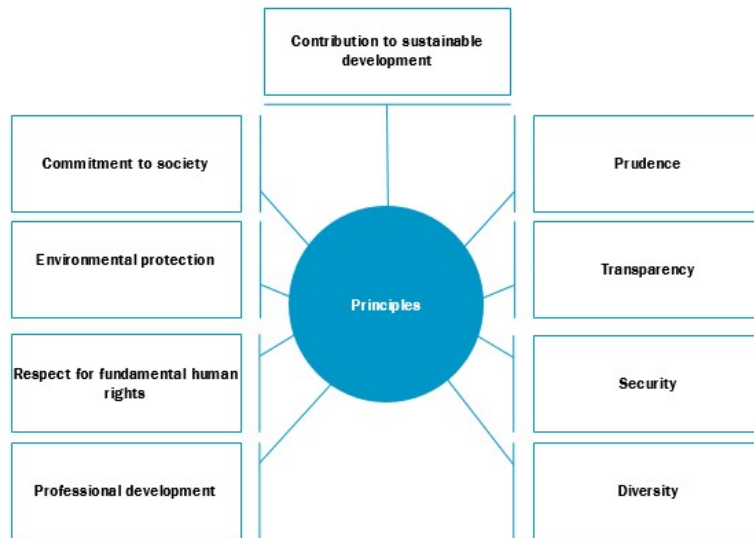
- United Nations Global Compact on human rights, labour, environment and anti-corruption (signed in 2005).
- UNEP FI Principles for Responsible Banking (founding member since 2019).
- UN Principles for Responsible Investment: individually signed by various investees and subsidiaries of the Bank: BanSabadell Pensiones E.G.F.P., S.A. (in 2012), Aurica Capital (in 2016), BanSabadell Pentapension Empresa FP (in 2020), Banco Sabadell Employees' Pension Fund MF2000 (in 2020), Banco Sabadell Employees' Pension Fund GM (in 2020).
- Equator Principles (signed in 2011).
- Carbon Disclosure Project (CDP) (signed in 2012).
- "Collective Commitment to Climate Action" of AEB, CECA and ICO (adherence in 2019).
- "CEO for Diversity" initiative promoted by the Adecco Foundation and CEOE (signed in 2019).
- Task Force on Climate-Related Financial Disclosures (TCFD) recommendations (adherence in November 2020).
- IOSCO-Recommendations related to sustainable finance (June 2019).

2. Principles and management parameters

2.1 Principles

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

Figure 1: Principles



• **Contribution to sustainable development**

The Group determines the material sustainability issues for the performance of its activities and in relation to the expectations of its stakeholders, aligning itself with the Sustainable Development Goals (SDGs), choosing for this purpose some priority and additional SDGs.

Figure 2. Commitment to the SDGs



• **Prudence**

Consistent with the principle of prudence that governs its activities, Banco Sabadell Group shall take into consideration the risks and opportunities in the area of sustainability in the various processes it carries out.

• **Transparency**

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

- It promotes clear, balanced, objective and transparent communication regarding its financial products and services.
- It ensures utmost transparency in the **supplier** tendering process, guaranteeing that the supplier tendering processes are aligned with the values of the GROUP'S CODE OF CONDUCT, available on the corporate website.
- It offers complete, clear and accurate information to all analysts, **investors and shareholders** through the various communication channels of the Group, which are published in the POLICY FOR COMMUNICATIONS AND CONTACT WITH SHAREHOLDERS, INVESTORS AND PROXY ADVISORS available on the corporate website.
- It bases its Tax Strategy on the principles of transparency, in accordance with current legislation. The Tax Strategy is available on the corporate website.

• **Security**

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

In addition, the Group maintains the highest standards of IT 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 at the workplace on grounds of gender, race, age, ethnic origin, religion or any other circumstance within the Board of Directors of its parent company, Banco Sabadell, and within its subsidiaries, as well as among its employees.

Moreover, the Group promotes the integration of disabled people into the labour market through direct hiring or alliances with benchmark institutions specialised in the field of inclusion.

• **Professional development**

The Group promotes the professional development of all its employees based on meritocratic criteria in internal selection processes, and favours the attraction and retention of talent by offering training to cover the various profiles and groups.

• **Respect for fundamental human rights**

The Group supports, respects and protects internationally recognised fundamental human rights in all the regions in which it operates, 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.

In particular, the Group identifies, prevents and mitigates the negative impacts on human rights of its activities and processes, especially in the granting of loans to companies, in the human resources management model, in supplier contracting processes and in collaboration with organisations and institutions.

• **Environmental protection**

The Group seeks to prevent and mitigate the possible negative environmental and social impacts derived from its activities. For this purpose, it promotes management systems based on internationally accepted standards and on a philosophy of continuous improvement.

In relation to internal environmental management, the following commitments are undertaken:

- Comply with the legal and other requirements applicable to activities, products and services in the various regions in which the Group operates.
- Promote the continuous improvement of the management system to improve the environmental performance.
- Establish work guidelines and control mechanisms to ensure environmental protection and to prevent pollution at facilities and in internal operations.
- Disseminate these principles among employees and Group companies, and establish seamless communication channels with the various stakeholders as regards environmental matters.

• **Commitment to society**

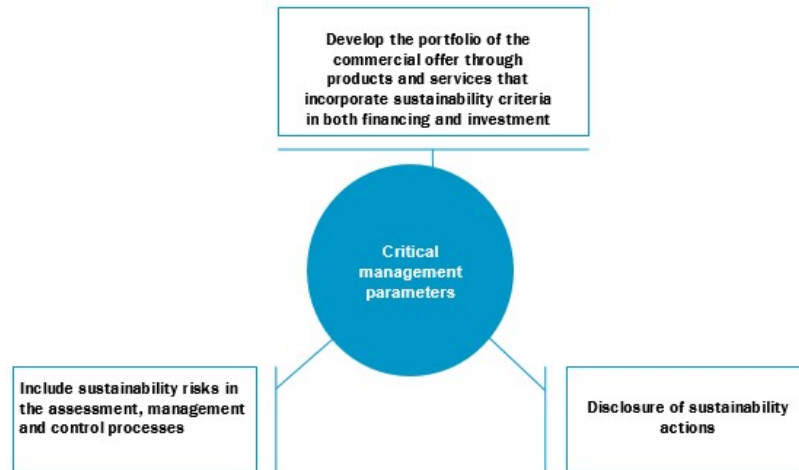
The Group encourages projects that contribute to a sustainable society, in particular through:

- The financing of renewable energies and social housing management.
- Financial education initiatives to help young people make financial decisions and provide the appropriate knowledge for **customers and consumers** to make informed decisions.
- Corporate volunteer programmes and charitable initiatives.

2.2 Management parameters

The critical management parameters derived from the incorporation of sustainability into the activities and the business plan are indicated below.

Figure 3. Management parameters



2.2.1 Include sustainability risks in the assessment, management and control processes

- Banco Sabadell Group shall take into account the risks in the area of sustainability in its assessment, management and control processes through the activities being carried out to achieve the objectives defined in the Sustainability Plan as a priority.

2.2.2 Develop the portfolio of the commercial offer through products and services that incorporate sustainability criteria into both financing and investment

- The Group promotes sustainable financing and investment to maximise the creation of value for society, supporting its customers in the transition process towards more sustainable business models and paying particular attention to the most vulnerable groups, so that they are not discriminated by this commercial offer.
- In its desire to contribute to sustainability, the Group promotes the design and/or distribution of products and services of an environmental and/or social nature to foster social and financial inclusion, contribute to environmental conservation and mitigate climate change.
- In order to ensure responsible lending and as a protection mechanism for users of financial services, the Group strengthens its information procedures on the products and services it offers, as well as on the assessment of the creditworthiness of borrowers.

2.2.3 Disclosure of sustainability actions

- Internally, the Group promotes communication plans and internal training to disseminate among its employees the most relevant principles or initiatives in the area of sustainability.
- The Group promotes transparency in the dissemination of information, adopting at all times responsible communication practices that avoid manipulation of information and protect integrity and honour, in accordance with the recommendations of the Good Governance Code for 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 activities in terms of their climate change-related impacts, making this information public where appropriate.
- Banco Sabadell communicates all the actions it carries out in terms of ESG at the consolidated group level in the Non-Financial Disclosures Report, which complies with the general provisions published in Law 11/2018 on non-financial disclosures and diversity, and is submitted each year to the Annual General Meeting for approval.

3. Governance structure

Banco Sabadell Group places debate and decision-making in matters of sustainability at the highest level of its governance structure. Therefore, the various bodies related to this Policy and the responsibilities deriving therefrom are as follows:

- **Governing body**

- **Board of Directors**

This is the highest authority in setting the Group's business strategies and approving its policies, and is responsible for setting the principles, commitments and goals in the area of sustainability, as well as for integrating them into the Group's strategy. It is responsible for approving this Policy.

- **Board Committees**

- Strategy and Sustainability Committee

In the area of sustainability, the Committee shall have the following duties:

- Review the company's sustainability and environmental policies and report to the Board of Directors on potential amendments and regular updates to the sustainability strategy.
 - Review the definition and amendment of policies on diversity and inclusion, human rights, equal opportunities and work-life balance and regularly assess its level of compliance.
 - Review the Bank's strategy for social action and its sponsorship and patronage plans.
 - Review the Non-Financial Disclosures Report prior to its revision by the Audit and Control Committee and its subsequent approval by the Board of Directors.
 - Receive information relating to reports, documents or communications from external supervisory bodies within the scope of this Committee's competences.
 - Supervise the risk identification, control and management model, as well as the opportunities in the area of sustainability including, where applicable, environmental and climate change-related risks.

- **Audit and Control Committee**
 - Oversee the process for preparing and submitting regulated financial and non-financial information and give recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity, and report to the Board of Directors, prior to its publication, on the financial information and the directors' report, which include mandatory non-financial information that the Institution must regularly disclose.
 - When necessary and in coordination with the Board Risk Committee, oversee and assess the effectiveness of policies and internal risk management and control systems as a whole, covering the Institution's financial and non-financial risks, including operational, IT, legal, social, environmental, political and reputational risks or those related to corruption, and supervise that the main direct or indirect risks are reasonably identified, measured and controlled.
- **Board Risk Committee**
 - Coordinate with the Audit and Control Committee in relation to the latter's duties regarding the oversight and assessment of the effectiveness of policies and internal risk management and control systems as a whole, covering the Institution's financial and non-financial risks, including operational, IT, legal, social, environmental, political and reputational risks or those related to corruption, and supervise that the main direct or indirect risks are reasonably identified, measured and controlled.
- **Remuneration Committee**
 - Annually review the Remuneration Policy to ensure that it is aligned with the situation and the short-, medium- and long-term strategy of the Bank and with the market conditions and to assess if it contributes to the creation of long-term value and to an adequate risk management and control.
 - Assess the mechanisms and systems adopted to ensure that the remuneration scheme takes due account of all types of risks, levels of liquidity and capital and that the Remuneration Policy promotes and is consistent with adequate and effective risk management, and is in line with the Institution's business strategy, objectives, culture and corporate values, as well as the Bank's long-term interests.
 - Verify the information on remuneration contained in the various corporate documents, including the Non-Financial Disclosures Report.
- **Internal committees**
 - **Management Committee**

This is the highest management body within the Group and it is responsible for all matters related to the development of the business in the various regions, as well as matters related to credit risk, those arising from financial planning and financial activity, those relating to organisation and human resources, technology and all other aspects related to ordinary business management. It monitors the progress of the Sustainability Plan on the basis of the Sustainability Committee's regular report.

- **Sustainability Committee**

It is the body responsible for establishing and promoting the Sustainability Plan and monitoring its execution, as well as defining and disclosing the general action principles related to sustainability and promoting the development of associated projects and initiatives, both nationally and internationally. It regularly reports to the Management Committee and to the Strategy and Sustainability Committee on the progress of the Plan and its initiatives. It is responsible for supervising and driving the Bank's environmental management system.

Figure 4. Governance structure



Glossary of abbreviations and acronyms

Abbreviation / Acronym	Meaning
ESG	Environmental, Social and Governance
TCFD	Task Force on Climate-Related Financial Disclosures

