



BANCO SABADELL
NON-FINANCIAL DISCLOSURES REPORT
2018

CONTENTS

1. Information regarding environmental matters

- 1.1. Pollution
- 1.2. Circular economy and waste prevention and management
- 1.3. Sustainable use of resources
 - 1.3.1. Energy consumption
 - 1.3.2. Water consumption
 - 1.3.3. Paper consumption
- 1.4. Climate change
- 1.5. Other information regarding environmental matters
 - 1.5.1. Environmental risk assessment
 - 1.5.2. Financing and investment in renewable energies

2. Information regarding corporate and staff related matters

- 2.1. Employment
 - 2.1.1. Banco Sabadell workforce information
 - 2.1.2. Recruitment
 - 2.1.3. Remuneration
- 2.2. Work organisation, health and safety
 - 2.2.1. Leadership management
 - 2.2.2. Work/life balance
 - 2.2.3. Health and safety
- 2.3. Workplace Relations
 - 2.3.1. Communication
 - 2.3.2. Participation
- 2.4. Training
- 2.5. Equality
- 2.6. Universal accessibility for people with disabilities

3. Information regarding human rights

4. Information regarding the fight against corruption and bribery

5. Information regarding society

- 5.1. Commitment to sustainable development
 - 5.1.1. Transparency, simplification and accessibility
 - 5.1.2. Sustainable finance
 - 5.1.3. Social housing management
 - 5.1.4. Financial education
 - 5.1.5. Corporate Volunteer Scheme
 - 5.1.6. Social action and sponsorship
- 5.2. Consumers, outsourcing and suppliers
 - 5.2.1. Consumers
 - 5.2.2. Outsourcing and suppliers
- 5.3. Tax information

ANNEX 1 Corporate standards and institutional commitments

ANNEX 2 Table of contents Law 11/2018

Banco Sabadell S.A. (hereinafter, Banco Sabadell, the bank or the Group) is a financial institution which primarily carries out its activities in the Spanish market. It has a significant subsidiary in the United Kingdom, TSB, which is a British retail bank, as well as a banking institution in Mexico. The corporate information and subsidiaries forming part of the Group, as well as its business model, are listed in the Directors Report.

The development of the Group's business is geared towards profitable growth that generates value for shareholders through a business diversification strategy based on profitability, efficiency and service quality, with a conservative risk profile within the framework of ethical and professional codes and taking into account the interests of the various stakeholders.

The management model is focused on long-term customer retention, through ongoing activities intended to build customer loyalty based on taking initiatives and being proactive in the relationship with customers. The bank has a comprehensive offering of products and services, a qualified workforce, an IT platform that supports growth and a constant focus on the pursuit for quality.

Banco Sabadell has an internal governance framework, which has been updated by the Board of Directors in its meeting in January 2019. This framework describes, amongst other aspects, the shareholder structure, governance bodies, the Group's structure, the composition and functioning of corporate governance, internal control functions, key governance matters, the risk management framework and Group policies.

Information on the organisation, markets, objectives and strategies, as well as the principal factors and trends which can impact the evolution of the business are described in detail in the Directors' Report for the year.

Banco Sabadell carries out its business in an ethical and responsible manner, managing its commitment to society in such a way as to ensure that its activity has a positive impact on people and the environment. Each and every person in the organisation has a part to play in applying the principles and policies of corporate social responsibility, thus also guaranteeing quality and transparency in customer service.

In addition to complying with applicable regulations, Banco Sabadell has a set of policies, internal rules and standards and codes of conduct that guarantee this ethical and responsible behaviour throughout the organisation, and which address all of the Group's activity.

The bank has the necessary instruments in place to measure the outcome of these policies, the principal risks and the establishment of corrective measures, if necessary. Banco Sabadell has a Corporate Ethics Committee, to which the matters relating to Corporate Social Responsibility are reported, as well as a cross-cutting Corporate Social Responsibility Committee, which covers all matters related to corporate social responsibility throughout the organisation. It is formed of the various units responsible for such matters and coordinates all of the actions taken by the organisation in this regard.

Since 2003, Banco Sabadell has published a report indicating all of the actions, policies and initiatives which, aside from its core mission to be a provider of financial products and services, constitute the responsible performance of its business activities, its commitment to its various stakeholders, to the environment and to society in all of the regions in which it operates.

In 2018, this Non-Financial Disclosures Report, which forms part of the consolidated Directors' Report for 2018 of Banco Sabadell Group, and which is annexed to this consolidated report as a separate document, complies with the general provisions published in Law 11/2018 of 28 December, amending Articles 44 and 49 of the Code of Commerce in relation to non-financial and diversity disclosures, using this Non-Financial Disclosures Report as a framework.

1. INFORMATION REGARDING ENVIRONMENTAL MATTERS

As part of its Corporate Social Responsibility Policy, approved by the Board of Directors in 2003, and specifically, in its Environmental Policy approved by the Board of Directors in 2009, Banco Sabadell defines the framework of its commitment to environmental sustainability and to combat climate change. This framework focuses on minimising the environmental impacts of the processes, facilities and services inherent to the business, managing business-related risks and opportunities appropriately, and fostering the commitment to the environment of the people with whom the bank comes into contact. In this regard, the Bank is a signatory of the Equator Principles, the Carbon Disclosure Project (CDP) and its Water Disclosure programme. Nonetheless, it is worth highlighting that the activities carried out by the bank do not have a major negative impact on the environment.

In terms of environmental training and awareness, the entire workforce has access to an online course, completion of which is compulsory for all employees in certified corporate buildings. Using the internal platform “BS Idea” employees can submit their proposals for the improvement of environmental aspects and of the organisation’s actions to combat climate change.

TSB follows an independent environmental management system which is in line with legislation in the United Kingdom. In this regard, the bank is committed to the responsible use of resources and implements measures to improve their environmental impact, such as, for example, a reduced use of vehicles, waste collection and a post service. All of this is reflected in the bank’s Directors’ Report. It is also worth highlighting that the IT Migration Project carried out in 2018 shall lead to substantial energy consumption savings, and it will also facilitate the measurement and reporting of consumption. Furthermore, in new branch openings all of the computer systems comply with high energy efficiency standards.

1.1 Pollution

Banco Sabadell is a signatory of the Carbon Disclosure Project, thus undertaking a commitment to actively combat climate change. In 2015, a new CO₂ emissions reduction target of 3% was set for the 2015-2020 period in Spain. To do so, each year the bank implements energy efficiency measures in its installations, as well as in its services. These measures become particularly relevant with regards to the contracting of energy with a renewable source guarantee, which has enabled the bank to achieve a 99.85% reduction in scope 2 emissions in comparison to 2014.

With regards to the impact related to business trips and travel, environmental and expenditure rationalisation criteria are applied, favouring the use of transport with the lowest level of CO₂ emissions and for “in itinere” travel, the use of the internal car-pooling platform is encouraged. This information is shown in the table below.

CO ₂ tn	2018	2017	2016	2015	2014
<u>Scope 1</u> / Direct activities: emissions generated by company facilities and vehicles	1,151	763	648	600	552
<u>Scope 2</u> /Indirect activities: emissions due to electricity consumption in Spain	20	22	54	3,321	12,890
<u>Scope 3</u> / Other indirect activities: emissions derived from business trips (plane, train and car)	3,940	3,337	3,477	3,862	3,143
Total CO₂ emissions generated by the Group in Spain	5,111	4,122	4,179	7,783	16,585
Total CO₂ emissions generated per employee	0.3	0.2	0.2	0.5	1.0

1.2 Circular economy and waste prevention and management

In all of the Group’s facilities in Spain, paper waste is treated as confidential documentation to be destroyed, and 100% of the waste is recycled by authorised waste managers. The corporate centres and branches are equipped with facilities for the collection of packaging, organic matter and batteries. Together with Ricoh and the HP Planet Partners programme, the collection and reuse of used toner cartridges is carried out, together with the management of electronic waste through authorised waste managers.

Specific control mechanisms exist for waste management in branches due to be closed or merged. Surplus computer equipment and furniture in good condition at branches or work centres due to be closed or merged are donated by the bank to NGOs and local non-profit organisations.

1.3. Sustainable use of resources

As regards the bank's own infrastructure, Banco Sabadell has an environmental management system (EMS) that follows the international ISO 14001 standard and six certified corporate buildings in Spain. 16.22% of the Bank's national workforce work in one of these certified buildings. In parallel, the environmental management system is being progressively rolled out in the rest of the work centres.

1.3.1. Energy consumption

In 2018, Banco Sabadell's total energy consumption in Spain amounted to 86,398 MWh.

In 2018, electrical consumption in Spain reached 81,962MWh (compared to 82,824 MWh in the previous year) with 99.96% of energy deriving from renewable sources, mainly through Nexus Renovables, an energy supplier with 100% renewable source guarantee. Using 2014 as a baseline year, a reduction of 99.85% has been achieved in terms of CO₂ emissions in electrical consumption (scope 2).

With the objective of reducing its energy consumption, Banco Sabadell continuously develops measures to improve the eco-efficiency of its facilities and processes:

- The majority of the branch network is equipped with a centralised low energy consumption HVAC and lighting system, and light activation systems for billboard advertising adapted to daylight hours. Additionally, the majority of branches are equipped with Thin Client computers (central branch network infrastructure, whereby applications and software are virtually linked to servers) which consume 90% less energy. Since 2015 the implementation of these computers has also been initiated in corporate buildings.
- Additionally, the corporate buildings are equipped with motion sensitive lighting systems and LED (Light Emitting Diode) lamps. In these corporate buildings and larger offices, HVAC installations are equipped with energy recovery systems.

Total electrical energy consumption	2018	2017	2016
Total energy consumption (MWh)	81,962	82,824	89,809
Electrical energy supplied by Nexus Renovables (100% renewable source guarantee) (% of supply of total electrical energy)	99.94%	99.93%	99.84%

1.3.2. Water consumption

Group water consumption in Spain is limited to sanitary use and for the watering of certain landscaped areas. 100% of the water consumed comes from the supply network. The Group's headquarters are located in urban areas where the water collected and discharged is done so through the urban network.

With regard to eco-efficiency, bathroom facilities and taps are fitted with water-saving mechanisms. In this regard, the Bank's headquarters in Sant Cugat are fitted with a device that collects rainwater and greywater to reuse it as irrigation water. At the same time, the landscaped areas are comprised of native plants with low irrigation requirements.

1.3.3. Paper consumption:

Paper consumption in Spain in 2018 amounted to 1,047 tonnes. During the previous year, the bank has carried out the following actions to reduce the consumption of paper:

- 24 hour service for customers through remote channels and digital platforms.
- The use of tablets and digital systems in the branch network enables customers' signatures to be captured, and eliminates the use of pre-printed paper.
- All of the Group's printers are configured to print on both sides of paper by default.
- The conventional paper used by the bank is certified by the quality and environmental management system ISO 9001/ISO 14001, and its production is chlorine-free under the criteria of the FSC (Forest Stewardship Council). It is worth highlighting that since July 2018 the exclusive use of recycled DINA4 paper has been extended to the entire branch network.
- Elimination of the automatic printing of a customer copy, unless a customer specifically requests a copy.

Paper consumption:	2018	2017	2016
Volume of paper (DIN4 format) used during the year (tonnes)	1,047	988	1,062
Use of recycled paper in branches and corporate buildings in relation to total paper consumption (white and recycled) in Spain (%)	52%	9%	9%
Use of recycled paper in 13 corporate buildings with a post service in relation to total paper consumption (white and recycled) in Spain (%)	87%	80%	84%

1.4. Climate Change

In 2018 a Climate Change Task Force has been created and it is responsible for preparing the implementation of the TCFD (Task Force on Climate-related Financial Disclosures).

Furthermore, the use of videoconferencing for meetings and one-to-one meetings, teleworking pilots as well as the use of virtual communities for areas such as learning and continuous training is also encouraged.

Teleworking pilot schemes lay the foundations for the future availability of teleworking to a larger section of the workforce. There are multiple objectives and impacts of doing so, ranging from an enhanced work-life balance, to an obvious saving in time, energy and emissions.

The bank has adopted measures to improve the reduction of CO₂ emissions via its commercial offering of products. In terms of renting, the range of sustainable vehicles has been increased (with emissions equal to or less than 120gr CO₂/km), and these currently make up 78% of the current fleet of vehicles, with a permanent offering of ECO vehicles. Additionally, Banco Sabadell has contributed to the sustainable movement of employees by encouraging rentals of 100% electrical vehicles by staff through its offering of 60 vehicles of this type.

In order to provide a solution to traffic restrictions in the centre of large cities such as Madrid, a specific offering of low emission vehicles has been developed to guarantee access to this capital city, which will be extended in January to the rest of large Spanish cities.

With regards to research, the Banco Sabadell Foundation Award for Economic Research has been awarded to Dr Díaz Anadón for her work in the area of climate change, which combines research with the development of public policies, quantifying the role that new energy technologies (solar, wind or nuclear) could play in reducing CO₂ emissions and sector costs.

1.5. Other information regarding environmental matters

Beyond the responsible management of environmental sustainability with regard to the bank's own infrastructures, consumption and emissions, certain business activities with regards to financing and investment also impact the environment, therefore the bank maintains a range of initiatives and commitments in the interest of sustainability.

1.5.1. Environmental risk assessment

Since 2011, Banco Sabadell is a signatory of the Equator Principles, a voluntary international framework of policies, standards and guidelines coordinated by the International Finance Corporation (IFC), a sister organisation of the World Bank, which aims to determine, assess and manage environmental and social risks relating to structured finance projects for the amount of 10 million dollars or more, and corporate loans from 100 million dollars onwards. Under these standards, a social and environmental risk assessment of the possible impacts is carried out, addressing in some cases minimisation, mitigation and adequate offsetting, which is reviewed by an independent expert. Banco Sabadell publishes an annual report on its corporate website which includes detailed information of each one of the projects related to the Equator Principles.

In 2018, Banco Sabadell signed 20 projects which incorporate the Equator Principles, 85% of which relate to renewable energy projects.

Sector	Number of projects	Category	Country	Region	Designated country	Independent review
Renewable energies	10	B	Spain	Europe	YES	YES
	2	B	U.S.	Americas	YES	YES
	1	B	Canada	Americas	YES	YES
	1	B	United Kingdom	Europe	YES	YES
	3	B	Mexico	Americas	NO	YES
Oil and gas	1	B	U.S.	Americas	YES	YES
	1	B	Mexico	Americas	NO	YES
	1	B	Peru	Americas	NO	YES

The entire branch network has access to information to assist them in assessing any environmental risk associated with the sector or activity of the companies analysed. This assessment is also included in the risk management record in which the credit risk of the transactions is assessed, and which influences the decision-making process.

1.5.2. Financing and investment in renewable energies

With regards to the business, Banco Sabadell encourages the development of a more sustainable energy model through direct investment in projects and renewable energy financing.

Thus, Banco Sabadell, through its subsidiary Sinia Renovables, has commenced a new investment round (2016-2019) in which it will allocate 150 million euros in capital to this type of asset. In line with the Bank's internationalisation strategy, which considers investments in Spain, Mexico, the United Kingdom and a number of Latin American countries, the first capital investments in Mexico have been carried out, which is where Sinia is present in 247MW wind farms, of which 99MW are in use and 148MW are under construction for 2019. Sinia has an additional portfolio in Spain, comprised of its presence in 70MW in wind, 3MW in photovoltaic and 22.5MW in a hybrid thermosolar biomass plant. Based on these projects, renewable energy generation in Spain that is attributable to Sinia in 2018 totals 152 GWh, exceeding the electrical consumption of Banco Sabadell's branches and corporate buildings. This renewable energy avoids the annual emission of almost 58 thousand tonnes of CO₂.

Equally, on a national scale, Banco Sabadell contributes to and participates in the Solar Forum (*'Foro Solar'*), in which new developments and leadership in the Spanish photovoltaic industry are discussed.

Another business line related to the environment is the financing of energy-efficient equipment and facilities by means of special-purpose renting and/or leasing products; these are used to finance projects in areas such as public lighting, biomass-fired boilers and cogeneration facilities.

2. INFORMATION REGARDING CORPORATE AND STAFF RELATED MATTERS

Banco Sabadell's Human Resources policy aims to support the transformation of the organisation, and focuses on the people forming part of the day-to-day business and its growth. The key objective is to maximise the value creation of the professionals who form part of Banco Sabadell through the development of their talent, the management of their expectations and making the most of their skills and abilities.

During 2018 the management of Human Resources has been transformed, in order to strengthen its activity and ensure that such activity focuses on the significant challenges in the management of human capital as part of the next strategic plan:

- Greater focus on talent development
- Enhanced alignment between staff policies and business requirements
- Focus on employee satisfaction

Within the scope of TSB, actions related to supporting people and teams, before, during and after migration, particularly stand out. Furthermore, TSB's effort to create an inclusive culture is also noteworthy, in which all TSB employees, independently of their gender, ethnicity, disability, sexual orientation, age or personal circumstances, can fulfil their potential.

2.1. Employment

2.1.1. Banco Sabadell workforce information

Total number and distribution of Group employees by:

Gender	2018	2017
M	11,605	11,467
F	14,576	14,378
Total	26,181	25,845

Country	2018	2017
Algeria	3	3
Brazil	2	2
Colombia	6	6
Cuba	7	7
Arab Emirates	2	3
Spain	16,851	16,765
United States	240	229
France	20	22
India	4	4
Morocco	21	20
Mexico	462	312
Peru	6	5
Poland	3	3
Portugal	12	1
United Kingdom	8,388	8,319
Dominican Republic	4	2
Singapore	2	1
Turkey	3	3
China	6	6
Andorra	139	132
Total	26,181	25,845

Professional classification	2018	2017
Management	674	645
Middle Management	3,889	4,013
Specialists	16,991	16,701
Administrative staff	4,627	4,486
Total	26,181	25,845

The Management group includes executive directors, senior management, general management, corporate directors and TOP directors. 'Middle Management' includes directors not included in the definition of 'Management Staff'.

Age range	2018	2017
Younger than 31	3,255	2,986
Between 31 - 49	15,132	15,461
Older than 49	7,794	7,398
Total	26,181	25,845

Types of contracts held by the workforce in Spain:

	2018	2017
Indefinite	16,681	16,621
Temporary	170	143
Total	16,851	16,764

Type of Contract - Average contracts	2018	2017
Indefinite	16,706	16,622
Temporary	175	157
Total	16,881	16,779

Average Contracts - Gender	2018			2017		
	M	F	Total	M	F	Total
Indefinite	8,221	8,485	16,706	8,203	8,419	16,622
Temporary	82	93	175	84	72	157
Total	8,303	8,578	16,881	8,287	8,492	16,779

Average Contracts - Age range	2018		2017	
	Indefinite	Temporary	Indefinite	Temporary
Younger than 31	484	83	407	95
Between 31 - 49	10,869	80	11,272	54
Older than 49	5,353	12	4,943	7
Total	16,706	175	16,622	157

Average Contracts - Professional category	2018		2017	
	Indefinite	Temporary	Indefinite	Temporary
Management	474	-	441	-
Middle Management	3,274	-	3,249	-
Specialists	12,645	147	12,676	147
Administrative staff	313	28	256	10
Total	16,706	175	16,622	157

The Management group includes executive directors, senior management, general management, corporate directors and TOP directors. 'Middle Management' includes directors not included in the definition of 'Management Staff'.

The breakdown of part-time contracts is not provided, given that total part-time contracts in Spain in December 2018 amount to 20 (representing 0.12% of national contracts).

Types of contracts held by TSB workforce:

	2018	2017
Indefinite	8,320	8,231
Temporary	33	56
Total	8,353	8,287

Type of contract - Average contracts	2018	2017
Indefinite	8,198	8,335
Temporary	49	57
Total	8,247	8,392

Average contracts - Gender	2018			2017		
	M	F	Total	M	F	Total
Indefinite	2,737	5,461	8,198	2,760	5,575	8,335
Temporary	21	28	49	27	30	57
Total	2,758	5,489	8,247	2,787	5,605	8,392

Average Contracts - Age range	2018		2017	
	Indefinite	Temporary	Indefinite	Temporary
Younger than 31	2,107	19	2,195	28
Between 31 - 49	3,977	28	4,049	26
Older than 49	2,114	2	2,091	4
Total	8,198	49	8,335	57

Average contracts - Professional category	2018		2017	
	Indefinite	Temporary	Indefinite	Temporary
Management	181	-	174	-
Middle Management	297	8	295	5
Specialists	3,574	30	3,656	32
Administrative staff	4,146	11	4,210	21
Total	8,198	49	8,335	57

At TSB, there are currently no employees with part-time contracts.

Number of employee dismissals in Spain by:

Professional category	2018	2017
Management	5	3
Middle Management	25	22
Specialists	136	80
Administrative staff	4	22
Total	170	127

The Management group includes executive directors, senior management, general management, corporate directors and TOP directors.
'Middle Management' includes directors not included in the definition of 'Management Staff'.

Gender	2018	2017
M	102	74
F	68	53
Total	170	127

Age range	2018	2017
Younger than 31	5	4
Between 31 - 49	102	87
Older than 49	63	36
Total	170	127

Number of employee dismissals at TSB by:

Professional category	2018	2017
Management	4	
Middle Management	7	
Specialists	21	
Administrative staff	56	
Total	88	94

This information is not available by category in 2017 due to the change of system

Gender	2018	2017
M	28	40
F	60	54
Total	88	94

Age range	2018	2017
Younger than 31	19	22
Between 31 - 49	35	33
Older than 49	34	39
Total	88	94

Employees with some form of disability in the Group by gender and professional classification:

	2018		2017	
	M	F	M	F
Management	3	-	10	3
Middle Management	13	3	18	12
Specialists	83	69	95	115
Administrative staff	4	13	-	-
Total	103	85	123	130

Group data as at 31/12/2018

'Management Staff' includes executive directors, senior management, general management, corporate directors and TOP directors.

'Middle Management' includes directors not included in the definition of 'Management Staff'.

2.1.2. Recruitment

Banco Sabadell has a staff selection process which ensures that objective criteria based on professionalism and suitability are applied in finding the right person for each job and in relation to their potential career path at the entity. The Group seeks to ensure optimal professional development for its employees by encouraging them to excel and rewarding hard work. This mutual commitment is set out in the Banco Sabadell Group Code of Conduct and the internal mobility and recruitment policy.

Throughout 2018, a number of actions and projects have been initiated to strengthen and improve its procedures for attracting and recruiting talent to take on higher volumes of recruitment, new profiles and geographic dispersion. These are the factors that are making it necessary to redesign and update the procedures, skills, capabilities and technologies used to attract the best candidates and provide them with a professionally rewarding experience.

In terms of external recruitment, digital capacities to attract talented persons have been reinforced through a new employment website (www.sabadellcareers.com) which has already received more than 38,000 visitors in the 5 months since it was launched, with the average visit time exceeding one and a half minutes, and with users visiting the site from Spain (+70%), USA (+13%) and Mexico (+4%). Furthermore, the editorial content and the reinforcement of digital capacities in our LinkedIn profile led to 20,000 new followers in the online community during 2018, ending the year with a total of 78,540 users.

This year the Data&Analytics Programme has been launched, which aims to incorporate professionals who have advanced data knowledge, to explore and analyse the information included in data, extracting maximum value for the purpose of personalising our products and services and to make strategic business decisions. 12 participants have joined through this Talent Incubator, with the bank ensuring the integration, participation and training of employees from this group of professionals, through systematic and continuous monitoring by their tutors and mentors.

These actions have also led to a consolidation of our position as an employer in external reputation indicators. One notable achievement includes the attainment, once again, of a place in the Mercopersonas Top 25 (ranked number 21), a renowned Spanish corporate reputation monitor, which measures how attractive companies are as employers.

The unique nature of the TSB project, TSB's mission and the innovative nature of its employee initiatives have propelled TSB to be included in the Top 25 Best Places to Work in the United Kingdom, a ranking published in the prestigious Sunday Times. Specifically, it was included in the Top 5 in 2018.

2.1.3. Remuneration

Banco Sabadell's remuneration policies are consistent with the risk and business strategy objectives, corporate culture, the protection of shareholders, investors and customers, the Group's long term interests and values, as well as with customer satisfaction and the measures implemented to prevent conflicts of interest without incentivising excessive risk taking.

In this regard, the Banco Sabadell Group Remuneration Policy is based on the following principles:

- Foster medium-long term business sustainability, as well as alignment with Group values. This entails:
 - Aligning remuneration with shareholder interests and with the creation of long-term value.
 - Implementing rigorous risk management, considering measures to prevent conflicts of interest.
 - Aligning the Group's long-term business strategy, objectives, values and interests.
- Ensure the existence of a competitive and fair remuneration system (external competitiveness and internal fairness):
 - With the capacity to attract and retain best talent.
 - Which compensates professional experience and responsibility, independently of the employee's gender.
 - That it is aligned with market standards, ensuring it is flexible to adapt to changes in the environment and in the sector's requirements.
- With regards to the Gender pay Gap, Banco Sabadell, when dealing with the same functions, responsibilities and seniority does not make any type of wage discrimination between genders when recruiting staff nor in its employees' salary reviews.

In spite of this, in Spain, data has been analysed in an objective manner, carrying out a calculation of the total number of men and women, managing the different groups, managers, specialists and administrative staff without establishing any additional criteria, which results in a gap of 11.95%. During 2018 this gap has been reduced by 5.41%. This difference is primarily explained due to the lower seniority of females at the organisation. Additional measures have been specifically developed in addition to the measures mentioned earlier, in order to eliminate this gap:

- Increase in the representation of women in senior management roles.
- 50% of promotions have been allocated to women (26% at management level) through a focus/monitoring in the Performance Evaluation Committees, and unbiased candidate selection achieved through selection panels of 3 people in candidate shortlists.
- Equal salary action for women as well as for men and equal increase in total payroll.
- Strict gender equality in the High Potential Development Scheme planned for 2019, which will provide a pool of future managerial talent.

These measures have resulted in the Bank receiving the Equality in the Workplace Seal of Distinction (“Distintivo de Igualdad en la Empresa”), awarded by the Ministry of the Presidency, Relations with the Cortes and Equality (Ministerio de Presidencia, relaciones con las cortes e Igualdad) of the Spanish Government. The Seal of Distinction recognises companies and other Spanish institutions which stand out in the development of Equality of Opportunities between women and men in the labour environment, through the implementation of equality plans and measures. The granting of this distinction is carried out through annual calls in which any company or entity can participate in, private as well as public, which stand out due to the application and results of equality between men and women in their organisation with regards to: working conditions, organisation models in other areas such as services, products and corporate publicity.

The gender pay gap at TSB is reported by following the methodologies and the calculations established by the Government of the United Kingdom at all times. The most recent study reflected a gender pay gap of 31%, based on the fixed remuneration of all employees as at 5 April 2018, and the variable remuneration of all employees in the previous year.

- Rewarding performance by aligning remuneration with individual results, and the level of risk assumed.
 - Adequate balance between the various components of remuneration.
 - Consideration of risks and current and future results, whilst not incentivising risk taking that surpasses the risk threshold tolerated by the Group.
 - Simple, transparent and clear remuneration scheme. This Policy shall be understandable and easily communicated to all staff.

All of these principles on which the Group Remuneration Policy comply with European Directives and Regulations and other regulations currently in force, particularly Law 10/2014 of 26 June, on the Regulation, Supervision and Solvency of Credit Institutions, Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the Regulation, Supervision and Solvency of Credit Institutions, EBA Guidelines EBA/GL/2015/22 of 27 June 2016, Guidelines on Sound Remuneration Policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and the disclosure of information in virtue of Article 450 of Regulation (EU) 575/2013 (hereinafter, “EBA/GL/2015/22 Guidelines”), EBA Guidelines on internal governance (GL 2017/11) of 26 September 2017, Bank of Spain Circular 2/2016 of 2 February, for Credit Institutions, on Regulation and Solvency, which completes the adaptation of Spanish law to Directive 2013/36/EU and Regulation (EU) no. 575/2013, Delegated Regulation (EU) 604/2014 of the Commission of 4 March 2014, supplementing Directive 2013/36/EU of the European Parliament and of the Council with regards to technical regulatory standards relating to suitable qualitative and quantitative criteria to determine staff categories whose professional activities have a significant impact on the risk profile of an entity and the Senior Managers and Certification Regime (SMR) in the United Kingdom.

Total average remuneration at Banco Sabadell Spain by:

Gender	2018	2017
M	€ 59,561	€ 58,859
F	€ 44,932	€ 44,390
Average	€ 52,098	€ 51,532

The calculation of average total remuneration includes: Fixed Remuneration, Variable Remuneration (with 100% pay-out), personal and social benefits.

Professional classification	2018	2017
Management	€ 180,930	€ 177,599
Middle Management	€ 68,379	€ 66,228
Specialists	€ 43,948	€ 43,492
Administrative staff	€ 22,544	€ 22,467
Average	€ 52,098	€ 51,532

*'Management Staff' includes executive directors, senior management, general management, corporate directors and TOP directors.

'Middle Management' includes directors not included in the definition of 'Management Staff'.

The calculation of average total remuneration includes: Fixed Remuneration, Variable Remuneration (with 100% pay-out), personal and social benefits.

Age range	2018	2017
Younger than 31	€ 33,402	€ 33,316
Between 31 - 49	€ 48,110	€ 47,418
Older than 49	€ 62,187	€ 62,171
Average	€ 52,098	€ 51,532

The calculation of average total remuneration includes: Fixed Remuneration, Variable Remuneration (with 100% pay-out), personal and social benefits

Average remuneration of Managers in Spain:

	2018	2017
M	€ 192,770	€ 188,757
F	€ 140,984	€ 139,142
Average	€ 180,930	€ 177,599

*'Management Staff' includes executive directors, senior management, general management, corporate directors and TOP directors.

The calculation of average total remuneration includes: Fixed Remuneration, Variable Remuneration (with 100% pay-out), personal and social benefits.

Average remuneration of Directors at Banco Sabadell:

	2018	2017
M	€ 150,493	€ 131,974
F	€ 176,000	€ 148,019
Average	€ 154,137	€ 134,891

* Calculation carried out for Directors who have remained at the entity during the full year. Only remuneration received for functions carried out in the role of director have been reported, excluding the amounts received for managerial functions which are included in the categories shown in the table above.

In 2018 access to flexible remuneration has been extended to 100% of the workforce, as a measure to ensure that each member of staff can optimise their remuneration in accordance with their requirements and personal circumstances.

The bank also offers its employees other types of social benefits, which include the granting of loans with zero interest rates, training scholarships and schooling grants for their children.

Total average remuneration at TSB by:

Gender	2018	2017
M	€ 50,427	€ 56,860
F	€ 31,936	€ 33,855
Average	€ 41,214	€ 41,542

Exchange rate 1GBP=0.885EUR

Age range	2018	2017
Younger than 31	€ 32,877	€ 29,437
Between 31 - 49	€ 39,017	€ 48,846
Older than 49	€ 41,251	€ 41,755
Average	€ 41,214	€ 41,542

Exchange rate 1GBP=0.885EUR

Professional classification	2018	2017
Management	€ 201,968	€ 293,804
Middle Management	€ 99,341	€ 66,228
Specialists	€ 44,046	€ 43,492
Administrative staff	€ 21,827	€ 22,467
Average	€ 41,214	€41,542

Exchange rate 1GBP=0.885EUR

Average remuneration of Managers at TSB:

Average Management remuneration	2018	2017
M	€ 213,495	€ 313,195
F	€ 180,689	€ 250,633
Average	€ 201,968	€ 293,804

Exchange rate 1GBP=0.885EUR

2.2 Work organisation, health and safety

2.2.1 Leadership management

At Banco Sabadell it has always been people who have marked the difference throughout the history of the bank, and they will continue doing so in the future, with the aim of ensuring that Banco Sabadell is the best place in which to develop a professional career. The key element to achieve this is the people management model, which is based on meritocracy and on the development of talent.

This model is based on 3 key pillars: the annual performance evaluation, accompaniment by managers and development actions in accordance with the requirements and potential of each person.

During the year all of the bank's staff undergo a performance evaluation. This evaluation takes into account what they have achieved and how they have achieved it. The evaluation is used to encourage meritocracy, for which reason it is critical to emphasise this in the evaluation. This year, the objectivity of the model has been improved, by including the possibility of comparing previous and functional managers.

Just as important as the performance evaluation in the year is the evaluation of potential in the following year, to make the best decisions in terms of professional development (internal mobility, promotion, development programmes), align aspirations with professional opportunities and design the development agenda.

Potential includes whether the person wants to, and can, assume more cross-cutting functions and/or responsibility and their readiness to take on the next level of responsibility.

For this reason, a specific section has been included to highlight professional goals, and to enable the manager to evaluate these goals. Furthermore, managers have the responsibility of continuously providing feedback, thereby giving the necessary assistance for team-building. Their aptitude as team managers can be assessed through the evaluation.

Based on the foregoing, Banco Sabadell makes tools and specific training programmes available to employees, always under an approach based on joint responsibility of the employee in the development of their career.

In particular, a Programme for Management Development is available for Managers when they reach the role of Top Management or Corporate Director, with the objective of accompanying them during periods of transition within their careers and to prepare them for the changing environment of the business, with a special focus on the challenges of the new leadership role. The programme is presented within a 'learning by doing' model, and aims to create networks in the management group, offering networking and visibility opportunities.

Additionally, Banco Sabadell has continued to develop the model in order to ensure it has the most up-to-date information on current talent, and their potential, to ensure appropriate decision making in terms of people, well as well as effective and efficient management of the development of directors and pre-directors.

This has ensured the continued use of the Personnel Evaluation Committee model by each General Management Committee (17 in total), which addresses the following matters:

- Current (and forecast) evolution of the workforce (profile and costs) and management results (remuneration, performance management - high and low performances-, environment).
- Update of the talent map (directors and pre-directors) and pool of potential talent.
- Appointment of candidates to new management positions, and proposals for employees with high potential.
- Proposals for workforce actions.

2.2.2. Work/Life balance

The bank's workforce has access to a pool of social benefits, agreed by the Group and union representatives in the agreement on measures to improve the balance between family and personal life with working life. All of these benefits have been communicated to the entire workforce, and they are published on the employee intranet, for which reason they are well-known by all employees, who have been requesting and enjoying these benefits for a considerable period of time.

The benefits include: a reduction in working hours (remunerated, not remunerated, for breastfeeding), extended leaves of absence (for maternity leave, to care for family members), special permissions (for studies, personal reasons or international adoption), increase in leave for the birth of a child and flexible working hours.

Furthermore, the Group offers a wide range of measures aimed at improving the work/life balance of its workforce, enabling them to contract services and purchase products via the employee portal, which does not only offer them economic savings, but also allows them to save time, as they receive these products at their workplace and save the time that would be spent on the journey, or having to run the errand outside of their working hours. In addition to these benefits, it is also worth mentioning the services offered to enable staff who work in central services to carry out personal errands.

In 2018, new measures to promote flexibility and an improved work-life balance have also been implemented, which include the possibility of buying additional holidays and the gradual roll-out of teleworking. This last measure has had a very good reception in terms of satisfaction and productivity, and as at the end of 2018, 320 employees were making use of this measure.

Lastly, a new position of work/life balance manager has been included, with the aim of managing and analysing requests and applications by employees relating to work/life balance, proposing creative and personalised solutions outside standard practices, in order to achieve a satisfactory balance between the requirements of the employee and those of the manager.

2.2.3. Health and safety

The Group applies a preventive policy in order to continuously improve the working and health conditions of Group employees.

In accordance with current legislation, the bank has a prevention plan which includes all of the preventative activities carried out in the company, which are published annually in a report that is available on the employee intranet and on the corporate website.

It also carries out an initial workplace hazard assessment for each new work centre, and in the event of reforms or modifications. Equally, when a certain period has elapsed since the assessment, individual work stations, as well as common areas, are assessed in all of the installations, as well as aspects such as temperature, lighting etc.

The entire Group workforce and all new employees receive information on the prevention of occupational hazards and complete mandatory training relating to health and safety in the via an online course. The training is carried out through the use of publications, ergonomic guidelines and computer terminals and other equipment, all relating to the risks inherent to the bank's activity.

Absenteeism indicators:

Absenteeism indicators in Spain	2018	2017
Total hours (accidents and non-work related illnesses)	836,153	807,752

Absenteeism indicators at TSB	2018	2017
Total hours (non-work related illnesses)	399,409	433,412

Workplace accidents:

Types of accident in Spain	2018			2017		
	M	F	Total	M	F	Total
Work centre	44	75	119	28	52	80
In itinere	48	86	134	41	74	115
Travel during the work day	14	26	40	9	16	25
Other work centres	1	1	2	2	2	4
TOTAL	107	188	295	80	144	224

*2018 figures are provisional and do not include Solvia.

Work related accidents in Spain	2018	2017
Total hours	22,170	19,590
Frequency index	5.61	3.82
Severity index	0.08	0.07

Figures are for Spain and do not include Solvia. The severity index refers to the severity of absenteeism (work days lost/ existing work days * 100).

TSB, in compliance with the legal framework in the United Kingdom, does not maintain a record of accidents.

Social Security does not define any occupational illnesses in the banking sector.

2.3. Workplace Relations

2.3.1. Communication

Banco Sabadell has multiple channels for dialogue between different hierarchical levels of the organisation, with the aim of facilitating internal communication and involving employees in the bank's projects and activities.

The "BS Idea" platform enables employees to submit improvement proposals relating to all areas of the organisation. This platform constitutes an excellent communication channel in which employees can share their concerns and experiences regarding processes or products. Ideas which receive the most votes, as well as the ideas which contribute the most value to the entity, are analysed by the persons responsible for the processes concerned, as well as by the Decision Committee of the entity, which decides on the implementation of such proposals. The ideas which receive the highest number of votes also receive an economic reward.

Banco Sabadell also has a whistle-blowing channel for employees, through which employees can anonymously submit their queries, complaints and suggestions. The information gathered through this channel is reported to the entity's Corporate Ethics Committee.

At TSB, the launch of a new digital work environment stands out, which includes a new extranet and the use of the collaboration platform 'Yammer', in addition to the enhancement of the TSB Careers website. This work environment shall continue to be developed, as it is one of the key digitalisation initiatives for employees.

2.3.2. Participation

Banco Sabadell respects and guarantees the basic rights of employees in relation to freedom of association and collective bargaining, in accordance with Spanish law. These principles are set out in the human resources policy, specifically, Recursos Humanos 7305 – Normativa Laboral Básica Aplicable (Human Resources 7305 – Basic Applicable Labour Regulations), which refers to the Convenio Colectivo de Banca vigente (current Collective Banking Agreement). These rights are set forth in chapter twelve of this agreement, Union Rights, Articles 58, 59 and 60.

The bank currently has 11 trade union sections, including the State and regional sections. The selection of the workers' representatives is carried out via a vote every 4 years, in accordance with the guidelines set forth by the Spanish Banking Association (AEB, for its acronym in Spanish), together with the major State union sections in the Spanish banking sector. The results of the union elections determine the composition of the different Works Councils, as well as staff delegates who are the interlocutors representing the entity and the agents who participate in collective bargaining. In the absence of specific negotiations, they meet as and when required. The trade union representatives selected are allocated hours from their normal working hours to engage in their trade union activities. The Collective State Banking agreement covers the entire workforce forming part of Banco Sabadell in Spain.

During 2018 multiple actions have been developed as a result of employees responses to the work environment survey carried out in 2017.

100% of employees are covered by agreement in Spain. In the rest of countries, the applicable legislation in each country is applied.

Representation of employees in formal work-company health and safety committees in Spain (same data 2017 and 2018):

- State Health and Safety committees created in companies:
 - Banco de Sabadell S.A.
 - Sabadell Asset Management., S.A.
 - BS Securities Serv., S.L.
 - FONOMED Gest.Tel.Med.S.A.
- Workers prevention delegates (role envisaged in legislation that can be held by a maximum of 8 persons per company or work area)

	Workers Prevention Delegates	On the Committee
Banco de Sabadell S.A.	24	6
Sabadell Asset Management., S.A.	3	3
BS Securities Serv., S.L.	2	2
FONOMED Gest.Tel.Med.S.A.	3	3

At TSB there is a fluid and direct relationship with employee representatives (24 meetings a year, equivalent to 2 meetings a month). There are currently 2 recognised unions (Unite the Union and Accord) and one which is not recognised (TBU) which are chosen in the participatory elections. From 2019 onwards, the elections process shall be managed by TSB. With regards to the unions, the guidelines set forth by ACAS (Advisory, Conciliation and Arbitration Association, a public government body in the United Kingdom) are followed.

2.4. Training

Consolidation of Sabadell Campus

In 2018, the Group has continued to promote the bank's learning model, which was launched in 2016, with the consolidation of Sabadell Campus and its various schools and spaces. This is a project which embodies the pillars of the Banco Sabadell training model based on innovation, personalised training, business alignment and efficiency.

Commercial School

Training activities that focus on increasing the impact of key figures in the creation of business value have been prioritised, particularly for Managers of small and medium-sized enterprises and Business Banking Directors.

MIFID. Trusted advisors

In accordance with the guidelines set forth in MIFID regulations, and specifically, technical guidelines 4/2017 for the evaluation of the knowledge and skills of staff who inform and advise, published by the CNMV, intensive certification activity has been carried out and yielded excellent results, above the established targets. In this regard, 2,157 employees have been certified, 54.4% more than the 1,400 employees expected for 2018. As a result, a total of 4,061 managers were certified as at December 2018.

Creation of the Digital School

More than 3,500 employees already develop their digital potential in the 8 subjects offered by the Digital School (information management, networking, digital expertise, digital vision, digital communication, digital identity, continuous learning and security).

Those employees who complete the “+ Digital” programme, can receive the *Curso Superior de Digitalización en Banca* qualification from EADA (Advanced Digitalisation Course in Banking), based on Blockchain technology, which will be awarded in June next year.

Growth of the in-house tutoring team

One of the main pillars of Banco Sabadell’s new training model is the group of in-house tutors. Tutors facilitate the management of knowledge and internal talent and they make it possible for training to be available in all regions where it is required.

In 2018 this group has grown considerably, in terms of both size (470 members) and impact, offering support to critical processes, such as the aforementioned MIFID. These professionals have completed more than 50,000 hours of training, with each tutor dedicating an average of more than 19 hours per employee receiving training, to share their knowledge with the rest of the workforce.

Training in Spain	2018	2017
Employees who have received training (%)	94.1%	88.9%

Total hours of training and average per professional category in Spain	2018		2017	
	Training hours	Average hours	Training hours	Average hours
Management	22,180	52.31	23,864	58.04
Middle Management	150,306	48.11	137,345	41.98
Specialists	469,966	38.83	329,136	29.56
Administrative staff	6,864	34.67	2,386	20.93
Total	649,316	40.97	492,730	32.98

At TSB, the training plan related to the IT migration stands out, as it has included key groups in the migration process with the aim of preparing and aligning all capacities for the launch. This process forms part of wider monitoring, Human Factors, which measures the progress of training as well as other aspects of employees’ occupational health during the entire process.

Training at TSB	2018	2017
Employees who have received training (%)	77.71%	99.59%

Total and average hours of training per professional category at TSB	2018		2017	
	Training hours	Average hours	Training hours	Average hours
Management	6,869	38.59	6,429	37.60
Middle Management	13,571	44.49	9,704	32.03
Specialists	258,701	72.36	510,926	140.06
Administrative staff	335,386	78.22	826,363	198.41
Total	614,527	73.63	1,353,422	163.32

2.5 Equality

Banco Sabadell guarantees gender equality and equal opportunities in all areas of its activity affecting the workforce: recruitment, training, promotions and career development, salaries, work/life balance, etc. These principles are set out in the Banco Sabadell Group Equality Plan, Human Resources policy and Code of Conduct.

One of the aims set out in Section E. Work-Life Balance of the Equality Pact signed in 2016 is to establish a flexi-time framework to enable employees to achieve a work/life balance, which is enforced equally between men and women. The key principles of this Pact therefore pursue:

- The execution of a better alignment between people and the company, i.e. between the development of the company's staff and the company's objectives.
- The provision of assistance to the workforce to enable them to achieve a healthy work/life balance.
- An increase in the organisational flexibility of the company, and its adaptation to changes in society, in relation to family, social indicators, habits and behaviour.
- Maternity protection, childcare protection and the protection of dependent people, favouring the full and smooth integration of men and women within the company.

In terms of diversity, Banco Sabadell has a solid track record when it comes to designing and implementing gender equality measures, focusing particularly on fostering female talent as a source of corporate wealth. To this end, it has carried out an in-depth assessment of indicators, broken down by gender, and it has also held workshops with management staff in order to better understand the current situation in terms of female talent within the bank. As a result of its efforts, a specific plan has been defined in order to continue making progress in terms of diversity and equality.

The measures that have been adopted with a view to fostering equal treatment and opportunities between men and women relate to a number of areas of activity: staff selection and recruitment (gender-neutral language in internal job postings, standardised interview scripts, communication of the principle of equality to consultancy firms); training (equal participation between men and women in training activities, respecting the scheduled start and end times for such training, and conducting training activities during working hours whenever possible, creation of the "Equal Opportunities" course); promotions and career development (objective criteria relating to the suitability for the role and meritocracy, improvement and development of skills, promotion of at least 300 women to Level VII and 150 women to Level V); salary (100% of the annual salary paid to women on leave for pregnancy, breast-feeding, maternity and paternity leave, individual targets adjusted to the time worked, maintenance of targets); work/life balance (flexi-time, unpaid leave options, paid and unpaid short-time working, extended leaves of absence, holidays, internal transfers, etc.); gender violence (restructuring of working hours, preference in requests for internal transfers, contract suspensions, etc.); sexual abuse or sexual harassment (action protocol).

Banco Sabadell has had an Equality Plan, signed with the representatives of male and female employees, in place since 2010. The Plan was renewed in 2016 and it was published in the Official State Gazette, no. 191 of 11 August 2017. The main purpose of the Equality Plan is to prevent any type of labour discrimination between women and men at the company, as well as to prevent and penalise discriminatory behaviour due to gender, increasing the use of work/life balance measures, guaranteeing a balance between women and men at all levels, strengthening internal promotion and preventing and penalising sexual harassment and gender-based harassment. To do so, it establishes certain lines of action in different areas with specific objectives and commitments for each one of them: recruitment, training, development, wage, work/life balance, gender violence, sexual or gender-based harassment. The Equality Plan sets forth an action protocol for cases of sexual abuse, sexual harassment and workplace bullying. Through this protocol, when any such conduct is reported, a case file will be opened by an Investigation Committee in order to objectively assess the reported events. The Equality Plan Monitoring Committee meets twice a year to monitor the Plan.

In 2017 Banco Sabadell fulfilled and even went beyond the commitment it made in 2014 when it signed a Cooperation Agreement with the Spanish Ministry of Health, Social Services and Equality that set a target that women should account for 18% of senior management roles by 2018.

Furthermore the bank has a Board Members Recruiting Policy, approved by the Board of Directors in 2016, the aim of which is to establish the criteria which must be taken into account in the selection process of new members of the Board of Directors, as well as the re-appointment of the same.

This Policy promotes compliance with the gender diversity target, under which the gender with the lowest representation must represent at least 30% of the total members of the Board of Directors in 2020.

The Appointments Committee pays special attention to gender diversity in the Board of Directors, and in the assessment of the candidates selected, seeking to ensure the inclusion of women who comply with the requirements of the role sought.

The next steps will be to continue promoting gender diversity in order to strengthen the bank's commitment to this aspect, and to anticipate new regulatory disclosure requirements:

- Establish specific objectives and monitoring processes (incorporated into the Corporate Dashboard)
- Active management of female talent: maintain policies whereby candidates to positions are selected/promoted by a majority vote between three people and carry out forward-looking talent management (50% of women in the High Potential Development Scheme)
- Strengthen work/life balance measures
- Communicate and promote a corporate culture that encourages diversity (role models and awareness-raising sessions aimed at management staff)

Distribution of Group employees by gender

Gender	2018	2017
M	11,605	11,467
F	14,576	14,378
Total	26,181	25,845
%	2018	2017
Women in senior management positions	25.67%	24.34%
Women in line management positions.	33.50%	34.61%
Women in management positions	32.35%	33.19%
% of promotions who are women	49.55%	50.35%

Data calculated for the Group's total workforce

'Senior Management' includes executive directors, senior management, general management, corporate directors and TOP directors.

'Line Management' includes directors not included in the definition of 'Management Positions'.

2.6 Universal accessibility for people with disabilities

The Group fosters all forms of diversity and seeks to ensure the integration of all of its employees in the workplace, through its application of non-discriminatory recruitment and career development processes.

The Group establishes measures for the adjustment of roles where required in cases of functional diversity, which are in line with the occupational health and safety service's procedures relating to sensitive risk groups. The institution also assists employees with paperwork and formalities at municipality, autonomous community and state level that help to improve these employees' well-being beyond a strictly professional sense. Pursuant to the General Law on Persons with Disabilities (*Ley General de Discapacidad*), the bank implements the alternative supported employment measures set out in the aforementioned law by contracting services and supplies from special employment centres and by donating money to organisations that support people with disabilities; in 2018 it donated a total 600,000 euros to three such organisations (ONCE Foundation, Adecco Foundation and Cáritas).

As at December 2018, the Group had 188 employees with some form of disability (253 as at the end of 2017). The decline in the number of disabled employees, both in average terms and as at year-end, is due mainly to the reduction of staff in TSB (-62 employees YoY).

An in-depth study has been conducted of the distribution of the workforce by generation, identifying the variety and complexity of experience, skills, abilities and training in each of the generations in the workforce and formulating proposals for improvement that take into account their main interests, needs, expectations and concerns.

3. INFORMATION REGARDING HUMAN RIGHTS

Banco Sabadell has a Code of Conduct and an Ethics and Human Rights Policy in place, both of which were approved by the Board of Directors in 2003. The bank has also implemented a Code of Conduct for Suppliers, through which it ensures that its own commitment to safeguarding human rights is also applied throughout its supply chain.

Furthermore, the Group is a signatory a number of major national and international agreements relating to Human Rights:

- The United Nations Global Compact, of which it became a signatory in 2005, officially undertaking to commit to the ten principles, including the first and second principles on human rights and labour.
- The Equator Principles, a risk management framework for determining, assessing and managing environmental and social risk, which considers a number of aspects including the responsibility to respect human rights by undertaking due diligence in order to prevent, mitigate and manage adverse impacts.

These commitments aim to eliminate discrimination in respect of employment and occupation, uphold the freedom of association and recognise the right to collective bargaining pursuant to the legislation of the country in which the institution's employees work (ILO Convention No. 87 on freedom of association and the right to organise and ILO Convention No. 98 on the right to organise and collective bargaining). They also aim to foster measures for improving the well-being of staff and helping them to achieve a work/life balance.

The bank also encourages and maintains an environment in which all employees are treated with dignity and respect and where they are treated fairly, without any form of discrimination by reason of gender, race, skin colour, age, social background, religion, nationality, sexual orientation, political opinion, physical or psychological disability or membership of labour unions.

It also prohibits all forms of forced and compulsory labour, servitude and labour under indentured labour contracts. It also does not hire any minors under the legal working age and in no case under the age of 15.

Regarding customers and society in general, the bank offers products and services that contribute to generating a positive impact on people's lives through responsible business practices: risk prevention through assessments of the risk of human rights violations in Project Finance, social housing management and financial inclusion.

In 2017, the bank reiterated its commitment to the Code of Good Banking Practice, in order to limit the effects of over-indebtedness of people and families and thus enable the financial inclusion of debtors at risk of social exclusion.

Regarding procurement management, the bank has procedures in place which guarantee that human rights are respected throughout the end-to-end supplier accreditation, selection and evaluation process, as described in the relevant section of this report.

4. INFORMATION REGARDING THE FIGHT AGAINST CORRUPTION AND BRIBERY

Banco Sabadell views ethics as one of its core corporate values, and it works to actively fight against corrupt practices. Banco Sabadell has been a signatory of the United Nations Global Compact since 2005, and as such it applies its Principles, thereby undertaking the express commitment to fight against all forms of corruption.

In this respect, it has a Code of Conduct and a Conflicts of Interest Policy in place to which all Group employees are subject.

As a financial institution, one of the pillars of Banco Sabadell's activity relates to anti-money laundering and counter-terrorist financing. Both the bank and its subsidiaries have in place due diligence measures, rules and procedures for each type of risk to which they are exposed, and which they apply in both pre-onboarding processes and in the continuous monitoring of onboarded customers. They include the recommendations issued by international bodies and by the Financial Action Task Force (FATF). In each foreign branch and representative office, as well as in each domestic and international subsidiary, a person has been designated to be responsible for these matters, and a procedure has been established for reporting incidents related to corruption and money laundering. A training plan is in place for all Banco Sabadell employees in relation to anti-money laundering and counter-terrorist financing.

The bank also pays particular attention to the supervision of loans and accounts held by political parties by following a rigorous customer onboarding procedure. Similarly, the bank does not make any contributions of any kind to political parties, politically exposed persons or related institutions.

In terms of transparency, all donations to NGOs and foundations are analysed and assessed by the bank's Sponsorship Committee or the Board of Trustees of the Foundation, in accordance with the principles laid down in the bank's Social Action Policy. The accounts of the Banco Sabadell Foundation are also duly audited.

It is also worth noting that Banco Sabadell's Code of Conduct regulates the acceptance of gifts and inducements, expressly setting forth that staff must reject all such items, as well as any contributions from a counterparty or any personal benefit offered by a customer or supplier which may limit or otherwise affect their decision-making capacity.

Lastly, as indicated in the section on Communication, the bank also has a whistle-blowing channel available to employees which they can use to anonymously submit queries, complaints and suggestions. Information received through this channel is reported to the institution's Corporate Ethics Committee.

5. INFORMATION REGARDING SOCIETY

Banco Sabadell enforces this commitment through transparency and accessibility, using specific products and management models which address different social matters. The bank also maintains a permanent dialogue to determine the concerns that it shares with society, based on which it takes part and promotes multiple initiatives relating to financial education, solidarity and other activities and partnerships with a social impact. The bank's commitment to society is channelled through its corporate volunteer scheme, the initiatives pursued by the bank's various divisions and through the Banco Sabadell Foundation.

5.1. Commitment to sustainable development

Banco Sabadell contributes to sustainable development through the following initiatives:

5.1.1 Transparency, simplification and accessibility

The bank has established mechanisms and arrangements to guarantee that all information provided to customers is transparent and that all of the products and services which it offers satisfy their requirements at all times.

In 2018, the online savings and investment platform “Sabadell Inversor” was implemented in the branch network. This platform is used to offer an expanded advisory service to all of the institution’s customers, addressing their specific needs and characteristics, whilst also complying with the legal requirements of the mandatory MiFID II regulation. This platform also centralises other ranges of products and services which complement the savings and investment offering.

Before selling a product or service, the products approval committee verifies that it meets the required transparency standards.

The branch network is also given information about products and services through pre-contractual information sheets, which make it easier for relationship managers to give the necessary explanations to help customers and consumers understand the characteristics of the products which they acquire. At the same time, when advising customers on investments, relationship managers also carry out the necessary tests to ensure that the financial products are in line with their needs and requirements, and assess customers’ knowledge and experience in this regard.

The bank has been a member of the *Asociación para la Autorregulación de la Comunicación Comercial* (the independent advertising self-regulatory organisation in Spain), more commonly known as “Autocontrol”, and through this membership it undertakes the commitment to offer responsible advertising that guarantees the accuracy of the information, acquisition process and operational characteristics of the advertised products.

In 2018, Banco Sabadell has expanded its range of distance banking services, thereby enabling customers to carry out certain transactions without having to visit their local branch. Its new distance banking services include obtaining frequently used bank certificates and digitally signing for certain financial products. A system has also been launched which allows new accounts to be opened via video call or using a mobile app, and a feature has been enabled which allows individual customers who do not require any notarial intervention to apply for loans using distance banking.

Banco Sabadell also offers the option to consult the prices of securities listed on Spain’s electronic market (*mercado continuo*) using Amazon’s voice service, Alexa, and it has expanded its voice services for the bank’s customers with iOS devices, allowing them to check their account balance and send or request money using a voice command.

In order to help customers carry out more banking transactions, a pilot programme has been launched under which branches can assist customers (subject to receiving prior notification) in the evenings.

5.1.2 Sustainable finance

Ethical and charitable investing

Banco Sabadell encourages responsible investing by offering customers a number of savings and investment products which also contribute to humanitarian projects. Products in this area include Fondo de Inversión Sabadell Inversión Ética y Solidaria F.I., (a mutual fund), Sociedad de Inversión Sabadell Urquijo Cooperación, S.I.C.A.V, S.A., (an investment company), Plan de Pensiones BS Ético y Solidario, P.P. and Plan de Pensiones BanSabadell 21 F.P. (pension plans), as well as Fondo de Pensiones G.M. PENSIONES, F.P. (a pension plan for Group employees).

In 2018 the Corporate Ethics Committees of Sabadell Urquijo Cooperación, Sicav, SA and Sabadell Inversión Ética y Solidaria, FI selected 35 humanitarian projects mostly aimed at addressing social exclusion risks, improving the living conditions of people with disabilities and meeting basic food and healthcare needs. Over €390,000 were granted to charitable organisations and projects in 2018.

In the area of investment, both pension funds manager BanSabadell Pensiones EGFP SA and, since 2016, Aurica Capital, a venture capital enterprise that invests in Spanish companies with plans to expand in foreign markets, have adopted the Principles for Responsible Investment in the “investment manager” category. These principles include social, environmental and good governance criteria in management policies and practices.

Sustainable bonds

Green, social and sustainable bonds are debt securities which support environmental and/or social improvement projects by meeting certain eligibility criteria.

The funds obtained from issuing these bonds are used to fund green/social projects (renewable energy, energy efficiency, water pollution and management, waste management, healthcare, social inclusion, etc.). They are rated by an external agency that verifies that the bonds identified as sustainable bonds qualify as such and also verifies that the funds obtained from issuing these bonds are used to fund environmental and/or social projects.

Banco Sabadell has taken part in the placement of Iberdrola and Gas Natural green bonds, and has acted as the sole placement agent of 150 million euros of sustainable bonds issued by the Autonomous Community of Madrid in 2018. This role has enabled it to acquire investors interested in purchasing these products.

5.1.3 Social housing management

Banco Sabadell manages social housing through Sogeviso, an institution wholly owned by the bank, in order to responsibly address situations of social exclusion faced by its vulnerable mortgage borrowers.

As at 31 December 2018, Sogeviso managed 10,178 properties under social and affordable rent arrangements specifically aimed at these vulnerable customers. In 53% of these cases the “Social Contract” has been incorporated. The Social Contract is a service under which social workers offer specific assistance and which is based on three pillars: (i) putting these customers in touch with public services, (ii) implementing employment and labour market insertion actions, by managing a service which aims to increase customers’ employability through training, coaching and job interview practice, and (iii) cooperating with public and private institutions, particularly those involved in the Third Sector. Comprehensive rent management, together with the Social Contract (which currently provides services to 5,344 families and has been consolidated as an innovative model with which to manage vulnerable customers), has enabled 3,501 families, all of which had members who are Banco Sabadell customers, to overcome their situation of social exclusion. 2018 has also seen the consolidation of the JOBS programme (for employment and labour market insertion), which ended the year with 2,688 participants. 1,483 people have found employment under this programme since it began in 2016. It is important to note that over 33% of these were hired for over 100 days and more than 6% were hired for long-term positions, which will improve their long-term employability.

Also during 2018, in order to limit the effects of over-indebtedness and facilitate the recovery of debts owed by debtors at risk of social exclusion, the bank has reiterated its commitment to the Code of Good Banking Practice, approving 167 mortgage loan restructuring operations.

Since 2013, Banco Sabadell has been a participant of the Social Housing Fund (*Convenio del Fondo Social de la Vivienda*, or FSV), an initiative implemented by the government of Spain to strengthen the protection of mortgage debtors. Sabadell has contributed to this initiative with 400 properties primarily aimed at customers who have had to surrender their properties to settle their debt or who have lost their properties through foreclosure proceedings since January 2008. 90% of the bank’s housing stock is covered by social rent agreements currently in effect.

Furthermore, the bank has assigned 92 properties to 46 non-profit institutions and foundations, intended to lend support to disadvantaged social groups.

5.1.4 Financial education

Banco Sabadell continues to promote and take part in a number of financial education initiatives. From the institution’s perspective, this type of activity involves not only meeting the different training requirements of consumers and society in general, but also being by the side of consumers and society to help them develop their skills and decision-making abilities.

For children (up to age 13)

The drawing competition “What is money for? (*¿Para qué sirve el dinero?*), at <http://paraquesirveeldinero.com/> has been running since 2010 and includes a series of educational activities and educational materials, prepared in cooperation with teachers and educators, to encourage the development of creativity and the understanding of the importance of saving, the value of money and solidarity.

This year, it includes a children’s economic dictionary that is linked to an educational guide, which helps children to become more familiar, word by word, with the uses of money and provides answers to their questions and concerns. Additionally, for each drawing submitted, Banco Sabadell makes a donation to a charitable cause. The drawings that receive the most votes on social media are also awarded a prize. More than 7,300 drawings were submitted in 2018.

For adolescents

Since its creation six years ago, Banco Sabadell has taken part in the annual Catalan Schools Financial Education programme (*Educación Financiera de Escuelas de Cataluña*, or EFEC). The programme is taught in over 350 academic centres, and more than 87,600 students take part. This is equivalent to approximately 30% of students in their final year of compulsory education (4º ESO) in Catalonia.

The bank also participates in the “Your finances, Your future” programme (*Tus Finanzas, Tu Futuro*), in partnership with the Spanish Banking Association (Asociación Española de Banca, or AEB) and the Junior Achievement (JA) Foundation, which is offered at over 100 centres throughout Spain.

Financial education imparted by volunteers		2018	2017	2016
Number of volunteers	EFEC	87	179	164
	JA	32	32	34
Number of beneficiaries	EFEC	17,200	9,082	4,736
	JA	387	430	426

Banco Sabadell is also a signatory of the agreement signed between the Spanish Banking Association (AEB), the Spanish Securities Market Commission (CNMV) and Bank of Spain within the framework of the National Plan for Financial Education. This Plan, which was renewed in 2018 and which follows the recommendations of the European Commission and the OECD, is designed to improve public understanding of financial matters by providing citizens with basic knowledge and tools to enable them to manage their finances in a well-informed and responsible way.

For SMEs

For the last six years Banco Sabadell has worked in collaboration with AENOR, AMEC, Arola, CESCE, Cofides, Esade and Garrigues, and is the sponsor of the “Export to Grow” programme (*Exportar para crecer*) designed to help small and medium-sized enterprises to expand into foreign markets. It does this by offering them online tools and specialised information services and by arranging round table discussions throughout the country, in which close to 5,000 companies have already taken part.

As part of its commitment to supporting and advising corporate customers, Banco Sabadell has launched the second edition of the Sabadell International Business Programme, a training programme organised together with the University of Barcelona (UB) which can be completed either in person or digitally by following the live streaming of training sessions held in cities including Barcelona, Madrid, Valencia, Bilbao, Vigo and Seville.

In terms of the digitalisation of companies and the assistance given to them, the bank has launched a new programme and created a new role within the branch network: the *Director de Digitalización de Empresas* (Companies Digitalisation Director), who combines the duties of a professional consultant equipped with a good understanding of the unique characteristics of each customer together with the provision of personalised advice in relation to streamlining and transforming each business in areas such as e-commerce, data mining, digital marketing and cybersecurity.

Another initiative designed to support and assist companies is Sabadell Link, an audiovisual channel which, among other features, facilitates contact with key management staff at the representative offices in Europe, Asia, Africa and America. The exporter kit, which is available on the International Business website, is a set of tools for engaging in foreign trade activities with the maximum guarantees, and it is therefore another frequently used resource when it comes to firms’ internationalisation processes.

Under BStartup, Banco Sabadell’s entrepreneurship programme, the bank has organised around 40 informative chats for entrepreneurs about start-up funding. The topics addressed included both public and private funding options.

For families/society

In 2018 Banco Sabadell launched a new live debating programme, 'Futuros', under which it held debates on the Facebook Live platform regarding the day-to-day concerns of families as well as aspects that affect their household finances.

These debates, led by influential people from the worlds of culture, engineering, education and sport, make it clear that there are as many possibilities for the future as there are people in the world, and Banco Sabadell explains its role as a guide to support and assist families and offer them solutions at key moments in their lives.

This initiative offers families and society a chance to become involved by contributing to the debate and sharing a variety of opinions on matters such as: 'Are we meant to live together?' and 'How should your children study?'.

5.1.5 Corporate Volunteer Scheme

Banco Sabadell encourages employees to engage in community and volunteer work by providing them with the necessary means and resources.

Through Sabadell Life, a consolidated internal portal in place since 2016 and which has over 11,000 users, more than 500 charitable initiatives and corporate volunteer activities have been proposed by the bank and its employees and registered on the portal. The more community-minded employees either donated directly or exchanged their prizes for donations, using gamification, to one of the charitable causes sponsored by Sabadell Life through the Actitud Solidaria platform: school meals grants ('*Becas Comedor*') provided by Educo (this campaign was selected through a majority vote by employees in a survey) and educational supplies for children at risk of social exclusion under Ayuda en Acción, among others. The institution has also sent aid to those in need following natural disasters, such as the 2018 tsunami in Indonesia.

In addition to the financial education programmes mentioned above, some of the most popular volunteer initiatives included:

- Programmes to leverage the knowledge and experience of current and former employees to favour disadvantaged sectors and people at risk of social exclusion:
 - The Exit Foundation's "Coach" project, which mentors young people in vulnerable situations to help them find work. In 2018, 36 employees volunteered for a total of 1260 hours mentoring teenagers aged between 16 and 18 to help them improve their employability in the cities of Madrid, Barcelona, Valencia, Granada, Alicante and Palma.
 - Transpirinenca Social Solidària (TSS) is a social and educational project in which the Banco Sabadell Foundation is a collaborating partner and which aims to promote social inclusion. 300 young people and 200 volunteers from a number of companies, including Banco Sabadell, take part in a hike over the Pyrenees to support social inclusion, walking 800km in different stages over 42 days.
 - The second edition of BValue, a programme provided by the Banco Sabadell Foundation and the Ship2B Foundation which is designed to help non-profit organisations develop professionalisation and sustainability models. Under the programme, 20 employees act as mentors for various social entities, assisting and advising them.
- Contributions and participation in fundraising campaigns:
 - Trailwalker hike, in which over 40 teams took part with more than 100 volunteers, raising €65,000 for Intermon Oxfam in support of a world without poverty.
 - Inspiring Games, an online competition between companies in which the points earned by over 400 employees who took part in a number of different sports and activities led to the company being named the

healthiest company of 2018. The bank donated the 1000 euro award to the 5p- Syndrome Foundation. 5p-Syndrome is a rare condition that affects 1 in 50,000 children.

- Over 230 employees gave blood in Barcelona, Valencia and Madrid.
- Collaboration with the 'Reyes Magos' Christmas campaign organised by the Magone Foundation. Over 470 Christmas presents were donated in response to letters to the Three Wise Men written by boys and girls at risk of social exclusion in regions such as Alicante, Barcelona, Bilbao, Madrid, Malaga, Oviedo, Galicia, Zaragoza and Valencia.
- Other activities included charitable gift-giving on Saint George's Day (an event known as *Diada de Sant Jordi Solidario*) and the Charity Christmas Market in the Sant Cugat corporate centre, working together with various third sector organisations, including Obra Social San Juan de Dios, Proactiva Open Arms, Espigoladors, Sonrisas de Bombay and Mua Solidaris, among others.
- Projects aimed at labour integration and improving employability:
 - Partnership with Cáritas in the "Feina amb Cor" programme, aimed at people who are unemployed, have family burdens and/or are over 40 and receive no financial income. Banco Sabadell is the only financial institution associated with the project, and it offers such persons an opportunity to work in its branches, carrying out administrative duties and working with Customer Services on a temporary basis, particularly during the holidays.

Of the 25 people who have taken part in the Feina amb Cor programme since 2015, 5 continue to work in branches in the province of Barcelona, 6 have worked more than the 3000 hours established as the maximum hours in the programme and 5 have found stable employment, which is the primary aim of the programme.

It is also worth mentioning TSB's extensive charitable work carried out in 2018 as part of the TSB Local Pride initiative, which pursues two objectives:

- Donate time, money and expertise, through the TSB Local Charity Partner programme, in which every branch supports a local cause that matters to their community. Also, help local sports clubs across the UK use the power of sport to make a positive difference to young people and their communities through its partnership with Sported, one of the leading Sport for Development charities in the UK.
- Share the stories of the unsung heroes helping people in their local communities.

5.1.6 Social action and sponsorship

Banco Sabadell's social action policy is based on the Group's commitment to social development and the creation of value. The bank carries out most of its activities in this area through the Banco Sabadell Foundation, the Sponsorship Committee and the work carried out with the joint cooperation of all of its divisions. In 2018, the Banco Sabadell Foundation received 5 million euros from the bank to carry out its activities.

Awards and recognition

The activities of the Banco Sabadell Foundation are organised around talent, science, culture and social entrepreneurship. Some of the key initiatives undertaken by the Foundation include the Award for Biomedical Research, the Award for Science and Engineering, which was created in 2017 in partnership with the Barcelona Institute of Science and Technology (BIST), and the Award for Economic Research, all of which aim to recognise and support the achievements of Spanish researchers in these fields. Another testament to the Banco Sabadell Foundation's commitment to science is its Scientific Research Grants, which it has been awarding for the past 24 years to pre-doctoral students, and its involvement in the Boards of Trustees of institutions such as the Pasqual Maragall Foundation.

In terms of supporting young talent, the Sabadell Foundation has also cooperated with Celera this year, a programme that identifies young people in Spain with a wide range of profiles and who have outstanding talent in research, entrepreneurship and engineering. The programme gives the selected candidates the tools that they need to fully tap into their potential.

Social innovation projects for social entities

In 2018, the Ship2B Foundation, together with the Banco Sabadell Foundation, launched the second edition of the BValue programme, which aims to help professionalise, transform and improve the value proposition of non-profit organisations in all areas of activity. 10 finalist proposals are selected after the first stage, which then receive support to launch a crowdfunding campaign through which their proposals are shared and validated. The projects are then

presented during a Demo Day, during which the Banco Sabadell Foundation grants a number of financial support packages.

In 2017 a total of 40 social entities were selected to take part in the first edition of B-Value. 100 mentors specialising in different sectors took part in the programme. Thirty of them were Banco Sabadell employees who also participated in 4 face-to-face workshops held in Barcelona and Madrid.

Young talent programme

Since 2016, the Banco Sabadell Foundation and the Ship2B Foundation have worked together to detect and reward innovative projects which help to improve the coaching and employability of young people. With the B-Challenge programme, 20 groups of young people submit their projects to a selection, training and support process, at the end of which the 4 projects considered to have the most potential for success are selected.

The crowdfunding campaign #YoCreoTalento is used to support the talent of the 4 winning projects of the B-Challenge programme. These are social projects which propose innovative solutions using self-sustainable business models.

Community-minded attitude

In 2018, through the IT platform provided by Worldcoo, a start-up partly owned by the bank thanks to the BStartup10 programme, Sabadell has been able to effectively respond to a number of emergency appeals, including the appeal to raise funds following the tsunami in Indonesia, with over 300 donations being made in less than 24 hours in order to help over 700 people in need, by providing medicine, specialised care, hygiene facilities, as well as clean water and food.

5.2 Consumers, outsourcing and suppliers

5.2.1 Consumers

Banco Sabadell has a Customer Care Service which deals with complaints and claims.

In 2018, 44,713 complaints and claims were received, 32,849 of which were accepted for processing. The number of cases handled, however, was 35,445, due to the resolution of issues pending from the previous year. By type, 5.9% were complaints and 94.1% were claims.

The Group has a Customer Ombudsman, who is responsible for resolving the claims brought forward by the customers and users of the bank, both in the first and second instances, and for settling issues that are passed on to him by the Customer Care Service.

TSB's Customer Relations division received a total of 200,000 complaints and claims in 2018 (provisional data pending TSB's official year-end figures).

5.2.2 Outsourcing and suppliers

The challenges of competitiveness require the adoption of cooperative behaviour between Banco Sabadell and its suppliers and for suppliers to be viewed as strategic partners. Based on this principle, the bank established a series of protocols and standards in order to extend its commitment to socially responsible practices to the supply chain.

The protocols and mechanisms indicated above cover the end-to-end relationship with the bank's suppliers, from the supplier accreditation and evaluation process until the procurement process.

Banco Sabadell also requires its suppliers to adhere to the Group's environmental policy, thereby integrating environmental and social responsibility into its supply chain. The basic contracts with suppliers include clauses on

respecting human rights and the ten principles of the United Nations Global Compact. Where required due to the activity involved, contracts also include environmental clauses.

Supplier accreditation

The Procurement Division has a portal in which suppliers, prior to registering, must accept the Code of Conduct for Suppliers, which includes:

- The United Nations Universal Declaration of Human Rights.
- International Labour Organisation agreements.
- United Nations Convention on the Rights of the Child.
- The principles of the United Nations Global Compact, of which the bank became a signatory in February 2005.

The documentation requested in the supplier accreditation form includes the ISO Certifications (such as ISO 9001, ISO 14001 and other quality certificates), documents related to governance matters and the published information on the company's CSR. Details of the characteristics of the products made available to the bank by the supplier (recycled, ecological and reusable products) may also be requested.

Before the accreditation process, suppliers are required to accept the general contractual terms and conditions and the code of conduct, which gives details about the bank's environmental policies.

In order to proceed with the accreditation process, suppliers must provide their legal documentation, financial information, quality certificates, proof that they are up to date with their social security payments and tax obligations, as well as their CSR policy.

After reviewing the documentation submitted through the monitoring tool, Banco de Sabadell proceeds with the supplier accreditation process.

Thereafter, when the documents provided by the supplier near the end of their validity period, the bank sends that supplier a reminder to update them. Once the updated documents have been submitted, they are reviewed and the accreditation status is updated.

Supplier evaluations

The Group's major suppliers (i.e. those with a turnover of more than 250,000 euros) and those classed as critical (i.e. those engaging in areas in which there are limited market players) are assessed on an annual basis on environmental and quality matters, as well as labour criteria and the status of their Social Security payments.

Banco Sabadell regularly checks that the documentation submitted by suppliers is fully up to date in order to guarantee compliance with accreditation criteria, and establishes mechanisms for sending periodic alerts.

Unit managers are given discretions in certain services unrelated to the Procurement Division, as these services do not represent a risk and involve financial service firms and consultancies. All of these exceptions are included in a transparent manner in the organisation's Procurement Manual.

International network

Supplier recruitment in the international network is decentralised, hiring only local suppliers and affecting only products for the sole use by the relevant branch or office in its daily activities.

5.3 Tax Information

Banco Sabadell Group is firmly committed to promoting responsible taxation, maintaining a cooperative relationship with the Tax Authority and fostering transparency in communications relating to tax information sent to the various stakeholders.

These commitments are embedded in the Group's Tax Strategy, published on its corporate website, which lists and describes the Group's principles of action in matters relating to taxation. These principles include the principle of efficiency, prudence, transparency and the mitigation of tax risk. The Group applies these principles in order to ensure that its overall tax contributions are in accordance with the law and the relevant international guidelines and principles established by the OECD.

Consolidated profit after tax in each country as well as the taxes and public subsidies received, all of which correspond to Training activities, are shown below.

Data in thousand euro

Country	Consolidated profit earned		Corporation tax paid	
	2018	2017	2018	2017
SPAIN	385,948	603,649	23,139	53,899
UNITED STATES	110,355	71,439	15,546	6,881
FRANCE	13,864	5,573	1,779	1,779
MEXICO	12,584	12,447	5,452	5,275
ANDORRA	8,307	8,005	357	1,072
CUBA	1,644	1,532	-	-
MOROCCO	1,256	1,965	896	1,484
LUXEMBOURG	86	74	-	76
BAHAMAS	-40	-90	-	-
PORTUGAL	-1,787	-	-	-
UNITED KINGDOM	-196,987	100,584	11,211	32,519
Total	335,230	805,178	58,380	102,985

Subsidies received in Spain in 2018 (Training): 2 million euros.

ANNEX 1. CORPORATE STANDARDS AND INSTITUTIONAL COMMITMENTS

Beyond the actions and initiatives summarised in this Non-Financial Disclosures Report, Banco Sabadell has a series of codes, policies and standards in place which determine its commitment to the Group's corporate purpose, and it is also a signatory of various national and international agreements which also enshrine this commitment. The policies and commitments listed below are those corresponding to the institution's non-financial areas.

Non-Financial Principles and Policies

- Code of conduct: this applies to all persons who directly form part of the Group, whether through a professional association or through their membership of its governing bodies.
- Internal Code of Conduct relating to the securities market.
- Code of Conduct for Suppliers.
- Corporate Social Responsibility Policy.
- Banco Sabadell Group policy on restrictions on financing and investment in activities associated with the arms industry.
- Ethics and Human Rights Policy.
- Shareholders and Investors Policy.
- Customers Policy.
- Human Resources Policy.
- Environmental Policy.
- Suppliers Policy.
- Social Action Policy.
- Banco Sabadell Group Remuneration Policy.
- Banco Sabadell Equality Plan.
- Guidance for the use of social media.
- Membership of AUTOCONTROL (the independent advertising self-regulatory organisation in Spain).
- Signatory of the Code of Banking Practice.
- Tax Strategy and Good Taxation Practices:
 - Tax Strategy.
 - Tax Liability and Good Taxation Practices.

Pacts, Agreements and Commitments

- Signatory of the United Nations Global Compact on human rights, labour, the environment and anti- corruption.
- Signatory of the Equator Principles, which incorporate social and environmental criteria in the funding of large-scale projects and corporate loans.
- Integration of CSR into corporate practices following the ISO 26000 guidelines.
- Signatory of the United Nations Principles for Responsible Investment in the “investment manager” category.
- Renewal of its membership of the agreement signed between the Spanish Banking Association (AEB), the Spanish Securities Market Commission (CNMV) and Bank of Spain for the pursuit of courses of action within the framework of the National Plan for Financial Education.
- Inclusion in sustainable indices FTSE4Good and FTSE4Good IBEX
- Gold Seal of Excellence from the European Foundation for Quality Management (EFQM).
- ISO 9001 certification in effect for 100% of the Group’s processes and activities in Spain.
- ISO 14001 certification for the six corporate buildings.
- Signatory of the Carbon Disclosure Project (CDP) for action against climate change and its Water Disclosure programme.
- Awarded the Workplace Seal of Distinction (“*Distintivo de Igualdad en la Empresa*”) by the Ministry of the Presidency, Relations with the Cortes and Equality (Ministerio de Presidencia, relaciones con las cortes e Igualdad).

ANNEX 2. TABLE OF CONTENTS LAW 11/2018

Reference: Directors' Report (DR)

AREA	Content	Response / section	GRI Standards	GRI Description
BUSINESS MODEL	Brief description of the Group's business model, which shall include: 1.) its business environment, 2.) its organisation, 3.) its geographical presence, 4.) its targets, objectives and strategies, 5.) key factors and trends that could affect its future performance.	DR 1.1. Organisational structure	102-1	Company Name
		DR 1.1. Organisational structure	102-2	Activities, brands, products and services
		DR 1.1. Organisational structure	102-3	Location of headquarters
		DR 1.1. Organisational structure; DR 1.2 Business model, main objectives achieved and actions implemented; DR 9.c Credit ratings management	102-4	Location of operations
		DR 6. Expected future developments	102-6	Markets served
		DR 6. Expected future developments	102-7	Size of the organisation
		DR 1.1. Organisational structure	102-6	Markets served
POLICIES	A <u>description of the policies</u> applied by the Group in relation to such matters, which shall include: 1.) due diligence procedures applied for the identification, assessment, prevention and mitigation of risks and significant impacts 2.) verification and control procedures, including the measures that have been adopted.	2. Information regarding corporate and staff-related matters (introduction); 3. Information regarding human rights; Annex 1 - Principles and Policies	103	Management approach disclosures for <u>each area</u> , it will be necessary to highlight what internal policies are in place
RESULTS OF KPI POLICIES	The <u>results of these policies, which must include the relevant non-financial key performance indicators</u> to enable: 1.) monitoring and assessment of progress made, and 2.) the comparability between companies and sectors, in accordance with national, European and international frameworks of reference used for each subject matter.	5.1.3 Social housing management; 2.1. Employment; 2.2.3. Health and safety; 2.4 Training; 1.5.1. Environmental risk assessment; 1.1. Pollution; 1.3. Sustainable use of resources; 5. Information regarding society	103	Management approach disclosures <u>for each area</u>

AREA	Content	Response / section	GRI Standards	GRI Description
SHORT TERM, MEDIUM TERM AND LONG TERM RISKS	<p>The <u>main risks</u> related to these matters linked to the Group's activities, including, where relevant and proportionate, their business relationships, products and services which could have negative effects on these areas, as well as</p> <ul style="list-style-type: none"> * the way in which the Group <u>manages</u> these risks, * explaining the <u>procedures used to detect and assess such risks</u> in accordance with national, European and international frameworks of reference applicable to each subject matter. * <u>Information</u> must be included <u>on any impacts detected</u>, providing a breakdown of such impacts, particularly in relation to the main short term, medium term and long term risks. 	<p>1.5.1 Environmental risk assessment; DR 4. Risks</p>	<p>102-15</p>	<p>Key impacts, risks and opportunities</p>
NON-FINANCIAL KEY PERFORMANCE INDICATORS	<p>Relevant indicators in relation to the existing corporate diversity and which meet comparability, materiality, significance and reliability criteria.</p>	<p>5.1.3. Social housing management; 5.1.2 Sustainable finance (Ethical and charitable investing); 1.5.2 Financing and investment in renewal energies; 5.1.4 Financial education; 1.4. Climate change</p>	<p>FS1,FS2</p>	<p>Financial services sector supplements: (FS1) Policies with specific environmental and social components applied to business lines; (FS2) Procedures for assessing and controlling social and environmental risks in business lines (FS2)</p>

AREA	Content	Response / section	GRI Standards	GRI Description
ENVIRONMENTAL MATTERS	GENERAL ENVIRONMENT			
	1.) Detailed information about the <u>current and foreseeable effects of the company's activities on the environment</u> and, where applicable, on health and safety, environmental assessment or certification procedures; 2.) <u>Resources dedicated to environmental risk prevention</u> ; 3.) Application of the <u>precautionary principle, the amount of provisions and guarantees for environmental risks.</u>	1. Information regarding environmental matters (Introduction)	103	Management approach disclosures <u>for each area</u>
		1. Information regarding environmental matters (Introduction)	102-11	Precautionary principle or approach
CUESTIONES MEDIO-AMBIENTALES	POLLUTION			
	1.) <u>Measures to prevent, reduce or be mindful of carbon emissions that severely affect the environment</u> ; 2.) Taking into account any form of atmospheric pollution caused by a specific activity, <u>including noise and light pollution.</u>	1.1. Pollution	103	Management approach disclosures - Emissions
	CIRCULAR ECONOMY AND WASTE PREVENTION AND MANAGEMENT			
	Waste: Measures on the prevention, recycling, reuse and other forms of recovery and removal of waste;	1.2. Circular economy and waste prevention and management	103	Management approach disclosures - Effluents and waste
	Actions to combat food waste.	At the headquarters, the restaurant, the bank has a protocol in place designed to reduce food waste	103	Management approach disclosures - Effluents and waste
	SUSTAINABLE USE OF RESOURCES			
	Water <u>consumption</u> and water supply <u>in accordance with local restrictions</u> ;	1.3.2 Water consumption	303-1	Water withdrawal by source
		1.3.2 Water consumption	303-2	Water sources significantly affected by water withdrawal
		1.3.2 Water consumption	303-3	Recycled and reused water
	<u>Consumption of raw materials and measures adopted to make their use more efficient</u> ;	1.3.3 Paper consumption	103	Management approach disclosures - Materials
		1.3.3 Paper consumption	301-1	Materials used by weight or volume
		1.3.3 Paper consumption	301-2	Recycled consumables
Direct and indirect <u>energy consumption, measures taken to improve energy efficiency and the use of renewable energy.</u>	1.3.1. Energy consumption	103	Management approach disclosures - Energy	
	1.3.1. Energy consumption	302-1	Energy consumption within the organisation	
	1.3.1. Energy consumption	302-4	Reduction of energy consumption	

AREA	Content	Response / section	GRI Standards	GRI Description
ENVIRONMENTAL MATTERS	CLIMATE CHANGE			
	Key aspects of greenhouse gas emissions generated as a result of the company's activity, including the use of the goods it produces and the services it provides;	1.1. Pollution	103	Management approach disclosures – Emissions
		1.1. Pollution	305-1	Direct GHG emissions (scope 1)
		1.1. Pollution	305-2	Energy indirect GHG emissions (scope 2)
		1.1. Pollution	305-3	Other indirect GHG emissions (scope 3)
		1.1. Pollution	305-4	GHG emissions intensity
		1.1. Pollution	305-5	Reduction of GHG emissions
	The measures adopted to adapt the consequences of climate change;	1.4. Climate change	103	Management approach disclosures – Emissions
	The voluntary reduction targets established for the medium and long term to reduce greenhouse gas emissions and the measures implemented for such purposes.	1.4. Climate change	103	Management approach disclosures – Emissions
	PROTECTION OF BIODIVERSITY			
	Measures taken to preserve or restore biodiversity;	Banco Sabadell's activity does not have any significant impacts on biodiversity or on protected areas.	103	Management approach – Biodiversity
Impacts caused by activities or operations in protected areas.	Not applicable. Banco Sabadell's activity does not have any significant impacts on biodiversity or on protected areas.	304-2	Significant impacts of activities, products and services on biodiversity	

AREA	Content	Response / section	GRI Standards	GRI Description
CORPORATE AND STAFF-RELATED MATTERS	EMPLOYMENT			
	Total number and breakdown of employees by gender, age, country and professional classification;	2.1.1. Banco Sabadell workforce information	103	Management approach disclosures – Employment
		2.1.1. Banco Sabadell workforce information	102-8	Information on employees and other workers
		2.1.1. Banco Sabadell workforce information	405-1	Diversity of governance bodies and employees
	Total number and breakdown of types of employment contract;	2.1.1. Banco Sabadell workforce information	102-8	Information on employees and other workers
	Annual average of indefinite contracts, temporary contracts and contracts for part-time work by gender, age and professional category;	2.1.1. Banco Sabadell workforce information	102-8	Information on employees and other workers
		2.1.1. Banco Sabadell workforce information	405-1	Diversity of governance bodies and employees
	Number and breakdown of dismissals by gender, age and professional classification;	2.1.1. Banco Sabadell workforce information	401-1	New employee hires and employee turnover
	Average remuneration and its evolution , broken down by gender, age and professional classification or its equivalent;	2.1.3. Remuneration	405-2	Ratio of basic salary and remuneration between men and women
	Gender pay gap , remuneration for equal positions or average remuneration within the company;	2.1.3. Remuneration	103	Employment + Diversity and equal opportunity
2.1.3. Remuneration		405-2	Ratio of basic salary and remuneration between men and women	
Average remuneration of directors and management staff , including variable pay, subsistence allowances, severance pay, payments into long-term retirement plans or any other amounts received, broken down by gender;	2.1.3. Remuneration	102-35	Governance; Remuneration policies	

AREA	Content	Response / section	GRI Standards	GRI Description	
CORPORATE AND STAFF-RELATED MATTERS	Implementation of policies safeguarding employees' right to disconnect .	No specific policies on safeguarding employees' right to disconnect are defined at corporate level.	103	Management approach disclosures – Employment	
	Employees with <u>disabilities</u> .	2.1.1. Banco Sabadell workforce information	405-1	Diversity of governance bodies and employees	
	Organisation of working hours	2.2. Work organisation, health and safety	103	Management approach disclosures – Employment	
	Number of hours of employee <u>absence</u>	2.2.3. Health and safety	403-2	Types of accident and incidence rates of accidents, occupational illnesses, days not worked, absenteeism and number of deaths per workplace accident and occupational illnesses	
	Measures aimed at facilitating the achievement of a work/life balance and <u>encouraging the equal enjoyment of such measures by both parents</u> .	2.2.2 Work/life balance	103	Management approach disclosures – Employment	
	HEALTH AND SAFETY				
	Health and safety conditions in the workplace;	2.2.3. Health and safety	103	Management approach disclosures – Health and Safety management in the workplace	
	Workplace accidents , in particular their frequency and severity;	2.2.3. Health and safety	403-2	Types of accident and incidence rates of accidents, occupational illnesses, days not worked, absenteeism and number of deaths per workplace accident and occupational illnesses	
	Occupational illnesses ; broken down by <u>gender</u> .	2.2.3. Health and safety	403-3	Workers with a high incidence rate or at high risk of illnesses related to their activity	
	SOCIAL MATTERS				
	Organisation of <u>social dialogue</u> , including procedures for informing and consulting with staff and for negotiating with them;	2.3. Workplace relations	103	Management approach disclosures – Relationships between workers and the company	
	Percentage of employees covered by a collective bargaining agreement , by <u>country</u> ;	2.3. Workplace relations	102-41	Collective bargaining agreements	
	Status of collective bargaining agreements, particularly in relation to occupational health and safety.	2.3. Workplace relations	403-1	Representation of workers in formal committees between employees and employers on health and safety	

AREA	Content	Response / section	GRI Standards	GRI Description
CORPORATE AND STAFF-RELATED MATTERS	TRAINING			
	Policies implemented in relation to training;	2.4. Training	103	Management approach disclosures – Training and education
	Total hours of training, broken down by <u>professional category</u> .	2.4. Training	404-1	Average hours of training per year per employee
	Universal accessibility for people with disabilities	2.6. Universal accessibility for people with disabilities	103	Management approach
	EQUALITY			
	Measures adopted to promote equal treatment and opportunities between men and women;	2.5. Equality	103	Management approach disclosures – Diversity and equal opportunity + Non-discrimination
	Equality Plans (Chapter III of Organic Law 3/2007, of 22 March, on effective equality between men and women), <u>measures adopted to promote employment, protocols against sexual abuse and sexual harassment, integration and universal accessibility for people with disabilities</u> ;	2.5. Equality		
Policy against all forms of discrimination and, where applicable, gender diversity management.	2.5. Equality			

AREA	Content	Response / section	GRI Standards	GRI Description
HUMAN RIGHTS	Application of <u>due diligence procedures</u> in relation to human rights;	3. Information regarding human rights	103	Management approach disclosures – Human rights screening + Freedom of association and collective bargaining + Child labour + Forced or compulsory labour
		3. Information regarding human rights	102-16	Values, principles, standards and codes of conduct
		3. Information regarding human rights	102-17	Mechanisms for advice and concerns about ethics
	<u>Prevention of risks</u> of human rights violations and, where applicable, <u>measures to mitigate, manage and redress any such violations</u> ;	3. Information regarding human rights	103	Management approach disclosures – Human rights screening + Freedom of association and collective bargaining + Child labour + Forced or compulsory labour
	Reported human rights violations;	No human rights violations were reported in 2018	406-1	Cases of discrimination and corrective actions taken
	Advocacy of and compliance with the provisions of <u>fundamental conventions of the International Labour Organisation</u> related to safeguarding the freedom of association and the right to collective bargaining;	3. Information regarding human rights	407-1	Transactions and suppliers whose freedom of association and right to collective bargaining could be at risk
	The <u>elimination of workplace discrimination and job discrimination</u> ;	3. Information regarding human rights	103	Management approach disclosures – Non-discrimination
	The <u>elimination of forced or compulsory labour</u> ;	3. Information regarding human rights	409-1	Activities and suppliers at significant risk of forced or compulsory labour
	<u>Effective abolition of child labour</u> .	3. Information regarding human rights	408-1	Activities and suppliers at significant risk of child labour

AREA	Content	Response / section	GRI Standards	GRI Description
CORRUPTION AND BRIBERY	Measures adopted to prevent corruption and bribery;	4. Information regarding the fight against corruption and bribery	103	Management approach – Anti-corruption
		4. Information regarding the fight against corruption and bribery	102-16	Values, principles, standards and codes of conduct
		4. Information regarding the fight against corruption and bribery	102-17	Mechanisms for advice and concerns about ethics
		4. Information regarding the fight against corruption and bribery	205-2	Communication and training about anti-corruption policies and procedures
	Measures to combat money laundering;	4. Information regarding the fight against corruption and bribery	205-2	Communication and training about anti-corruption policies and procedures
	Contributions to foundations and non-profit organisations.	5.1.6. Social action and sponsorship	413-1	Activities involving the local community, impact assessments and development schemes

AREA	Content	Response / section	GRI Standards	GRI Description
SOCIETY	The company's commitments to sustainable development			
	The impact of the company's activities on <u>local employment and development</u> ;	5.1.3 Social housing management; 5.1.4. Financial education; 5.1.6 Social action and sponsorship	103	Management approach disclosures – Local communities + Indirect economic impacts
		5.1.3 Social housing management; 5.1.4. Financial education; 5.1.6 Social action and sponsorship	203-1	Infrastructure investments and services supported
		5.1.3 Social housing management; 5.1.4. Financial education; 5.1.6 Social action and sponsorship	203-2	Significant indirect economic impacts
		5.1.3 Social housing management; 5.1.4. Financial education; 5.1.6 Social action and sponsorship	413-1	Activities involving the local community, impact assessments and development schemes
	The impact of the company's activities on <u>local communities and in the area</u> ;	5.1.3 Social housing management; 5.1.4. Financial education; 5.1.6 Social action and sponsorship	203-1	Infrastructure investments and services supported
		5.1.3 Social housing management; 5.1.4. Financial education; 5.1.6 Social action and sponsorship	413-1	Activities involving the local community, impact assessments and development schemes
	The <u>relationships</u> with key members of local communities and the different forms of dialogue with the same;	5.1.3 Social housing management; 5.1.4. Financial education; 5.1.6 Social action and sponsorship	102-43	Approaches to encourage the involvement of stakeholders
		5.1.3 Social housing management; 5.1.4. Financial education; 5.1.6 Social action and sponsorship	413-1	Activities involving the local community, impact assessments and development schemes
	<u>Association and sponsorship activities.</u>	5.1.6. Social action and sponsorship	102-12	External initiatives
		5.1.6. Social action and sponsorship	102-13	Membership of associations

AREA	Content	Response / section	GRI Standards	GRI Description
SOCIETY	OUTSOURCING AND SUPPLIERS			
	* Inclusion in the procurement policy of social, gender equality and environmental matters; * Consideration in relationships with suppliers and subcontractors of their social and environmental responsibilities;	5.2.2. Outsourcing and suppliers	102-9	Supply chain
		5.2.2. Outsourcing and suppliers	103	Environmental assessment of suppliers + Evaluation of suppliers' social matters
		5.2.2. Outsourcing and suppliers	308-1	Environmental assessment of suppliers
		5.2.2. Outsourcing and suppliers	414-1	Evaluation of suppliers' social matters
	Supervision and audit systems and their results.	5.2.2. Outsourcing and suppliers	103	Management approach disclosures – procurement practices
	Consumers			
	Consumer health and safety measures;	5.1.1 Transparency, simplification and accessibility; 5.1.4 Financial education	103	Management approach disclosures – Customer health and safety + Marketing and labelling + Client privacy
	Whistle-blowing systems, complaints received and their resolution.	5.2.1. Consumers	103	Management approach disclosures – Customer health and safety + Marketing and labelling + Client privacy
	Tax information			
	Country-by-country earnings obtained	5.3. Tax information	103	Management approach disclosures – Economic performance + Quantitative data on taxes and earnings
	Corporation tax paid	5.3. Tax information	103	Management approach disclosures – Economic performance + Quantitative data on taxes and earnings
	Public subsidies received	5.3. Tax information	201-4	Financial assistance received from government

GLOSSARY

The glossary includes a definition of the indicators included in the Non-Financial Disclosures Report and which have no equivalent GRI standard.

Social housing management

- Properties used as social housing: number of properties available for rent as social housing as at year-end for customers at risk of being in vulnerable circumstances, based on the bank's internal criteria and obtained through foreclosure orders, payment in kind (*datio in solutum*) or occupied by illegal occupants who have entered into a rental agreement.
- Social contracts entered into over total properties available for social housing: number of social contracts entered into as a percentage of the total number of properties available for social housing as at year-end.
- Mortgage debt restructuring operations: total mortgage debt restructuring (change in repayment terms on an existing mortgage) operations carried out during the year.
- Payment in kind (*datio in solutum*): total number of payments in kind (where debtors surrender a property to the bank in repayment of their mortgage debt) carried out during the year.
- Indicators of contributions made to the Social Housing Fund (*Fondo Social de la Vivienda*, or FSV) under the framework of the latter's Agreement, as a result of Royal Decree-Law 27/2012 of 15 November on urgent measures to strengthen the protection of mortgage debtors; or Number of properties: total properties made available to the FSV by the bank.
- Occupancy rate: number of rental agreement entered into as a percentage of the total properties made available to the FSV by the bank.
- Social contracts (JoBS programme) from the start of the programme in October 2016: number of participants in the employment and labour market insertion programme (JoBS) under the framework of the bank's social contracts (rental agreements for social housing which include clauses on employment and labour market insertion programmes in which the signatory commits to take part), from the start of the programme in October 2016 and for the rental agreements in effect as at year-end.
- Employment contracts: total employment contracts (employment contracts signed under the framework of the employment and labour market insertion programmes indicated in social contracts) entered into as a result of the insertion programme (in cumulative terms since the start of the programme in October 2016 and for the rental agreements in effect as at year-end).
- Employment and labour insertion agreements signed: number of agreements in effect as at year-end signed with companies from different sectors under the framework of the JoBS employment and labour insertion programme.

**BANCO DE SABADELL, S.A. and
SUBSIDIARIES COMPANIES
(GROUP BANCO SABADELL)**

Independent verification report
of Non-Financial disclosures report
for the year ended December 31, 2018



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

INDEPENDENT VERIFICATION REPORT

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

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying Consolidated Non-Financial Disclosures Report (“NFR”) for the year ended 31 December 2018 of Banco de Sabadell, S.A. and subsidiaries (“Banco Sabadell” or “the Group”) which forms part of Banco Sabadell’s Consolidated Directors’ Report.

The content of the NFR includes additional information to that required by current commercial legislation on non-financial reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the table included in Annex 2 of the accompanying NFR.

Responsibility of the Board of Directors and Management

The preparation of the NFR included in Banco Sabadell’s Consolidated Directors’ Report and the content thereof are the responsibility of the Board of Directors of Banco de Sabadell, S.A. The NFR has been drawn up in accordance with the provisions of current commercial legislation and with the selected GRI standards, in line with the details provided for each matter in the table included in Annex 2 of said NFR.

This responsibility also includes the design, implementation and maintenance of the internal control that is considered necessary to ensure NFR is free from material misstatement, due to fraud or error.

The directors of Banco de Sabadell, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFR is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (“IESBA”) which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.



Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out in relation solely to fiscal year 2018. The data relating to previous years were not subject to the verification envisaged in current commercial legislation. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are more restricted than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to Management and several Banco Sabadell's units that were involved in the preparation of the NFR, in the review of the processes for compiling and validating the information presented in the NFR and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Banco Sabadell personnel to ascertain the business model, policies and management approaches applied and the main risks related to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the content included in the NFR based on the materiality analysis carried by Banco Sabadell, considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in NFR for 2018.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFR.
- Verification, through sample testing, of the information relating to the content of the NFR for 2018 and its adequate compilation using data supplied by Banco Sabadell's information sources.
- Obtainment of a management representation letter from the Directors and Management.

Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to our attention which may lead us to believe that Banco Sabadell's NFR for the year ended 31 December 2018 has not been prepared, in all of their significant matters, in accordance with the provisions of current commercial legislation and the selected GRI standards described in accordance with the details provided for each matter in the table included in Annex 2 of said NFR.



Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

[PRICEWATERHOUSECOOPERS AUDITORES, S.L.](#)

Original in Spanish signed by
Ignacio Marull

1 February, 2019