



**Banco de Sabadell, S.A.  
Remuneration Committee  
Report on functions and activities  
2016**

**January 2017**

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This Report on the Activities in 2016 of the Remuneration Committee is addressed to the shareholders of Banco de Sabadell, S.A. (Banco Sabadell or the Bank) in accordance with recommendation 6 of the Good Governance Code of Listed Companies, which requires that companies draw up this report and publish it on their website sufficiently in advance of the Ordinary General Meeting of Shareholders.

## 1.- Introduction

In compliance with the provisions of article 36 of Act 10/2014, of 26 June, on ordering, supervision and solvency of credit institutions, Banco Sabadell has a Remuneration Committee.

## 2.- Regulation and functions

Article 62 of the Articles of Association<sup>1</sup> sets out the basic rules governing the Remuneration Committee, which are supplemented and expanded upon in the Regulation of the Board of Directors, whose article 14 *bis* establishes the Committee's composition, functioning and competencies.

Article 62 reads as follows:

"The Remuneration Committee shall comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. The Board of Directors shall appoint its Chairman from among the members who are independent directors, with the favourable vote of two-thirds of its members.

The Remuneration Committee shall have, at least, the following functions:

1. Proposing, to the Board of Directors, the director remuneration policy.

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<sup>1</sup> The Articles of Association and the Regulation of the Board of Directors of Banco Sabadell are available on the Group website [www.grupobancsabadell.com](http://www.grupobancsabadell.com)

2. Proposing, to the Board of Directors, the remuneration policy for general managers and others performing senior management functions who report directly to the Board of Directors, the Executive Committees or the Managing Directors, and the individual remuneration and other contractual conditions for executive directors, exercising oversight to ensure that they are complied with.
3. Advising on the annual report on director remuneration.
4. Advising on remuneration programmes based on shares and/or options.
5. Periodically reviewing the general principles of remuneration and the remuneration programmes for all employees, and considering whether they conform to those principles;
6. Ensuring that remuneration is transparent."

Article 14 bis of the Regulation of the Board of Directors establishes that:

- “ 1. The Remuneration Committee must comprise at most five directors appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. In any event, the Chairman of the Committee must be appointed from among its members who are independent directors.

Nevertheless, at the request of the Committee's Chairman, General Managers, even if directors, may attend meetings when issues of the Bank's senior management are being discussed, except where they refer directly to them or to the Chairman of the Board of Directors.

2. Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors or this Regulation, the Remuneration Committee shall have the following basic duties:
  - a) proposing, to the Board of Directors, the director remuneration policy;
  - b) proposing, to the Board of Directors, the remuneration policy for general managers and others performing senior management functions who report directly to the Board of Directors, the Executive Committees or the Managing Directors, and the individual remuneration and other contractual conditions for executive directors, exercising oversight to ensure that they are complied with;

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- c) regularly reviewing remuneration policy;
  - d) advising on remuneration programmes based on shares and/or options;
  - e) periodically reviewing the general principles of remuneration and the remuneration programmes for all employees, and considering whether they conform to those principles;
  - f) ensuring that remuneration is transparent;
  - g) ensuring that any conflicts of interests are not detrimental to the independence of external advisors;
  - h) verifying the information on remuneration contained in the various corporate documents, including the Report on Director Remuneration;
3. The Remuneration Committee shall meet whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and whenever it is advisable in order to properly discharge its duties. In any event, the Committee shall meet once per year to prepare the information on directors' remuneration that the Board of Directors must approve and include in its annual public documentation.
4. The Committee shall also determine the bonuses for the senior executives of the Bank and its subsidiaries at the proposal of the General Manager(s)."

### 3.- Composition

As of 31 December 2016, the members of Banco Sabadell's Remuneration Committee were as follows:

Chair:

Ms Aurora Catá Sala (Independent director)

Members:

Mr Joaquín Folch-Rusiñol Corachán (Non-executive director)

Ms María Teresa Garcia-Milà Lloveras (Lead Independent Director)

Secretary:

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Ms María José García Beato

Accordingly, the composition of the Committee complies with the requirements of article 529 quidecimes of Legislative Royal Decree 1/2010, of 2 July, approving the consolidated text of the Capital Companies Act, which requires that it comprise only non-executive directors, at least two of whom (including the Committee Chair) must be independent directors, and with Recommendation 47 of the Good Governance Code of Listed Companies, which requires that a majority of the members be independent directors.

The curriculum vitae of the Committee members can be examined on the Bank's website ([www.grupbancsabadell.com](http://www.grupbancsabadell.com)).

Sections A.2 of the Annual Report on Director Remuneration and C.2.1 of the Annual Corporate Governance Report, both of which are available on the website [www.grupbancsabadell.com](http://www.grupbancsabadell.com), contain detailed information about the Remuneration Committee.

## 4.- Activities

The Remuneration Committee met on eleven occasions in 2016.

The main activities of the Remuneration Committee in that period are summarised below:

### Human Resources Department report on remuneration policy in the Banco Sabadell Group

- It examined the report that is drafted each year by that Department to provide the Committee with the basic information it needs to perform the functions entrusted to it in connection with reviewing the general principles of Banco Sabadell's remuneration policy and with supervising the remuneration of executive directors, the Bank's senior executives and the other persons in the Designated Group.

### Assessment

- In accordance with Recommendation 36 of the Code of Corporate Governance for Listed Companies, and in compliance with article 5.2 of the Regulation of the Board of Directors, the Remuneration Committee drew up a self-assessment report on its own performance, and provided the Board of Directors with a favourable report on the performance of the

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Board of Directors, its Chairman; the Managing Director, the Vice-Chairman, the Lead Independent Director, and the Secretary and Vice-Secretary of the Board of Directors.

Fixed and variable remuneration

- It approved the fixed remuneration for 2016 for the Board of Directors, all the Designated Group and the workforce as a whole. It also approved the variable remuneration for 2015 for executive directors, senior executives and the Director of Internal Audit, the designated group and the workforce as a whole.

Remuneration objectives for 2016

- It approved the Group's objectives for 2016.

Annual Corporate Governance Report of Listed Companies

- It vetted and cleared the information to be disclosed in the Annual Corporate Governance Report.

Annual Report on Director Remuneration at Listed Companies

- It issued a favourable report to the Board of Directors on the content of the Annual Report on Director Remuneration.

Assessment of the remuneration policy and its implementation

- It examined the report by specialised consulting firm Mercer Consulting, S.L. on the assessment of remuneration policy and practices, which was commissioned in order to analyse whether Banco Sabadell's remuneration policy conforms to the legislation applicable to the Bank.
- It also analysed a report issued by consulting firm Towers Watson on the competitiveness of the remuneration paid to General Managers, Deputy General Managers and managers, based on market remuneration data and benchmark salaries, among other inputs.

Designated Group

- It amended the individual objectives of the Designated Group

Salary structure at Sabadell United Bank

- The committee also analysed the remuneration structure of the US subsidiary, Sabadell United Bank, and of Banco Sabadell, Miami Branch.

## **5.- Conclusion**

During 2016, the Remuneration Committee properly discharged the duties assigned to it by the Articles of Association and the Regulation of the Board of Directors.