



**Banco de Sabadell, S.A.
Remuneration Committee
Report on functions and activities
2015**

February 2016

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This Report on the Activities in 2015 of the Remuneration Committee is addressed to the shareholders of Banco de Sabadell, S.A. in accordance with recommendation 6 of the Combined Code of Corporate Governance, 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 articles 31 and 36 of Act 10/2014, of 26 June, on ordering, supervision and solvency of credit institutions, Banco Sabadell has an Appointments Committee and a Remuneration Committee.

On 28 July 2015, the General Meeting of Shareholders approved an amendment to the Articles of Association and to the Regulation of the Board of Directors so as to establish, separately, an Appointments Committee and a Remuneration Committee. At a meeting on that same date following the General Meeting of Shareholders, the Board of Directors approved the creation of the Appointments Committee and the Remuneration Committee, and dissolved the Appointments and Remuneration Committee.

Since then, the Remuneration Committee has been regulated by article 63 of the Articles of Association.

Accordingly, the year 2015 must be divided into two distinct periods:

- a) Between 1 January and 28 May 2015, when the Appointments and Remuneration Committee held competencies in the matter of remuneration.
- b) Between 28 May and the end of 2015, when the Remuneration Committee took over competencies in this area, in the terms described below.

2.- Regulation and functions

Article 63 of the Articles of Association¹ 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.

That article 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
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 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. In any event, the Chairman of the Committee shall be appointed from among its members who are independent directors.

¹ The Articles of Association and the Regulation of the Board of Directors of Banco Sabadell are available on the Group website www.grupbancsabadell.com

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
 - 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 2015, the members of Banco Sabadell's Remuneration Committee were as follows:

Chairman:

Ms Aurora Catá Sala (Independent director)

Members:

Mr Héctor María Colonques Moreno (Independent director)

Mr José Javier Echenique Landiribar (Lead Independent director)

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

Secretary:

Ms María José García Beato

Accordingly, the composition of the Appointments Committee complies with Recommendation 39 of the Code of Corporate Governance for Listed Companies, which requires that the committee be comprised solely of non-executive directors, with at least three members, and that it should be chaired by an independent director.

The curriculum vitae of the Committee members is available on the Bank's website (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, contain detailed information about the Remuneration Committee.

4.- Activities

A) Between 1 January and 28 May 2015 (inclusive), the Appointments and Remuneration Committee held five meetings.

The main activities of the Appointments and Remuneration Committee in that period with regard to remuneration are summarised below:

It advised the Human Resources Department 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. That report contained a proposal to define objectives for the Designated Group for 2015.

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 Appointments and 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 Board of Directors, its Chairman and the Managing Director.

Fixed and variable remuneration

- It approved the fixed remuneration for 2015 for the Board of Directors, all the designated group and employees as a whole. It also approved the variable remuneration for 2014 for executive directors, senior executives and the Director of Internal Audit, the designated group and employees as a whole.

Remuneration objectives for 2015

- It approved the Group's objectives for 2015.

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 Director Remuneration Report.

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 Directors, based on remuneration data and market benchmark salaries, among other inputs.

B) Between its creation on 28 May 2015 and 31 December 2015, the Remuneration Committee held six meetings.

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

Designated Group

- It amended the individual objectives of the Designated Group
- It approved the inclusion of salary indicators and benchmarks for the Designated Group of Banco Sabadell and the subsidiaries required by law to have such a group.

Salary guidelines for seconded executives

- It approved salary guidelines for seconded executives.

TSB salary structure

- It analysed the remuneration structure of UK subsidiary TSB.

Activities programme

- Finally, the Committee designed and organised the tasks to be performed in 2016.

5.- Conclusion

During 2015, the Remuneration Committee discharged properly the duties assigned to it by the Articles of Association and the Regulation of the Board of Directors.