



Banco Sabadell

Corporate Social Responsibility Policy Report 2016

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Banco Sabadell voluntarily includes the principles of social responsibility within its business strategy with the goal of generating sustainable value in the economic, social and environmental dimensions. Therefore, Banco Sabadell endorses the European Commission communication on corporate social responsibility: a definition that takes CSR as "the responsibility of enterprises for their impact on society."

Banco Sabadell carries on its business in a transparent, ethical way; it focuses its commitment to society in such a way that its activity has a positive impact on people and the environment. Each and every person in the organization has a part to play in respecting and applying the corporate social responsibility principles and policies while also ensuring quality and transparency in customer service.

In addition to complying with the applicable laws, Banco Sabadell has a set of policies, internal rules and codes of conduct that guarantee ethical and responsible conduct at all levels of the organization and in all Group activities.

The Corporate Ethics Committee, whose members are appointed by the Board of Directors, oversees and monitors issues related to these policies, rules and codes. The Corporate Social Responsibility Committee, created in 2016, is chaired by the General Secretary; its function is to promote and coordinate the group's CSR strategy, policies and projects.

Banco Sabadell's corporate social responsibility is also materialised in its support of international initiatives and in the form of certifications and qualifications.

In 2016, the Bank continued to implement its corporate social responsibility programmes, focused on its commitment to customers, employees, the environment and society.

Responsible business. Commitment to customers

Transparency and contract simplification

In 2016, the Bank continued the process of simplifying its contracts by rewriting them in more straightforward, less technical language while maintaining the legal and informative certainty to which customers are entitled. The contracts for demand accounts and distance banking were redrafted in this way. This resulted in over 100,000 new contracts being signed in their simplified form.

Inclusion of social and environmental risks in investment and funding products

In 2011, Banco Sabadell adopted the Equator Principles, which are enshrined in the International Finance Corporation (IFC) policies, rules and guidelines for structured finance deals worth 10 million dollars or more, and corporate loans amounting to 100 million dollars or more. Under the IFC standards, a project's social and environmental impact must be reviewed by an independent expert. In 2016, Banco Sabadell signed 14 projects that include the Equator Principles, 64% of them in the area of renewable energy.

Additionally, the entire branch network has access to supporting information to help evaluate the environmental risk associated with a company and its industry. That evaluation is attached to the application for funding and has an impact on the final decision.

In the area of investment, both BanSabadell Pensiones EGFP, S.A., a pension fund operator, and, since 2016, Aurica Capital, a venture capital firm with holdings in Spanish companies that have growth projects in other countries, have adopted the United Nations Principles for Responsible Investment in the "investment manager" category. Those principles cover social, environmental and governance criteria in management policies and practices.

Banco Sabadell also encourages responsible investing and offers customers a number of ethical investment products which also contribute to solidarity projects:

- 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. (a pension plan)
- Plan de Pensiones BanSabadell 21 F.P. (a pension plan)

And with its employees, through G.M. PENSIONES, F.P., a pension fund.

Socially Responsible Investing	Sabadell Inversión Ética y Solidaria FI	Sabadell Cooperación	Urquijo SICAV	Plan de Pensiones Ético y Solidario
Characteristics of the investment	Ethical and solidarious	Ethical and solidarious		Ethical and solidarious
Supervision of securities selection criteria	Ethics committee	Ethics committee		Ethics commission
Assets (€) 2016	62,578,616	5,941,628		19,500,000
Assets (€) 2015	48,168,760	5,858,608		21,173,340
Number of investors/shareholders	491	118		2.268
Donation to NGO (% of management fee)	35%	50%		33%
Amount assigned in 2016 (€)	162,762	38,464		173,318
Amount paid in 2015 (€)	171,253	31,665		106,713
NGOs that benefited in 2016	-Fundación Benito Menni -Fundación Juan Bonal -Fundación AMREF -Flying Doctors -Manos Unidas -Fundación IBO -Fundación Cadete -Hogar Don Orione -Fundació Formació i Treball -Cáritas -Casal dels Infants ASB -Fundación Aprocor -Fundación Monte do Gozo - Proxecto Home Galicia	- Fundación Acción Marianista para el Desarrollo - Congregación Hijas de la Cruz de San Andrés - Hermanas de la Virgen de del Monte Carmelo - Misioneras de Jesús, María y José - Fundación Aladina		Intermón Oxfam

Business ethics and fighting corruption

Banco Sabadell views ethics as a core corporate value and works actively to combat corruption. Since February 2005, Banco Sabadell has been a signatory to the 10 Principles of the United Nations Global Compact, thereby making an explicit commitment to fight corruption in all its forms.

For a financial institution, it is of critical importance to avoid being used for money laundering or to finance terrorism. For this reason, the Bank and its subsidiaries have taken a number of measures and established due diligence rules and procedures to guard against risk when accepting customers and in the ongoing monitoring of customer relationships. A person is appointed to handle these issues at all foreign offices and all domestic and international branches; they report regularly to the Compliance Committee on any issues relating to corruption and money laundering.

The bank also takes great care to supervise loan applications and accounts held by political parties, and applies rigorous customer acceptance procedures. The bank does not contribute to any political party or to any persons holding public office or to related institutions.

To ensure transparency, all donations to NGOs and charitable organizations are analysed and assessed by the bank's Sponsorship Committee or the Board of Trustees of the Foundation on the basis of the principles laid down in the bank's community support policy. The accounts of the Banco Sabadell Foundation are audited by external auditors.

Banco Sabadell also has a policy that requires employees to explicitly reject gifts, rewards or personal favours offered by customers or suppliers that might constrain or condition their ability to make decisions.

Commitment to employees

Equality

Banco Sabadell guarantees equality of opportunity in relations with employees: recruitment, training, promotion and working conditions. This commitment, in each aspect of that list, is set out in the Equality Plan, human resources policy and Code of Conduct.

The Equality Plan signed in 2010 was renewed in 2016 with the goal of avoiding any form of gender-based discrimination in the workplace. New objectives for 2020 were added in order to drive the promotion of 450 women in positions of responsibility within the organisation.

Also, to increase the presence of women in executive positions and management committee, Banco Sabadell signed a cooperation agreement with the Spanish Ministry of Health, Social Services and Equality in 2014 that sets a target of woman accounting for 18% of executive positions by 2018. This goal has already been exceeded.

Equality	2016	2015	2014
% of employees who are women (1)	56%	56%	50%
% of employees promoted who are women (1)	54%	56%	56%

(1) Figures calculated for the group's total workforce. Figures include TSB from July 2015 onwards.

Integration

Banco Sabadell promotes employee diversity and integration in the workplace and non-discriminatory recruitment policies. The Group takes measures to adapt job briefs where needed. The Bank also assists employees with paperwork in their dealings with municipal, regional and national governments, thus helping to improve employees' well-being outside the strictly professional sphere.

Work-life balance

The Bank has also implemented work-life balance initiatives that cover all employees. Benefits in this connection include the option of a shorter working day and paid/unpaid leave for a range of reasons: breastfeeding, maternity/paternity, and caring for a relative, as well as flexitime arrangements.

Work-life balance	2016	2015	2014
Employees with shorter working hours	444	361	348
Employees on paternity leave	328	413	412
Employees taking breastfeeding leave	449	496	560

Figures refer to the workforce in Spain.

Professional and personal growth

Each year, Banco Sabadell employees have access to a full range of lifelong learning options through the intranet, in addition to an extensive catalogue of on-site courses to enhance their skills. The Laude programme, which covers a range of training courses that qualify for credit under certain university degree programmes, continued in 2016. Under this programme, 231 employees were certified in 2016 in the areas of Bank Products and Services, Financial Advisory Services and Commercial Banking.

In pursuit of professional and personal growth, Banco Sabadell also offers programmes to attract and retain young talent. The first Talent Graduate Programme (TGP) was conducted in 2016 with the goal of enhancing horizontal competencies; preparations for the second edition are already under way. The TGP is a genuine offer by Banco Sabadell which includes a training programme and the possibility of being hired by the organisation in the future. The first edition, which commenced in 2015, resulted in 40 young people being hired; there are 39 participants in the second edition.

Commitment to the environment

Banco Sabadell has an environmental policy that frames its commitment to the environment and the fight against climate change. The policy focuses on minimising the environmental impacts of the processes, facilities and services inherent to the business, appropriately managing the environmental risks and opportunities associated with the business, and promoting a commitment to the environment on the part of the people with which the Bank has a relationship. The Bank has adopted a number of global initiatives, including the Equator Principles and the Carbon Disclosure Project (CDP).

Related businesses

Banco Sabadell promotes the development of a more sustainable energy model through direct investment in renewable energy projects. In 2016, through its subsidiary Sinia Renovables, Banco Sabadell commenced a new round of investment, running to 2019, in which it will allocate €150 million to assets of this type. In line with the Bank's internationalisation strategy, Sinia plans to invest in Spain, the UK, Mexico and other Latin American countries.

The Bank has also funded renewable energy projects, amounting to €720 million.

Another area of environmental involvement by the Bank is funding energy efficiency facilities in connection with specific operating lease products; this area ranges from public lighting to biomass-fired boilers and cogeneration plants. Sustainable vehicles account for an increasing percentage of the fleet of vehicles supplied to customers under operating lease: 76% in 2016.

Bank's Infrastructure and suppliers

As regards the Bank's own infrastructure, it has an environmental management system (EMS) that is certified to the ISO 14001 standard and covers six Central Services buildings. 16.05% of employees in Spain work in one of the six certified Central Service buildings. In parallel, the EMS has been progressively adapted to the bank's other workplaces in Spain.

Energy consumption

In order to decrease its energy consumption, Banco Sabadell works to continuously improve the eco-efficiency of its facilities and reduce the environmental impacts of the services it provides. Some of the main eco-efficiency measures are detailed below:

- In 2016, Banco Sabadell maintained the contract with Nexus Renovables which supplies 99.84% of its electricity, resulting in a 94.77% reduction in CO2 emissions (scope 1 and 2 taking as baseline year 2014).
- Most branch offices are equipped with centralized lighting and climate control systems. In addition, Central Services buildings have lights with presence detectors and LED bulbs.
- Low wattage lamps and billboard lighting systems with daylight switching systems.
- Energy recovery climate control systems are installed in Central Service buildings and larger branches.
- The branch network uses "thin client" computers which consume 90% less energy. These computers began to be installed at Central Services buildings in 2015.

(Tn CO₂) Corporate emissions inventory	2016	2015	2014
Scope 1 / Direct activities: emissions generated by company installations and vehicles	648	600	552
Scope 2 / Indirect activities: emissions due to electricity consumption in Spain	54	3,321	12,890
Scope 3 / Other indirect activities: emissions derived from business trips (plane, train and car)	3,477	3,862	3,143
Total CO2 emissions generated by the group in Spain	4,179	7,783	16,585
Total CO2 emissions per employee	0.2	0.5	1.0

The bank publishes a more exhaustive disclosure of emissions under each scope.

Total energy consumption		2016	2015	2014
Total energy consumption	MWh	89,809	99,389	104,419
Electricity supplied by Nexus Renovables (guaranteed to be from renewable sources)	%	99 %(*)	72%	26%

Nexus Renovables supplies energy to Banco Sabadell 100% generated from renewable sources.
 (*)99.84% of Banco Sabadell's electricity is supplied by Nexus Renovables.

Materials consumption

Paper consumption: reduce, reuse and recycle. Paper consumption in Spain in the year 2016 has been 1,062 tons, 27.72% lower compared to 1469 tons in 2015. Major steps towards reducing the consumption of paper have been:

- Banking services are available to customers 24 hours a day via remote access channels, ATMs, telephone banking, email or social media. Customers can access 100% of their correspondence electronically.
- Branches are equipped with digital tablets and systems such as Instant Selling to capture customers' signatures. In 2016, their use made it possible to eliminate over 29 million printed forms. There are plans to process more transactions via tablets in the future and progressively eliminate the use of paper.
- The conventional paper used by the bank is FSC-certified chlorine free and produced to ISO 9001 and ISO 14001 standards. All the group's printers are configured for duplex printing by default.

Paper consumption	2016	2015	2014
Paper consumption (tons)	1,062	1,469	1,039
Use of recycled paper (%)	9%	7%	12%
Use of recycled paper at central services facilities (%)	84%	84%	81%

Data refers to group-wide consumption of A4 sized paper in Spain.

Water consumption

Water consumption in Spain is limited to sanitary use and watering gardens. With regard to waste water management, all the facilities and workplaces are connected to the public sewage network. Toilet cisterns and taps are fitted with water-saving mechanisms. The main corporative building has a pond to collect rainwater for irrigation, and a garden with drought-resistant native plants.

Business trips

Business travel is subject to considerations of environmental protection and cost rationalization, preference is given to the means of transport that emit the least CO₂. Moreover, the group encourages videoconferencing for meetings and one-on-ones, and the use of virtual learning communities.

Business trips	2016	2015	2014
(million km)	32	35	29

The data refer to business trips, not to commutes. Includes trips by plane, train, private vehicles and the group fleet.

Waste management

In all group premises, used paper is treated as confidential waste for shredding and 100% is recycled through authorized waste managers.

Central Service buildings have facilities for waste separation at source (paper, packaging, organic matter and batteries). Toner cartridges are collected and re-used in partnership with Ricoh and the HP Planet Partners programme.

Surplus computer hardware or furniture at branches or workplaces due to be closed or merged are donated to local NGOs or non-profits.

Waste	2016	2015	2014
Paper and cardboard waste (tons)	800	819	883

Data refer to group-wide waste generation in Spain.

Suppliers

Banco Sabadell involves its suppliers in the group environmental policy, incorporating environmental and social responsibility in the supply chain. Therefore, the basic contract terms with suppliers include environmental, human rights and the ten principles of the Global Compact of the United Nations and the acceptance of the code of conduct for suppliers and encompasses the entire cycle, from selection, through evaluation process up to procurement.

Supplier certification

The Procurement Department has a website on which suppliers who have been awarded a procurement contract must register and accept the Supplier Code of Conduct, which includes:

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

Suppliers must also state if they are certified to ISO 14001, EMAS, EFQM, and indicate the characteristics of the products which they make available to the bank (recycled, ecological or reusable). Once selected, suppliers are informed of the bank's environment policy.

Supplier evaluation

Significant suppliers to the group, i.e. those that bill over €250,000, and those classed as critical (i.e. Monopolies) are assessed each year against a number of environmental and quality yardsticks, as well as labour compliance and Social Security payments.

Procurement process

Suppliers are assessed not just in economic terms but also in aspects relating to the environment (ISO 14001, EMAS or EFQM certification), CSR and whether they are classified as special work centres.

Banco Sabadell regularly checks that supplier documentation is up to date so as to ensure compliance with the conditions on the basis of which they were selected; a system of monthly alerts is in place.

Unit managers have autonomy to acquire certain services without passing through the Procurement Dept. where they do not entail a risk and are financial services and consulting firms. All these exceptions are set out transparently in the organisation's Procurement Manual.

Social commitment

Banco Sabadell fulfils this commitment wherever it operates through on-going engagement arising out of the concerns it shares with society. This commitment focuses on such issues as vulnerability (on the part of individuals and groups), financial education, and community outreach, and takes action through the corporate volunteer programme and other initiatives by the Bank's departments and the Banco Sabadell Foundation.

Social housing

Through SOGEVISO, a Solvia unit dealing with the social housing initiative, Banco Sabadell adopts a sensitive and responsible approach to potential cases of social exclusion.

During the year, while offering affordable rented accommodation to customers in vulnerable situations, the Bank implemented the Social Contract, a commitment that is monitored by specific staff and implemented in cooperation with public administrations and non-governmental organisations. Banco Sabadell is an active member of several working groups created by autonomous regional governments and municipalities to address social emergencies in housing.

In 2016, SOGEVISO also introduced employment-related policies in order to address the core problem: employment and earnings. Close to 598 people have joined the programme to date, and 103 people (17%) had found a job by year-end.

At the end of the year, there were 6,479 homes occupied, at a reduced rent, by customers following a situation of foreclosure, repossession in lieu of payment or squatting. 30% have signed a Social Contract.

Also in 2016, in order to limit the effects of over-indebtedness and enable debtors at risk of social exclusion to be rehabilitated, the Bank reiterated its commitment to the Code of Good Banking Practice, and approved 418 mortgage restructuring agreements and 5 cases of repossession in lieu of payment.

Banco Sabadell adopted the Social Housing Fund (FSV) Agreement and contributed 400 homes, most of them for customers who had experienced situations of foreclosure or repossession in lieu of payment since January 2008. The homes contributed by Banco Sabadell to FSV had an 85% occupancy rate in 2016.

The Bank has also assigned 95 properties to 48 charitable and not-for-profit organizations with a mandate to assist and support the underprivileged and the needy.

Financial education

Banco Sabadell promotes and participates in a number of financial education initiatives in order to meet the needs of various segments of society in this area.

- For children: the annual "What's money for?" drawing competition, which provides educational materials; Banco Sabadell also makes a donation to a solidarity initiative for every drawing that is submitted. A total of 5,213 children participated in 2016.
- For young people: the Financial Education Programme in Catalan Schools (EFEC), aimed at ages 15-16, and the "Your Finances, Your Future" initiative in cooperation with the Spanish Banking Association (AEB) and the Junior Achievement Foundation (AJ) at over 100 schools all over Spain. A total of 198 volunteers, both serving and retired personnel, participated in 2016.

Volunteers in financial education programmes		2016	2015	2014
Number of volunteers	EFEC	164	120	108
	JA	34	30	-
Number of beneficiaries	EFEC	4,736	16,550 (*)	12,771 (*)
	JA	426	405	-

(*) Overall scope of the programme.

- For SMEs: Banco Sabadell, AENOR, AMEC, Arola, CESCE, Cofides, Esade and Garrigues have developed a programme for SMEs called "Export to grow" in order to support them in the process of internationalization. A total of nine seminars were held in 2016, attended by over 500 people.

Banco Sabadell is also a party to the agreement between the Spanish Banking Association (AEB), the CNMV and the Bank of Spain in the framework of the National Financial Education Plan. This Plan, which follows the recommendations of the European Commission and the OECD, seeks to help the general public improve their understanding of financial matters by providing people with basic skills and tools to manage their financial affairs in a well-informed, responsible way.

Corporate volunteer programme

Banco Sabadell contributes the necessary resources to enable its employees to express their solidarity and commitment.

In 2016, the SabadellLife area of the intranet, which is devoted to solidarity and corporate volunteer initiatives, expanded to include a range of activities proposed and implemented by the employees themselves.

The most popular volunteer activities included:

- Projects to assist vulnerable groups and people at risk of social exclusion: Fundación Magone, Fundación Exit's "Coach" project, Súperheroi(nes) BCN DAY and Banco de Alimentos (food bank).
- Contributions to, and participation in, solidarity campaigns (Trailwalker, Sant Jordi Solidari).
- Programmes that leverage employees' and retirees' knowledge and experience (Financial Education, B-Ready Programme, and Fundación Ship2B's social start-up accelerator).

Social action

Banco Sabadell implements its commitment to society partly through its Foundation, which has focused on talent, science and culture since 1994. Its principal initiatives include awards for research in the fields of biomedicine and economics, both aimed at recognising and supporting the work of young Spanish researchers in those disciplines.

The group counted and reported investment in social and disclosed in accordance with the different models recognized worldwide (LBG, SAM). In 2016, the investment in social action of Banco Sabadell and its foundation are as follows:

Type of investment	2016
Monetary (Value of monetary contribution)	89%
Time (Value of employees' time)	11%
Reason for investment	2016
Social investing Strategic long-term commitment to working with the community	72%
Sporadic contributions Sporadic support for a wide range of social causes in response to the needs of, and requests from, charitable and social organizations	6%
Initiatives aligned with the business Initiatives of social interest focused on directly enhancing the company's business	22%
Areas of Action	2016
1. Cooperation and solidarity	8%
2. Social integration	4%
3. Medical research and healthcare	7%
4. Training and education	32%
5. Culture	33%
6. Economic development	12%
7. Other	4%
Total	100%

Additionally, through horizontal initiatives between divisions, Banco Sabadell seeks to leverage business ideas to provide value to society. This is the case of the alliance it established in 2016 with Worldcoo, a start-up in which the Bank has a stake via the BStartup10 programme, which aims to enable customers to make donations online to a range of solidarity campaigns.

Principles and policies

- Code of Conduct: applies generally to all persons directly involved with the Group, whether as employees or as members of its governing bodies.
- Internal Code of Conduct in connection with the Securities Markets.
- Suppliers' Code of Conduct.
- Ethics and human rights policy.
- Corporate social responsibility policy.
- Policies related to stakeholders (shareholders and investors, customers, suppliers, employees, the environment and the community).
- Plan to foster genuine equality between women and men at Banco Sabadell.
- Code of conduct governing the use of social media.
- Membership of AUTOCONTROL, a self-regulatory body on advertising.
- Adoption of the Code of Good Banking Practice.

Agreements and commitments

- Adoption of the ten principles of the United Nations Global Compact, which refer to human rights, labour, the environment and the fight against corruption.
- Signing the Equator Principles, which address social and environmental issues in financing major projects and in corporate loans.
- Integration of CSR policies into business practice in accordance with ISO 26000.
- Signature of the United Nations Principles for Responsible Investment in the "investment manager" category.
- Party to an agreement between the Spanish Banking Association (AEB), the CNMV and the Bank of Spain to carry out a programme of activities as part of the National Financial Education Plan.
- Inclusion in sustainability indices: FTSE4Good and FTSE4Good IBEX and Euronext Vigeo Eurozone 120.
- Awarded the European Foundation for Quality Management (EFQM) Gold Seal of Excellence.
- ISO 9001 certification for 100% of financial processes and activities in Spain.
- Signature of the Carbon Disclosure Project (CDP) for action against climate change and its Water Disclosure programme.