



**Banco de Sabadell, S.A.  
Report on the performance and activities  
of the Appointments Committee**

**2018**

**31 January 2019**

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This Report on the performance and activities of the Audit and Appointments Committee (the Committee) in 2018 is addressed to the shareholders of Banco de Sabadell, S.A. (Banco Sabadell or the Bank) in accordance with recommendation 6 of the Unified Good Governance Code of Listed Companies, which requires that listed companies prepare this report and publish it on their website sufficiently in advance of the date of the General Meeting of Shareholders.

## 1.- Introduction

In compliance with the provisions of article 31 of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, Banco Sabadell has an Appointments Committee.

## 2.- Regulation and functions

Article 61 of the Articles of Association<sup>1</sup> sets out the basic rules governing the Appointments Committee, which are supplemented and expanded upon in the Regulation of the Board of Directors, whose article 14 establishes the Committee's composition, functioning and competencies.

Article 61 reads as follows:

"The Appointments 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 the committee's Chair from among the members who are independent directors, with the favourable vote of two-thirds of its members.

The functions of the Appointments Committee shall include at least:

1. Overseeing the qualitative composition of the Board of Directors, in accordance with the provisions of article 53 of the Articles of Association.
2. Evaluating to ensure that the members of the Board of Directors are suitable and have the requisite competency, knowledge and experience.

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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.grupobancosabadell.com](http://www.grupobancosabadell.com)

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3. Making proposals to the Board of Directors as to the appointment of independent directors, for appointment by co-optation or by the General Meeting, and proposals for the re-appointment or removal of directors by the General Meeting of Shareholders.
  4. Advising on the proposals for the appointment of other directors and on proposals for their re-appointment or removal.
  5. Advising on proposals for the appointment and removal of senior executives and other material risk takers.
  6. Advising on the basic contractual conditions for executive directors and senior executives.
  7. Examining and organizing the succession of the Chairman of the Board of Directors and of the Bank's chief executive and, as appropriate, making proposals to the Board so as to ensure that the succession takes place in an orderly and planned way.
  8. Establishing a target for representation of the gender that is less represented on the Board of Directors and drawing up guidelines on how to achieve that target."

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

- "1. The Appointments 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.

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 Appointments Committee shall have the following basic duties:
  - a) making proposals to the Board of Directors as to the appointment of independent directors, for co-optation or for referral to the General Meeting, and as to the re-appointment or removal of such directors;

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- b) advising on proposals to appoint other directors by co-optation or for referral to the General Meeting, and on proposals to re-appoint or remove them;
  - c) ensuring that the qualitative composition of the Board of Directors complies with the provisions of article 53 of the Articles of Association;
  - d) checking that the members of the Board of Directors are suitable and possess the necessary competency, knowledge and experience;
  - e) advising on proposals for the appointment and removal of senior executives and other material risk takers;
  - f) advising on the basic conditions of the contracts of executive directors and senior executives;
  - g) examining and organising succession plans for the Chairman of the Board of Directors and of the Bank's chief executive and, as appropriate, make proposals to the Board;
  - h) establishing a target for representation of the gender that is less represented on the Board of Directors and drawing up guidelines on how to achieve that target;
3. The Appointments 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 case, it shall meet once per year to provide advice in advance on the Board's performance evaluation."

### **3.- Composition**

As of 31 December 2018, the members of Banco Sabadell's Appointments Committee were as follows:

Chair:

Ms Aurora Catá Sala (Independent director)

Members:

Mr Anthony Frank Elliott Ball (Independent director)

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Mr Pedro Fontana García (Independent director)

Ms Maria Teresa García-Milá Lloveras (Lead independent director)

Non-Member Secretary:

Mr Miquel Roca i Junyent

The Appointments Committee underwent the following changes in 2018:

- On 8 March 2018, the Board of Directors resolved to appoint Mr Pedro Fontana García as a Member, after considering the appointment of an additional member of the Appointments Committee.

As indicated, all the members of the Appointments Committee are independent directors.

Accordingly, the composition of the Committee complies with the requirements of article 529 *quindecies* 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. It also complies with the composition required by article 31 of Act 10/2014, of 26 June, for the Appointments Committee of a credit institution, which must comprise members of the Board of Directors who do not perform executive functions, at least one-third of whom (including the Chair, in any event) must be independent directors.

Also, it complies 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.grupobancosabadell.com](http://www.grupobancosabadell.com)).

Section C.2.1. of the Annual Corporate Governance Report, available on the website at [www.grupobancosabadell.com](http://www.grupobancosabadell.com), contains detailed information about the Appointments Committee.

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## 4.- Activities

The Appointments Committee met on twelve occasions in 2018.

The main activities of the Appointments Committee in that period are as follows:

### Composition of the Board of Directors

- It proposed to the Board of Directors that it submit to the General Meeting of Shareholders a proposal for the re-appointment of an independent director and the ratification and appointment of two independent directors, ratifying their fitness and suitability.
- It advised the Board of Directors on the proposal to appoint a female executive director by co-optation and assessed her fitness and suitability, and on the proposals for the re-appointment of an executive director and of a proprietary director, ratifying their fitness and suitability, for submission to the General Meeting of Shareholders.
- It advised the Board of Directors on the director training programme for 2018.
- In accordance with Recommendation 14 of the Good Governance Code of Listed Companies and in compliance with section 7 of the Banco de Sabadell, S.A. Board Candidate Selection Policy, the Appointments Committee verified compliance with the Board Candidate Selection Policy.

### Organization and governance structure

- Reported favourably to the Board of Directors on the proposal for changes in the Group's organisation and governance structure.

### Composition of Board Committees

- It proposed that the Board of Directors make changes in the composition of its sub-committees.

### Appointments and removals

- It advised the Board of Directors on the proposal for the appointment of the Chief Risk Officer (CRO) of Banco Sabadell and of the Chief Executive Officer (CEO) of TSB.

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- It advised the Board of Directors on proposals for the appointment or removal of senior executives, having assessed their suitability for the proposed positions.
  - It reviewed the list of material risk takers of Banco Sabadell and the Group, and advised the Board of Directors on proposals for the appointment or removal of members, having assessed the candidates' suitability.
  - It advised the Board of Directors on proposals for the appointment or removal of senior executives of the undertakings that form part of the group and of directors of subsidiaries, affiliates and other undertakings (e.g. foundations and associations).
  - It advised the Board of Directors on proposals for the appointment or removal of material risk takers of several subsidiaries, having assessed the candidates' suitability.
  - It advised the Board of Directors on proposals for the appointment of members and officers of the Group's Advisory Boards.

#### Annual Corporate Governance Report of Listed Companies

- It analysed the information to be included in the Annual Corporate Governance Report and reported favourably to the Board of Directors on its approval. As established in article 8.6 of Ministry of Economy and Competitiveness Order ECC 461/2013, of 20 March, and for the purposes of preparing the Annual Corporate Governance Report, it reported favourably to the Board of Directors on the composition of the Board and the director categories.

#### Assessment

- It approved, and submitted to the Board of Directors, for its approval, the Appointments Committee Assessment Report for 2017 and the proposed plan of action for 2018, and the annual Assessment Report on the Board of Directors' performance and the performance of the Chairman and the Managing Director, which was drafted by an independent external consultant.
- It approved the Report on the functions and activities of the Appointments Committee for 2017, which was submitted to the Board of Directors and published on the corporate website sufficiently in advance of the date of the General Meeting of Shareholders, thus complying with best practices in the field of corporate governance.



## **5.- Conclusion**

During 2018, the Appointments Committee properly discharged the duties assigned to it by the Articles of Association and the Board of Directors Regulation.