



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

2019

30 January 2020

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Introduction

This Report on the performance and activities of the Appointments Committee (the Committee) in 2019 is addressed to the shareholders of Banco de Sabadell, S.A. (Banco Sabadell, the Bank or the Institution) and was adopted by the Appointments Committee (the Committee) at a meeting on 30 January 2020 and submitted for approval by the Board of Directors of Banco Sabadell at a meeting on 30 January 2020, 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.

The Report sets out the activities performed by the Appointments Committee in 2019 to discharge the duties assigned to it in its Regulation by the Board of Directors of Banco Sabadell within its main areas of responsibility.

Together with the publication of an Annual Report on Corporate Governance and the information available on the group's website, the distribution of this report at the General Meeting of Shareholders underlines once again Banco Sabadell's commitment to providing shareholders and investors with the information they need to keep themselves fully informed of the Company's corporate governance performance and to ensure that it is transparent in everything that it does.

Regulation

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.

Article 61 of the Articles of Association and article 14 of the Regulation of the Board of Directors set out the basic rules governing the Appointments Committee, which is also governed by the Appointments Committee's Regulation, approved by the Board of Directors on 24 October 2019, which establishes its rules of procedure, competencies and functions, and the basic rules for its organisation and functioning. Those documents are available on the corporate website www.grupobancosabadell.com. The Committee adheres to the Guidelines on Internal Governance issued by the European Banking Authority EBA/GL/2017/11), the Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12), and Technical guide 1/2019 on Nomination and Remuneration Committees published by the Spanish National Securities Market Commission (CNMV).

Composition and attendance at meetings in 2019

At the end of 2019, the Committee was composed solely of non-executive directors, three of whom were independent and the fourth an "other external" director, and the Chair was one of the independent directors, in compliance with the composition

rules set out in article 61 of Banco Sabadell's Articles of Association, which requires that the Committee consist of at most five directors appointed by the Board of Directors, all of whom must be non-executive directors, and at least two of whom must be independent directors, with the requirement that the Chair be appointed from among the independent directors.

The following change took place in the composition of the Appointments Committee in 2019:

On 28 March 2019, the Board of Directors resolved to appoint Mr. José Manuel Martínez Martínez as a member of the Appointments Committee in place of Mr. Pedro Fontana García.

As indicated, all the members of the Appointments Committee are non-executive directors.

Accordingly, the composition of the Committee complies with the requirements of article 529 quincecies 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.

Section C.2.1. of the Annual Corporate Governance Report, available on the website at www.grupobancosabadell.com, contains detailed information about the Appointments Committee.

The appointment of the members of the Appointments Committee by the Board of Directors takes account their knowledge, skills and experience in the areas of corporate governance, analysis and strategic assessment of human resources, selection of directors and executives and performance of senior management functions, in compliance with the provisions of article 5.3 of the Regulation of the Appointments Committee so that, overall, the members of the Committee have the pertinent knowledge and appropriate experience required for their functions. When appointing members of the Committee, efforts have been made to promote diversity, in terms of gender as well as professional experience, competencies, industry knowledge, international experience and geographical origin.

Further information on the skills, knowledge and experience of each of the Committee members can be found in the professional profile and the Matrix of competencies and diversity of the members of the Board of Directors of Banco

Sabadell ("Internal Governance Framework" section) in the corporate governance section of the Group's website (www.grupobancosabadell.com).

As at 31 December 2019, the composition of the Appointments Committee was as follows:

Position	Name	Category	Date of appointment to the Committee
Chair	Ms. Aurora Catá Sala	Independent	28/05/2015
Members	Mr. Anthony Frank Elliott Ball	Independent	21/09/2017
	Ms. M. Teresa Garcia-Milà Lloveras	Other external	25/05/2017
	Mr. José Manuel Martínez Martínez	Independent	26/03/2019
Secretary (non-voting)	Mr. Miquel Roca i Junyent		

As provided in the Committee's Regulation, it must meet as often as necessary, and at least once every three months. The Committee met on eleven occasions in 2019, in accordance with the schedule set at the beginning of the year, and the duration of the meetings was that required to discuss the matters on the agenda and to adopt the pertinent decisions.

The Committee may require the attendance at its meetings of such executives, including executive directors, as it sees fit, by notifying the General Manager(s) in question in order to schedule their attendance. The Committee may also require the presence of other directors, executives or professionals of the Institution or Banco Sabadell Group, external experts or any member of the governing bodies of associated companies, whose attendance will be confined to the items on the agenda for which their presence is required.

All meetings of the Committee were announced with at least the required' advance notice, and the agenda and the available documentation were provided. The use of documentation support tools provided the directors with regular and segmented access to Committee information and enabled them to have this information sufficiently in advance to be able to debate and make decisions about the matters on the agenda of the Committee meetings.

The attendance by the Committee members at the meetings in 2019 was as follows:

Number of meetings and attendance

Ms. Aurora Catá Sala	11 / 11
Mr. Anthony Frank Elliott Ball*	10 / 11
Ms. M. Teresa Garcia-Milà Lloveras	11 / 11
Mr. José Manuel Martínez Martínez	8 / 8
Mr. Pedro Fontana García**	3 / 3

* The committee member gave specific instructions to a proxy for meetings from which he was absent.

** Number of meetings which the director attended with respect to the number of meetings held during the period in 2019 in which he was a member of the Appointments Committee.

In order to discuss the areas relating to their respective functions, meetings were also attended by the Banco Sabadell executives responsible for the matters dealt with at the respective meetings, whenever they were invited.

The Secretary took detailed minutes of every meeting, which were approved at the end of the meeting itself or at the next meeting. The Board of Directors was promptly informed of the content of those meetings.

Functions

The Appointments Committee is a sub-committee of the Board of Directors and its functions include those defined in article 61 of the Articles of Association of Banco Sabadell, those defined in Article 15 of the Regulation of the Board of Directors, as well as all the functions set out in the Regulation of the Appointments Committee and those attributed to it by law.

The Committee has the following functions:

1. 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.
2. Advising on proposals to appoint other directors, whether proprietary, other external or executive, by co-optation or for referral to the General Meeting, and on proposals to re-appoint or remove them.
3. Ensuring that the qualitative composition of the Board of Directors complies with the provisions of article 53 of the Articles of Association, and assessing the balance of knowledge, capacity, diversity and experience on the Board of Directors. To that end, it must define the functions and the necessary aptitudes of candidates for each vacancy, and the time that it estimates needs to be dedicated in order to perform the functions properly.
4. Striving to ensure that selection procedures for filling vacancies or appointing new directors favour a diversity of experience and knowledge, facilitate the selection of female directors and, generally, do not suffer from implicit biases that might result in discrimination of any type.
5. Evaluating to ensure that the members of the Board of Directors are fit and suitable and have the requisite competency, knowledge and experience, and assessing their ability to devote the necessary time, with a view to referring their candidacy to the competent authorities.

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6. Advising on proposals for the appointment and removal of senior executives and other members of the Identified Staff, and assessing their fitness and suitability.
 7. Advising on the basic contractual conditions for executive directors and, as appropriate, on their specific contracts, which must be approved by the Board of Directors and be attached to its minutes as an annex.
 8. Examining and organising succession plans for the Chairman of the Board of Directors and the Bank's Managing Director, and, as appropriate, raising proposals to the Board and implementing the provisions of any duly approved and published Succession Plan in the event.
 9. 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.
 10. Evaluating regularly, and at least once per year, the structure, size and composition of the Board of Directors and its Committees, and advising the Board on the most appropriate configuration, as well as advising on proposals regarding the appointment or removal of their members.
 11. Making proposals to the Board of Directors for the assignment of directors to the appropriate category, their continuance in that category in the event of re-appointment, and changes of category where necessary.
 12. Reviewing directors' categories each year and informing the Board of Directors for inclusion in the Annual Corporate Governance Report.
 13. Advising the Board of Directors on proposals for the appointment of the Vice-Chairman or Vice-Chairmen, as applicable.
 14. Advising the Board of Directors on proposals regarding the appointment of the Secretary and, as appropriate, the Vice-Secretary of the Board of Directors, neither of whom need be a director.
 15. Making proposals to the Board of Directors for the appointment, removal or re-appointment of the Lead Independent Director.
 16. Producing and regularly updating a matrix of competencies in the Board of Directors, evaluating the knowledge, skills and experience of the members of the Board of Directors and of the Board as a whole, for approval by the Board of Directors.
 17. Periodically reviewing and making proposals to the Board for the amendment of the policies regarding the selection and diversity of the members of the Board of Directors, verifying compliance with them annually, and informing the Board of Directors as to the degree of compliance.

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18. Providing advice each year on performance reviews for the Board of Directors and for the Chairman of the Board of Directors and the Managing Director.
 19. Referring to the Board of Directors the assessments of the Board Committees with the results of the assessment and a proposal for an action plan or recommendations to correct any deficiencies detected or to improve the functioning of the Board or its Committees.
 20. Designing and organising regular refresher courses for directors.
 21. Reviewing, at least once per year, the execution and quality of the initial training and onboarding and the Director Training Programme, and informing the Board of Directors.

Training

The Director Training Programme, which includes the members of the Appointments Committee, continued in 2019 with training sessions relating to market technology trends, corporate social responsibility policy, the housing market in Spain, and new retail products and distribution channels.

Activities in 2019

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

Composition of the Board of Directors

- It made a proposal to the Board of Directors, for referral to the General Meeting of Shareholders, for the re-appointment of three independent directors and having ratified their fitness and suitability.
- It advised the Board of Directors on the proposal to ratify and appoint a female executive director and to re-appoint two executive directors, ratifying their fitness and suitability, for submission to the General Meeting of Shareholders.
- It advised the Board of Directors on the replacement of a new Lead Independent Director as the incumbent had held office for three years.
- It performed a supplementary fitness assessment for an executive director as a result of the changes of functions and positions in Banco Sabadell Group.
- It advised the Board of Directors on the 2019 Director Training Programme and its subsequent amendment in order to reinforce director's training in the

banking business, by modifying the content of the planned training sessions to this end.

- 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. Director Candidate Selection Policy, the Appointments Committee verified compliance with the Director Candidate Selection Policy and made a recommendation to the Board to amend the Policy in order to expressly state that the assessment of candidates' professional competency should attach particular importance to experience in banking and finance.

Improvement in corporate governance

- It made a recommendation to the Board to approve the Matrix of competencies and diversity of the members of the Board of Directors.
- It issued a favourable report on the Plan to enhance the effectiveness of the Board's oversight function, for approval by the Board of Directors.
- It reported favourably to the Board of Directors on the proposed Appointments Committee Regulation.

Organisation and governance structure

- It reported favourably to the Board of Directors on the proposal for changes in the Group's organisation and governance structure.
- It issued a favourable report to the Board of Directors on the Group's management structure in terms of management committees, their functions and degrees of autonomy, and the changes in the composition of the management committees.
- It reported favourably to the Board of Directors on the structure, principles and content of the management committees' terms of reference.

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 proposals for the appointment or removal of senior executives, having assessed their suitability for the proposed positions.

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- It reviewed the list of members of the Identified Staff 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' fitness and 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 members of the Identified Staff of several subsidiaries, having assessed the candidates' fitness and 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 for 2018 and recommended that the Board of Directors approve it. As established in article 8.6 of 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 2018 and the proposed plan of action for 2019, and the annual Assessment Report on the Board of Directors' performance and the performance of the Chairman and the Managing Director, for evaluation.
- It approved the Report on the performance and activities of the Appointments Committee for 2018, 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.

Main progress in relation to the 2019 Action Plan

During the year, the Appointments Committee fulfilled the Action Plan established for 2019 by adopting the following measures:

- In connection with the increase in relations with proxy advisers and significant shareholders, the Chair of the Committee and the Lead

Independent Director participated together in the Corporate Governance Road Show held at the beginning of February 2019 for proxy advisers and significant shareholders.

- Regarding the establishment of mechanisms to increase the transparency of decision-making with regard to appointments and with the objective of continuing to adopt measures that promote diversity in the Board of Directors and in the Bank's organisation, the Committee submitted a proposal to the Bank's Board of Directors for the development and implementation of a Matrix of competencies and diversity of the members of the Board of Directors, following the recommendations set out in the CNMV's Technical Guide on Nomination and Remuneration Committees, which was approved by the Board. The Committee also advised on the amendment to the Banco Sabadell Director Candidate Selection Policy in order to ensure that experience in banking (retail, corporate and investment banking), at both domestic and international level, is prioritised in the process of selecting new Board members.
- Training for Board members continued under the Director Training Programme in 2019 with the goal of providing insights into management policies and mechanisms, key issues of new regulatory requirements, changes to applicable legislation, risk management, new market trends, and key business issues.
- Internal procedures and technical systems for circulating meeting documentation to Committee members were stepped up, and the structure of the supporting documentation was enhanced to include an executive summary, background information and the purpose of each document.
- The Bank's executives continued to be involved, as they were invited to attend Committee meetings to present issues in their competency that were being discussed.

Annual evaluation of the performance of the Appointments Committee

Article 529 *nonies* of the Capital Companies Act, establishes the obligation of the Board of Directors to assess its own performance and that of its sub-committees each year and, on the basis of the results, to propose a plan of action to correct any deficiencies detected.

In compliance with Recommendation 36 of the Good Governance Code of Listed Companies, whose scope was expanded by section 7 of Technical Guide 1/2019 on Nomination and Remuneration Committees of listed companies, every three years the Board of Directors performs the assessment with the support of an external consultant whose independence is verified by the Appointments Committee.

Although the aforementioned Recommendation 36 of the Good Governance Code recommends a frequency of no more than three years, and the last time Banco

Sabadell was assisted by an external consultant for this assessment was in 2017, the Appointments Committee decided that the performance assessment of the Board of Directors and its Committees for 2019 should be conducted by an independent external consultant, Deloitte Legal, S.L.P.

The performance assessment of the Appointments Committee for the year 2019 is being performed with the assistance of independent external consultant, Deloitte Legal, S.L.P. The support of an external consultant makes it possible to perform the assessment and draw up the resulting action plan from an impartial, independent standpoint based on knowledge of numerous organisations of different types.

The outcome of the assessment will make it possible to draw up an improvement plan that will enable the Board of Directors and the Appointments Committee to identify possible areas for development and progress in the design of, and compliance with, a corporate governance system on the basis of the identified milestones.

Conclusion

During 2019, the Appointments Committee properly discharged the duties assigned to it by the Articles of Association and its own Regulation.

On 30 January 2020, the members of the Appointments Committee signed this report on the functioning of the Committee in 2019, which will be presented to the Board of Directors and published on the corporate website prior to the date of the General Meeting of Shareholders.