

## ANNEX 1

### ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

#### ISSUER IDENTIFICATION DATA

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12/31/2018

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**CORPORATE NAME**

BANCO DE SABADELL, S.A.

**DOMICILE**

AVENIDA ÓSCAR ESPLÁ, 37 - ALICANTE

# ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

## A COMPANY'S REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1. Describe the current directors remuneration policy applicable to the current year. To the extent relevant, include disclosures relating to the remuneration policy approved by the General Meeting of Shareholders, provided that these references are clear, specific and concrete. Describe the specific decisions by the Board that apply to this year, relating to both directors' remuneration for their functions as such and for executive functions, as provided in the contracts signed with the executive directors, and to the general remuneration policy approved by the General Meeting of Shareholders. In any event, the following should be disclosed:

- Description of company's procedures and the bodies involved in determining and approving the remuneration policy and its terms and conditions.
- Indicate whether the company's remuneration policy was benchmarked against other companies and, in the event, give details.
- Disclose whether any external advisors were involved in this process and, if so, identify them.

The Remuneration Policy (the "Policy") of Banco de Sabadell, S.A. ("Banco Sabadell", the "Bank" or the "institution") is focused on creating long-term value by aligning the interests of its shareholders and employees, in coherence with the strategic goals in terms of risks and the business, and the values of the bank, all under a prudent risk management approach while avoiding conflicts of interest.

The Policy complies with the current European Directives and Regulations and the other current legislation, in particular Act 10/2014, of 26 June, on ordering, supervision and solvency of credit institutions, Royal Decree 84/2015, of 13 February, implementing Act 10/2014, of 26 June, on ordering, supervision and solvency of credit institutions, and Bank of Spain Circular 2/2016, of 2 February, to credit institutions, on supervision and capital adequacy, which completes the adaptation of Spanish law to Directive 2013/36/EU and Regulation (EU) 575/2013, as well as the EBA Guidelines on internal governance (EBA/GL/2017/11) of 21 March 2018.

The principles of Banco Sabadell's Remuneration Policy are as follows:

1. Promote medium- and long-term sustainability of the business and the company, in addition to alignment with the group's values. This entails:
  - Aligning the remuneration with the interests of the shareholders and with the creation of long-term value.
  - Promoting rigorous risk management, with measures to avoid conflicts of interest.
  - Aligning with the Bank's long-term business strategy, objectives, values and interests.
2. Ensuring a competitive and equitable remuneration system (external competitiveness and internal fairness):
  - Ability to attract and retain the best talent.
  - Rewarding professional track record and responsibility, regardless of the employee's gender.
  - Aligning with market standards, while providing flexibility to adapt to changes in the situation and in the demands of the sector.
3. Reward performance, by aligning remuneration with the results achieved by the individual and the level of risk assumed:
  - An appropriate balance between the various components of the remuneration.
  - Consideration of current and future risks and results, not encouraging the assumption of risks that exceed the level tolerated by the institution.
  - A simple, transparent and clear system. The Remuneration Policy will be understandable and easy to communicate to the entire workforce.

Apart from the Directors Remuneration Policy, which was approved by the General Meeting of Shareholders on 19 April 2018 for the years 2018, 2019 and 2020, the Banco Sabadell Remuneration Policy comprises: the Remuneration Policy for Senior Management, the Remuneration Policy for the Group's material risk takers, the Remuneration Policy for the Banco Sabadell Group and the specific remuneration policies of the group companies, including the Remuneration Policy for Banco Sabadell Spain.

The Remuneration Policy (which includes the various policies mentioned above) has been reviewed by the Board of Directors of Banco Sabadell, following a favourable report adopted by the Remuneration Committee at a meeting on 20 December 2018, in order to incorporate the changes that are set out in the appropriate section of this report. It is planned to ask the forthcoming General Meeting of Shareholders to approve the Directors Remuneration Policy for the next three years, which incorporates the same amendments. The main changes are as follows:

- Review of the malus and clawback clauses to include criteria based on earnings and risks, and elimination of the need for malice or negligence, extending the scope of application of the clauses. The following factors will be considered when applying them:
  - Significant failures in risk management by the institution or by a unit.
  - An increase in capital requirements at the institution or one of its business units that was not planned for at the time that exposure was generated.
  - Regulatory penalties or legal convictions for events attributable to the unit or the staff responsible for them. Additionally, failure to comply with the institution's internal codes of conduct.
  - Improper conduct, whether individual or collective. Negative effects deriving from marketing unsuitable products, and the liability of persons and bodies making such decisions, will be considered especially significant.
- Better definition of the procedures and responsibilities of the various bodies and departments in connection with remuneration.
- Quarterly payment of the amounts derived from post-contractual non-competition clauses, capped at the amount of remuneration that would have been paid in the non-competition period if the person were still employed. This amount will be paid in equal instalments over the period in which the non-competition obligation subsists following contract termination and only if the material risk taker fulfils the commitment to abstain from competition and has not attained the first age of ordinary retirement under current legislation.
- Post-contractual non-competition clauses subsist at most until the first age of ordinary retirement established in the current legislation. Such clauses must be expressly included in the contracts and approved by the Remuneration Committee.
- The Group's annual and multi-year objectives will include correction factors or minimum thresholds (trigger objectives) linked to the Group's capital and liquidity indicators.
- Amendment of the ex ante adjustment to enable it to be applied at Group, unit, country or even individual level, to reflect the various classes of risk.
  - This variable remuneration adjustment, which can reduce the initial amount of available remuneration to zero, ensures that the variable remuneration is fully aligned with the risks assumed.
  - The variable remuneration adjustment will cover all the cases or situations that might have an impact on the Group's risk profile and that were not fully factored into the assessment of the objectives set at the beginning of the year.
  - If the Maximum Distributable Amount (MDA) established by the regulations is reached, the variable remuneration may be reduced or eliminated entirely.
- Improvement of the definition of the cap consisting of 100% of fixed remuneration for a given year. This cap can be raised to 200% of fixed remuneration, subject to approval by the General Meeting of Shareholders, in the cases expressly defined in the Policy.
- Amendment of one of the principles on which the Remuneration Policy is based to emphasise that the remuneration system rewards professional performance and responsibility, regardless of the employee's gender.

The Remuneration Policy contemplates a vision of total remuneration taking into account all the remuneration elements and the relationship between them, establishing an appropriate balance between fixed and variable remuneration, and a distribution of remuneration between the short and long term, safeguarding the rights and interests of customers.

The components into which the remuneration of all Banco Sabadell employees — including senior management and, therefore, executive directors — is structured are the following:

- A sufficient amount of fixed remuneration so as not to encourage excessive risk-taking. This includes the following items:
  - Fixed salary, which comprises the sum of guaranteed remuneration components linked to the set of functions and responsibilities of the person's position and that recognise the employee's contribution in that position.
  - Benefits, which aim to complement the monetary and non-monetary remuneration with other elements that increase the loyalty and commitment on the part of Banco Sabadell employees. Benefits apply to all Banco Sabadell employees, including material risk takers and senior management, using the same criteria. Benefits may vary according to territory, the sector and/or the collective agreement that is applicable to the employee.
  - Pension and other providential schemes of varying types and amounts depending on the group to which the employee belongs, in order to cover retirement and other contingencies appropriate to the nature of the functions performed by certain employees. The Board of Directors has the power, based on a proposal by the Remuneration Committee, to assign specific providential plans to members of senior management and other material risk takers.
- Short-term variable remuneration, which is defined annually and whose main purpose is to reward performance during the year measured through objectives aligned with the risk incurred. The main goals of the short-term variable remuneration are to promote the attainment of the short- and medium-term strategic objectives without encouraging risk-taking in excess of the level tolerated by the institution, as well as motivating employees to improve their performance. In the case of the material risk takers, senior management and executive directors, this variable remuneration is subject to deferral criteria and award in equity instruments, in accordance with the applicable regulations and with decisions by the competent bodies.
- Long-term remuneration for executive directors, senior management and other material risk takers, which may consist, by decision of the Board of Directors, at the proposal of the Remuneration Committee, of a long-term variable remuneration system, to which end an amount and multi-year objectives may be established, in combination with the executive's performance; or a proposal, for approval by the General Meeting of Shareholders, of a system based on the appreciation of the share price tied to the attainment of certain multi-year objectives in combination with the individual's performance, which is deferred and paid in equity instruments in accordance with the applicable regulations and the decisions of the

competent bodies, thus aligning the remuneration with long-term results and with the interests and risks of the shareholders.

In the case of executive directors, members of senior management and material risk takers, their short-term variable remuneration and long-term remuneration may be subject to malus in the deferral period and clawback in the deferral and lock-up period, until conclusion of the last lock-up period, if the Board of Directors so decides on the basis of a proposal by the Remuneration Committee.

The shares received by executive directors as variable remuneration are under lock-up for a period of one year after their delivery.

Unless they own shares amounting to the equivalent of twice their variable annual remuneration, executive directors may not dispose of the shares they receive until at least three years have elapsed from the time of delivery. The above condition will not apply to any shares that the director must dispose of to cover tax obligations related to their delivery.

Executive directors, senior management and the other material risk takers may not use personal hedging strategies with ad hoc financial products or any mechanism that guarantees that they will collect part or all of the remuneration.

Directors' remuneration for their functions as members of the Board of Directors is structured as follows. Members of the Banco Sabadell Board of Directors who do not have executive functions collect only an amount of fixed remuneration plus meeting fees, capped at fees for at most 11 ordinary meetings; directors may collect attendance fees for at most two meetings per year which they miss for justified reasons provided that they grant proxy in those cases. No amounts are payable for attendance at extraordinary meetings of the Board of Directors.

In addition, they receive other amounts for chairing or being a member of Board sub-committees, and for membership of any of Banco Sabadell's Advisory Boards.

Non-executive directors do not qualify for the remuneration or benefits that apply to Bank employees, material risk takers or senior management, and they are not members of the long-term incentive schemes adopted by the General Meeting of Shareholders.

The Articles of Association of Banco Sabadell set out the competencies of the Board of Directors and its sub-committees. The Board of Directors Regulation, published on Banco Sabadell's corporate website, sets out the terms of reference for the Board of Directors and its sub-committees, establishing their powers and basic rules of operation and organisation, in line with the regulations applicable to listed companies and credit institutions.

In accordance with the provisions of the Capital Companies Act, the Board of Directors is vested with the non-delegable power to determine the company's general policies and strategies and to make decisions regarding the remuneration of the directors, within the framework of the Articles of Association and of any Directors Remuneration Policy that may be adopted by the General Meeting of Shareholders; the Remuneration Committee of a listed company has the power to make proposals to the Board of Directors with regard to the directors remuneration policy and the individual compensation and other contractual conditions of the executive directors, and to oversee compliance. The Remuneration Committee has at least the following basic responsibilities as set out in article 14 bis of the Regulation of the Board of Directors: a) making proposals as to the directors remuneration policy to the Board of Directors; 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; and h) verifying the information on remuneration contained in the various corporate documents, including the Report on Director Remuneration.

In accordance with the provisions of article 62 of the Articles of Association, Banco Sabadell's Remuneration Committee at the end of 2018 comprised four non-executive directors, all of whom are independent directors, as follows:

Chair (Independent), Ms. AURORA CATÁ SALA

Member (Independent), Mr. ANTHONY FRANK ELLIOTT BALL

Member (Independent), Ms. MARÍA TERESA GARCÍA-MILÀ LLOVERAS

Member (Independent), Mr. GEORGE DONALD JOHNSTON

Secretary (not a member), Ms. MARÍA JOSÉ GARCÍA BEATO

The composition of the Remuneration Committee did not change in 2018:

Each year, the Human Resources Department of Banco Sabadell draws up a report on remuneration to enable the Remuneration Committee to discharge its duties properly. The report is aimed at providing the Remuneration 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 management and other material risk takers.

Additionally, in accordance with Article 15 of the Board Regulation, the Risk Committee is responsible for informing the Remuneration Committee as to whether the employee remuneration programmes are coherent with the Bank's risk, capital and liquidity.

The Audit and Control Committee supervises the process of drafting and presenting the regulated financial information, including that related to remuneration, checking for compliance with the law and the correct application of accounting standards.

In addition to receiving advice from the Bank's internal units, the Remuneration Committee obtains any external advice it may need for that purpose. In this regard, specialised consulting firm Mercer Consulting S.L. issued an independent assessment on the implementation of the Remuneration Policy, confirming that the policy was being applied properly; that report was submitted to the Risk Committee and the Remuneration Committee in January 2019.

Finally, proposals by the Remuneration Committee are submitted to the Board of Directors for consideration and, where appropriate, approval. In the case of proposals whose approval corresponds to the General Meeting of Shareholders, the Board of Directors puts them on the agenda of the General Meeting of Shareholders and accompanies the motions with the mandatory reports.

At a meeting on 31 January 2019, in accordance with the current Directors Remuneration Policy and within the limits established therein, the Board of Directors determined the amount of directors remuneration for the current year both for membership of the Board of Directors per se and for performing executive functions, as disclosed in detail elsewhere in this report.

Banco Sabadell received advice from consulting firm Willis Towers Watson in establishing its Remuneration Policy. Additionally, each year, Banco Sabadell uses the Spencer Stuart Board Index 2018, the KPMG Report on Directors Remuneration in Spain, and the assistance of consulting firm Willis Towers Watson to benchmark the remuneration of the Board of Directors, the executive directors, the members of senior management and the other material risk takers. The most recent analysis was carried out in January 2019 for executive directors and senior management, and in February 2019 for the other material risk takers, concluding that Banco Sabadell's Remuneration Policy conforms to market parameters.

To establish the remuneration of the executive directors in 2019, a benchmark group of 16 European banks (Crédit Agricole, Groupe Société Générale, Santander, BBVA, Intesa San Paolo, Nordea Bank, Natixis, ABN Amro Group, Caixabank, Skandinaviska Enskilda Banken, KBC Groep, Swedbank, Bankia, Unione di Banche Italiane, Mediobanca and Bankinter), and another domestic set of peers consisting of 9 Spanish IBEX-35 companies with a market capitalisation of more than 6,000 million euro (Santander, BBVA, Naturgy, Ferrovial, CaixaBank, Amadeus, Bankia, Bankinter, Red Eléctrica) were used, which provide guidance in determining the remuneration mix as well as the competitiveness of the remuneration assigned to them. A sample of domestic banks was used for benchmarking senior executive remuneration. This ensures that the remuneration of executive directors and senior management is in line with market parameters.

- Proportion between variable remuneration and fixed remuneration (remuneration mix) and the criteria and objectives used to determine and ensure an appropriate balance between the fixed and variable components of remuneration. In particular, state the actions adopted by the company in relation to the remuneration system to reduce exposure to excessive risks and adjust it to the company's long-term objectives, values and interests, including references to any measures to guarantee that the company's long-term results are taken into account in the remuneration policy, the measures adopted in relation to those categories of staff whose work has a material impact on the company's risk profile and any measures to avoid conflicts of interest.

Also disclose if the company has established a period for the accrual or vesting of certain variable remuneration items, whether in cash, shares or other financial instruments, any period of deferral of the payment of amounts or the delivery of accrued or vested financial instruments, any clause that reduces the deferred remuneration or that obliges the director to refund remuneration already received, where such remuneration was based on figures that have been clearly shown to be inaccurate.

- In accordance with the Banco Sabadell Directors Remuneration Policy, directors do not collect variable remuneration for their status as such; only executive directors receive variable remuneration, for performing their executive functions.

- Variable remuneration items for executive directors

#### 1. Short-term variable remuneration

In accordance with the provisions of the Directors Remuneration Policy approved by the General Meeting of Shareholders on 19 April 2018, a number of objectives (detailed below) were established for the calculation of the short-term variable remuneration for 2019, and they were approved by the Board of Directors at a meeting held on 31 January 2019, which broadly coincide with the Group's objectives for the year, establishing benchmarks that coincide with those objectives.

The target for short-term variable remuneration is set by the Remuneration Committee based on the characteristics of the functions performed, taking into account that variable remuneration is capped at 100% of the fixed remuneration for each year. The cap can be raised to 200% of annual fixed remuneration, subject to approval by the General Meeting of Shareholders, in the cases expressly defined in the Policy, there being no scope for discretion on the part of the Remuneration Committee at the time when it is recognised.

Attainment parameters are set between 50% and 150% for each of the objectives, based on a non-linear scale of attainment established beforehand by the Remuneration Committee for each objective. Attainment of under 50% is considered as 0% for the purposes of attainment.

Additionally, in order to qualify for variable remuneration, overall attainment of the objectives must exceed 60%. No variable remuneration is earned under 60%, and no additional variable remuneration is earned above 150%.

The targets for the executive directors' variable remuneration for 2019, detailed below, are based on 100% attainment of the objectives. Actual receipt will depend on the degree of attainment of the established objectives, to which a risk-related correction factor will be applied that includes indicators relating to capital (CET1) and liquidity (Liquidity Coverage Ratio).

Additionally, the total amount of variable remuneration is subject to adjustment at the discretion of the Remuneration Committee, and may even be zero, depending on the following parameters:

- A variable remuneration adjustment based on risk profile and earnings performance.
- The possibility of reduction to zero if the bank's capital is less than the Maximum Distributable Amount (MDA).

The short-term variable remuneration for 2019 described in the preceding paragraph will be paid as follows:

- 40% of the executive directors' variable remuneration for 2019 will be paid in 2020, 50% in cash and 50% in Banco Sabadell shares, the shares being subject to a one-year lock-up.
- 60% of the executive directors' variable remuneration for 2019 will be deferred over a five-year period, with one-fifth being paid in each of the years 2021, 2022, 2023, 2024 and 2025, split 45% in cash and 55% in Banco Sabadell shares, the shares being subject to a one-year lock-up.

## 2. Long-term remuneration

In accordance with the Directors Remuneration Policy approved by the General Meeting of Shareholders on 19 April 2018, executive directors are beneficiaries of the following incentive plans granted in previous years that are currently in force:

- a) Supplementary long-term incentive 2016-2019 linked to the appreciation by the Banco Sabadell share ("ICLP2016"), approved by the General Meeting of Shareholders on 31 March 2016.
- b) Supplementary long-term incentive 2017-2020 based on appreciation by the Banco Sabadell share ("ICLP 2017"), approved by the General Meeting of Shareholders on 30 March 2017.
- c) Supplementary long-term incentive 2018-2021 ("ICLP2018"), approved by the General Meeting of Shareholders on 19 April 2018, which, in addition to being based on share price appreciation, takes account of the attainment of multi-year objectives.

That Plan consists of the allocation to the beneficiaries of a number of rights to share in the increase in the value of the same number of shares of Banco Sabadell, 55% of which will be paid in the form of shares of Banco Sabadell.

The number of rights assigned to each beneficiary was adjusted in the first quarter of 2019 as a function of individual attainment of the assigned annual objectives, as described below. The multi-year objectives for executive directors are as set out below.

Additionally, like the other components of variable annual remuneration, the incentive is also subject to any overall adjustments to the variable remuneration for 2018 that are applied in the first quarter of 2019.

The multi-year performance period will cover the years 2018, 2019 and 2020, the multi-year objectives for which are detailed below.

Those indicators will be measured in the first quarter of the year 2021; where the percentage achievement of objectives is less than 100%, the number of rights may be reduced accordingly (but never increased).

Executive directors will receive the incentive they have earned, 45% in cash and 55% in Banco Sabadell shares, according to the following schedule:

- 60% in the first four months of 2022.
  - 20% in the first four months of 2023.
  - 20% in the first four months of 2024.
- d) At a meeting on 31 January 2019, based on a proposal from the Remuneration Committee, the Board of Directors approved a new long-term remuneration scheme for all the material risk takers for 2019, including the executive directors, based on the fulfilment of annual and multi-year objectives, that establishes a benchmark amount for long-term remuneration based on a percentage of the fixed remuneration (the amount to be received in the event of 100% attainment of the objectives) and equivalent to a percentage of the fixed remuneration: 25% or 30% in the case of the executive directors.

Section C.1 details each of the supplementary incentive plans in force for each beneficiary, using a method adjusted for delta (sensitivity of the price of the instrument to the price of the underlying security), multiplying the number of underlying shares by the delta of the instrument both at the beginning and at the end of the year.

The amounts payable under these Supplementary Incentives will be subject to malus and clawback clauses. All shares that are delivered will be subject to a one-year lock-up from the delivery date.

Additionally, the executive directors are beneficiaries of providential systems, as detailed below.

- Measures to reduce exposure to excessive risks

Banco Sabadell's Remuneration Policy is aligned with the interests of the shareholders, with the strategy of the Banco Sabadell Group and with the creation of long-term value, promoting appropriate risk management, and it comprises the following elements, which are applicable to directors, senior management and other material risk takers:

The Risk Committee checks to ensure that employee remuneration programmes are coherent with the Bank's risk, capital and liquidity, and provides advice in this respect to the Remuneration Committee.

The Audit and Control Committee supervises the process of drafting and presenting the regulated financial information, including that relating to remuneration, and reviews compliance with the regulatory requirements and proper application of accounting standards.

The Internal Audit Department, within the framework of its functions, carries out an independent examination, at least once per year, of the definition, application and effects of the institution's Remuneration Policy on its risk profile, and the way in which these effects are managed.

The Risk Control Department will submit to the Remuneration Committee a proposal for the adjustment of the variable remuneration, which may be at Group, unit, country or even individual level, to be made at the end of the year, depending on risk profile and earnings performance.

The Compliance Department will inform the Human Resources Department of any circumstances that trigger the malus or clawback clauses.

Each year, specialised firm Mercer Consulting, S.L. prepares a Prudential Review of Remuneration in Banco Sabadell for the purpose of guaranteeing that the definition of the Institution's material risk takers and the remuneration practices and policies relating to same conform to the requirements established in the regulations and interpretations of the EBA and the Bank of Spain.

Each individual's variable annual remuneration is subject to the attainment of certain annual objectives, including a certain percentage of the group objectives, as detailed below, including risk-related variables.

As indicated earlier, the degree of attainment of the established objectives will be adjusted by a risk-related correction factor that includes indicators relating to capital (CET1) and liquidity (Liquidity Coverage Ratio).

The total amount of variable remuneration may be adjusted downwards at the discretion of the Remuneration Committee, and may even be zero, depending on the following parameters:

- A variable remuneration adjustment based on risk profile and earnings performance.
- The possibility of reduction to zero if the bank's capital is less than the Maximum Distributable Amount (MDA).

Long-term remuneration is subject to attainment of certain multi-year objectives, including indicators relating to capital (CET 1), liquidity, RoRAC and the share's performance with respect to a set of European institutions, in addition to the person's individual performance.

Variable annual remuneration and long-term remuneration for the material risk takers are subject to a deferral scheme, which main characteristics are as follows:

- Deferral period of at least 3 years and at most 5 years for senior management and executive directors.
- At least 40% and at most 60% will be deferred in the case of executive directors and of material risk takers whose variable remuneration exceeds 1,500,000 euros.
- The deferred remuneration will be paid 55% in the form of Banco Sabadell shares in the case of senior management and executive directors, and at least 50% in the case of the other material risk takers.
- Variable remuneration paid in shares is subject to one-year lock-up. Unless they own shares amounting to the equivalent of twice their variable annual remuneration, executive directors may not dispose of the shares they receive until at least three years have elapsed from the time of delivery. The above condition will not apply to any shares that the director must dispose of to cover tax obligations related to their delivery.
- The use of personal hedging strategies or any mechanism that guarantees receipt of part or all of the variable remuneration is not permitted.

Short-term variable remuneration and long-term remuneration that has not yet been collected (up to 100% of the amount) will be subject to malus and clawback clauses in the event of poor financial performance by the Bank as a whole or by a specific division or area or by the exposures generated by the material risk taker in question. For these purposes, the performance assessment will be compared with subsequent performance of the variables that contributed to achieving the objectives. The following factors will be considered:

- Significant failures in risk management by the Institution or a unit.
- An increase in capital requirements at the Institution or one of its business units not planned at the time that exposure was generated.
- Regulatory penalties or legal convictions for events attributable to the unit or its managers. Breach of the Institution's internal codes of conduct.
- Improper conduct, whether individual or collective. Particular consideration will be given to the negative effects deriving from marketing unsuitable products and the liability of persons or bodies making such decisions.

The malus clause may be triggered during the period in which variable remuneration is deferred. Clawback clauses may be triggered from the time the remuneration is paid up to conclusion of the corresponding lock-up period.

## - Amount and nature of fixed components that are to be accrued by directors during the year for membership of the Board of Directors per se.

As indicated earlier, a distinction is made between the remuneration of the directors for the exercise of their functions as members of the Board of Directors and the remuneration of those directors who also perform executive functions.

Under the Remuneration Policy approved by the General Meeting of Shareholders on 19 April 2018, members of the Board of Directors will collect, in 2019, for their duties as directors, an amount of fixed remuneration plus meeting fees, capped at fees for 11 ordinary meetings; directors may collect attendance fees for at most two meetings per year which they miss for just cause provided that they grant proxy in those cases. No amounts are payable for attendance at extraordinary meetings of the Board of Directors.

The Remuneration Committee resolved to maintain the remuneration for the Board of Directors and its sub-committees in 2019. Those amounts are as follows:

- Chairman: 175,650 euro of fixed remuneration and at most 58,000 euro in attendance fees (5,273 euro per meeting)
- Vice-Chairman: 95,250 euro of fixed remuneration and at most 31,750 euro in attendance fees (2,886 euro per meeting)
- Other directors: 75,000 euro of fixed remuneration and at most 25,000 euro in attendance fees (2,272 euro per meeting)

In addition to their remuneration for membership of the Board of Directors, executive directors are remunerated for discharging executive duties, but they do not receive any remuneration for chairing, belonging to or attending meetings of the Board's subcommittees or the boards of directors of other Group companies.

Non-executive directors will collect the following additional amounts for membership of Board sub-committees and for the group's Advisory Boards:

- Audit and Control Committee:
  - Chairman: 40,000 euro
  - Members who are non-executive directors: 20,000 euro
- Appointments Committee:
  - Chairman: 20,000 euro
  - Members who are non-executive directors: 10,000 euro
- Remuneration Committee:
  - Chairman: 40,000 euro
  - Members who are non-executive directors: 20,000 euro
- Risk Committee:
  - Chairman: 70,000 euro
  - Members who are non-executive directors: 20,000 euro
- Executive Committee: 80,000 euro
- The Lead Independent Director will receive 22,000 euro for that function.

The Chair of the Sabadell Guipuzcoano Advisory Board will receive at most 30,600 euro.

## - Amount and nature of fixed components that are to be accrued during the year for the performance of senior management functions by executive directors.

The fixed remuneration for executive directors for performing senior management functions in 2019 was approved by the Bank's Board of Directors on 31 January 2019, at the proposal of the Remuneration Committee, having consideration for their high levels of responsibility. The remuneration amounts were also based on comparable situations in the market, on the basis of a survey by specialised consulting firm Willis Towers Watson.

The Board of Directors has created the position of CRO (Chief Risk Officer), reporting directly the Risk Committee, to be filled by a member of the Board of Directors, who will be reclassified as an executive director.

The amounts established for 2019 are 1,701,000 euro for the Chairman; 1,350,000 euro for the CEO, 705,000 euro for the Director-General Manager, 500,000 euro for the Director-Company Secretary, and 450,000 euro for the Director-Chief Risk Officer.

Executive directors are beneficiaries of long-term saving plans whose characteristics and amounts are detailed in the corresponding section.

Executive directors also enjoy the same benefits as all the other employees.

- Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.

The executive directors are beneficiaries of the following remuneration in kind, under the same conditions, as the rest of the employees or groups of employees who are entitled to each of them:

- Group life insurance policy (applicable to all the Institution's employees).
- Total and permanent disability insurance policy (applicable to all the Institution's executives).
- Employee loans (applicable to all the Institution's employees).
- Health insurance (if arranged as part of the flexible remuneration system).

- Amount and nature of variable components, differentiating between short and long term. Financial and non-financial, including social, environmental and climate change, parameters selected to determine variable remuneration in the year in progress, describing the extent to which these parameters are related to performance, both of the director and of the company, together with their risk profile, and the methodology, necessary period and the techniques established to determine the degree of compliance with the parameters used in the design of the variable remuneration at the end of the year.

State the range, in monetary terms, of the variable components according to the degree of attainment of the objectives and established parameters, and whether there is any absolute cap in monetary terms.

In accordance with the Banco Sabadell Directors Remuneration Policy, directors do not collect variable remuneration for their status as such; only executive directors receive variable remuneration, for performing executive functions.

#### 1. Short-term variable remuneration

For the calculation of the short-term variable remuneration for 2019, the following objectives were established, and approved by the Board of Directors at a meeting held on 31 January 2019, which broadly coincide with the group's objectives for the year, with benchmarks aligned with the following objectives:

Group objective 2019	Weighting
Return on Equity (ROE)	20%
Net banking revenues	20%
Group expenses	15%
Cost of Risk	10%
Transformation	10%
Growth in lending to companies (synthetic indicator)	10%
NPS (synthetic indicator)	10%
Human capital index (HCI)	5%

- ROE (Return on equity), weighted 20%. Calculated as (consolidated profit attributed to the Group)/(average equity).
- Net banking revenues, weighted 20%. This objective is defined as the sum of two components: consolidated group net interest income + consolidated group net fees and commissions.
- Group expenses, weighted 15%. Comprises Group administration expenses (group personnel expenses + group general expenses) and expenses derived from the real estate business that are not recognised under Group personnel expenses or group general expenses.

- Cost of Risk, weighted 10%. This indicator is calculated as:  $(\text{Total NPLs} + \text{Impairments}) / (\text{Gross loans and advances} + \text{Real estate assets})$ .
- Transformation, weighted 10%. A synthetic indicator that covers digital customers in Spain, digital sales in Spain and the rating of the digital channels in Spain.
- Growth in lending to Companies, weighted 10%. A synthetic indicator comprising nominal new loan production to companies, excluding NPLs, and the market share in Spain of lending for productive activities, excluding the real estate business.
- NPS, weighted 10%. A synthetic indicator of customers' perceptions of the institution, distinguishing between business units (Commercial Banking, Private Banking, Corporate Banking EMEA and TSB), weighted by business volume.
- Human capital index (HCI), weighted 5%. A synthetic indicator that rates a number of aspects of the Group's human capital.

Attainment parameters have been set between 50% and 150% for each of the objectives, based on a non-linear scale of attainment established beforehand by the Remuneration Committee. Attainment of under 50% is considered as 0% for the purposes of attainment. In this way, short-term variable remuneration is capped at 150% of the reference amounts indicated later.

The degree of attainment of the Group objectives will be adjusted by a correction factor based on the relationship between the Institution's capital and liquidity and the limits set in the Risk Appetite Statement (RAS). Failure to attain the required levels of these indicators will result in a reduction of the variable remuneration. Breach of the tolerance threshold in the RAS for Liquidity or Capital will count as zero attainment of the Group objectives for 2019.

The targets for the Chairman, CEO and Director-General Manager coincide entirely with the Group objectives. In the case of the Director-Company Secretary, the Group objectives are weighted 75% and the other 25% is indexed to attainment of the individual targets related to the performance of executive functions. In the case of the Chief Risk Officer, the Group objectives are weighted 20% and the other 80% is indexed to attainment of the individual targets related to the performance of executive functions.

Additionally, in order to qualify for variable remuneration, overall attainment of the objectives must exceed 60%. No variable remuneration is earned under 60%, and no additional variable remuneration is earned above 150%.

The target amounts of variable remuneration corresponding to 100% attainment of the objectives in 2019, in the case of executive directors, are as follows: 1,300,000 euro for the Chairman; 1,100,000 euro for the CEO; 350,000 for the Director-General Manager, 220,000 for the Director-Company Secretary, and 100,000 for the Chief Risk Officer.

Additionally, the total amount of variable remuneration is subject to adjustment at the discretion of the Remuneration Committee, and may even be zero, depending on the following parameters:

- A variable remuneration adjustment based on the Institution's risk profile and earnings performance.
- The possibility of reduction to zero if the bank's capital is less than the Maximum Distributable Amount (MDA).

The short-term variable remuneration for 2019 described in the preceding paragraph is subject to the following scheme:

- 40% of the executive directors' variable remuneration for 2019 will be paid in 2020, 50% in cash and 50% in Banco Sabadell shares, the shares being subject to a one-year lock-up.
- 60% of the executive directors' variable remuneration for 2019 will be deferred over a five-year period, with one-fifth being paid in each of the years 2021, 2022, 2023, 2024 and 2025, split 45% in cash and 55% in Banco Sabadell shares, the shares being subject to a one-year lock-up.

## 2. Long-term remuneration

In accordance with the Directors Remuneration Policy approved by the General Meeting of Shareholders on 19 April 2018, executive directors are beneficiaries of the following incentive plans granted in previous years that are currently in force:

- a) Supplementary long-term incentive 2016-2019 linked to the appreciation by the Banco Sabadell share, approved by the General Meeting of Shareholders on 31 March 2016.

ICLP 2016 is implemented through the allocation to the beneficiaries of a number of rights to share in the increase in the value of the same number of shares of Banco Sabadell, to be paid entirely in the form of shares of Banco Sabadell.

The Chairman is assigned 1,600,000 rights; the CEO is assigned 1,400,000 rights; and the Director-General Manager is assigned 800,000 rights; and the Director-Company Secretary is assigned 400,000 rights.

The incentive will be calculated by taking, as the initial unit value of the Banco Sabadell share, the arithmetic mean, rounded to the third decimal place, of the closing prices of the Banco Sabadell share in the twenty trading sessions preceding the date of the Board of Directors meeting in February 2016, i.e. 1.494 euro. The final value will be taken to be the arithmetic mean, rounded to the third decimal place, of the closing price of the Banco Sabadell share in the first twenty trading sessions of March 2019.

- b) Supplementary long-term incentive based on appreciation by the Banco Sabadell share in 2017-2020, approved by

the General Meeting of Shareholders on 30 March 2017.

ICLP 2017 is implemented through the allocation to the beneficiaries of a number of rights to share in the increase in the value of the same number of shares of Banco Sabadell, to be paid entirely in the form of shares of Banco Sabadell.

The Chairman is assigned 1,700,000 rights; the CEO is assigned 1,500,000 rights; and the Director-General Manager is assigned 800,000 rights; and the Director-Company Secretary is assigned 600,000 rights.

The incentive will be calculated by taking, as the initial unit value of the Banco Sabadell share, the arithmetic mean, rounded to the third decimal place, of the closing prices of the Banco Sabadell share in the first twenty trading sessions of the year 2017, i.e. 1.353 euro. The final value will be taken to be the arithmetic mean, rounded to the third decimal place, of the closing price of the Banco Sabadell share in the first twenty trading sessions of March 2020.

- c) Supplementary long-term incentive 2018-2021, which, in addition to being based on the share price appreciation, takes account of the attainment of multi-year objectives.

ICLP 2018 consists of the allocation to the beneficiaries of a number of rights to share in the increase in the value of the same number of shares of Banco Sabadell, 55% of which will be paid in the form of shares of Banco Sabadell.

The incentive will be calculated by taking, as the initial unit value of the Banco Sabadell share, the arithmetic mean, rounded to the third decimal place, of the closing prices of the Banco Sabadell share in the first twenty trading sessions of the year 2018, i.e. 1.841 euro. The final value will be taken to be the arithmetic mean, rounded to the third decimal place, of the closing price of the Banco Sabadell share in the first twenty trading sessions of March 2021. Initially, the Chairman was assigned 1,700,000 rights; the CEO was assigned 1,500,000 rights; and the Director-General Manager was assigned 800,000 rights; and the Director-Company Secretary was assigned 800,000 rights.

The number of rights assigned to each beneficiary was adjusted in the first quarter of 2019 as a function of their individual attainment of the assigned annual objectives; where attainment was 80% or higher, the beneficiary retained the amount of shares assigned initially; below 60% attainment entailed forfeiture of all the assigned rights. The executive directors' targets for the year resulted in vesting of the following initially assigned rights: The Chairman vested 75% and therefore obtained 1,275,000 rights; the CEO vested 75% and, therefore, obtained 1,125,000 rights; the Director-General Manager vested 75% and therefore, obtained 600,000 rights, and the Director-Company Secretary vested 90%, obtaining 720,000 rights.

The multi-year performance period will cover the years 2018, 2019 and 2020, for which the following multi-year objectives are established:

2018-2020 objectives	Weighting
Relative Total Shareholder Return (TSR)	25%
Liquidity Coverage Ratio	25%
Capital (CET1)	25%
Return on Risk Adjusted Capital (RoRAC)	25%

- Total shareholder return (TSR), weighted 25%. TSR will be calculated by comparison with the following peers: ABN AMRO Group NV, Bankia, S.A., Banco Santander, S.A., Mediobanca Banca di Credito Finanziario SpA, Bankinter S.A., Banco Bilbao Vizcaya Argentaria, S.A., Skandinaviska Enskilda Banken AB, Swedbank AB, Unione di Banche Italiane, SpA, Caixabank S.A., Natixis, S.A., Banco Bpm SpA, Nordea Bank AB, KBC Groep NV, Intesa Sanpaolo SpA, Société Générale, S.A., Crédit Agricole, SA.

If Banco Sabadell's TSR at the end of the period is:

- Among the bottom three in the sample: this will be classified as 0% attainment of the objective.
- Between the bottom three and the median of the sample: this will be classified as 50% attainment of the objective.
- Between the median and the top eight in the sample: this will be classified as 75% attainment of the objective.
- Among the top eight in the sample: this will be classified as 100% attainment of the objective.
- Liquidity Coverage Ratio, weighted 25%. Attainment of the target in connection with the Liquidity Coverage Ratio will be measured on the basis of the level established in the Institution's RAS (Risk Appetite Statement). If that objective is exceeded, this will be classified as 100% attainment of the indicator. Failure to achieve that objective will be classified as 0% attainment.
- CET 1, weighted 25%. Attainment of the target in connection with CET1 will be measured on the basis of the level established in the bank's RAS (Risk Appetite Statement). If that objective is exceeded, this will be classified as 100% attainment of the indicator. Failure to achieve that objective will be classified as 0% attainment.

- RoRAC, weighted 25%. Attainment of the target in connection with the RoRAC will be measured on the basis of the cost of equity. If that objective is exceeded, this will be classified as 100% attainment of the indicator. Failure to achieve that objective will be classified as 0% attainment.

The aforementioned indicators will be measured in the first quarter of the year 2021; the number of rights may be reduced (but never increased) in line with the percentage achievement of objectives, where this is less than 100%.

Executive directors will receive the incentive they have earned, 45% in cash and 55% in Banco Sabadell shares, according to the following schedule:

- 60% in the first four months of 2022.
- 20% in the first four months of 2023.
- 20% in the first four months of 2024.

Section C.1 details each of the supplementary incentive plans for each beneficiary, using a method adjusted for delta (sensitivity of the price of the instrument to the price of the underlying security), multiplying the number of underlying shares by the delta of the instrument both at the beginning and at the end of the year.

- d) At a meeting on 31 January 2019, based on a proposal by the Remuneration Committee, the Board of Directors approved a new long-term remuneration scheme for 2019 based on the fulfilment of annual and multi-year objectives and established a reference amount (the amount to be received in the event of attaining 100% of the targets) equivalent to a percentage of the fixed salary: 25% or 30% in the case of executive directors, resulting in the following individual allocations:

30% of the fixed salary: Chairman: 510,000 euro; CEO: 405,000 euro

25% of the fixed salary: Director - General Manager: 176,000 euro; Director-Company Secretary: 125,000 euro and Director-Chief Risk Officer: 113,000 euro.

The annual objectives determine the amount assigned, just as in the case of annual variable remuneration. Based on that amount, the multi-year targets determine the amount to be actually received, which may be less (but never more) than the amount assigned on the basis of annual targets.

The multi-year performance period will cover the years 2019, 2020 and 2021, for which the following multi-year objectives are established:

2019-2021 objectives	Weighting
Relative Total Shareholder Return (TSR)	25%
Liquidity Coverage Ratio	25%
Capital (CET1)	25%
Return on Risk Adjusted Capital (RoRAC)	25%

- Total shareholder return (TSR), weighted 25%. TSR will be calculated by comparison with the following peers: ABN AMRO Group NV, Bankia, S.A., Banco Santander, S.A., Mediobanca Banca di Credito Finanziario SpA, Bankinter S.A., Banco Bilbao Vizcaya Argentaria, S.A., Skandinaviska Enskilda Banken AB, Swedbank AB, Unione di Banche Italiane, SpA, Caixabank S.A., Natixis, S.A., Banco Bpm SpA, Nordea Bank AB, KBC Groep NV, Intesa Sanpaolo SpA, Société Générale, S.A., Crédit Agricole, SA.

- The TSR target will be deemed to have been fully attained if Banco Sabadell ranks in 9th place or better among that peer group.
- The TSR target will be deemed to have been attained 75% if Banco Sabadell ranks between the 10th and 12th place among that peer group.
- The TSR target will be deemed to have been attained 50% if Banco Sabadell ranks between the 13th and 15th place among that peer group.
- The TSR target will be deemed to have been attained 0% if Banco Sabadell ranks between the 16th and 18th place among that peer group.

- Liquidity Coverage Ratio, weighted 25%. Attainment of the target in connection with the Liquidity Coverage Ratio will be measured on the basis of the level established in the Institution's RAS (Risk Appetite Statement). If the LCR is higher than the early warning indicator (EWI), the target will be deemed to have been achieved in full; below that threshold, attainment will be rated 0%.

- CET 1, weighted 25%. Attainment of the target in connection with CET1 will be measured on the basis of the level established in the bank's RAS (Risk Appetite Statement). If the CET1 ratio is higher than the early warning indicator (EWI), the target will be deemed to have been achieved in full; below that threshold, attainment will be rated 0%.

- RoRAC, weighted 25%. Attainment of the target in connection with the RoRAC will be measured on the basis of the cost of equity. If that objective is exceeded, this will be classified as 100% attainment of the indicator. Failure to achieve that objective will be classified as 0% attainment.

The aforementioned indicators will be measured in the first quarter of the year 2022; the degree of attainment, which may not exceed 100%, will be calculated and applied to the reference amount to determine the amount to be received. The LCR, CET1 and RORAC indicators will be measured taking the average figure for the last three months of 2021. As in the case of the annual targets, the degree of attainment of the established objectives will be adjusted by a risk-related correction factor that includes indicators relating to capital (CET1) and liquidity (Liquidity Coverage Ratio). Breach of the tolerance threshold in the RAS for Liquidity or Capital will count as zero attainment of the Group's long-term objectives.

Executive directors will receive the amount accrued to them as a function of attainment, to be paid 45% in cash and 55% in Banco Sabadell shares, according to the following schedule:

- 60% in the first four months of 2023.
- 20% in the first four months of 2024.
- 20% in the first four months of 2025.

The malus and clawback clauses will apply to this remuneration, and the shares received will be subject to lock-up.

- Main characteristics of long-term savings systems. Among other information, state the contingencies covered by the system, whether it is defined-contributions or defined-benefit, the annual contribution to be made to the defined contribution system, the benefits directors are entitled to under defined benefit systems, the conditions under which economic rights vest for directors and their compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director.

State if the accrual or vesting of any of the long-term savings plans is linked to achieving certain objectives or parameters related to the director's short- or long-term performance.

The long-term saving systems are detailed below, along with their individual characteristics, the amounts allocated and accumulated in 2018, and the projections for 2019. Those systems apply to executive directors only.

- A defined-contribution group life insurance policy for the Board of Directors, which pays out in the form of a lump sum when each beneficiary ceases to be a director, except where they act as advisor or member of the Board of Directors of another bank, in which case this benefit is forfeited. It is compatible with termination indemnities and is currently applicable only to the Chairman and the Director-General Manager. The beneficiaries are as follows: the Chairman, Mr. José Oliu Creus, with a contribution in 2018 of 35,047.50 euro, and 1,248,741.42 euro accumulated in total; the Director-General Manager, Mr. José Luis Negro Rodríguez, with a contribution in 2018 of 17,523.75 euro, and 224,215.39 euro accumulated in total. Similar contributions are envisaged in 2019.
- A defined-contribution group insurance policy for executives, which will pay out in the event of retirement, death or total permanent disability, in the form of a lump sum or an equivalent life annuity, except where, in the absence of express interest on the part of Banco Sabadell, the executive continues to work at Banco Sabadell beyond the age defined by law for collecting retirement benefit, in which case he/she will forfeit this right. It is compatible with termination indemnities. The beneficiaries are the Chairman, Mr. José Oliu Creus, with no contribution in 2018 and 7,050,104.15 accumulated in total (the policy does not provide for additional contributions in subsequent years), and the Director-General Manager, Mr. José Luis Negro Rodríguez, with no contribution in 2018 and 5,041,967.64 euro accumulated in total (the policy does not provide for additional contributions in subsequent years).
- Executive group insurance, in the form of two policies whose beneficiary is the CEO, Mr. Jaime Guardiola Romojaró. The first is a defined-benefit policy, with 50% spousal reversion. This policy will pay out in the event of retirement, death or total permanent disability and provides for the possibility of redemption in the form of a lump sum in accordance with current legislation, except in cases of disciplinary dismissal that is upheld by the labour courts or where, in the absence of express interest on the part of Banco Sabadell, the executive continues to work at Banco Sabadell beyond the age defined by law for collecting retirement benefit, in which case this benefit is forfeited. It is compatible with termination indemnities. The contribution in 2018, based on adjustment of variables and of the income base, was 760,738.90 euro, with an accumulated amount of 19,998,921.57 euro; the contribution projected for 2019 is 954,000 euro. The second is a defined-contribution insurance policy, which will pay out in any of the contingencies of retirement, death or total permanent disability, in the form of a lump sum, except in the case of resignation from the position of CEO of the Bank before the age of 63, breach of the non-competition condition within one year from stepping down as the Bank's CEO, or breach of fiduciary duty up to the date of expiration of the non-competition condition, in which case all the economic rights under the policy are forfeited. It is compatible with termination indemnities. The accumulated amount is 2,462,574.93 euro, and no additional contributions are envisaged under this policy in subsequent years.
- Executive group defined-benefit insurance indexed to the pensionable annual fixed salary, which may pay out upon reaching the age of 60, arranged in two policies: early retirement above that age, and retirement upon reaching the legal age of retirement, or in the event of death or total permanent disability, with the possibility of surrender for a lump sum, in accordance with the legislation in force. In the event of disciplinary dismissal that is upheld by the labour courts or where, in the absence of express interest on the part of Banco Sabadell, the executive continues to work at Banco Sabadell beyond the age defined by law for collecting retirement benefit, in which case the right is forfeited. It is compatible with

termination indemnities. The beneficiary is the director Ms. María José García Beato; the contribution in 2018 was 699,072.35 euro and the accumulated amount is 1,028,723.55 euro. The projected contribution for 2019 is 702,000 euro.

- Employer Pension Plan for Group B (defined-contribution), which will pay out upon retirement, as employees, of the following beneficiaries: the Chairman, Mr. José Oliu Creus, with a contribution of 1,022.98 in 2018 and an accumulated amount of 19,704.30 euro, the CEO, Mr. Jaime Guardiola Romojaro, with a contribution of 1,022.98 in 2018 and an accumulated amount of 9,210.53 euro, the Director-General Manager, Mr José Luis Negro Rodríguez, with a contribution of 737.43 in 2018 and an accumulated amount of 9,114.13 euro, and the Director Ms. María José García Beato, with a contribution of 1,022.98 in 2018 and an accumulated amount of 10,961.88 euro. Contributions in 2019 are projected to be similar, adding in the contributions for the Director-Chief Risk Officer.
- Employer defined-contribution pension plan for Group G, newly created in 2015 by the decision for the voluntary conversion of the members of groups A and A1. The retirement benefit will be paid when the beneficiary retires as an executive. The beneficiary is the Director-General Manager, José Luis Negro Rodríguez, and the accumulated amount is 665,421.22 euro. The promoter made no contribution in 2018 and no further contributions are planned.
- In connection with the Director-Chief Risk Officer, the institution plans to make a contribution of 85,500 euro in 2019 to a defined-contribution insurance policy which will pay out, in the form of a lump sum, in the event of retirement, death or total permanent disability.

From the entry into force of Bank of Spain Circular 2/2016, of 2 February, to credit institutions, on supervision and capital adequacy, which completes the adaptation of Spanish law to Directive 2013/36/EU and Regulation (EU) 575/2013, 15% of contributions are treated as discretionary pension benefits and, consequently, are linked to the percentage attainment of the beneficiary's short-term targets, capped at 100% of the amount. Accordingly, the amount of the defined benefit guaranteed in the original providential scheme may be reduced in accordance with the provisions of those regulations, in the part that is classified as discretionary pension benefits.

- Any type of payment or termination indemnity for early termination or dismissal of the director, or deriving from the termination of the contractual relationship between the company and the director, in the terms provided, whether by voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement, such as exclusivity, post-contractual non-competition, permanence or loyalty, which entitle the director to any type of remuneration.

The non-executive directors maintain an organic relationship with Banco Sabadell, they are not under contract to the Bank by virtue of their status as director, and no indemnities have been agreed upon for the event of termination of their position as director.

For executive directors, see the next section.

- State the conditions that contracts for executive directors' senior management functions must fulfil. Among other aspects, give information on the term, limits to the amounts of indemnity, permanence clauses, notice periods and payments in lieu of notice, and any other clauses regarding hiring bonuses, as well as severance payments or golden handshakes for early cancellation or termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on non-compete, exclusivity, permanence and loyalty, and post-contractual non-competition, except where they have already been disclosed in the previous section.

The contracts of Banco Sabadell's executive directors conform to the usual parameters in senior management contracts and meet the legal requirements for contracts of this type, with the following main terms and conditions:

i) Duration

The contracts are indefinite.

ii) Fixed remuneration

The contracts provide for the payment of fixed remuneration to executive directors under the terms and conditions detailed above.

iii) Variable remuneration

The contracts provide for the payment of variable remuneration to executive directors under the terms and conditions detailed above.

iv) Providential schemes

The contracts provide for executive directors' participation in the providential schemes, under the terms and conditions detailed above.

v) Benefits

The executive directors' contracts provide for them to enjoy the benefits and flexible remuneration schemes that the Bank has established for its other employees, in the same terms as the latter.

vi) Confidentiality

The contracts include a confidentiality clause that obliges directors not to disclose, either during the term of the contract or thereafter, any confidential data, procedures, methods, information, or commercial or industrial data referring to the Bank's business or finances.

vii) Restitution and use of company assets

All material goods, information media, files, documentation, manuals, etc. that the directors have in their possession must be returned to the Bank at the time of termination of the contract.

viii) Malus and clawback clauses

The contracts contain clauses of both types that apply in the cases defined in the Remuneration Policy.

ix) Early termination

Executive directors' contracts provide for indemnity amounting to at most 2 years' total annual remuneration.

x) Non-competition

Executive director contracts contain post-contractual non-competition clauses.

- The nature and estimated amount of any other supplementary remuneration accrued by directors in the year as consideration for services rendered other than those inherent to their position as directors.

None.

- Other remuneration items, such as those arising from the company granting the director advance payments, loans, guarantees or any other remuneration.

None.

- The nature and estimated amount of any other planned supplementary remuneration that is not disclosed in the preceding sections, whether paid by the institution or by another institution in the group, which will be earned by directors during the year.

None.

A.2 Describe any material change in the remuneration policy applicable in the current year resulting from:

- A new policy or an amendment of the policy already approved by the General Meeting.

- Material changes in the specific determinations established by the board for the current year regarding the remuneration policy in force, in comparison with those applied in the previous year.

- Proposals that the board of directors has resolved to submit to the general shareholders' meeting to which this annual report will be submitted and which are proposed to be applicable to the current year.

The categories of remuneration received by the executive directors for their executive functions coincide with those for senior management, in the terms set forth in the Senior Management Remuneration Policy, which forms part of the Remuneration Policy, as amended by the Board of Directors at a meeting on 20 December 2018, in order to introduce a number of changes, including notably the following:

- Review of the malus and clawback clauses to include criteria based on earnings and risks, and to eliminate the reference to malice and negligence, extending the scope of application of the clauses as indicated above.
- Better definition of the procedures and responsibilities of the various bodies and departments in connection with remuneration.
- Quarterly payment of the amounts derived from post-contractual non-competition clauses, capped at the amount of remuneration that would have been paid in the non-competition period if the person were still employed. This amount will be paid in equal instalments over the period in which the non-competition obligation subsists following contract termination and only if the material risk taker fulfils the commitment to abstain from competition and has not attained the first age of ordinary retirement under current legislation.

- Post-contractual non-competition clauses subsist at most until the first age of ordinary retirement established in the current legislation. Such clauses must be expressly included in the contracts and approved by the Remuneration Committee.
- The Group's annual and multi-year objectives must include correction factors or minimum thresholds (key goals) linked to the Group's capital and liquidity indicators.
- Amendment of the *ex ante* adjustment to the entire variable remuneration, determined by the Board of Directors at the proposal of the Remuneration Committee, which may be at Group, unit, country or even individual level, to reflect the various classes of risk. This variable remuneration adjustment, which can reduce the initial amount of available remuneration to zero, ensures that the variable remuneration is fully aligned with the risks assumed. The variable remuneration adjustment will cover all the cases or situations that might have an impact on the Group's risk profile and that were not fully factored into the assessment of the objectives set at the beginning of the year. If the Maximum Distributable Amount (MDA) established by the regulations is reached, the variable remuneration may be reduced or eliminated entirely. The Remuneration Committee will make a proposal for action to the Board of Directors.
- Amendment of one of the principles on which the Remuneration Policy is based to emphasise that the remuneration system rewards professional performance and responsibility, regardless of the employee's gender.

It is planned to ask the forthcoming General Meeting of Shareholders to approve the Directors Remuneration Policy for the years 2019, 2020 and 2021 as a result of the amendments made to the Senior Management Remuneration Policy to make the same changes to the Directors Remuneration Policy.

### A.3. Identify the direct link to the document where the current company remuneration policy is posted, which must be available on the company's website.

The Directors Remuneration Policy for 2018, 2019 and 2020 is available on the Bank's website at the following direct link:

[https://www.grupbancsabadell.com/q3repository/JUNTA/POLITICAREM\\_2018\\_ES\\_POLITICAREM\\_2018\\_ES.PDF](https://www.grupbancsabadell.com/q3repository/JUNTA/POLITICAREM_2018_ES_POLITICAREM_2018_ES.PDF)

Additionally, the Presentation of the Annual Report on Director Remuneration for 2018 is available on the Bank's website in section on Corporate governance and remuneration policy, and lately when the General Meeting of Shareholders is called, in section Documentation made available to the shareholders for the General Meeting of Shareholders of 2019.

### A.4. Considering the data provided in Section B.4, describe the outcome of the consultative vote at the General Meeting of Shareholders on the previous year's annual report on remuneration.

The Annual Report on Director Remuneration for 2017 obtained 98.44% of votes in favour at the General Meeting of Shareholders on 19 April 2018, which shows that the shareholders have a very positive perception of the amendments made to the remuneration policy. In this regard, the Institution will continue working on the continuous improvement of both the remuneration policy and its application.

## B

### OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE REPORTING YEAR

#### B.1 Describe the process used to apply the remuneration policy and to determine the individual remuneration set out in Section C of this report. This information must include the role played by the remuneration committee, the decisions taken by the Board of Directors and the identity and the role of any external advisors engaged for the process of applying the remuneration policy in the reporting year.

In accordance with the provisions of the Capital Companies Act, the Board of Directors is vested with the non-delegable power to determine the company's general policies and strategies and to make decisions regarding the remuneration of the directors, within the framework of the Articles of Association and of any Directors Remuneration Policy approved by the General Meeting of Shareholders. In a listed company, the function of the Remuneration Committee is to make proposals to the Board of Directors regarding the directors remuneration policy and the individual remuneration and other contractual conditions of the executive directors, and to oversee compliance. The Remuneration Committee proposed the remuneration policy that was approved in February 2018 and subsequently amended in December 2018 with the amendments indicated in section A. The Directors Remuneration Policy is the one approved by the General Meeting of Shareholders on 19 April 2018.

Each year the Human Resources Department of Banco Sabadell draws up an Annual Report on Remuneration to enable the Remuneration Committee to discharge its duties properly. The report is aimed at providing the Remuneration Committee with the basic information it needs to perform the functions entrusted to it in connection with reviewing the general principles of the Banco Sabadell Group's Remuneration Policy and with supervising the remuneration of executive directors, the Bank's senior management and the other material risk takers. The Remuneration Committee also received advice from consulting firm Willis Towers Watson in establishing the company's remuneration policy. It also performs a comparative analysis of the remuneration of the Board of Directors, the executive directors, the members of senior management and other material risk takers with respect to the market; the last such analysis was conducted in January 2019.

The main activities of the Remuneration Committee in 2018 were as follows:

- It examined the report that is drafted each year by the Human Resources 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 management and the other material risk takers.

- It analysed the degree of attainment of the objectives established for the year 2017, approved the percentages of attainment of the objectives for the Group, for the Executive Directors, members of Senior Management and the Audit Manager, as well as for other material risk takers of the Group.
- It issued a favourable report to the Board of Directors as to the amounts of the variable remuneration for 2017 for all the group employees, the executive directors, senior management, internal audit, and other material risk takers of the Group.
- It issued a favourable report to the Board of Directors on the approval of the targets of the Group and TSB and for the material risk takers of the Group for 2018.
- It reported favourably to the Board of Directors on the submission to the General Meeting of Shareholders of the overall maximum limit on remuneration for the Board of Directors for 2018.
- It reported favourably to the Board of Directors on the submission to the General Meeting of Shareholders of the maximum limit on variable remuneration for the material risk takers.
- It issued a favourable report to the Board of Directors on the salary review for 2018 in connection with the fixed remuneration for all the group's employees, as well as on an increase in the total amount of fixed salaries for 2018; It issued a favourable report to the Board of Directors on the remuneration proposal for executive directors, senior management and internal audit, and the fixed remuneration for 2018 for them and for the material risk takers in the Group and TSB.
- It reported favourably to the Board of Directors on the approval of the annual and multi-year targets for variable remuneration in 2018 of the Group, and the material risk takers in the Group and in TSB.
- It issued a favourable report to the Board of Directors on the proposal for the long-term supplementary incentive programme for 2018-2021 based on the appreciation by the shares of Banco de Sabadell, S.A. for executive directors, senior management and other executives who are part of the Group's list of material risk takers, to be submitted to the Ordinary General Meeting of Shareholders.
- It approved a procedure regarding share lock-up applicable to executive directors in order to ensure compliance with the provisions of the Directors Remuneration Policy.
- It approved the Group's Variable Remuneration Fund for 2018 and analysed its variation in stressed scenarios.
- It advised the Board of Directors, for approval by the Ordinary General Meeting of Shareholders, on the amendment of articles 50 and 85 of the Articles of Association to update their provisions in connection with the remuneration to which directors are entitled for performing their duties, the goal being to adapt the wording to current legislation and to best practices in the area of corporate governance.
- It reviewed and issued a favourable report to the Board of Directors on Banco Sabadell's remuneration policies, comprising the Remuneration Policy for the Banco Sabadell Group, the Remuneration Policy for Senior Executives, the Remuneration Policy for the Group's Material Risk Takers, and the Remuneration Policy for Banco de Sabadell Spain.
- It advised the Board of Directors on the Directors Remuneration Policy for 2018, 2019 and 2020, which, once approved by the General Meeting of Shareholders, replaced, in all its terms, the one approved on 31 March 2016.
- It analysed, vetted and cleared the information to be disclosed in the Annual Corporate Governance Report.
- It issued a favourable report to the Board of Directors on the content of the Annual Report on Director Remuneration.
- It examined the report by external consulting firm Mercer on the assessment of remuneration policy and practices, which was commissioned in order to analyse whether Banco Sabadell's remuneration policy and practices conform to the regulators' requirements and recommendations.
- It analysed the reports by consulting firm Willis Towers Watson analysing the competitiveness of the remuneration for executive directors, senior management and Internal Audit.

Additionally, in accordance with Article 15 of the Board Regulation, the Risk Committee is responsible for informing the Remuneration Committee as to whether the employee remuneration programmes are coherent with the Bank's risk, capital and liquidity.

The Audit and Control Committee supervises the process of drafting and presenting the regulated financial information, including that related to remuneration, checking for compliance with the law and the correct application of accounting standards.

To determine the remuneration for members of the Board of Directors for their status as directors, and within the limits established in the Directors Remuneration Policy approved by the General Meeting of Shareholders on 19 April 2018, the reports on director remuneration in Spain by KPMG and Spencer Stuart and the remuneration for membership of the Boards and committees of Spain's main financial institutions were considered. A detailed breakdown of these amounts is given in section C.1.a) i).

To determine the remuneration for executive directors, senior management and the material risk takers, it uses comparative

analyses produced by consulting firm Willis Towers Watson.

In connection with the executive directors' remuneration for performing executive functions:

1. Fixed remuneration

On 1 February 2018, based on a proposal from the Remuneration Committee, the Board of Directors established the following fixed remuneration for executive directors for performing executive functions in 2018:

In addition to those amounts, the executive directors collected benefits and remuneration in kind (amounts disclosed under Other in the table in section C.1.a i)).

2. Variable annual remuneration

In connection with the variable annual remuneration for executive directors for performing executive functions, the Risk Committee assessed the coherence of the objectives with the established risk levels at a meeting in December 2017. Those objectives were subsequently reviewed by the Remuneration Committee on 26 January 2018 in order to propose them to the Board of Directors, which approved them at a meeting on 1 February 2018.

Once the year had ended, the Remuneration Committee determined, at a meeting on 29 January 2019, the degree of attainment of the objectives established at the beginning of the year. At a meeting on 31 January 2019, the Board of Directors approved this degree of attainment of the objectives established at the beginning of the year.

The reference amounts of variable remuneration for the executive directors in 2018 were established by the Board of Directors at a meeting on 1 February 2018.

At a meeting on 31 January 2019, the Board of Directors, based on a proposal by the Remuneration Committee, decided to apply certain adjustments to the amounts obtained by applying the degree of attainment of the targets to the reference amounts for the variable remuneration assigned for 2018, as follows:

Those amounts will be paid, in shares and on a deferred basis as described above, subject to malus and clawback clauses on variable remuneration.

3. Long-term remuneration

In relation to the multi-year variable remuneration for executive directors, the General Meeting of Shareholders on 31 March 2016 approved, at the proposal of the Board of Directors, the Long-term Supplementary Incentive 2016-2019 for the executive directors; the General Meeting of Shareholders on 30 March 2017 approved, at the proposal of the Board of Directors, the Long-term Supplementary Incentive 2017-2020 for the executive directors; the General Meeting of Shareholders on 19 April 2018 approved, at the proposal of the Board of Directors, the Long-term Supplementary Incentive 2018-2021 for the executive directors.

4. Long-term savings systems

See section B.9.

**B.2. Detail the actions taken by the company in relation to the remuneration system and how they contributed to reducing exposure to excessive risks and adapting it to the company's long-term objectives, values and interests, including a reference to any measures that have been adopted to ensure that the company's long-term results were taken into consideration in setting the remuneration actually earned and that a suitable balance was attained between the fixed and variable components of remuneration, any measures adopted in relation to those categories of staff whose professional activities have a material repercussion on the company's risk profile and any measures that have been adopted to avoid conflicts of interest.**

The variable annual remuneration for 2018 is subject to the attainment of certain annual objectives, including a certain percentage of the Group objectives, as detailed above, including risk-adjusted earnings and other objectives that include risk parameters.

The total amount of 2018 variable remuneration is subject to adjustment at the discretion of the Remuneration Committee, and may even be zero, depending on the following parameters:

- A (downward) correction factor, based on the assessment of compliance with the Risk Appetite Statement (RAS), control and effective governance, and the non-appearance of material regulatory issues.
- Depending on the Group's results, a correction factor which may reduce the variable remuneration to zero or increase it by at most 5% with respect to the amount established at the beginning of the year.
- The possibility of reduction to zero if the bank's capital is less than the Maximum Distributable Amount (MDA).

On 29 January 2019, the Remuneration Committee decided to apply a 5% correction factor to the variable remuneration, so that 100% attainment resulted in payment of 95% of the variable remuneration. At that same meeting, it also decided to apply adjustments to the variable annual remuneration on an individual basis and by business units for certain executives and employees directly connected with the TSB migration. It also decided to deduct the amount of the variable remuneration assigned in 2017 corresponding to 75% attainment of the migration objective from the variable remuneration payable in 2018

for all the material risk takers, including executive directors and senior management.

In addition to attainment of the individual targets for 2018, long-term variable remuneration is also subject to attainment of certain multi-year objectives, including indicators relating to capital (CET 1), liquidity, RoRAC and share performance, in addition to the person's individual performance.

Regarding the long-term remuneration for 2018 (Long-Term Supplementary Incentive 2018-2021, approved by the General Meeting of Shareholders on 19 April 2018), the number of rights assigned to each beneficiary was adjusted in the first quarter of 2019 on the basis of individual attainment of the assigned annual objectives: attainment of 80% or higher gave entitlement to collect all the initially assigned rights, while attainment under 60% resulted in forfeiture of all rights.

Variable annual remuneration and long-term remuneration for the material risk takers is deferred; the conditions for 2018 are as follows:

- Deferral period of at least 3 years and at most 5 years for senior management and executive directors.
- At least 40% and at most 60% will be deferred in the case of executive directors and of material risk takers whose variable remuneration exceeds 1,500,000 euro.
- The deferred variable annual remuneration will be paid 55% in the form of Banco Sabadell shares in the case of senior management and executive directors, and at least 50% in the case of the other material risk takers.
- Variable remuneration paid in shares is subject to one-year lock-up.
- Unless they own shares amounting to the equivalent of twice their variable annual remuneration, executive directors may not dispose of the shares they receive until at least three years have elapsed from the time of delivery. The above condition will not apply to any shares that the director must dispose of to cover tax obligations related to their delivery.
- The use of personal hedging strategies or any mechanism that guarantees receipt of part or all of the variable remuneration is not permitted.

In the case of executive directors, senior management and other material risk takers, their short-term variable remuneration and long-term remuneration may be subject to reduction (malus clause) in the deferral period and clawback in the deferral and lock-up period, based on a decision of the Board of Directors on the basis of a proposal by the Remuneration Committee. The cases where the aforementioned clauses apply to the 2018 variable remuneration are as follows:

- Where malice or gross negligence by an executive results in material restatement of the Group's consolidated financial statements, at the criterion of the external auditors.
- Where a breach by the executive of internal regulations or internal codes of conduct, including, in particular, those relating to risks, is classified as serious or very serious (in the case of malus clauses) or very serious (in the case of clawback clauses).
- Where malice or gross negligence on the part of the executive results in a serious failure in the Institution's risk management.
- Where malice or gross negligence on the part of the executive results in a material change in the Institution's regulatory or economic capital base.

### **B.3. Detail how the remuneration accrued in the year meets the provisions of the current remuneration policy. Also, disclose the relationship between the remuneration obtained by the directors and the company's results or other performance metrics, detailing how any variations in the company's performance influenced changes in director remuneration, including remuneration accrued but deferred, and how they contribute to the company's short- and long-term results.**

The remuneration for directors, as members of the Board of Directors, comprises a fixed amount and an additional amount for membership of Board sub-committees, conditional upon attendance, and it is not linked to the Institution's earnings.

Since executive directors collect variable remuneration, they are affected by the company's earnings in the terms set out below.

#### **1. Variable annual remuneration**

In connection with the directors' variable annual remuneration for performing executive functions, after the year had concluded, the Board of Directors, at a meeting on 31 January 2019, determined the level of attainment of the following Group objectives for 2018, with the weightings that had been established at the beginning of the year:

- Risk-adjusted profit - EVA (20%)
- Costs-to-income (excluding depreciation & amortisation and trading income) (20%)
- ROE (excluding corporate transactions) (20%)
- Reduction of problematic assets (excl. TSB) (15%)

- Strategy (15%).
- Customer experience (NPS) Spain (10%)

Overall attainment of the Group objectives for 2018 was 61.83%, with attainment of the individual indicators as follows:

- Risk-adjusted profit (EVA): 0%.
- Costs-to-income (excluding depreciation & amortisation and trading income): 87.02% (Not including extraordinary expenses).
- ROE (excluding corporate transactions): 0%.
- Reduction of problematic assets (excl. TSB): 133.9%.
- Strategy: 106.22%.
- Customer experience (NPS) Spain: 84.06%.

Attainment of the objectives was reduced by the negative impacts of the higher-than-expected cost of the migration at UK subsidiary TSB. Business results in Spain and Mexico were positive, and there was significant derisking of the balance sheet as a consequence of the sale of the portfolio of problematic assets.

The targets for the Chairman, CEO and Director-General Manager relate 100% to those of the Group. Attainment of the objectives in 2018 was 61.83%.

In the case of the Director-Company Secretary, the Group objectives are weighted 75% and the other 25% is indexed to attainment of the individual targets related to the performance of her executive functions. The Director-Company Secretary attained 75.07% of her objectives.

At a meeting on 29 January 2019, the Remuneration Committee determined that the amounts of variable remuneration for 2018 are as follows:

- Chairman: 665,974 euro, after adjusting the target by 61.83%. Amount collected: 0 euro.
- CEO: 563,516 euro, after adjusting the target by 61.83%. Amount collected: 0 euro.
- Director - General Manager: 179,301 euro, after adjusting the target by 61.83%.
- Director-Company Secretary: 150,895 euro (of which 50,298 euro correspond to the period as executive director), as a result of applying the target adjusted for 75.07% attainment of objectives. In the case of the Director-Company Secretary, the Group objectives for 2018, described in this section, are weighted 75%, and the other 25% is indexed to attainment of the individual targets related to the performance of her executive functions.

The fact that the Chairman and the CEO did not collect any remuneration under this heading is due to the fact, that, at a meeting of the Board of Directors on 31 January 2019, the Chairman stated that, despite the good business results in Spain, he believed that the impact on the Bank's earnings of the TSB migration and the extraordinary circumstances in the year warranted proposing to waive the variable remuneration in line with the units and people who, despite their hard work following migration to successfully restore normality, had not collected variable remuneration in the year. The CEO expressed a similar position. The Board accepted their waiver, thanked them for the decision and expressed a very positive opinion in this connection, since it is an expression of sensitivity to the situation, which the Board adopted and accepted by the ratification of the Bank's effective management.

Consequently, the following is payable this year: 40% (half in cash and half in Banco Sabadell shares):

- Director - General Manager: 35,860 euro in cash and 35,860 euro in shares of Banco Sabadell, which are subject to a one-year lock-up.
- Director-Company Secretary: 10,060 euro in cash and 10,060 euro in shares of Banco Sabadell, which are subject to a one-year lock-up.

Those amounts are subject to clawback.

Payment of the following amounts over the following five years: 60% (45% in cash and 55% in Banco Sabadell shares):

- Director - General Manager: 48,411 euro in cash and 59,169 euro in shares of Banco Sabadell, which are subject to a one-year lock-up.
- Director-Company Secretary: 13,581 euro in cash and 16,598 euro in shares of Banco Sabadell, which are subject to a one-year lock-up.

The deferred amounts will be paid in the following five years, one-fifth each year, broken down between cash and shares as indicated earlier.

Those deferred amounts of variable remuneration are subject to malus clauses. All of the variable remuneration is subject to clawback.

## 2. Long-term remuneration

With regard to the variable multi-year remuneration for executive directors, they are beneficiaries of the following incentives:

### a) Supplementary Long-term Incentive 2016 - 2019

The executive directors are beneficiaries of the Supplementary long-term incentive 2016-2019 linked to the appreciation by the Banco Sabadell share, approved by the General Meeting of Shareholders on 31 March 2016. ICLP 2016 consists of the assignment of a specific number of rights to the beneficiaries, which include the right to receive the increase in value of the same number of shares of Banco Sabadell over a given period of time based on the reference share price, to be paid in the form of delivery of shares of the Bank itself.

The incentive will be calculated by taking the initial unit value of the shares of Banco Sabadell to be the arithmetic mean, rounded to the third decimal place, of the closing prices of Banco Sabadell share in the twenty trading sessions preceding the date of the Board of Directors meeting in February 2016, i.e. 1.494 euro.

The final value will be taken to be the arithmetic mean, rounded to the third decimal place, of the closing price of the Banco Sabadell share in the first twenty trading sessions of March 2019.

The Chairman is assigned 1,600,000 rights to shares; the CEO is assigned 1,400,000 rights to shares; and the Director-General Manager is assigned 800,000 rights to shares; and the Director-Company Secretary is assigned 400,000 rights to shares.

### b) Supplementary Long-term Incentive 2017 - 2020

On 30 March 2017, the General Meeting of Shareholders approved the Supplementary Long-term Incentive programme 2017-2020 based on the appreciation of Banco Sabadell shares, which expires on 30 April 2020. ICLP 2017 consists of the assignment of a specific number of rights to the beneficiaries, which include the right to receive the increase in value of the same number of shares of Banco Sabadell over a given period of time based on the reference share price, to be paid in the form of delivery of shares of Banco Sabadell itself.

The incentive will be calculated by taking, as the initial unit value of the Banco Sabadell share, the arithmetic mean, rounded to the third decimal place, of the closing prices of the Banco Sabadell share in the first twenty trading sessions of the year 2017, i.e. 1.353 euro.

The final value will be taken to be the arithmetic mean, rounded to the third decimal place, of the closing price of the Banco Sabadell share in the first twenty trading sessions of March 2020.

The Chairman is assigned 1,700,000 rights to shares; the CEO is assigned 1,500,000 rights to shares; and the Director-General Manager is assigned 800,000 rights to shares; and the Director-Company Secretary is assigned 600,000 rights to shares.

### c) Supplementary Long-term Incentive 2018 - 2021

On 19 April 2018, the General Meeting of Shareholders approved the Supplementary long-term incentive 2018-2021, which, in addition to being based on share price appreciation, takes account of the attainment of multi-year objectives.

ICLP 2018 consists of the allocation to the beneficiaries of a number of rights to share in the increase in the value of the same number of shares of Banco Sabadell, 55% of which will be paid in the form of shares of Banco Sabadell.

The incentive will be calculated by taking, as the initial unit value of the Banco Sabadell share, the arithmetic mean, rounded to the third decimal place, of the closing prices of the Banco Sabadell share in the first twenty trading sessions of the year 2018, i.e. 1.841 euro. The final value will be taken to be the arithmetic mean, rounded to the third decimal place, of the closing price of the Banco Sabadell share in the first twenty trading sessions of March 2021.

On the basis of fulfilment of the objectives for 2018, the Chairman has consolidated 1,275,000 rights, i.e. 75% of the rights assigned initially; the CEO has consolidated 1,125,000 rights, i.e. 75% of the rights assigned initially; the Director-General Manager has consolidated 600,000 rights, i.e. 75% of the rights assigned initially; the Director-Company Secretary has consolidated 720,000 rights, i.e. 90% of the rights assigned initially.

- The multi-year performance period covers the years 2018, 2019 and 2020, for which the multi-year objectives are those set out in section A of this document.

The aforementioned multi-year indicators will be measured in the first quarter of the year 2021; the number of rights may be reduced (but never increased) in line with the percentage achievement of objectives, where this is less than 100%.

Executive directors will receive the incentive they have earned, 45% in cash and 55% in Banco Sabadell shares, according to the following schedule:

- 60% in the first four months of 2022.
- 20% in the first four months of 2023.
- 20% in the first four months of 2024.

In the case of executive directors, senior management and other material risk takers, their short-term variable remuneration and long-term remuneration may be subject to reduction (malus clause) in the deferral period and clawback in the deferral and lock-up period, in the cases indicated earlier, if the Board of Directors so decides on the basis of a proposal by the Remuneration Committee.

B.4. Describe the outcome of the consultative vote at the annual meeting on the annual remuneration report for the previous year, indicating the number of votes cast against, if any:

	Number	% of total
<b>Votes cast</b>	3,452,266	61.90

	Number	% of votes cast
<b>Votes against</b>	30,775	0.89
<b>Votes in favour</b>	3,398,195	98.44
<b>Abstentions</b>	23,296	0.67

B.5. Describe how the fixed components of remuneration earned during the year by the directors in their capacity as such were determined, and how they changed with respect to the previous year.

With regard to the remuneration for members of the Board of Directors for their duties as such, as provided by article 85 of the Articles of Association of Banco Sabadell, in 2018 the Board of Directors decided to adapt the remuneration for members of the Board of Directors and Board sub-committees to market rates, resulting in a total amount of 2,193,188.25 euro, which is lower than the overall maximum amount of 3,000,000 euro that was approved under item 10 on the agenda by the General Meeting of Shareholders on 19 April 2018, which also established that this amount would remain in force in subsequent years until amended by a resolution of the General Meeting. A detailed breakdown of this amount is given in section C.1.a) i).

The directors' remuneration in 2018 for their functions as members of the Board of Directors consisted of remuneration in which up to 50% was dependent on attendance at Board meetings.

The remuneration envisaged for 2018 was as follows:

	Remuneration in 2018	Attendance fees 2018 (per meeting)
Chairman	175,650 euro	5,273 euro
Vice-Chairman	95,250 euro	2,886 euro
Other directors	75,000 euro	2,272 euro
Lead Independent Director	22,000 euro (additional)	

Additionally, non-executive directors collected amounts for membership of Board sub-committees:

Committee	Position	Amount
Audit and Control Committee	Chairman	40,000 euro
	Member	20,000 euro
Appointments Committee	Chairman	20,000 euro
	Member	10,000 euro
Remuneration Committee	Chairman	40,000 euro
	Member	20,000 euro
Risk Committee	Chairman	70,000 euro
	Member	20,000 euro

Executive Committee	Member	80,000 euro
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The total amount actually collected by the members of the Board of Directors in 2018 is as follows:

#### Remuneration actually received by the members of the Board of Directors in 2018

Members of the Board of Directors in December 2018. Thousand euro

Directors	Board of Directors	Audit and Control Committee	Appointments Committee	Remuneration Committee	Risk Committee	Executive Committee
Josep Oliu Creus	Chairman (Executive)	234				
Javier Echenique Landiribar	Vice-Chairman (Independent)	127				78
Jaime Guardiola Romojaro	CEO (Executive)	100				
Anthony Frank Elliott Ball	Independent	100	9	18		
Aurora Catá Sala	Chair of the Remuneration Committee and Appointments Committee (Independent)	100	20	40		
Pedro Fontana García	Independent	100	20	8		
María Teresa García-Milà Lloveras	Lead Independent Director	122	20	10	20	
George Donald Johnston	Independent	100		17	20	
María José García Beato*	Director-Company Secretary (Executive)	34				
David Martínez Guzmán	Proprietary External	100				
José Manuel Martínez Martínez	Independent	100				80
José Ramón Martínez Sufrategui	Independent	100	20			
José Luis Negro	Director-General Manager (Executive)	100				
Manuel Valls Morató	Chair of the Audit and Control Committee (Independent)	100	40		20	
David Vegara Figueras	Chair of the Risk Committee (Independent)	100			70	

\*Joined the Board of Directors in 2018 For her functions as Vice-Secretary of the Board of Directors, she collected 54,700 euro in 2018.

Mr. José Manuel Lara García collected 46,780 euro for the time in which he was a member of the Board of Directors and its committees.

Some directors are also members of Advisory Boards, for which they received the following remuneration: 30,600 euro for chairing the Sabadell Guipuzcoano Advisory Board. 15,000 euro for membership of the Sabadell Urquijo Banca Privada Advisory Board.

The amounts actually received depended on the date of appointment and on attendance.

#### B.6. Describe how the salaries earned by each of the executive directors in the last year for performing executive functions were determined, and how they changed with respect to the previous year.

The remuneration of the executive directors in 2018 was benchmarked against a group of 16 European banks (Crédit Agricole, Groupe Société Générale, Santander, BBVA, Intesa San Paolo, Nordea Bank, Natixis, ABN Amro Group, Caixabank, Skandinaviska Enskilda Banken, KBC Groep, Swedbank, Bankia, Unione di Banche Italiane, Mediobanca and Bankinter), and another domestic set with a peer group consisting of 10 Spanish IBEX-35 companies with a market capitalisation of more than 6,000 million euro (Santander, BBVA, Gas Natural Fenosa, Ferrovial, CaixaBank, Abertis, Amadeus, Bankia, Red Eléctrica, Bankinter), which provides guidance in determining the remuneration mix as well as the

competitiveness of the remuneration assigned to them. A sample of domestic banks was used for benchmarking senior executive remuneration. This ensures that the remuneration of executive directors and senior management is in line with market parameters.

On 26 January 2018, based on a proposal from the Remuneration Committee, the Board of Directors established the following fixed remuneration for executive directors for performing executive functions in 2018:

- Chairman, 1,701,000 euro (same amount as in 2017).
- CEO, 1,350,000 euro (1,312,900 euro in 2017).
- Director-General Manager, 705,000 euro (same amount as in 2017)
- Director-Company Secretary, 500,000 euro (same amount as in 2017)

In addition to those amounts, the executive directors collected the following amounts of benefits and remuneration in kind (both listed under Other in the table in section c.1 a)i)), as detailed below (section B.14):

## B.7. Describe and give the main features of the variable components of the remuneration systems earned in the reporting year.

In particular:

- Identify each of the remuneration plans that determined the various types of variable remuneration earned by each of the directors in the reporting year, including information on their scope, approval date, implementation date, the periods of accrual and validity, the criteria used to assess performance and how this affected the establishment of the variable amount that accrued, as well as the measurement criteria that were applied and the period that must elapse in order to be in a position to suitably measure all the applicable conditions and criteria.

In the case of stock options and other financial instruments, the general characteristics of each plan must contain information on the conditions required both to achieve unconditional ownership (vesting) and to exercise such options or financial instruments, including the strike price and exercise period.

- Name and category (executive director, proprietary external director, independent external director and other external director) of each of the directors who are beneficiaries of remunerations systems or plans that include variable remuneration.

- Disclose any accrual or deferral periods that were applied and/or any periods of lock-up/non-disposal for shares or other financial instruments.

### 1. Variable annual remuneration

In connection with the directors' variable annual remuneration for performing executive functions, after the year had concluded, the Board of Directors, at a meeting on 31 January 2019, determined the level of attainment of the objectives, with the respective weightings that had been established at the beginning of the year, as indicated in section B.3.

The reference amounts of variable remuneration for the executive directors in 2018 were established by the Board of Directors at a meeting on 1 February 2018.

Based on a proposal by the Remuneration Committee, the Board of Directors, at a meeting on 31 January 2019, determined the amounts of variable remuneration for 2018, which are those set out in section B.3.

Those amounts are subject to deferral and payment in shares as set out above (section B.3).

### 2. Long-term remuneration

With regard to the multi-year variable remuneration for executive directors, they are beneficiaries of the incentives indicated in section B.3.

## B.8 Indicate whether any variable components were reduced or clawed back after vesting and being deferred (in the former case) or vesting and being paid (in the latter case), on the basis of data which were subsequently shown to be inaccurate. Describe the amounts reduced or clawed back through the application of the malus or clawback clauses, why they were implemented and the years to which they refer.

None of the cases triggering the malus or clawback clauses applicable in 2018 arose in the year, with the result that those clauses did not have to be applied.

**B.9. Describe the main characteristics of the long-term savings systems where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivorship benefits that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is defined-contribution or defined-benefit, the contingencies covered, the conditions for the economic rights to vest for directors, and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.**

The long-term savings systems are disclosed in section A; the following contributions were made in 2018:

- Defined-contribution group insurance policy for the Board of Directors: the Chairman, Mr. José Oliu Creus, with a contribution of 35,047.50 euro and 1,248,741.42 euro accumulated in total, and the Director-General Manager, Mr. José Luis Negro Rodríguez, with a contribution of 17,523.75 euro and 224,215.39 euro accumulated in total.
- Executive group insurance, instrumented in two policies: the CEO, Mr. Jaime Guardiola Romojaro, under a defined-benefit policy, with 50% spousal reversion; the contribution was 760,738.90 euro and the accumulated amount is 19,998,921.57 euro.
- Executive group insurance, instrumented in two defined-benefit policies: director Ms. María José García Beato, with a contribution of 699,072.35 euro and 1,028,723.55 euro accumulated in total.
- Employer Pension Plan Group B (defined contribution): the Chairman, Mr. José Oliu Creus, with a contribution of 1,022.98 in 2018 and an accumulated amount of 19,704.30 euro, the CEO, Mr. Jaime Guardiola Romojaro, with a contribution of 1,022.98 in 2018 and an accumulated amount of 9,210.53 euro, the Director-General Manager, Mr José Luis Negro Rodríguez, with a contribution of 737.43 in 2018 and an accumulated amount of 9,114.13 euro, and the Director Ms. María José García Beato, with a contribution of 1,022.98 in 2018 and an accumulated amount of 10,961.88 euro.

**B.10 Describe any termination indemnities or other payments arising from early dismissal or early resignation, or from the termination of the contract, in its own terms, that were accrued and/or received by directors during the reporting year.**

The non-executive directors maintain an organic relationship with Banco Sabadell, they are not under contract to the Bank by virtue of their status as director, and no indemnities have been agreed upon for the event of termination of their position as director.

No indemnities or any other type of payment arising from early removal or termination of contract was paid to executive directors in 2018.

**B.11 Indicate whether there were any significant changes in the contracts of persons performing senior management functions, such as executive directors, and, in the event, describe them. Additionally, describe the main conditions of new contracts signed with executive directors during the year, unless already described in Section A.1.**

In 2018, the early termination clauses for executive directors and senior management were amended to adapt them to the Remuneration Policy approved by the Board of Directors on 1 February 2018 and to the Directors Remuneration Policy approved by the General Meeting of Shareholders on 19 April 2018, so that they do not exceed two years' total compensation.

**B.12 Describe any supplementary remuneration earned by directors as consideration for services rendered other than those inherent to their position.**

None.

**B.13 Describe any remuneration deriving from advance payments, loans or guarantees granted, indicating the interest rate, the main features and any amounts that were repaid, as well as any collateral obligations assumed on their behalf.**

None.

**B.14 Detail any remuneration in kind earned by the directors in the year, briefly indicating the nature of the various salary components.**

The executive directors are beneficiaries of the following remuneration in kind, under the same conditions, as the rest of the employees or groups of employees who are entitled to each of them:

- Group life insurance policy (applicable to all the Institution's employees).
- Total and permanent disability insurance policy (applicable to all the Institution's executives).
- Employee loans (applicable to all the Institution's employees).

- Health insurance (if arranged as part of the flexible remuneration system).

The executive directors collected the following amounts of benefits and remuneration in kind (listed under Other in the table in section C.1.a) i)):

- Chairman: 37,870 euro in the form of group insurance and benefits (71,004 euro in 2017).
- CEO: 15,292 euro in the form of group insurance and benefits (including employee loans and flexible remuneration) (23,425 euro in 2017).
- Director - General Manager: 2,545 in the form of benefits and flexible remuneration (2,446 euro in 2017).
- Director-Company Secretary: 13,973 euro in the form of group insurance, benefits and flexible remuneration (the amount corresponding to the period during which she was an executive director of the institution).

**B.15 Describe any remuneration accrued by directors in the form of payments settled by the listed company with third parties where the director renders services, where such payments are intended to compensate the director's services to the company.**

None.

**B.16 Describe any other items of remuneration not already disclosed in the preceding sections, regardless of their nature or the group company that made the payment, particularly when this is a related-party transaction or where the payment distorts the picture of the total remuneration earned by the director.**

None.

## C ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Accrual period in 2018
JOSÉ OLIU CREUS	Executive	From 01/01/2018 to 31/12/2018
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	Independent	From 01/01/2018 to 31/12/2018
JAIME GUARDIOLA ROMOJARO	Executive	From 01/01/2018 to 31/12/2018
ANTHONY FRANK ELLIOTT BALL	Independent	From 01/01/2018 to 31/12/2018
AURORA CATÁ SALA	Independent	From 01/01/2018 to 31/12/2018
PEDRO FONTANA GARCÍA	Independent	From 01/01/2018 to 31/12/2018
MARIA JOSÉ GARCÍA BEATO	Executive	From 17/09/2018 to 31/12/2018
MARIA TERESA GARCIA-MILÀ LLOVERAS	Lead independent director	From 01/01/2018 to 31/12/2018
GEORGE DONALD JOHNSTON	Independent	From 01/01/2018 to 31/12/2018
JOSÉ MANUEL LARA GARCÍA	External	From 01/01/2018 to 24/05/2018.
DAVID MARTÍNEZ GUZMÁN	Proprietary	From 01/01/2018 to 31/12/2018
JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	Independent	From 01/01/2018 to 31/12/2018
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	Independent	From 01/01/2018 to 31/12/2018
JOSÉ LUIS NEGRO RODRÍGUEZ	Executive	From 01/01/2018 to 31/12/2018
MANUEL VALLS MORATÓ	Independent	From 01/01/2018 to 31/12/2018
DAVID VEGARA FIGUERAS	Independent	From 01/01/2018 to 31/12/2018

C.1 Complete the following tables with data on the individual remuneration accrued during the year by each of the directors (including remuneration for performing executive functions).

a) **Remuneration from the reporting company:**

i) **Remuneration in cash (thousand euro)**

Name	Fixed remuneration	Attendance fees	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnity	Other items	2018 total	2017 total
JOSÉ OLIU CREUS	234	0	0	1701	0	0	0	38	1973	3653
JAVIER ECHENIQUE LANDIRIBAR	127	0	78	0	0	0	0	31	236	206
JAIME GUARDIOLA ROMOJARO	100	0	0	1350	0	0	0	15	1465	2564
ANTHONY FRANK ELLIOTT BALL	100	0	27	0	0	0	0	0	127	36
AURORA CATA SALA	100	0	60	0	0	0	0	0	160	138
PEDRO FONTANA GARCIA	100	0	28	0	0	0	0	0	128	8
MARÍA JOSÉ GARCÍA BEATO	34	0	0	168	50	0	0	14	266	0
MARIA-TERESA GARCIA-MILÀ LLOVERAS	122	0	70	0	0	0	0	0	192	158
GEORGE DONALD JOHNSTON	100	0	37	0	0	0	0	0	137	21
JOSÉ MANUEL LARA GARCÍA	43	0	4	0	0	0	0	0	47	87
DAVID MARTÍNEZ GUZMÁN	100	0	0	0	0	0	0	0	100	67
JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	100	0	80	0	0	0	0	0	180	155
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	100	0	20	0	0	0	0	0	120	103
JOSÉ LUIS NEGRO RODRIGUEZ	100	0	0	705	179	0	0	3	987	1161

MANUEL VALLS MORATÓ	100	0	60	0	0	0	0	0	160	122
DAVID VEGARA FIGUERAS	100	0	70	0	0	0	0	15	185	172

**ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments**

Name	Plan	Financial instruments at the beginning of 2018		Financial instruments granted in 2018		Financial instruments accrued in the year				Instruments vested but not exercised	Financial instruments at 2018 year-end	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/vested shares	Price of vested shares	Gross profit on vested shares or financial instruments (thousand euro)		No. of instruments	No. of equivalent shares
José Oliu Creus	ICLP 2016-2019	1,600,000	337,120	0	0	0	0	0	0	0	1,600,000	337,120
	ICLP 2017-2020	1,700,000	1,040,740	0	0	0	0	0	0	0	1,700,000	1,040,740
	ICLP 2018-2021	0	0	1,700,000	615,400	0	0	0	0	0	1,700,000	615,400
Jaime Guardiola Romojaro	ICLP 2016-2019	1,400,000	294,980	0	0	0	0	0	0	0	1,400,000	294,980
	ICLP 2017-2020	1,500,000	918,300	0	0	0	0	0	0	0	1,500,000	918,300
	ICLP 2018-2021	0	0	1,500,000	543,000	0	0	0	0	0	1,500,000	543,000
José Luis Negro Rodríguez	ICLP 2016-2019	800,000	168,560	0	0	0	0	0	0	0	800,000	168,560

	ICLP 2017- 2020	800,000	489,760	0	0	0	0	0	0	0	800,000	489,760
	ICLP 2018- 2021	0	0	800,000	289,600	0	0	0	0	0	800,000	289,600
María José García Beato	ICLP 2016- 2019	400,000	84,280	0	0	0	0	0	0	0	400,000	84,280
	ICLP 2017- 2020	600,000	367,320	0	0	0	0	0	0	0	600,000	367,320
	ICLP 2018- 2021	0	0	800,000	289,600	0	0	0	0	0	800,000	289,600

### iii) Long-term savings systems

	Remuneration from vesting of rights within savings systems
José Oliu Creus	0
José Javier Echenique Landiribar	0
Jaime Guardiola Romojaro	0
Anthony Frank Elliott Ball	0
Aurora Catá Sala	0
Pedro Fontana García	0
María José García Beato	0
María Teresa García-Milà Lloveras	0
George Donald Johnston	0
José Manuel Lara García	0
David Martínez Guzmán	0

José Manuel Martínez Martínez	0
José Ramón Martínez Sufrategui	0
José Luis Negro Rodríguez	0
Manuel Valls Morato	0
David Vegara Figueras	0

Name	Contribution by the company in the year (thousand euro)				Total accumulated funds (thousand euro)			
	Saving plans with vested economic rights		Saving plans with unvested economic rights		2018		2017	
	2018	2017	2018	2017	Systems with vested rights	Systems with unvested rights	Systems with vested rights	Systems with unvested rights
	José Oliu Creus	0	0	36	177	0	8,319	0
Jaime Guardiola Romojaro	0	0	762	3,412	0	22,471	0	22,232
José Luis Negro Rodríguez	0	0	18	17	0	5,941	0	6,062
María José García Beato	0	0	700	0	0	1,153	0	0

#### iv)Details of other items

Name	Description	Remuneration amount
José Oliu Creus		
José Javier Echenique Landiribar		
Jaime Guardiola Romojaro		
Anthony Frank Elliott Ball		

Aurora Catá Sala		
Pedro Fontana García		
María José García Beato		
María Teresa García-Milà Lloveras		
George Donald Johnston		
José Manuel Lara García		
David Martínez Guzmán		
José Manuel Martínez Martínez		
José Ramón Martínez Sufrategui		
José Luis Negro Rodríguez		
Manuel Valls Morato		
David Vegara Figueras		

**b) Remuneration of the company directors for directorships of other group companies:**

**i) Remuneration in cash (thousand euro)**

Name	Fixed remuneration	Attendance fees	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnity	Other items	2018 total	2017 total
José Oliu Creus	0	0	0	0	0	0	0	0	0	0
José Javier Echenique Landiribar	0	0	0	0	0	0	0	0	0	0

Jaime Guardiola Romojaro	0	0	0	0	0	0	0	0	0	0
Anthony Frank Elliott Ball	0	0	0	0	0	0	0	0	0	0
Aurora Catá Sala	0	0	0	0	0	0	0	0	0	0
Pedro Fontana García	0	0	0	0	0	0	0	0	0	0
María José García Beato	0	0	0	0	0	0	0	0	0	0
María Teresa García-Milà Lloveras	0	0	0	0	0	0	0	0	0	0
George Donald Johnston	0	0	0	0	0	0	0	0	0	0
José Manuel Lara García	0	0	0	0	0	0	0	0	0	0
David Martínez Guzmán	0	0	0	0	0	0	0	0	0	0
José Manuel Martínez Martínez	0	0	0	0	0	0	0	0	0	0
José Ramón Martínez Sufrategui	0	0	0	0	0	0	0	0	0	0
José Luis Negro Rodríguez	0	0	0	0	0	0	0	0	0	0
Manuel Valls Morato	0	0	0	0	0	0	0	0	0	0
David Vegara Figueras	0	0	0	0	0	0	0	0	0	0

**ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments**

Name	Plan	Financial instruments at the beginning of 2018		Financial instruments granted in 2018		Financial instruments accrued in the year				Instruments vested but not exercised	Financial instruments at 2018 year-end	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/vested shares	Price of vested shares	Gross profit on vested shares or financial instruments (thousand euro)	No. of instruments	No. of instruments	No. of equivalent shares
José Oliu Creus		0	0	0	0	0	0	0	0	0	0	0
Jaime Guardiola Romojaro		0	0	0	0	0	0	0	0	0	0	0
José Luis Negro Rodríguez		0	0	0	0	0	0	0	0	0	0	0
María José García Beato		0	0	0	0	0	0	0	0	0	0	0

**iii) Long-term savings systems**

	Remuneration from vesting of rights within savings systems
José Oliu Creus	0
José Javier Echenique Landiribar	0
Jaime Guardiola Romojaro	0
Anthony Frank Elliott Ball	0
Aurora Catá Sala	0

Pedro Fontana García	0
María José García Beato	0
María Teresa García-Milà Lloveras	0
George Donald Johnston	0
José Manuel Lara García	0
David Martínez Guzmán	0
José Manuel Martínez Martínez	0
José Ramón Martínez Sufrategui	0
José Luis Negro Rodríguez	0
Manuel Valls Morato	0
David Vegara Figueras	0

Name	Contribution by the company in the year (thousand euro)				Total accumulated funds (thousand euro)			
	Saving plans with vested economic rights		Saving plans with unvested economic rights		2018		2017	
	2018	2017	2018	2017				
					Systems with vested rights	Systems with unvested rights	Systems with vested rights	Systems with unvested rights
José Oliu Creus	0	0	0	0	0	0	0	0
Jaime Guardiola Romojaro	0	0	0	0	0	0	0	0
José Luis Negro Rodríguez	0	0	0	0	0	0	0	0
María José García Beato	0	0	0	0	0	0	0	0

**iv)Details of other items**

<b>Name</b>	<b>Description</b>	<b>Remuneration amount</b>
José Oliu Creus	---	0
José Javier Echenique Landiribar	---	0
Jaime Guardiola Romojaro	---	0
Anthony Frank Elliott Ball	---	0
Aurora Catá Sala	---	0
Pedro Fontana García	---	0
María José García Beato	---	0
María Teresa García-Milà Lloveras	---	0
George Donald Johnston	---	0
José Manuel Lara García	---	0
David Martínez Guzmán	---	0
José Manuel Martínez Martínez	---	0
José Ramón Martínez Sufrategui	---	0
José Luis Negro Rodríguez	---	0
Manuel Valls Morato	---	0
David Vegara Figueras	---	0

**c) Summary of remuneration (thousand euro):**

Summarise the amounts corresponding to all the remuneration items included in this report that have accrued to the director, in thousand euro.

<b>Name</b>	<b>Remuneration accrued in the company</b>	<b>Remuneration accrued in group companies</b>

	Total cash remuneration	Gross profit on vested shares or financial instrument	Remuneration under savings systems	Remuneration under other headings	2018 total - Company	Total cash remuneration	Gross profit on vested shares or financial instrument	Remuneration under savings systems	Remuneration under other headings	2018 total - Group
José Oliu Creus	1973	0	0	0	1973	0	0	0	0	0
José Javier Echenique Landiribar	236	0	0	0	236	0	0	0	0	0
Jaime Guardiola Romojaro	1465	0	0	0	1465	0	0	0	0	0
Anthony Frank Elliott Ball	127	0	0	0	127	0	0	0	0	0
Aurora Catá Sala	160	0	0	0	160	0	0	0	0	0
Pedro Fontana García	128	0	0	0	128	0	0	0	0	0
María José García Beato	266	0	0	0	266	0	0	0	0	0
María Teresa García-Milà Lloveras	192	0	0	0	192	0	0	0	0	0
George Donald Johnston	137	0	0	0	137	0	0	0	0	0
José Manuel Lara García	47	0	0	0	47	0	0	0	0	0
David Martínez Guzmán	100	0	0	0	100	0	0	0	0	0
José Manuel Martínez Martínez	180	0	0	0	180	0	0	0	0	0
José Ramón Martínez Sufrategui	120	0	0	0	120	0	0	0	0	0

José Luis Negro Rodríguez	987	0	0	0	987	0	0	0	0	0
Manuel Valls Morato	160	0	0	0	160	0	0	0	0	0
David Vegara Figueras	185	0	0	0	185	0	0	0	0	0
<b>Total</b>	<b>6.463</b>	0	0	0	<b>6.463</b>	0	0	0	0	<b>0</b>

**D Other information.**

If there are any material aspects relating to directors' remuneration that was not disclosed in other sections of this report but are necessary to provide a more comprehensive and fully reasoned picture of the structure and practices of remuneration for the company's directors, describe them briefly.

This annual remuneration report was adopted by the company's board of directors at a meeting held on 31 January 2019.

Indicate whether any board members voted against or abstained with respect to the approval of this report.

Yes  No

Name or corporate name of director who did not vote in favour of approving this report	Reasons (vote against, abstention, absence)	Explain reasons