



Extract from the ESG Risk Integration Policy in Savings and Investment products of Banco de Sabadell S.A.

The ESG risk integration policy for Savings and Investment products of Banco de Sabadell S.A. was approved by the Board of Directors on 28 July 2021

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1. Introduction

1.1 Definition

Sustainability risk is defined as any event or state of an environmental, social or governance nature that, if it were to occur, could have a material negative impact on the investment value of a financial product, according to Article 2, section 22, of Regulation (EU) 2019/2088.

In other words, sustainability risks refer to potential events related to environmental, social or governance issues (ESG) that may have a negative, real and measurable impact on the evolution of the return on investments.

- E Environmental: issues related to the care and conservation of the environment, as well as the fight against climate change.
- S Social: related to how the company manages issues involving people who may be affected by its activity.
- G Governance: issues related to the management, ethics and leadership aspects of the company, such as internal policies, remuneration, internal controls, etc.

As defined in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosures in the financial services sector, a sustainable investment refers to those investments in an economic activity that contribute to an environmental objective, measured, for example, through key performance indicators on resources relating to energy use,

renewable energy, consumption of raw materials, water and land, waste production and greenhouse gas emissions, and the impact on biodiversity and the circular economy, or investments in an economic activity that contribute to a social objective, and in particular, any investment that contributes to fighting inequality and strengthens social cohesion, social inclusion and labour relations, or any investment in human capital or in economically or socially disadvantaged communities; provided that the investments do not significantly harm any of these objectives and that the beneficiary companies follow good governance practices, in particular as regards to having sound management structures, employee relations and remuneration of relevant staff and being compliant with tax obligations.

1.2 Aim and responsible party

This Policy aims to describe the integration of sustainability risks in the process of making investment decisions and advising on Savings and Investment products of Banco de Sabadell, S.A. (hereinafter, Banco Sabadell, the Bank or the Entity), in compliance with the provisions of Regulation (EU) 2019/2088 and under the principles defined in the SUSTAINABILITY POLICY OF BANCO DE SABADELL, S.A., which has become part of the purpose and business strategy of the Entity, incorporating initiatives derived from the transition to a sustainable economy and development.

This regulation forms part of the actions developed by the European Commission's Sustainable Finance Action Plan with the aim of directing private capital flows towards sustainable investments, integrating sustainability into financial management and promoting transparency.

The scope of this Policy focuses on the functions performed by the Entity in accordance with Article 2, paragraphs 1 and 11 of Regulation (EU) 2019/2088 and affecting the following products and/or services:

- Discretionary Portfolio Management.
- UCITS Investment Funds.
- Alternative Investment Funds.

As for the distribution of PIBs Savings Insurance, the Entity has signed a contract for the provision of distribution network services with "BanSabadell Mediación, Operador de Banca-Seguros Vinculado del Grupo Banco Sabadell S.A.", which will act as a Financial Advisor and has its own ESG risk integration policy (see Annexes), as described in Article 2, paragraph 11 of Regulation (EU) 2019/2088, regarding insurance consulting with respect to said products. Under this contract, the Entity assigns its distribution network for the marketing of insurance.

The Division responsible for the POLICY OF INTEGRATION OF ESG RISKS IN SAVINGS and INVESTMENT PRODUCTS is the Private Banking Business, which exercises this responsibility through the Savings-Investment Offer, assuming the functions of determining the offer of products and services affected by Regulation (EU) 2019/2088.

1.3 Scope of application

This Policy will be applicable to Banco Sabadell and specifically to the products and/or services listed in section 1.2 of this document that are marketed after 10 March 2021 (effective date of the SFDR regulation).

The regulations set forth obligations depending on whether the entity exercises the role of Financial Market Participant (hereinafter FMP or manufacturer), or the role of Financial Advisor (hereinafter FA or advisor). It shall be understood that the Entity exercises the role of FMP in the Discretionary Portfolio Management service, and the role of FA in the Alternative Investment Funds and the UCITS Investment Funds, exactly as described in Article 2 of Regulation 2019/2088, sections 6, 13 and 15, respectively.

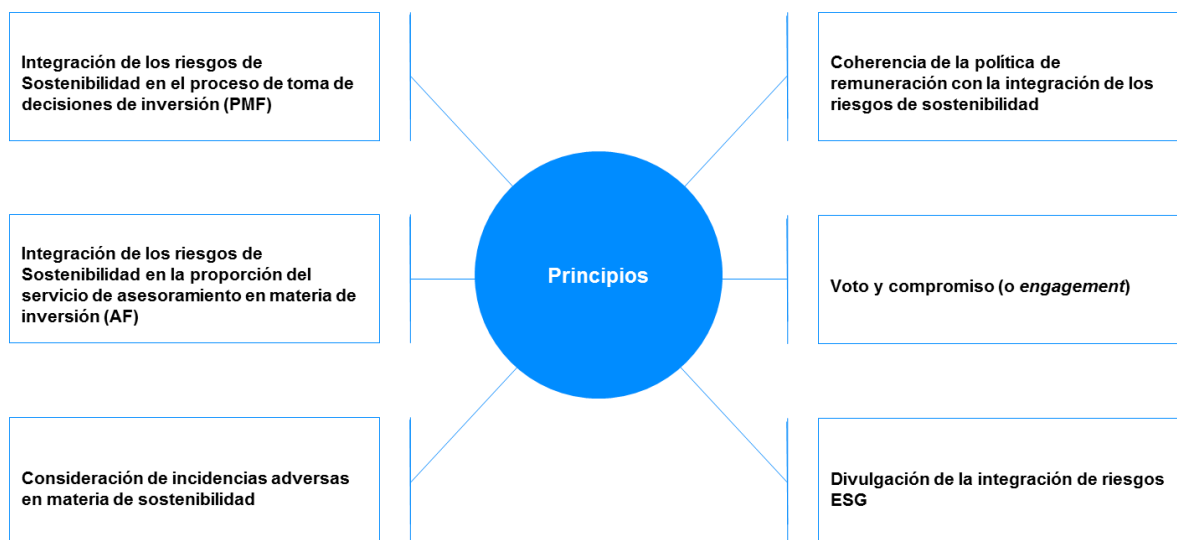
1.4 Regulatory Framework

The ESG Risk Integration Policy in Banco Sabadell's Savings and Investment products complies with the provisions of the following regulatory references:

- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosures in the financial services sector. It forms part of the Sustainable Finance Plan presented by the European Commission (EC) in March 2018.
- The EC Sustainable Finance Action Plan (2018), which was revised during 2021 (New Sustainable Finance Strategy), guides the contribution of the financial sector to the goal of achieving a more sustainable global economy.
- The European Green Deal (2019), which lays out a roadmap with actions to stimulate an efficient use of resources by moving towards a clean and circular economy, as well as restoring biodiversity and reducing pollution.
- ECB Guideline on supervisory expectations in the area of climate and environment-related financial risks. (November 2020)
- EBA Action Plan on Sustainable Finance (December 2019) and its subsequent revisions.
- ESMA-Strategy on Sustainable Finance (February 2020) and its subsequent revisions.
- Law 5/2021 of 12 April, amending the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies.
- Law 7/2021 of 20 May on climate change and energy transition
- Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the promotion of long-term shareholder engagement.
- Commission Delegated Regulation (EU) 2022/1288 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the content and presentation to be complied with by information relating to the 'not cause significant harm' principle, and specifying the content, methods and presentation for information relating to sustainability indicators and adverse sustainability impacts, as well as the content and presentation of information relating to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in regular reports.

2. Critical Principles and Parameters

2.1. Principles



Every investment has a return expectation that depends on its level of risk: the higher the expected profitability, the higher the level of risk that is being assumed.

Under this principle, the aim of the Entity is to offer and advise its customers on investments and products that generate an optimum return according to their level of risk. In this regard, Banco Sabadell's firm commitment to sustainable investment has led us to incorporate ESG factors as key aspects that must be taken into account in the analysis and selection of individual investments and/or products.

2.1.1. Integration of Sustainability risks in the investment decision making process (FMP)

Within the framework of the provision of the Discretionary Portfolio Management service, the Entity delegates tasks related to the selection of investable assets or products to other companies in the Banco Sabadell Group and third party entities with recognised experience in the field of asset management.

To ensure the Entity's commitment to the integration of sustainability risks in the management of the necessary investments in the Discretionary Portfolio Management service, the Entity has the necessary monitoring mechanisms to contrast the engagement of its collaborators in the integration of sustainability risks as a relevant part of the investment decision-making process that they carry out.

2.1.2. Integration of sustainability risks in the proportion of the investment advisory service (FA)

Within the framework of the provision of investment advisory services, as a condition in the selection of products that may be offered through this service the Entity establishes that the financial market participant of products affected by Regulation 2019/2088 has accredited their integration of sustainable risks in investment decision-making processes with the aim of identifying and managing the potential ESG risks to which the different investments may be affected.

2.1.3. Consideration of negative effects in sustainability

Taking into account the nature and scale of the activities carried out by the Entity, as well as the robustness of the procedures for integrating sustainability risks into investment decisions and the

selection of products offered under the advisory regime, the Entity declares compliance with the consideration of adverse sustainability incidents, aligned with the Sustainable Development Goals defined by the United Nations, some of which the Entity has identified as priorities and additional to those detailed in its SUSTAINABILITY POLICY OF BANCO DE SABADELL, S.A.

"The analysis of the main adverse incidents carried out by the Entity and any actions taken consider the public information available. The Entity declares compliance with the consideration and transparency of adverse incidents in terms of sustainability in accordance with the information it periodically publishes in its annual report of adverse incidents, and proceeds to its disclosure in accordance with the frequency and methodology established in the applicable regulatory framework. Additionally, in relation to those activities that the Entity has delegated to third parties, the analysis also includes the information provided by them in relation to the main adverse incidents generated by the products or services provided for in the delegation agreement."

The Entity makes disclosure of adverse events available to consumers on its website, as established by the disclosure obligations set out in Regulation (EU) 2019/2088. Such disclosure has been made since 2023, given that the first year of effective observation of the different indicators was requested from 1 January to 31 December 2022.

2.1.4. Consistency of the remuneration policy with the integration of sustainability risks

The Entity follows the REMUNERATION POLICY OF BANCO SABADELL, S.A., which considers it fundamental that remuneration practices stimulate conduct that is consistent with the Entity's approach to climate and environmental risks, as well as with the commitments voluntarily assumed by the Entity.

The aforementioned Remuneration Policy and the remuneration practices applied in the Entity promote a long-term approach to the management of climate and environmental risks, and contribute to the promotion of ESG actions in order to have a sustainable and socially responsible business strategy. This entails:

- Aligning remuneration with shareholder interests and with the creation of long-term value.
- Implementing rigorous risk management, considering measures to prevent conflicts of interest.
- Aligning with the Group's long-term business strategy, objectives, values and interests.

2.1.5. Voting and commitment (or engagement)

The Entity has delegated to other Group companies or third parties those functions that have to do with making investment decisions with regard to assets that may carry associated voting rights at the corresponding General Meeting of Shareholders. However, the Entity has monitoring mechanisms to ensure that those to whom the previously mentioned functions have been delegated have voting and involvement policies that promote long-term value creation, risk management and good governance, as well as promote ESG-friendly activity through dialogue and involvement with the different companies, in order to protect the interests of its clients and the value of their investments.

The Entity, in compliance with Law 5/2021 of 12 April, which amends the consolidated text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July, and other financial regulations, with regard to the promotion of the long-term involvement of shareholders in listed companies, and as a credit institution that provides the discretionary portfolio management service, will rely on the voting and exercise of political rights mechanisms implemented by Sabadell Asset

Management, S.G.I.I.C and Urquijo Gestión, S.G.I.I.C, S.U., as management companies in which Banco Sabadell has delegated the provision of this investment service to its clients.

In this way, Banco Sabadell indirectly exercises the attendance and voting rights of the listed securities that form part of the discretionary management portfolios that invest in these assets. and Urquijo Gestión, S.G.I.I.C., S.U. diligently exercises the rights for the exclusive benefit and interest of Banco Sabadell's clients, taking into account the nature of each of the corporate resolutions submitted for consideration by the General Shareholders' Meeting and on the basis of the information publicly available or that has been made available to shareholders on the occasion of the holding of the General Meeting of Shareholders.

In the case of Sabadell Asset Management, S.A., S.G.I.I.C, as a responsible asset manager belonging to the Amundi Group, it follows the voting policy of the said group for the Amundi Group funds that form part of the portfolio management. Amundi's voting policy responds to a comprehensive analysis of all long-term issues that may influence value creation, including material ESG issues. For more information, please refer to Amundi's Voting Policy and Amundi's Voting Report.

In any event, the decision as to the direction of the vote shall be taken with total independence and objectivity with respect to other entities of the Banco Sabadell Group.

Regarding the entities to which the management of these assets is delegated, the policies of both entities

- Sabadell Asset Management, S.A., S.G.I.I.C.,
 - Voting Policy (Voting Policy Amundi Group)
- Urquijo Gestión, S.G.I.I.C., S.U.
 - Involvement and Engagement Policy of Urquijo Gestión S.A., S.G.I.I.C., SU

2.1.6. Disclosure of ESG risk integration

The Entity makes information regarding the ESG risk integration process carried out in the framework of investment decision-making and advisement on savings-investment products available to consumers on its website, as well as in the pre-contractual information of the products and/or services identified in section 1.2 of this Policy, as established by the disclosure obligations set out in Regulation (EU) 2019/2088.

2.2. Critical Parameters



2.2.1. External management mandates

For the provision of the Discretionary Portfolio Management service, the Entity has the collaboration of Urquijo Gestión, S.G.I.I.C, S.A.U. and Sabadell Asset Management, S.A., S.G.I.I.C., to whom it has delegated management mandates for the different profiles offered by the Entity.

The services provided by the Entity may be delegated to third party investment service providers. These are selected in accordance with their capabilities with regard to sustainability risk management.

In relation to the delegated management mandates referred to in the previous paragraph, the Entity must have monitoring mechanisms in place to ensure that those companies to which various portfolio management tasks have been delegated accredit the integration of ESG risks in their portfolio management processes.

2.2.2. External product selection mandate

In the selection of product for its advisory services, the Entity works in partnership with Sabadell Asset Management, S.G.I.I.C., which carries out a selection of investment funds from overseas managers.

To ensure its partners' commitment to the integration of sustainability risks in the selection of products offered through the different advisory models, the Entity will request the corresponding evidence to contrast their commitment to the integration of sustainability risks, as a relevant part of the product selection process.

2.2.3. Product design and approval process

The corresponding evidence regarding ESG risk integration must be presented and duly analysed during the Product Design and Approval Process (Product Workflow), when applicable, as specifically described in the GENERAL PRODUCT GOVERNANCE POLICY UNDER MIFID II OF BANCO SABADELL, S.A. (in its MANUFACTURER and DISTRIBUTOR version) and its corresponding development procedures.

3. Document Governance

3.1. Document Approval

The ESG RISK INTEGRATION POLICY FOR SAVINGS AND INVESTMENT PRODUCTS OF BANCO SABADELL is approved by the Board of Directors of Banco Sabadell.

3.2. Validity, Monitoring Plan and Updating of the Policy

This Policy is effective from the date of its approval by the Board of Directors of Banco Sabadell. It shall be reviewed at least annually (review of its general structure and content). In addition, and without this list being necessarily exhaustive, it will be reviewed when the following circumstances arise:

- Changes in the regulatory framework and/or due to supervisory recommendations.
- Amendment of the Entity's organisation structure and general governance model linked to this Policy.
- Changes in business objectives and strategy or the management approach linked to the policy.
- Development of new policies or modifications to existing ones which have an impact on this policy.
- Substantive changes in procedures linked to the policy.
- When the result of its monitoring and control makes it advisable to modify actions in order to increase the degree of fulfilment or improve its impact on the Entity or its employees.

Any of the Entity's Directorates may propose changes to the Policy. Proposals for amendment will follow the pattern set forth in the BANCO SABADELL REGULATORY DOCUMENT GOVERNANCE POLICY, as indicated below:

- The Division responsible for the Policy, as its owner, will coordinate the work of analysis and evaluation of the suitability of the proposals for changes, modifications and/or adjustments developed by any Division.
- The Division responsible for the policy will present the points to be modified and the reasons for said modifications to the Policy Forum.
- The Policy Forum will decide whether these modifications are accepted.
- The Division responsible for the policy will carry out the necessary adaptations so that the proposed new version follows the process of validation and eventual approval.

3.3. Publication of the Policy

This Policy must be available to all employees on CanalBS or through the channel the Bank deems appropriate at any given time.

In addition, an extract will be published on Banco Sabadell's corporate website. This extract will be made available in a public and easily accessible space which will include the other documents to be disclosed in accordance with the disclosure obligations set out in Regulation (EU) 2019/2088.

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