Sabadell Fundació

Code of good governance

Approved by the Board of the Banco Sabadell Private Foundation on 19 April 2016

TABLE OF CONTENTS

INTRODUCTION

The Banco Sabadell Private Foundation's Code of Good Governance aims to establish the principles of action and good practices that guide the operation of the foundation and its bodies, inspired by ethical principles and the banking culture of the founder, Banco de Sabadell, S.A.

This Code of Good Governance contains the main domestic and international recommendations on good governance of non-profit organisations and the principles of foundational social responsibility.

The system of governance of the foundation comprises the following regulations:

1. The statutes of the foundation and the applicable law.

2. The Banco Sabadell Group Code of Conduct.

3. The Code of Good Governance, which interprets and implements the statutes of the foundation in order to ensure the optimal fulfilment of the founding purposes and the transparency of the governing bodies of the foundation, the members of the board and the workers.

This Code of Good Governance sets out the principles grouped under the following headings:

- The principles of action and good practices

  Under this heading, the guidelines that must guide its action beyond the legal provisions are laid down: transparency, appropriate management, regulatory compliance, efficient operation of the board, planning of activities, evaluation of results, autonomy and independence. of action and collaboration with institutions.

- The governance and management of the foundation

  The basic functions to be undertaken by the board and its members, the director of the foundation and the management team are established; as well as the guidelines and principles that should guide decision-making. Possible conflicts of interest and the self-assessment of the foundation's board are also regulated.

Consequently, the Code of Good Governance has taken into account the following aspects as key defining elements of good governance:

- Mission and guiding principles
- Transparency
- Duties of trustees
- Conflicts of interest of trustees
- Regulatory compliance
- Evaluation of the action of the foundation

The sum of these factors makes the Banco Sabadell Private Foundation an entity aimed at guaranteeing the strict fulfilment of its founding purposes and at generating the full trust and recognition of society in the territories in which it carries out its activities.

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CHAPTER I
MISSION AND FOUNDATIONAL PURPOSES

Article 1. Mission

The mission of the Banco Sabadell Foundation is to promote dissemination, training and research activities in the educational, scientific and cultural fields, as well as to encourage and support young talent.

The main collaborations of the foundation aim to support institutions, preserve heritage and promote the recognition of young people who excel in the field of innovation and research.

Article 2. Foundational purposes

In accordance with the provisions of the statutes, the foundation, which exercises its functions within the State, aims to carry out activities aimed at promoting and disseminating the culture and excellence they achieve, through activities related to heritage conservation, fostering contemporary arts and thought, supporting classical and popular culture, preserving the cultural legacy and supporting talent through actions with the main goal of identifying and promoting young or potential talent and innovative projects of artists, young scientists and of innovation.

The foundation promotes initiatives aimed at the well-being and progress of society in general and its access to knowledge, both cultural and scientific, from a global and multidisciplinary perspective.

To fulfil its mission, the Banco Sabadell Private Foundation acts in the following areas:

Young talent. Recognizes and mentors talented people and supports innovation and excellence in research and knowledge.

Culture. It aims to promote and disseminate the arts and scientific and technical, social and humanistic knowledge.

The foundation carries out its founding purposes through its own programmes and in collaboration with public and private institutions.

CHAPTER II
PRINCIPLES OF ACTION AND GOOD PRACTICES

Article 3. Principles of action

The principles that govern the action of the foundation demonstrate the commitment to good governance and serve as a guide to the action of the board and the professional team, are an integral part of collaboration agreements and contracts with third parties and are disseminated in society through the foundation's own information access channels.

The principles mentioned are:

a) Transparency. Ensure the mechanisms that allow the information that society receives from the foundation and about the foundation to be appropriate and reliable, with the aim of strengthening society's trust in and cooperation with the foundation. The foundation must provide sufficient information on its purposes and activities so that the possible beneficiaries and stakeholders know them, through the media that the board deems appropriate and, especially, through the foundation's website.

b) Appropriate management. Balance and diligence in resource management. We must always strive to maximise contributions to the foundational purposes, maintain a permanent balance between the resources available and the programmes that are proposed to be carried out, undertake projects that exceed the financial capacity by working with other public or private institutions and identifying areas of activity that facilitate specialisation and that attract, where appropriate, third-party funding for programmes.

c) Regulatory compliance. The board ensures compliance with the applicable rules and places special emphasis on those that may affect the foundation's good name and reputation, such as those related to tax, labour and prevention of money laundering and terrorist financing.

d) Efficient operation of the board. The board fulfils a social function of the utmost importance, its main responsibility is for the Foundation to do the job well and ensure that the will of the founder and the continuity of the institution are complied with, without failing to comply with legal requirements and taking on the recommendations of specialised bodies, both domestic and international, in matters of good governance and corporate social responsibility.

e) Planning and monitoring. The foundation strengthens its stability, flexibility and organisational culture through long-term planning and monitoring of goals and indicators that are set for each particular project. Action plans and criteria and processes for selecting projects and beneficiaries must be drawn up, as well as periodically verifying their degree of compliance. The board approves the global action plans that guide the activity of the foundation so that it achieves the objectives more effectively.

f) Evaluation of results. Relevant indicators must be identified to adequately measure the effectiveness of the foundation's activity and its social impact.

g) Autonomy and independence of action with respect to third parties. To this end, it does not accept financial contributions that would constrain the fulfilment of the mission and the founding purposes.

h) Institutional collaboration with other third sector entities, companies and public and private institutions that can contribute to fulfilling its aims.

CHAPTER III TRANSPARENCY

Article 4. Transparency

The foundation is committed to transparency as one of the guiding principles, which permeates the organisation's action in all areas, and as the backbone of information policy, and incorporates in the definition all the recommendations of domestic and international organisations on the matter.

The foundation, with the aim of transparency, must provide the board and the supervisory committee with information on the projects it develops, how contributions are spent and the results and indicators it obtains.

The main transparency tool is the website, which informs the general public and any third party or partner institution that intends to interact with the foundation.

Regardless of whether it is agreed to provide other information that is considered relevant, the minimum content that the website must contain is as follows:

1. Complete contact details, including headquarters address and telephone number.

2. The mission of the Banco Sabadell Private Foundation.

3. The scheduling of the foundation's activities, with enough information about the content, scope and beneficiaries.

4. The identification of the main executive positions of the foundation.

5. The names and details of the members of the board and the position they hold, as well as a brief professional profile of the members with a mention of their current professional occupation.

6. The statutes of the foundation, as well as other documents relevant to its good governance, such as the Code of Good Governance or the Code of Conduct on its investment policy, detailing the criteria followed in the management of the foundation's assets.

7. The report, balance sheet and profit and loss account for at least the last financial year, together with the opinion and audit report of an external auditor.

CHAPTER IV
GOVERNANCE AND MANAGEMENT OF THE FOUNDATION

Article 5. Ethical behaviour

Respect for ethics and laws inspires the actions of the people who make up the foundation, which means diligence, good faith and primacy of the purposes of the foundation, in accordance with the will of the founder.

Article 6. The board

The board is the governing and administrative body of the foundation that represents it with all the powers necessary to carry out the foundational purposes.

Within the limits set by the statutes, the board is made up of a number of members that guarantee an agile and efficient operation of the organisation, while being plural, to ensure the independent judgment of the trustees in decision-making.

In order to reinforce the principle of independence of the decisions of the board, the number of trustees with an employment or professional relationship must be less than the number of trustees provided for the board to be considered validly constituted.

Article 7. Basic functions and statutory powers

The board has the powers vested in it by law and the statutes and, as the body that is first and foremost responsible for fulfilling the foundational purposes, it must exercise the following basic functions:

1. Approve the foundation's periodic action programmes and the action plan or budgets.

2. Plan the long-term activity of the foundation. Set the objectives over time and adapt them according to the circumstances. Develop a long-term strategic plan, which must be in writing and

which must be reworked annually and its degree of compliance verified. Monitor the results of business strategies.

3. Ensure that the wording of the rules of the grant programmes is clear and transparent, so that the trust of beneficiary entities and the general public in the entity is maintained and its social prestige is enhanced.

4. Ensure that the will of the founder is fulfilled, interpreting and developing it, if necessary.

5. Report on the action of the foundation, mainly in four areas:

(i) Financial and fiscal. Especially with regard to the application of funds received.

(ii) Professional management. The degree of effectiveness and efficiency of management must be evaluated.

(iii) Activities. The board of trustees must be provided with the necessary instruments to be able to evaluate the results of the programmes it carries out.

(iv) Strategy. The degree of fulfilment of the foundation's mission must be measured and assessed, its strategy and consequent impact evaluated.

Article 8. The chairperson of the board

The chairperson of the board is responsible for the functions set out in the statutes of the foundation and, in particular:

a) Representing the foundation.
b) Convening ordinary and extraordinary meetings.
c) Submitting to the ordinary meeting the annual accounts for the previous year.
d) Deciding with his/her casting vote the result of the votes in the event of a tie.

The chairperson of the board carries out all the necessary actions to ensure that the action of the foundation complies with the provisions of this Code of Good Governance.

Article 9. The managing director of the foundation

The managing director is in charge of all the ordinary management of the foundation and performs the functions established in the appointment agreement and the powers set out in the statutes, without prejudice to any other that may be expressly assigned to him/her.

In addition, the managing director must ensure that he/she performs his/her duties in accordance with the provisions of this Code of Good Governance, and with regard to what is not provided for in this Code or the regulations applicable in his/her sphere of action, he/she must ensure that he/she acts in accordance with the founder's banking culture.

The managing director must also ensure that the founder’s banking culture guides the behaviour of the foundation’s staff.

Article 10. Foundation trustees

1. The office of trustee is not remunerated.

2. The trustee must act with full independence in the fulfilment of his/her core functions, without allowing decisions to be swayed by any interests other than the fulfilment of the foundational purposes.

3. Without prejudice to the provisions of the law and the statutes themselves, the trustees, in the fulfilment of the obligations deriving from their position and within the framework of good governance practices, must be governed by the following commitments or principles of action:

   a) Loyalty. The trustee undertakes to perform his/her functions in the service of the foundation in accordance with its mission and values. Furthermore, the trustee undertakes to inform the board as soon as possible of the situations in which he/she is involved and which could harm the credit and reputation of the foundation, and to keep it informed.

   b) Diligence. The trustee undertakes to take an active part in the meetings of the board to which he/she is convened, with adequate preparation on the points to be dealt with and after having been informed in advance. He/she must also carry out any specific mission that he/she is assigned with the diligence of an orderly employer and a loyal representative.

c) Duty of regulatory compliance. Trustees must be informed of the rules and regulations that affect the performance of their office and the duty to comply with them in their execution.

d) Confidentiality. The trustee must respect the confidential nature of the board's deliberations and resolutions and any information or fact that comes to his/her knowledge by virtue of his/her position, even after he/she has ceased to hold office.

e) Effective and efficient use of the foundation's resources.

f) Duty to abstain in the event of conflict of interest.

g) No self-benefit. The trustee undertakes not to use the tangible or intangible assets of the foundation for his/her own benefit, and not to misuse them.

Article 11. Management team

The management team of the foundation is formed by the staff in the service of the foundation who perform the necessary processes to carry out the ordinary management of the foundation and the foundational purposes.

The management team, to whom this Code of Good Governance applies, is guided in its processes by the principles of equality, non-discrimination, merit and capacity, and also acts guided by the founder's banking culture.

CHAPTER V
CONFLICTS OF INTEREST

Article 12. Conflicts of interest

1. A conflict of interest is considered to exist when, directly or indirectly, the personal interests of the trustee or a related person and the interests of the foundation enter into conflict.

   With regard to this Code of Good Governance, the following are considered persons related to the trustee:

   a) The spouse or person attached to the trustee in an analogous relationship of affection.

   b) The trustee's relatives in the ascending and descending line, siblings or spouses.

   c) Companies or entities in which the trustee or related persons, personally or through an intermediary, are in a situation of control in accordance with the provisions of the law.

   d) Companies or entities in which the trustee or related persons hold an administrative or management position or from which they receive any amount or benefit for any reason, provided that, in addition, the trustee exercises, directly or indirectly, a significant influence on the financial and operating decisions of the aforementioned companies or entities.

   When a trustee is in a situation of conflict of interest, he/she must comply with the following action guidelines:

   a) Act with loyalty to the foundation and independently of his/her own interests or those of the people involved and prioritise the interests of the foundation.

b) Communicate to the board any situation of conflict of interest in which he/she is involved, indicating in sufficient detail the situation that gives rise to the conflict and identify the related person involved, if any.

c) Refrain from participating, intervening or influencing in any way the decision-making of the issue in conflict, whether he/she refrains from attending the board meetings in which he/she is concerned or abstaining from access to the confidential information on the matter.

2. Refrain from accepting gifts or presents that due to their significance may be likely to affect the trustee's independence. Gifts that are usually regarded as courtesy gestures, of little monetary value or that constitute a generally accepted practice in non-profit organisations are not relevant in this situation.

CHAPTER VI
REGULATORY COMPLIANCE

Article 13. Regulatory compliance

The board, the chairperson, the director and the management team must strictly comply with the law in performing their activity, must fully respect the commitments and obligations assumed by the foundation in contractual relations with third parties and must apply due diligence to avoid contractual or other relationships with third parties that might compromise the good name and reputation of the foundation.

Article 14. Money laundering

The board, the president, the managing director and the management team must ensure that the foundation is not used to launder money or to channel funds or resources to people or entities linked to terrorist groups or organisations, and so that the obligations are complied with that affect the foundation in its capacity as an entity bound by the regulations of prevention of money laundering and financing of terrorism.

Article 15. External audit

The foundation, without prejudice to compliance with legal obligations, must undergo an external audit annually.

The foundation must make public its annual accounts and report of activities as well as any other relevant information in relation to its activity, through the website.

CHAPTER VII
EVALUATION OF THE FOUNDATION'S ACTION

Article 16. Evaluation of the foundation's action

The board must establish formal evaluation procedures aimed at measuring the results obtained in the following areas:

1. Evaluation of programme results. The entity's report must contain the relevant indicators that allow the degree of accomplishment of each activity to be assessed, as well as the degree of fulfilment of the objectives marked in each of the programmes undertaken. It should also seek to implement broader systems for evaluating results, with the aim of measuring the social impact of the foundation, defined as the ultimate effects of its activity on people, organisations, the social environment and social institutions, not restricted to the measurement of results of individual activities or programmes.

2. Evaluation of the entity's strategic plans. It is necessary to measure the degree of fulfilment of the foundation's mission and the fulfilment of its long-term action plans.

3. Evaluation of the functioning of the governing bodies of the foundation by analysing the following parameters of the board: composition, functions, frequency and duration of the meetings and trustee attendance; documentation and information provided for meetings; matters discussed at meetings; evaluation of the chairperson and the overall operation of the board. Based on the result, the board must propose a plan to correct the deficiencies detected.

4. Evaluation of the material, human and organisational resources available to the foundation to achieve the programmes undertaken in the framework of compliance with the founding purposes and strategic plans.

The reports prepared and the results obtained in each of the areas indicated must be made public through the means appropriate to the content, through the website or through the foundation's annual report, in accordance with its policy of transparency.

CHAPTER VIII
ACCEPTANCE, COMPLIANCE, MONITORING, AMENDMENT, BREACH AND VALIDITY OF THE CODE OF GOOD GOVERNANCE

Article 17. Acceptance, compliance and monitoring

1. This Code of Good Governance is applicable to the governing bodies and workers of the foundation, who must act in accordance with the content.

2. The foundation must disseminate the content of this code by publishing it through the information access channels.

3. The monitoring and control of the application of the Code of Good Governance is the responsibility of the board of the foundation, which must ensure that it is disseminated, known and interpreted, through the recommendations and proposals that are necessary to keep it up to date and improve its content.

Article 18. Amendment

Any amendment of the Code of Good Governance requires the approval of the Board of Trustees of the foundation.

Article 19. Breach

1. Any violation or breach of the Code of Good Governance must be reported by the person who is aware of it to the chairperson of the board of the foundation, who will assess the way in which the information received must be acted upon.

2. The confidentiality of the aforementioned information and also the identity of the person providing it must be guaranteed.

Article 20. Validity

This Code of good governance was approved at the board meeting of the Banco Sabadell Private Foundation held on 19 April 2016 and remains in force for so long as no amendment is approved.