



**EXCERPT FROM BANCO SABADELL POLICY FOR THE
EXECUTION AND MANAGEMENT OF ORDERS**

This document is a translation of a Spanish language document which was approved by the Board of Directors of Banco de Sabadell, S.A. on 28/05/2020. The Spanish version of this document will prevail in the event of any discrepancy or dispute.

1. Introduction

1.1. Definition

1.1.1. Best execution factors

In the provision of execution services and the management of financial instrument orders, the Institution must take the following factors into consideration to obtain the best result possible for its customers:

- Price
- Cost
- Speed
- Probability of execution
- Volume
- Type of order

These concepts are defined in the Schedule.

1.1.2. Market operators and infrastructures involved in the execution and management of orders, and other aspects to be considered

There are a number of market operators and infrastructures involved in the execution and management of orders, in addition to other aspects that need to be considered:

- Systematic internaliser
- Regulated market
- Multilateral Trading Facility (MTF)
- Organised Trading Facility (OTF)
- Trading venue
- Execution venue
- Trading on own account
- Matched principal trading
- Instrument traded on a trading venue (TOTV)
- Smart Order Router (SOR)

These concepts are defined in the Schedule.

1.2. Objective and unit responsible

The purpose of this Policy is to establish the principles and critical management parameters applicable to the execution and management of customer orders, as well as sufficient measures to consistently obtain the best results possible for those customers, in the framework of the provision of investment services.

This Policy is the responsibility of the Compliance Division of Banco de Sabadell, S.A.

1.3. Scope of application

This Policy is applicable to the activities of Banco de Sabadell, S.A. (hereinafter, 'Banco Sabadell' or 'the Institution') in the receipt and transmission of orders and the execution of orders on behalf of customers in relation to the provision of investment services, as identified hereafter:

1.3.1. Customers

This Policy is applicable to customers classed as retail or professional under MiFID. It does not apply to institutions classed as an eligible counterparty.

1.3.2. Services

The scope of application of this Policy includes the receipt and transmission of customer orders and the execution of orders on behalf of the Institution's customers, both in cases where these are subject to market making and in cases where they are subject to matched principal trading, as explained below:

- Receipt and transmission of orders (RTO) with automated streaming.
- Receipt and transmission of orders (RTO) with managed streaming.
- Market making in over-the-counter trading (OTC derivatives and certain fixed income securities).
- Matched principal trading in fixed income instruments traded in the MTF operated by Bloomberg MTF.

See Schedule for details of these services.

1.4. Regulatory framework

The legal documents used as reference for this Policy are:

- Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000, relating to the taking up and pursuit of the business of credit institutions.
- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU and Directive 2011/61/EU (MiFID II).
- Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014, on markets in financial instruments and amending Regulation (EU) No 648/2012.
- Commission Delegated Regulation (EU) 2017/565 of the Commission of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.
- Delegated Directive (EU) 2017/593 of the Commission of 7 April 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to customers, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits.
- Commission Delegated Regulation (EU) 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution.

Additionally, it is also important to take the following regulations into account:

- Royal Decree 217/2008 of 15 February on the legal system for investment firms and other institutions providing investment services.

- Circular 1/2014 of 26 February, of the National Securities Market Commission, regarding internal organisation requirements and control functions of institutions providing investment services.
- Royal Legislative Decree 4/2015 of 23 October approving the revised text of the Securities Market Act.
- Royal Decree-Law 21/2017 of 29 December on urgent measures to transpose European Union regulations with regard to the securities market into Spanish law.
- Royal Decree-Law 14/2018 of 28 September, amending the restated text of the Securities Market Law, approved by Royal Legislative Decree 4/2015 of 23 October.
- Royal Decree 1464/2018 of 21 December, implementing the restated text of the Securities Market Act (...)

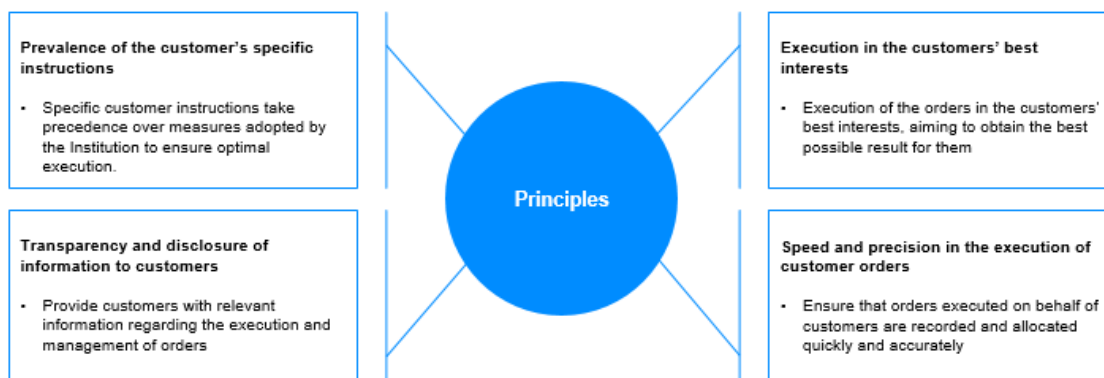
2. Principles and critical management parameters

The following principles and critical management parameters have been defined in relation to the execution and management of orders:

2.1. Principles

The general principles that will govern the execution and management of orders are as follows:

Figure 1. Principles for the execution and management of orders



2.1.1. Prevalence of the customer's specific instructions

When executing orders, the customer's specific instructions should prevail, but not to the detriment of obtaining the best possible result.

However, in this case, the Institution must give a clear and visible warning that any specific instructions given by the customer may, with respect to the items affected by this instruction, prevent the Institution from adopting the measures that it has envisaged and applied in the context of its execution policy in order to obtain the best possible result from the execution of those orders.

2.1.2. Execution in the customers' best interests

In the absence of specific instructions, the Institution shall execute the orders in the customers' best interests, aiming to obtain the best possible result for them.

To this end, the Institution shall take all measures conducive to obtaining the best possible results for its customers, considering the following best execution factors: price, cost, speed, probability of execution, volume, nature or any other consideration relevant to the execution of the order.

When the Institution executes an order on behalf of a retail customer, the best possible result will be determined in terms of total consideration, considering the price of the financial instrument and the costs related to the execution, which shall include all of the costs incurred by the customer which are directly related to the execution of the order, including the execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

2.1.3. Transparency and disclosure of information to customers

The Institution should provide its customers with relevant information in relation to the execution and management of orders, which will be clear, have sufficient detail and be presented in a way that can be easily understood by the recipient. In particular, it should provide information on the following aspects:

- Information regarding the Policy for the Execution and Management of Orders adopted by the Institution.
- Selected execution venues.
- Annual report on the selected execution venues, including at least the following information:
 - Information regarding the five main order execution venues in relation to each type of financial instrument, in terms of trading volumes and the execution of customer orders in the previous year.
 - Information regarding the execution quality obtained from these venues.
- Where the order execution policy provides for the possibility of executing customer orders outside of a trading venue (only where there is also the option to execute orders in a trading venue), the Institution should inform its customers of this possibility and obtain their consent, either in general or for each transaction.
- Regular reports regarding the execution and management of customer orders, which should include, among other details, information about the price, costs, speed and probability of execution of the different financial instruments.
- Any significant change in its systems or in its order execution policy.
- Any other information regarding the order executed in virtue of Art. 59 of Commission Delegated Regulation (EU) 2017/565.

The Institution will provide the above information via the Group website (www.grupbancsabadell.com), in the MiFID section. In this section, those interested can consult, among other things, the most recent version of this Policy and information about the execution venues used by the Institution.

2.1.4. Speed and precision in the execution of customer orders

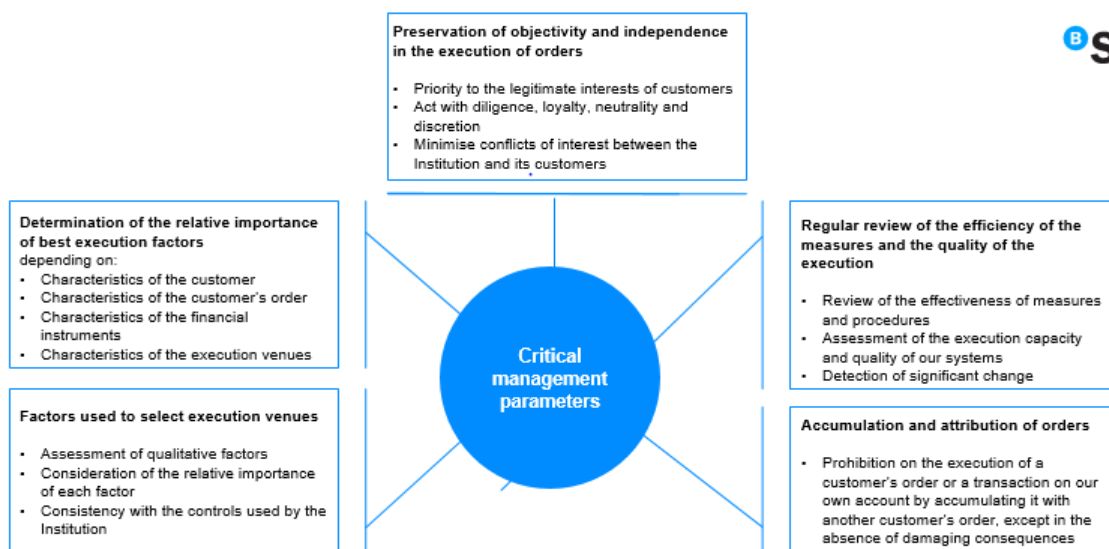
The Institution should ensure that the orders executed on behalf of customers are registered and are assigned with speed and precision, except where the characteristics of the order or the existing market conditions do not allow this, or if the customer's interests require different actions to be taken.

In this regard, procedures and systems should be in place to ensure the timely, fair and rapid execution of customer orders and determine the situations or types of operations in which it is reasonable for investment firms to refrain from a prompt execution to obtain more favourable conditions for the customer.

2.2. Critical management parameters

The following figure shows the critical management parameters for the POLICY FOR THE EXECUTION AND MANAGEMENT OF ORDERS:

Figure 2. Critical management parameters for the execution and management of orders



2.2.1. Determination of the relative importance of best execution factors

The Institution should take the following criteria into account to determine the relative importance of the best execution factors for customer orders:

- Customer characteristics, including their classification as a retail or professional customer;
- The characteristics of the customer's order, including whether this order involves a securities financing operation;
- The characteristics of the financial instruments subject to this order;
- The characteristics of the execution venues to which this order can be sent.

In particular, best execution factors for retail customers, organised based on the relative importance assigned to them by the Institution, are: (i) probability of execution (if the probability of execution is zero or very low, this makes any other factor superfluous), (ii) price, (iii) cost (essential in terms of total consideration) and (iv) speed (in a less preferential position, customers attach more importance to the execution itself rather than its speed).

2.2.2. Factors used to select execution venues

The Institution should identify the factors used to select an execution venue (which should include, among others, qualitative factors such as clearing schemes, circuit breakers, scheduled actions, or any other relevant consideration), and the relative importance of each factor.

These factors should be consistent with the controls used by the Institution to demonstrate to customers that best execution has been achieved in a consistent basis when reviewing the adequacy of its policies and systems.

2.2.3. Preservation of objectivity and independence in the execution of orders

The Institution must preserve the objectivity and independence of the individuals responsible for the execution of customer orders. To do so, the following aspects should be considered:

- Give priority to the legitimate interests of customers, acting with diligence, loyalty, neutrality and discretion, without prejudice to the respect due to the integrity of the market.
- Reduce conflicts of interest to a minimum between the Institution and its customers, managing and resolving them in a suitable manner if such conflicts arise. The Institution has as Conflicts of Interest and Perception of Incentives Policy (available for consultation in this same section of the website) in anticipation of these situations.

- Not to put the Institution's orders ahead of customers' orders when the latter have transmitted identical orders or in better conditions, nor to attribute to the Institution itself the result of the orders when there are customers who have placed them under identical or better conditions.
- Not to favour any customer when there is a conflict of interest between various customers and, in particular, respect the execution system and the sending of orders established by the Institution.
- Not to multiply transactions in an unnecessary manner and without benefit for the customer.

2.2.4. Regular review of the efficiency of the measures and the quality of the execution

The Institution shall regularly review the efficiency of the measures and procedures set forth in this Policy, as well as evaluating the capacity and quality of the execution of orders in its systems, with the purpose of guaranteeing the best execution possible of customer orders and carrying out all of the actions necessary for the resolution of any weakness detected.

This regular review must always be carried out whenever a significant change arises which affects the company's capacity to continue systematically obtaining the best result possible in the execution of its customer orders using the execution venues contemplated in the Policy, and in any case, not less than once a year. In this regard, the Institution must evaluate whether a significant change has occurred and consider the possibility of modifying the relative importance of the best execution factors when complying with the general obligation of carrying out the best execution possible.

2.2.5. Accumulation and attribution of orders

The Institution cannot execute a customer's order or a transaction on their own behalf by accumulating it with the order of another customer, unless the following conditions are simultaneously complied with:

- that it is improbable that the global accumulation of orders and transactions prejudice some customers whose orders are going to be accumulated;
- that each customer whose order is going to be accumulated is informed that the effect of the accumulation could prejudice them with regards to a certain order;
- that order attribution mechanisms are established and applied which anticipate the equitable allocation of the accumulated orders and transactions, including the way in which the volume and price of the orders determine the attributions and the treatment of partial executions.

SCHEDULES

Glossary of abbreviations and acronyms

Abbreviation / Acronym	Meaning
SOR	Smart Order Router
MTF	Multilateral Trading Facility
OTC	Over-the-counter
OTF	Organised Trading Facility
RTO	Receipt and transmission of orders
TOTV	Traded on a trading venue

Best execution factors

The following factors are identified:

- Price: monetary expression of the exchange value or percentage nominal of a good or service, considered as that which can be obtained deriving from the brokering of financial instruments in different execution venues included in this Policy, and which is formed from the conjunction of the offer and demand, and therefore, implicitly conditioned by the stakeholders who contribute to its creation.
- Costs: monetary expression of the costs associated with the execution and/or the settlement of the customer's order in the various execution venues included in this Policy, which are directly supported by the same, including transaction costs and the Bank's own brokerage fees and those of third parties, expenses of execution venues, clearing houses or settlement and compensation institutions or similar bodies which fulfil these functions, taxes or fees payable in certain jurisdictions, connection costs, etc.
- Speed: relationship which is established between the entry of an order in the Institution's systems, the sending of this order to the execution venue and the reception in the latter of the order for its immediate or conditioned execution and the time invested to carry out the foregoing. The less time invested, the faster the speed and vice versa.
- Probability of execution: factor which has been identified with the liquidity concept, understood as the depth of the existing market with regard to a specific financial instrument as a consequence of price and volume factors (offer and demand) in the various execution venues available, which increase the probability of execution of the customer's order.
- Volume: volume of offer and demand for a specific financial instrument in the execution venues available, which shall determine the depth of the existing market-liquidity in the same and the price at which trading can be carried out, establishing the probability of execution of the customer's order.
- Nature or type of order: Order at market price, limited order, or at best. It is the customer's responsibility at the time of issuing the order to indicate the specific type of order to ensure that the same can be processed in the most suitable manner possible. The rest of the factors indicated are equally applicable in this case.

Market operators and infrastructures involved in the execution and management of orders and other relevant concepts

The following are identified:

- Systematic internaliser: the investment services company which, in an organised, frequent, systematic and substantial manner, trades on its own account when it executes customer orders outside a regulated market or an MTF or OTF (see below for the definitions of these terms) without managing a multilateral system (“internalise”).
- Regulated market: multilateral system, operated or managed by a market regulator, which gathers or offers the possibility of bringing together –within the system and in accordance with its non-discretionary rules–, various third parties’ buying and selling interests in financial instruments in a way that results in a contract in respect of the financial instruments accepted for trading under its rules or systems, and which is authorised and functions regularly.
- Multilateral Trading Facility (MTF): a multilateral system operated by an investment services company.
- Organised Trading Facility (OTF): multilateral system other than a regulated market or an MTF in which the various interests in the purchase and sale of bonds and debentures, securitisations, issue rights or derivatives from multiple third parties interact to form contracts, in accordance with that set forth in Title II MiFID II.
- Trading venue: any regulated market, MTF or OTF.
- Execution venue: a regulated market, MTF, OTF, systematic internaliser, market creator or any liquidity supplier or institution which carries out a similar function to those carried out by any of the former in a third country.
- Trading on own account: trading using own capital which gives rise to the conclusion of transactions in one or more financial instruments.
- Matched principal trading: a transaction in which the facilitator interposes between the buyer and the seller in the transaction, in such a way that they are not exposed to market risk at any time during the execution of the transaction, simultaneously executing the purchase and sale and concluding the transaction at a price at which the facilitator does not incur losses or profit, except for the fees, charges or expenses of the transaction which have been previously communicated.
- Instrument traded on a trading venue (TOTV): instruments which are traded or accepted for trading in a trading venue.
- Smart Order Router (SOR): algorithm used for the optimisation of order execution processes that, in addition to determining the venue(s) where the order is to be sent, can determine additional parameters (division of the order into tranches, time and place of sending the order or tranche, etc.)

Market operators and infrastructures involved in the execution and management of orders and other relevant concepts

The scope of application of this Policy includes the receipt and transmission of customer orders and the execution of orders on behalf of the Institution’s customers, both in cases where these are

subject to market making and in cases where they are subject to matched principal trading, as explained below:

- Receipt and transmission of orders (RTO) with automated streaming: an order execution service in respect of the financial instruments traded in the trading venues of which the Institution is a member and/or in those which it has direct access or access through third parties, without the need for human intervention once the order has been submitted by the customer itself or its relationship manager in the Institution's systems.
- Receipt and transmission of orders (RTO) with managed streaming: an order execution service in respect of traded financial instruments that require manual management in terms of volume or customer instructions or other circumstances.
- Market making in over-the-counter-trading (OTC derivatives and certain fixed income securities): the order execution service with regard to financial instruments whose trading is carried out in a bilateral way between the Bank and the customer outside of the execution venues, whether because: i) there is no venue where the instrument is listed (instrument not TOTV); ii) there is much higher liquidity in the over-the-counter market; iii) Banco Sabadell manages the risk generated by the positions in these instruments; or iv) multiple situations of this type arise at the same time. With regard to Banco Sabadell, this way of operating is common for most derivatives (foreign currency, interest rate, equity, fixed income or commodities) and it is developed through private trading between the parties. Upon the presentation of a firm price, the customer, who is based on the Institution's counterparty, can accept it or reject it. Some of these transactions include credit risk, that is to say, the Institution must previously evaluate whether the customer has been granted due risk approvals, under which conditions and for what amount.
- Matched principal trading in fixed income instruments traded in the MTF operated by Bloomberg MTF: order execution service in respect of fixed income instruments listed on the MTF operated by the service provider Bloomberg (Bloomberg MTF). In this modality, Banco Sabadell acts as a facilitator that stands between the customer (buyer or seller in the transaction) and the final counterparty (seller or buyer, respectively) in such a way that the Institution (which acts as counterparty both to the final counterparty and to the customer itself) is not exposed to market risk at any time during the entire execution of the transaction. The purchase and sale are simultaneous and are executed at the same price, so that the facilitator (Banco Sabadell) does not obtain either profits or losses, except for the fees, charges or expenses of the transaction that have been previously agreed.