



**EXTRACT FROM THE ORDER EXECUTION AND MANAGEMENT
POLICY OF BANCO SABADELL**

This document is a translation of a Spanish language document which was approved by the Board of Directors of Banco de Sabadell, S.A. 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 and management services on orders for financial instruments, the Entity must take into consideration the following factors so as to obtain the best possible result for its customers:

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

The definition of these concepts is given in Annex 2.

1.1.2. Market participants and infrastructures involved in executing and managing orders and other concepts to be taken into account

There are several participants and infrastructures in the market involved in executing and managing orders, as well as other concepts that need to be referred to:

- Systematic Internaliser
- Regulated Market
- Multilateral Trading Facility (MTF)
- Organised Trading Facility (OTF)
- Trading Venue
- Execution Venue
- Proprietary Trading
- Proprietary Account Interposition
- Traded on a Trading Venue (TOTV)
- Smart Order Router (SOR)

The definition of these concepts is given in Annex 3.

1.2. Aim and responsible party

The purpose of this policy is to set out the critical management principles and parameters applicable to executing and managing customer orders, as well as sufficient measures for consistently achieving the best possible result for customers in the provision of investment services.

The Department of Regulatory Compliance of Banco de Sabadell, S.A. is responsible for this policy.

1.3. Scope of application

This Policy shall be applicable to the activities of Banco de Sabadell, S.A. (hereinafter referred to as Banco Sabadell or the Entity) in the reception and transmission of orders and in the execution of orders on behalf of customers in connection with the provision of investment services, as identified below.

1.3.1. Customers

This Policy applies to customers who have received the MiFID classification of retail or professional customers. It does not apply to the relationship with entities that have been classified as Eligible Counterparties.

1.3.2. Services

The scope of application of this Policy covers the services of reception, transmission and execution of orders on behalf of the Entity's customers, both in cases in which such orders are subject to 'market making' and those in which they are subject to the interposition of the proprietary account, as detailed below:

- Reception and transmission of orders (RTO) with automated routing (streaming).
- Reception and transmission of orders (RTO) with routing management.
- Market making in over-the-counter trading (OTC derivatives and certain fixed income securities)
- Interposition of the proprietary account in fixed income instruments traded on the MTF operated by the Bloomberg service provider (Bloomberg MTF or Bloomberg TFE).

See details of these services in Annex 4.

1.4. Regulatory framework

The legal instruments to which this Policy refers are:

- European Parliament and Council Directive 2000/12/EC of 20 March 2000, with regard to the taking up and pursuit of the business of credit institutions
- European Parliament and Council Directive 2014/65/EU of 15 May 2014 on markets in financial instruments, which amends directives 2002/92/EC and 2011/61/EU (MiFID II)
- European Parliament and Council Regulation 2014/600/EU of 15 May 2014 on markets in financial instruments, which amends Regulation 648/2012/EU
- Commission Delegated Regulation (EU) 2017/565 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 the terms defined for the purposes of that Directive.
- Commission Delegated Directive (EU) 2017/593 of 7 April 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards the safeguarding of financial instruments and funds pertaining to customers, product governance obligations and rules applicable to the provision or receipt of fees, commissions or other 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 as regards regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and execution standards

In addition, the following Spanish legal statutes should be taken into account:

- Royal Decree 217/2008 of 15 February on the legal regime for investment services companies and other entities providing investment services.

- Memorandum 1/2014 of 26 February from the Spanish National Securities Market Commission on the requirements for internal organisation and control functions of entities providing investment services.
- Royal Legislative Decree 4/2015 of 23 October, approving the consolidated text of the Securities Market Act.
- Royal Decree Law 21/2017 of 29 December, on urgent measures for adapting Spanish law to European Union stock market regulations

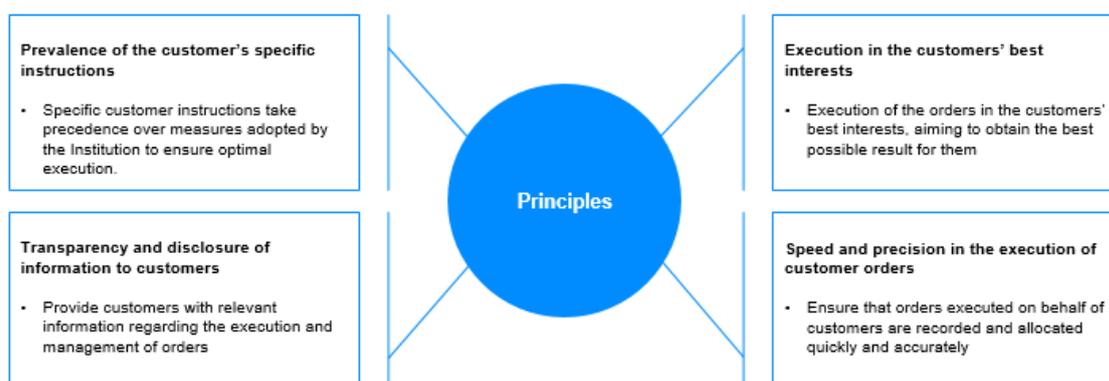
2. Critical management principles and parameters

The following critical management principles and parameters have been identified in the execution and management of orders:

2.1. Principles

The general principles governing 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 shall prevail, although this shall not impede trying to obtain the best possible result.

In this case, however, the Entity shall give a clear and conspicuous warning that any specific instruction from a customer may prevent the Entity, with respect to the items affected by said instruction, from taking the steps it has planned and implemented in the context of its execution policy with a view to obtaining the best possible result in the execution of those orders.

2.1.2. Execution in the customer's best interests

In the lack of specific instructions, the Entity shall execute orders in the best interests of its customers, aiming to obtain the best possible result for them.

To this end, the Entity shall take all measures conducive to attaining the best possible results for its customers, taking into account the following best execution factors: price, cost, speed, likelihood of execution, volume, nature or any other consideration relevant to the execution of the order.

Where the Entity executes an order on behalf of a retail customer, the best possible result shall be determined in terms of the total consideration, taking into account the price of the financial instrument and the costs related to the execution, which shall include all expenses incurred by the customer that are directly related to the order's execution, including execution venue fees, clearing and settlement fees and other fees paid to third parties involved in the execution of the order.

2.1.3. Transparency and disclosure of information to customers

The Entity shall provide its customers with relevant information regarding the execution and management of orders in a manner that is clearly, in sufficient detail and can be easily understood. In particular, the following aspects shall be reported:

- Information on the Order Execution and Management Policy adopted by the Entity.
- Selected execution venues.
- Annual report on the selected execution venues, which should include the following aspects:
 - Information on the top five order execution venues for each class of financial instrument, in terms of trading volumes and execution of customer orders in the previous year.
 - Information on the quality of execution obtained at these centres.
- Where the order execution policy provides for the possibility of executing customer orders outside a trading venue (only for orders that can also be executed on a trading venue), the Entity shall inform its customers of this possibility and seek their consent in the form of a general agreement or on a transaction-by-transaction basis.
- Regular reports on the execution and management of customer orders, including detailed data on the price, costs, speed and likelihood of execution of the different financial instruments.
- Any major changes to its systems or order execution policy.
- Any other information on executed orders pursuant to Art. 59 of Delegated Regulation (EU) 2017/565.

The Entity will provide information on these matters on the group's website (www.grupbancsabadell.com), in the section on the MiFID. The most recent version of this policy and information on the execution venues used by the Entity are available for consultation, among other aspects.

2.1.4. Speed and accuracy in executing customer orders

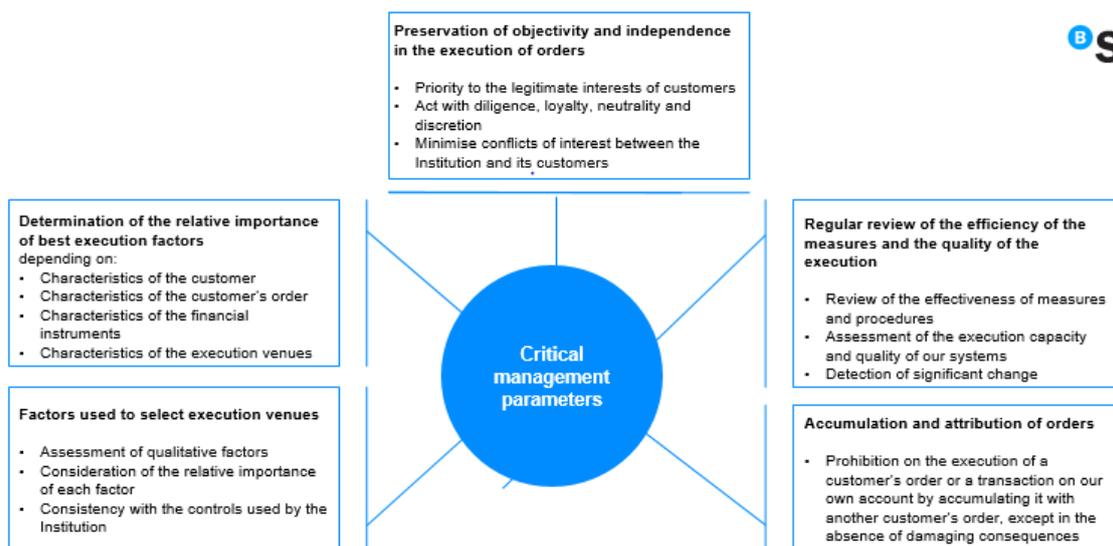
The Entity shall ensure that orders executed on their customers' behalf are recorded and attributed promptly and accurately, unless the characteristics of the order or market conditions do not permit, or the customer's interests otherwise require.

In this regard, procedures and systems shall be in place to ensure the timely, fair and expeditious execution of customer orders and identify those situations or types of transactions where it is reasonable for investment firms to abstain from its prompt execution in order to obtain more favourable terms for its customers.

2.2. Critical management parameters

The figure below shows the critical management parameters for the ORDER EXECUTION AND MANAGEMENT POLICY:

Figure 2. Critical management parameters for order execution and management



2.2.1. Determining the relative importance of the best execution factors

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

- The customer characteristics, including categorisation as a retail or professional customer;
- The characteristics of the customer's order, including whether the order involves a securities financing transaction;
- The characteristics of the financial instruments covered by the order;
- The characteristics of the execution venue for which such an order may be intended.

In particular, the best execution factors for retail customers, ranked according to the relative importance attributed to them by the Entity, are: i) likelihood of execution (no or low likelihood of execution makes any other factor superfluous), ii) price, iii) cost (all three essential in terms of total consideration) and iv) speed (less preferential, as customers favour execution *per se* over speed).

2.2.2. Factors in the selection of execution venues

The Entity shall identify the qualitative factors used to select an execution venue.

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

Annex 5 shows the execution venues that Banco Sabadell uses in function of the different instruments applied.

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

The Entity shall maintain the objectivity and independence of the persons in charge of executing customer orders. To this end, the following aspects will be taken into account:

- Prioritise the legitimate interests of customers, acting with diligence, loyalty, neutrality and discretion, notwithstanding due respect for the integrity of the market.
- Minimise conflicts of interest between the Entity and its customers, managing and resolving them appropriately if they arise. The Entity has a Policy on Conflicts of Interest and Perception of Incentives (which can be consulted in this section of the website) to anticipate such situations.

- Not to put the Entity's orders before those of its customers when the latter have transmitted orders under identical or better conditions, nor to attribute to the Entity 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 several and, in particular, respect the system of execution and distribution of orders established by the Entity.
- Not to multiply transactions unnecessarily or at no benefit to the customer.

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

The Entity shall periodically review the effectiveness of the measures and procedures provided for in this Policy, as well as assess the order execution capacity and quality of its systems, in order to ensure the best possible execution of its customers' orders and to take all necessary actions to address any deficiencies detected.

This periodic review shall be carried out whenever there is a material change that affects the company's ability to continue to consistently obtain the best possible result in the execution of customer orders using the execution venues referred to in the Policy, and in any event no less than once a year. In this regard, the Entity should assess whether there has been a material change and consider whether it is appropriate to change the relative importance of the best execution factors in meeting the general obligation to attain the best execution possible.

2.2.5. Aggregation and allocation of orders

The Entity may not execute a customer's order or a transaction on its own account by aggregating it with another customer's order unless the following conditions are simultaneously met:

- on the whole, the aggregation of orders and transactions is unlikely to be detrimental to any of the customers whose orders are to be aggregated;
- each customer whose order is to be aggregated is informed that the effect of the aggregation may be detrimental to him/her with regard to a particular order;
- order allocation mechanisms are established and effectively implemented, providing for the fair allocation of aggregated orders and transactions, including how the size and price of orders determine allocations and the treatment of partial executions.

3. Optimal execution per financial instrument

The Entity provides order execution and management service with respect to the financial instruments and execution venues as detailed in the following sections:

3.1.1. Spanish equities and similar instruments¹

The best execution strategy is for orders to be executed via RTO with routing on the Spanish regulated markets (Spanish Stock Markets or Exchanges or BME, in its Spanish initials) or via RTO with routing management on the BME and/or CBOE (pan-European regulated equity market) venues as quickly as possible at prevailing prices (market or best-price orders) or immediately upon their release (conditional orders).

¹ Similar instruments are subscription rights and Exchange Traded Funds or ETFs (see <https://www.bmerv.es/docs/SBolsas/InformesSB/listadodevalores.pdf>).

3.1.2. Spanish fixed income listed on the Spanish Electronic Debt Trading System (SEND platform)

For the execution of orders on Spanish public debt and Spanish fixed-income securities found on this MTF (SEND), the best execution strategy is for orders (below 50,000 euros) to be executed as quickly as possible at prevailing prices (market or best-price orders) or immediately upon their release (conditional orders).

3.1.3. Other fixed income and/or orders above 50,000 euros

The best execution strategy is for orders to be executed at the venue where the best price can be obtained, either Bloomberg MTF (or Bloomberg TFE) via proprietary account interposition or SEND via RTO with routing, as quickly as possible at prevailing prices (market or best-price orders) or immediately upon their release (conditional orders).

3.1.4. Sabadell Asset Management Investment Funds

Orders from retail customers or others on investment funds managed by Sabadell Asset Management are processed under the modality of reception and transmission of orders (RTO) with direct routing, the sole recipient being the management company itself. This execution model ensures customers the best possible outcome in terms of total consideration.

3.1.5. Third-party investment funds

Orders from retail customers or others on investment funds from managers other than Sabadell Asset Management (subscription and redemption orders from its customers in respect of third-party funds marketed by the Entity) are processed in the form of reception and transmission of orders (RTO) without routing management.

The Entity channels orders for international investment funds marketed in Spain (registered in the CNMV's register of marketed funds) through external trading platforms (AllFunds Bank, S.A.). For all other (non-marketed) funds, it does so through the fund management companies themselves.

3.1.6. Financial instruments listed on execution venues without direct access

The best execution strategy is for orders to be executed in the relevant market as quickly as possible, either at prevailing prices (market or best-price orders) or immediately upon their occurrence (conditional orders). The Entity provides the service of access to instruments that require the use of third party brokers in the form of reception and transmission of orders (RTO) with routing. This mode applies primarily to non-domestic equities.

3.1.7. Instruments covered by the 'market making' service mode

The Entity provides a 'market making' service (proprietary trading, whereby the Entity assumes the market risk and credit risk, among other factors) for financial instruments that can only be traded in this way or which require adaptation to the customer's needs that cannot be accommodated in trading venues (customised transactions).

The products offered by the Entity under this modality are customised over-the-counter derivatives on currencies, interest rates, equities, fixed income or commodities. Over-the-counter or OTC derivatives are instruments typically used by legal entities (rarely by individuals) to hedge their business risks.

The Entity's aim is to ensure that customer orders for these financial instruments are placed in a non-discriminatory and equitable manner, offering price quotations with maximum agility and in price conditions that respect the fair value applicable to each customer that in no case exceeds the maximum margins that Banco Sabadell has established, except in exceptional market circumstances.

4. Tools

The Entity has tools and other elements in place to verify and be able to reasonably demonstrate to the customer and regulatory body that the execution of his/her order has been carried out in accordance with the provisions of this Policy.

For *ex-ante* treatment of the best execution and according to the different instruments:

- Streaming provided by the Entity: applies to equities, fixed income listed on SEND and investment funds.

- Smart Order Router: for the processing of specific instructions in relation to equities listed simultaneously on BME and CBOE Europe.
- Bloomberg SOR module, for the processing of specific instructions in relation to fixed income orders above 50,000 euros for which quotes may given on both SEND and Bloomberg platforms.

For ex post treatment of the best execution and according to the different instruments:

- For Spanish equities, a proprietary application that analyses order data and trades transferred to the BME and/or CBOE Europe execution venue and allows comparison with the data downloaded from these markets.
- For other products, the Entity uses the Bloomberg Transaction Cost Analysis (BTCA) application from the Bloomberg provider, which enables it to compare the parameters associated with the execution carried out on behalf of the customer (price, delay, etc.) with those associated with other similar orders executed or deposited on the market as a whole at the same or very close to the same time.

Annexes

Appendix 1: Glossary of abbreviations and acronyms

Abbreviation / acronym	Meaning
SOR	Smart Order Router
BME	Bolsas y Mercados Españoles
BTCA	Bloomberg Transaction Cost Analysis
MTF	Multilateral Trading Facility
TFE	Trading Facility Europe (acronym used by the Bloomberg provider)
OTC	Over-the-counter
OTF	Organised Trading Facility
RTO	Reception and transmission of orders
SEND	Electronic Debt Trading System
SMN (initials in Spanish)	Multilateral Trading Facility
SOC (initials in Spanish)	Organised Trading Facility
TOTV	Traded on a trading venue

Appendix 2: Best execution factors

The following are identified:

- Price: monetary expression of the trade value or percentage of the nominal value of a good or service, considered as that which could be obtained from the trading of financial instruments in the different execution venues included in this Policy and established by the confluence of supply and demand, and therefore implicitly conditioned by the agents contributing to its formation.
- Cost: monetary expression of the costs associated with the execution and/or settlement of the customer's order in the different execution venues included in this Policy and which are borne directly by the customer, including the Bank's own costs and third parties' transaction and brokerage costs, expenses of execution venues, clearing houses or similar bodies performing these functions, taxes or fees payable in certain jurisdictions, connection costs, etc.
- Speed: the relationship between the entry of an order into the Entity's systems, its dispatch to the execution venue and its receipt by the execution venue for immediate or conditional execution, and the time taken for this. The shorter the time, the faster the process is complete and vice versa.
- Likelihood of execution: a factor identified with the concept of liquidity, understood as the market depth for a particular financial instrument resulting from factors such as price and volume (supply and demand) in the different execution venues available, which increases the probability that the customer's order will be executed.
- Volume: the volume of supply and demand for a particular financial instrument on the available execution venues, which will determine the market depth-liquidity on those venues and the price at which it can be traded, establishing the likelihood of execution of the customer's order.
- Nature or type of order: Order at market price, limited or at the best. It is the responsibility of the customer at the time of placing the order to specify the type of order in question so it can be handled in the most appropriate manner. The other factors outlined above are equally applicable in this case.

Appendix 3: Market agents and infrastructures involved in order execution and management and other relevant concepts

The following are identified:

- Systematic internaliser: an investment firm which, on an organised, frequent and systematic basis, substantially deals on own account by executing customer orders outside a regulated market or an MTF or an OTF (see definitions below) without operating a multilateral system ("internalises").
- Regulated market: a multilateral system, operated or managed by a market governing body, which brings together or provides the possibility of bringing together - within the system and according to its non-discretionary rules - the various buying and selling interests in financial instruments of multiple third parties to give rise to contracts in respect of financial instruments admitted to trading under its rules or systems, and which is authorised and functions on a regulated basis.
- Multilateral trading facility (MTF): a multilateral system, operated by an investment firm.
- Organised trading facility (OTF): a multilateral system, other than a regulated market or an MTF, in which the various buying and selling interests in bonds, securitisations, issue rights or derivatives of multiple third parties interact to give rise to contracts, in accordance with the provisions of Title II of MiFID II.
- Trading venue: any regulated market, MTF or OTF.
- Execution venue: a regulated market, MTF, OTF, systematic internaliser, a market maker or other liquidity provider, or an entity performing in a third country a function similar to the functions performed by any of the above.
- Proprietary trading: trading on one's own account: trading with own capital that results in the conclusion of transactions in one or more financial instruments.
- Proprietary account interposition: a transaction in which the facilitator interposes itself between the buyer and the seller without being exposed to market risk at any time, with the purchase and sale being executed simultaneously, and the transaction being concluded at a price at which the facilitator realises neither profit nor loss, except for any previously disclosed commissions, fees or expenses of the transaction.
- Traded on a trading venue (TOTV): refers to instruments traded or admitted to trading on a trading venue.
- Smart Order Router (SOR): algorithm used for the optimisation of order execution processes which, in addition to determining the venue(s) where the order should be sent, can determine additional parameters (division of the order into tranches, time and place of sending the order or tranche, etc.).

Appendix 4: Market agents and infrastructures involved in order execution and management and other relevant concepts

The scope of application of this Policy covers the services of reception, transmission and execution of orders on behalf of the Entity's customers, both in cases in which such orders are subject to 'market making' and those in which they are subject to the interposition of the proprietary account, as detailed below:

- Receipt and transmission of order (RTO) with automated routing (streaming): order execution service for financial instruments traded on the trading venues which the Entity is a member of and/or which it has direct access to or through third parties, which the order is transferred to without the need for human intervention once it has been entered by the customer or his/her manager in the Entity's systems.
- Receipt and transmission of orders (RTO) with routing management: order execution service in respect of traded financial instruments that require specific management on the basis of volume, customer instructions or other circumstances.
- Market making in OTC transactions (OTC derivatives and certain fixed-income securities): the order execution service for financial instruments whose trading is carried out bilaterally between the bank and customer outside the execution venues, either because i) there is no venue where the instrument is listed (non-TOTV instrument), ii) there is much greater liquidity in the OTC market, iii) Banco Sabadell manages the risk generated by the positions in such instruments, or iv) any of these situations occur at the same time. As far as Banco Sabadell is concerned, this is the normal way of operating in most derivatives (on currency, interest rates, equities, fixed income or commodities) and is carried out by private negotiation between the parties. Upon presentation of a firm price, which the customer - who is the entity's counterparty - may accept or reject. Some of these transactions incorporate credit risk, i.e. the Entity must first assess whether the customer has the appropriate risk clearance, under what conditions and up to what amount.
- Interposition of the proprietary account in fixed income instruments traded on the MTF operated by the Bloomberg service provider (Bloomberg MTF or Bloomberg TFE): order execution service with regard to debt instruments listed on the MTF operated by the Bloomberg service provider (Bloomberg MTF or Bloomberg TFE). In this modality, Banco Sabadell acts as a facilitator between the customer (buyer or seller in the transaction) and the final counterparty (seller or buyer, respectively) in such way that the Entity - which acts as counterparty both for the final counterparty and for the customer itself - is not exposed to market risk at any time during the entire execution of the transaction. Purchase and sale are simultaneous and are executed at the same price, so that the facilitator (Banco Sabadell) obtains neither losses nor gains, except for the commissions, fees or expenses of the transaction that have been previously agreed.

Appendix 5: Execution Venue

Instrument	Execution venue or broker	Remarks
Spanish equities and similar instruments	BME (Spanish Stock Exchanges and Markets, initials in Spanish)	A company member of the various Spanish stock exchanges since 2002. It allows the maximum number of securities to be offered, especially in domestic shares, through advanced technology with minimum latency.
Spanish equities and similar instruments	CBOE	A leading pan-European operator whose choice is the result of the commercial aim to expand venues that specialise in management of institutional customer orders.
Spanish fixed income listed on SEND orders below 50,000 euros	SEND	The Electronic Debt Trading System (SEND for its Spanish acronym) offers Spanish public debt and exclusively listed private fixed-income securities for all types of amounts, using advanced technology with minimum latency.
Other fixed income and/or orders above 50,000 euros	Bloomberg MTF or TFE	A platform (in its global and European versions) constituting the world's largest fixed income market, both in terms of participants and securities traded.
Other fixed income and/or orders above 50,000 euros	SEND	The Electronic Debt Trading System (SEND for its Spanish acronym) offers Spanish public debt and exclusively listed private fixed-income securities for all types of amounts, using advanced and stable technology with minimum latency.
Other fixed income	Banco Sabadell	Banco Sabadell chooses to act as counterparty for certain issues.
Sabadell Asset Management Investment Funds	SabAM	SabAM is Banco Sabadell's benchmark fund manager.
Third-party investment funds	Third-party managers, orders channelled by AllFunds Bank	Sabadell acts as a sub-distributor for third party funds channelled through Allfunds Bank (distributor) in order to have a broad catalogue through a single point of access.
Non-Spanish equities and similar instruments	Morgan Stanley	Morgan Stanley is a top-tier broker, through which Banco Sabadell can indirectly access all the world's markets via streaming.
Derivatives in Organised Markets	Altura Markets	Altura Markets offers a wide range of execution and settlement services in all organised derivatives markets and for all asset classes.
Instruments covered by the market making service	Banco Sabadell	Banco Sabadell chooses to act as counterparty for corporate risk hedging instruments (mainly currency and interest rate derivatives).

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